

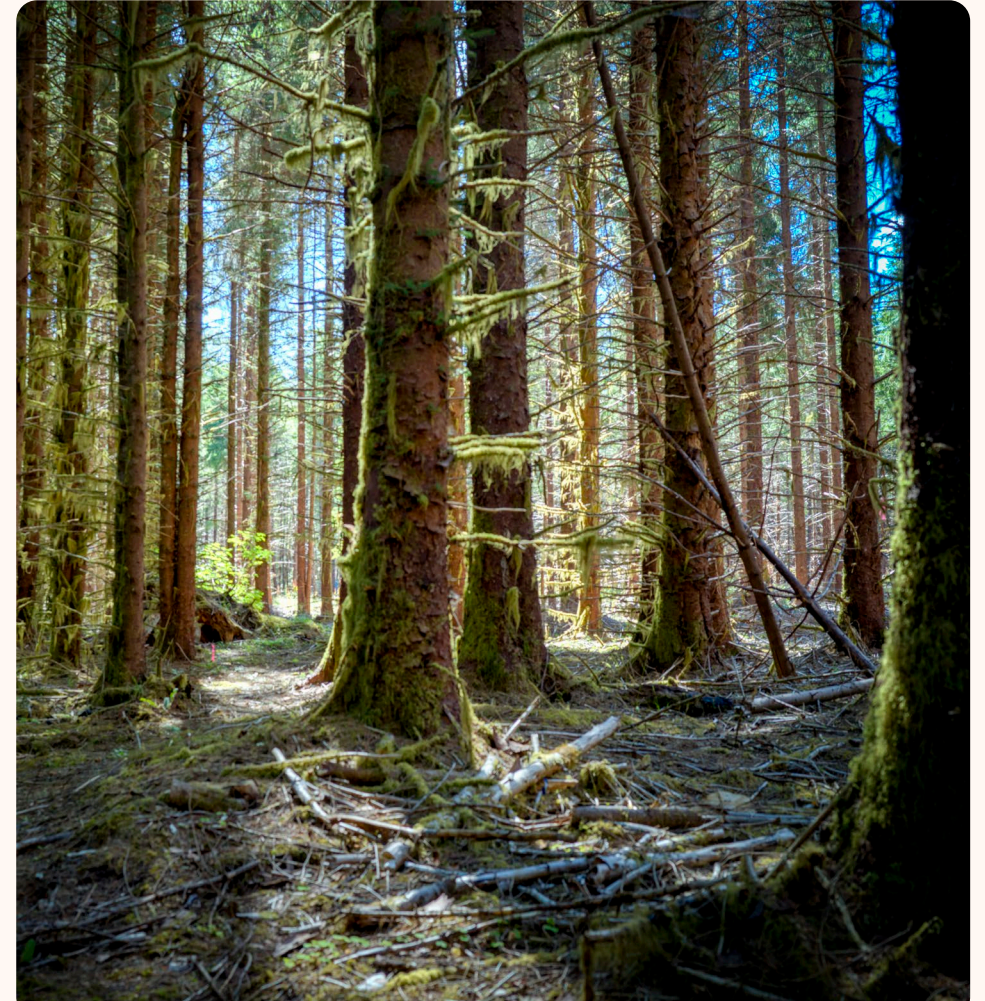


EFM

Olympic Rainforest IFM

Improved Forest Management (IFM) on timberland in Washington State's Olympic Peninsula.

