# Alaska Department of Natural Resources
## Office of Project Management & Permitting

# Fact Sheet: Carbon Offset Program

In 2023, legislation was enacted allowing the State to use its land and natural resources for carbon management projects.

Authorized under AS 38.95.400 - AS 38.95.499 and managed by the Department of Natural Resources (DNR) Office of Project Management & Permitting, the Carbon Offset Program enables the State to develop nature-based carbon offset projects on state land and generate revenue through carbon offset credit sales while creating other co-benefits and helping businesses meet carbon management goals.

**Carbon Offset Credits**

Carbon offsets are tradable credits used to counterbalance—or offset—greenhouse gas emissions. A carbon credit represents one metric ton of carbon dioxide equivalent ($tCO_2e$) removed from or not released into the atmosphere and attributable to a carbon offset project activity. An independent carbon crediting program (carbon registry) verifies reductions or removals to ensure they are real, permanent, and additional (i.e. above a "business-as-usual" baseline scenario that represents emission levels absent the project) and issues credits based on the amount of greenhouse gas emissions reduced or removed. Organizations can purchase and use carbon credits to "offset" their emissions and contribute to emissions reduction or net-zero targets (to be "carbon neutral by 2030," for example).

Carbon offsets can be generated from a range of nature-based project activities, including forest management, reforestation, wetlands restoration, river de-acidification, improved agricultural practices, waste management, and converting biomass into biochar, a solid and stable form of carbon created from waste products like timber harvest residues or agricultural wastes. Altogether, the over 100 million acres of land, 40,000 miles of coastline, and abundant freshwater resources managed by DNR (equal to about 40% of the entire nation's freshwater flow) hold significant potential for carbon offset project development.

**Carbon Offset Program Project Process**

The process for developing carbon offset projects under the Carbon Offset Program is designed to produce transparent, well-vetted, high-integrity projects that involve a robust public process, generate State revenue while providing environmental, social, and economic co-benefits, and achieve real and measurable greenhouse gas emission reductions. Those steps include:

*1. Identification*

There are three general pathways for identifying potential projects for evaluation under the Carbon Offset Program:

1. The Department identifies a potential project, either in-house or by contracting with a third-party carbon project developer or consultant;
2. The Department solicits project recommendations from third parties (e.g. a project developer, an industry representative, a member of the public, or a nongovernmental organization); or
3. A third party submits an unsolicited recommendation for a project.

This suite of pathways encourages project ideas, both solicited and unsolicited, from a wide range of sources while providing the Department with the discretion to decide which potential projects merit further evaluation.

*2. Competitive Solicitation (optional)*

If the Department decides to pursue a project, it may seek a project development partner to perform some of the project work. Contracting for development services must follow the State Procurement Code, which requires a solicitation for competitive bids for contracts over $100,000.

*3. Feasibility Evaluation*

After identifying a potential project in Step 1 above, the Department evaluates the project's feasibility by considering the economic effects, revenue potential, potential impacts on other land uses, and other factors to determine whether to proceed with a project. A feasibility evaluation must be completed before the Department makes a formal best interest finding for the project under Step 5.

*4. Land Reclassification/Management Plan Revision (as needed)*

Projects must be compatible with land use classifications and management plans. If necessary, reclassification or plan amendments must be completed before the Department completes a best interest finding under Step 5.

*5. Best Interest Finding*

The Department must make a written finding that the project serves the State's best interests before initiating the project with a carbon registry. The best interest finding must include the information the Department considered during the feasibility evaluation, provide the facts and issues that are material to the determination, and be subject to public and agency review.

*6. Project Registration*

After a best interest finding is completed, the Department may list the project with a carbon registry (listing is the first step of the project registration process). A registry requires projects to meet certain criteria to ensure emissions reductions or removals are real, measurable, and permanent. In addition to ensuring compliance, credibility, and verifiable carbon benefits, a registry also tracks credit issuance, ownership, and retirements to prevent double counting or other fraudulent activities.

The project registration process can take 18-24 months for initial credit issuance and includes

1. Listing the project with a registry (involves providing high-level project details—like project type, location, methodology, and estimated carbon benefits—for public transparency);
2. Validation and verification of emissions reductions or removals by an independent third party;
3. Project review by the registry;
4. Project registration and initial carbon offset credit issuance;
5. Periodic issuance of additional carbon offset credits following monitoring, reporting, and verification;
6. Credit retirement (permanent removal of credits from the market once the credit owner or purchaser has applied the benefit of the credit to offset their greenhouse gas emissions); and
7. Ongoing project maintenance, monitoring, and reporting.

*7. Marketing and Sales*

At any point during the project development process, the Department may market a carbon offset credit portfolio to prospective buyers.

The Department may market and sell credits either on a prompt-delivery (after carbon offset credits have been issued) or forward-delivery basis (where, prior to credit issuance, the Department agrees to deliver a fixed quantity or proportion of generated credits to a buyer at a pre-defined time and price). The Department may sell credits through an exchange, a broker, or directly to purchasers (i.e., "over the counter"). Purchasers can offset their emissions by retiring credits or resale credits on a secondary market, where they will continue to be traded until they are retired.

**Additional Information**

Additional information about the Carbon Offset Program can be found at dnr.alaska.gov/carbon or by contacting

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