

Investing in carbon-focused *timberland*—an interview with Eric Cooperström

What does carbon-focused timberland offer investors? Eric Cooperström, our managing director for impact investing and natural climate solutions, discusses the evolution of new management options that help our clients to achieve a wide range of carbon, financial, and ESG-focused goals.



Eric Cooperström

Managing Director,
Impact Investing and Natural Climate Solutions
Manulife Investment Management



Questions and *answers*

Q: Eric, can you please share with us your journey toward heading up impact investing and natural climate solutions (NCS) at Manulife Investment Management?

Eric: I jumped at the opportunity early in my career to merge my twin interests: finance and my personal passion for making an impact by volunteering and driving change. This led me to pivot from my career in investment banking and private equity toward impact investing and, since then, I've advised a range of clients on deploying private foundation capital and developing and executing impact investment strategies at the world's largest conservation nongovernmental organization. Farming and forests have been a consistent component throughout my career, which led me to my current role, leading impact investing and NCS in timberland and agriculture for Manulife Investment Management.

Q: What kind of opportunities can investing in carbon-focused timberland offer investors?

Eric: Commercial timberlands have traditionally focused on the expected streams of revenue generated from the sale of future timber harvests. In addition, we've long sought to capitalize on the opportunities presented by renewable energy leases, recreation access, and conservation easements among other value-added strategies.

The global prioritization of the Paris Agreement goals, increased carbon market participation, and growing demand for high-quality carbon credits are current drivers supporting forestry as a viable, scalable, and investable NCS opportunity: Trees' ability to naturally capture and store CO₂ from the atmosphere in long-term carbon sinks has added a new dimension to timberland investment and opened new opportunities as companies and investors increasingly look to carbon markets as a tool for achieving their climate goals. And we believe that the increase in carbon market activity—which is expected to increase by a factor of up to 100 by 2050—is likely to drive carbon offset prices higher.

Q: Which investors is carbon-focused timberland appropriate for?

Eric: Forestry projects now generate new management options that can help our clients achieve a wide range of carbon-, financial-, and ESG-focused goals, and we expect private sector net zero commitments to significantly boost demand for voluntary carbon credits. We've seen increasing interest in impact investing from investors across the globe who understand that our long-term experience of both investing in and sustainably operating timberland and farmland assets has shaped and refined our approach to managing for impact. As increasing numbers of institutional investors, companies, and a range of impact investors begin to explicitly value carbon sequestration and other ecosystem services, we believe that carbon will become a more integrated value driver of both timberland and agriculture as providers of stable, high-quality, long-term sources of carbon sequestration in support of investors' net zero goals.

Q: What do you look for when exploring carbon-focused investment opportunities?

Eric: Within timberland and agriculture, our core sustainable investment strategies are our starting point, and the global footprint of our business allows us to look for local investment opportunities for meeting the sequestration and impact needs of individual investors.



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As the leading manager of natural capital assets,¹ many of the fundamentals underlying effective carbon-focused investment are already part of our core strategic focus at Manulife Investment Management. And these sustainable practices have a wider variety of positive outcomes, including cleaner air, water, and soil, as well as other community benefits. In terms of timberland specifically, we seek forests with strong carbon value creation potential and high conservation value. For example, Manulife's general account acquired 89,000 acres of timberland in the U.S. state of Maine, built on a well-established local history of land conservation and public environmental awareness for its carbon-first focus. The lands are subject to a working forest easement offering numerous recreational and local business opportunities, and the acquisition offered us the opportunity to integrate NCS into our investment decisions by allowing the option to sell carbon insets or retire carbon credits to support our own net zero commitments.

We've also developed a carbon tool kit aligned with our carbon principles against which all new carbon projects and acquisitions with existing carbon projects are screened to ensure alignment with our high-integrity carbon focus.

Q: How do you view the evolution of carbon markets, and how can clients best achieve their net zero goals?

