PF OLSEN

Learning and best practice in carbon forest projects

Institutional Investors

April 2025

What does an institutional investor expect?

Returns

Forestry

Timber sales

Rationalisation of estate (Highest and best use – HBU)

Property Sales

Reversion and ag enterprises

Non-financial

Preserve and enhance natural values - TNFD

Social and Community integration and progress

Carbon

Plantation Methodologies

Level playing field for forestry v alternate land use

Development of HBU
Strategy

- **Macro**
  - Markets - Forestry and carbon
  - Distance to market
  - Rainfall
  - Species suitability

- **Micro**
  - Operationally feasible
  - Minimum size
  - Cropping/Ag
  - Forestry

- **Assessment of eligibility**
  - <u>Look closely</u>
  - Schedule 3 and 4 financial eligibility tests
  - Additionality

Operational implications
Tests of additionality

Project planning, works not commenced

Advance planning but no guarantee that project will be approved

Undertake all project activities

prior to registration -> completed application lodge -> application approved

prior to registration

- Purchase or lease of land
- Feasibility checks
- Eligibility checks
- Forest management plan
- Permanence plan
- Carbon estimation areas
- FullCAM runs

completed application lodge

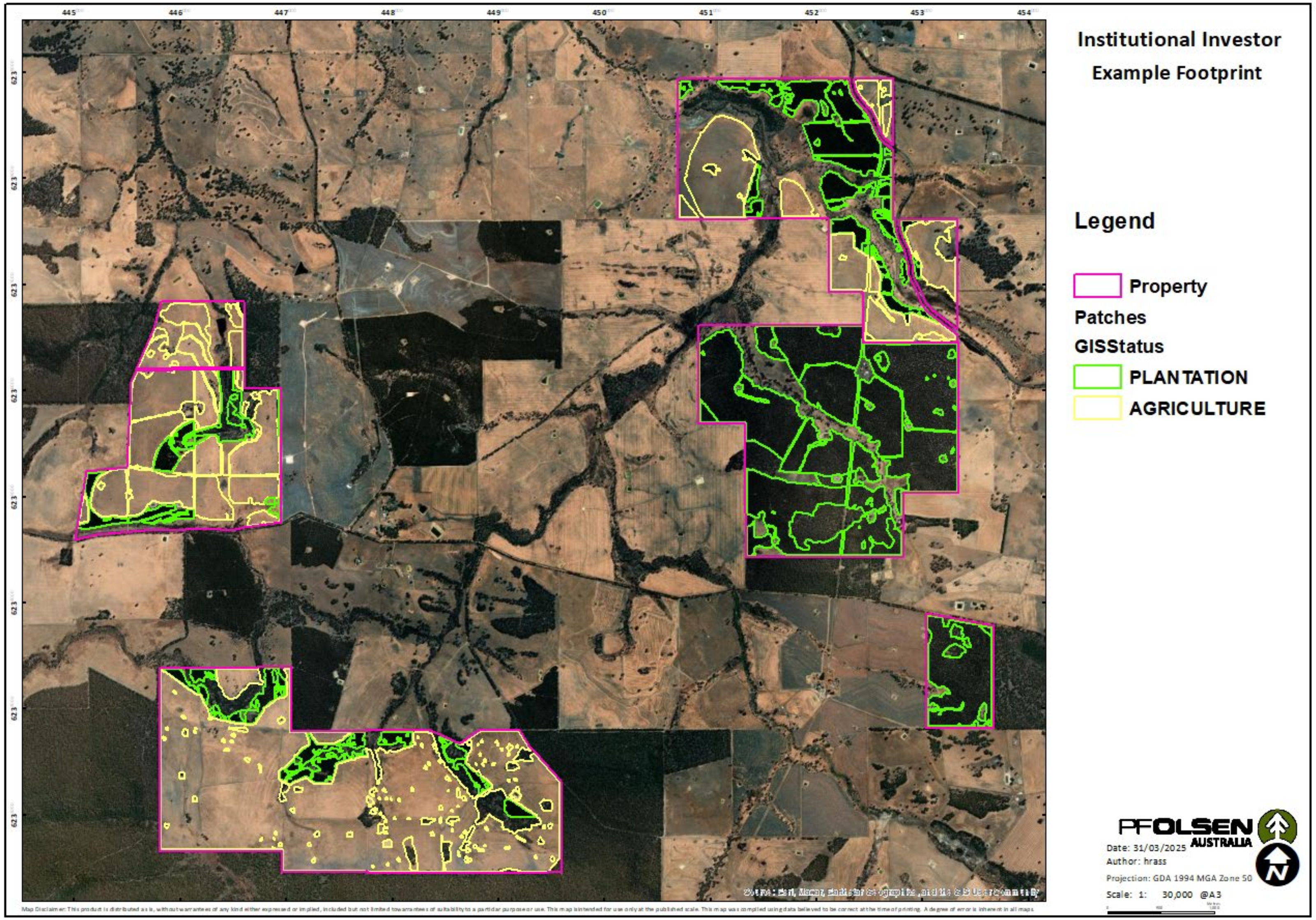
- Site preparation - windrow burning , fertiliser application, weed control
- Planting work - purchasing seeds and seedlings, planting, seeding or coppicing

application approved

- All establishment and management
- Survival assessment
- Auditing
- Reporting

Carbon Forest Projects – Institutional Investors

Communication



In every direction

- Client
- Operations/Regions – Align HBU with the reality of the property.
- Regulator
- Industry

Carbon Forest Projects – Institutional Investors
Dynamic space

- **Change and rerun**
    - FULLCAM
    - Markets and Prices
    - Methodologies – New and superseded
    - Change of government
- **Consistency of approach**
    - Modelling Frameworks
    - Process for running and alignment with an estate
    - Tools (eg satellite imagery, canopy analysis)
- **QA and structured approach**

Carbon Forest Projects – Institutional Investors

What does it look like?

Carbon Forest Projects – Institutional Investors
Conclusions

- **Carbon Methodologies –** New, exciting and a lot of potential upside for investors.
- **Align and integrate** - Pre-existing markets and methods of return across more traditional forestry practices.
- **Communication** - Investment positions and the associated regulatory requirements.
- **Integrity** – Maintaining it is vital for the method and industry – Additionality, appropriate data and adherence to legislation.
- **Integration operational feedback –** implications for the investment position is every bit as important as any initial desk top analysis.
- **It is fluid –**adapt to changes in any space and quickly realise and react to the implications to ensure the return.