Eric: We've been heartened by the improved focus on standards and management practices within carbon markets over the past 20-plus years and warmly welcome clearer guidance emerging from initiatives such as the Science Based Targets initiative that should help companies progress toward net zero. We expect private sector net zero commitments to boost demand for voluntary carbon credits generally, and quality is rapidly becoming a critical differentiator across carbon markets. We see NCS becoming more widely recognized for their climate change potential, especially forestry-generated carbon credits with established track records at scale, which are already available and at relatively low cost, while also delivering a host of co-benefits for nature and local communities. As carbon becomes a more integrated value driver of both timberland and agriculture, we're generating new management options to help our clients achieve a wide range of carbon-, financial-, and environmental, social, and governance (ESG) focused goals through our forestry investments.

Q: Is Manulife Investment Management uniquely equipped to help clients achieve their net zero plans?

Eric: We certainly have the necessary long-term experience of sustainable timberland and farmland management and a credible track record of managing natural resources and NCS both for combating climate change and for their broader ecological and social benefits. This experience extends throughout our vertically integrated organization, which allows ESG and NCS considerations to be integrated from acquisition screening through to investment management and property disposition. And we're intent on developing further carbon strategies to fit the needs of NCS-focused investors, so I certainly do feel we have a significant role to play.

¹ IPE research, as of March 5, 2023. Ranking is based on total natural capital assets under management (AUM), which include forestry/timberland and agriculture/farmland AUM. Firms were asked to provide AUM, and the as of dates vary from December 31, 2021, to December 22, 2022.



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Our own business has taken action to lessen our environmental impact with our forest and farmland assets, allowing us to realize more carbon removals than we emitted on average over the past five years.² We harness our timberland investment expertise to manage carbon projects registered in the compliance and voluntary carbon markets on clients' timberland properties, working with leading carbon project developers and accredited third-party verification and validation bodies to underpin high-integrity, high-quality carbon sequestration. This means that in addition to managing investments for timber value, we're able to develop portfolios of forest investments managed primarily for carbon value that are based on our high-integrity carbon principles and international best practice.

Q: How are you able to measure your impact when reporting to limited partners?

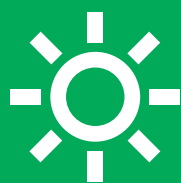
Eric: Performance measurement is a core component of sustainability. Our reporting includes our performance against metrics aligned with each of our five key sustainability and responsible investing priorities as well as other external standards, such as selected UN Sustainable Development Goals and third-party agriculture and timberland certification system objectives. We produce a climate disclosure report consistent with the recommendations of the Task Force on Climate-related Financial Disclosures, and for carbon-focused investments, we measure and report on climate benefits, including carbon credits generated and conservation easement sales for long-term habitat and biodiversity protection, among other value-added strategies. Our sustainability dashboard tracks our progress across five pillars: climate stability, ecosystem resiliency, watershed protection, people empowerment, and community prosperity, in addition to our publicly available third-party audits associated with independent certification standards. And we aim for continuous improvement in both the metrics we track and our performance against them at the investor, fund, and property levels.

Q: Are you optimistic that climate-focused investments can make a real difference to climate change efforts?

Eric: I am, or I wouldn't be so dedicated to NCS investments! It's also why I jumped at the opportunity to join the largest natural capital manager in the world¹ to help move the needle in this direction. A [Proceedings of the National Academy of Sciences](#) study has demonstrated that NCS could contribute up to a third of the cost-effective solutions needed to keep the earth within the Paris Agreement warming boundary of 2°C. In our view, it's imperative that greater investment flows are used to support them; in particular, timberland and agriculture investments can make up the vast majority of those NCS offerings while delivering important co-benefits to nature and society.

Carbon markets are changing very quickly as demand from corporate and individual investors grows, and the necessary infrastructure around critical issues such as quality, standards, and transparency is also evolving rapidly. We believe the time is right for climate-focused investments in forests and farmland, and now we just need continued sustained uptake from investors to make that real difference.

² Read our recent annual [sustainable investing report](#), which includes our performance against metrics aligned with our sustainability priorities as well as other external standards, such as the [Global Impact Investing Network](#), the [Sustainable Development Goals](#), and third-party certification system objectives.



Questions and *answers*



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Manulife Investment Management

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