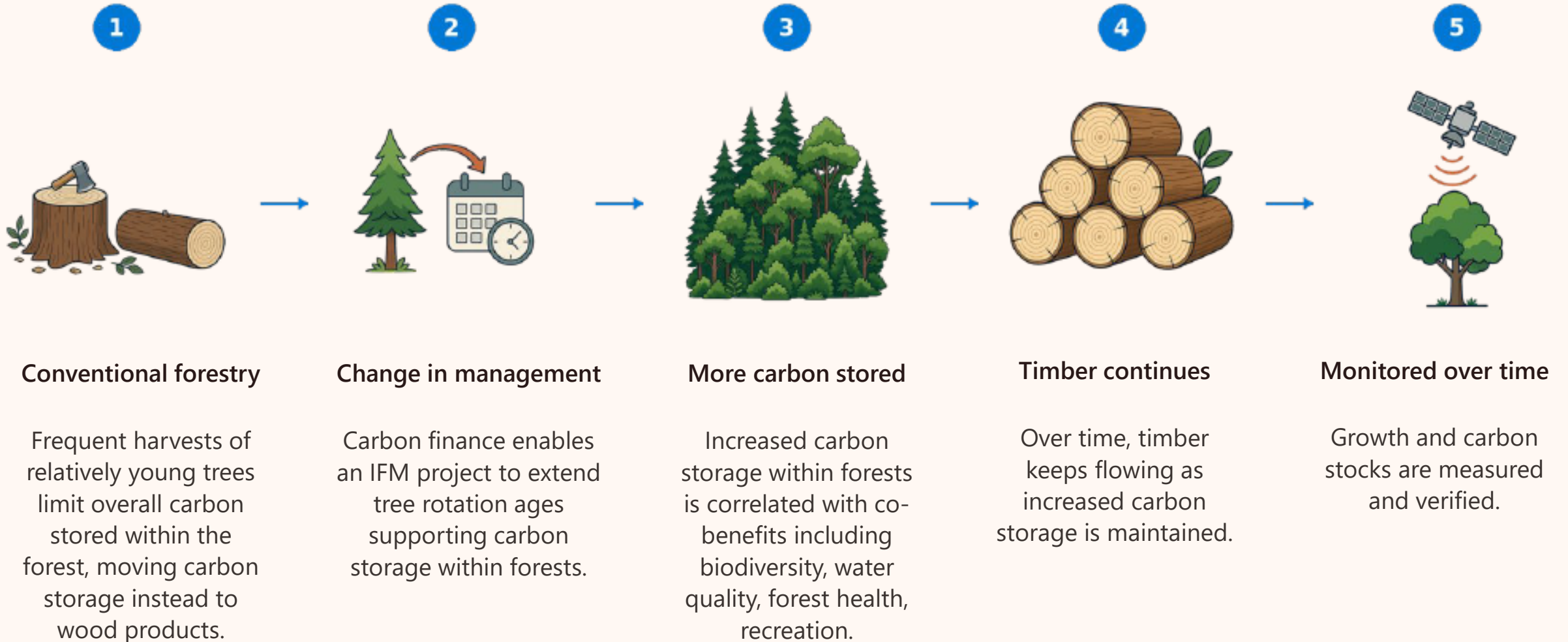
For close to a century, this 68,000-acre property on Washington's Olympic Peninsula was managed as a typical Pacific Northwest working forest. Highly productive, long-lived, commercially valuable Douglas fir, Sitka spruce and hemlock were harvested on 35–40-year rotations to maximize financial returns, capping how much carbon the forest could hold at any one time. Microsoft's offtake agreement—alongside an investment in EFM's Fund IV—enabled EFM to buy the property and transition it to climate-smart management: longer harvest cycles (by 15–20 years), ecological forestry principles that favor commercial thinning and variable retention rather than clearcutting, and logging practices that mitigate impacts on soil and stream quality. These management changes allow trees to grow larger and older than they otherwise would, raising the total carbon stored across the landscape. Because that additional carbon is drawn from the atmosphere as the trees grow, the incremental biomass results in net carbon removal.



A photograph of the understory view of conifer forest on the Olympic Peninsula. Photograph by Gary Irving.

Removal Method = IFM

Climate-smart forest management



Key Diligence Considerations

When Microsoft evaluates an IFM project, we look closely at the following:

- 1. Baseline integrity:** The baseline is the business-as-usual scenario for what would have happened to the forest without the carbon project, and it is the single largest driver of credit quality in IFM. We require IFM projects to use “dynamic baselines”—mandated under the ACR IFM methodology v2.1—that update at each credit issuance to reflect actual market and policy conditions, rather than static baselines fixed at the outset. Following these requirements, EFM constrained its modeled baseline to a “Common Practice Stocking” floor set by regional timber-stocking averages for comparable properties, which keeps the project from over-crediting against a counterfactual scenario that holds less biomass than the regional norm.
- 2. Leakage:** Reducing harvest on the project land does not reduce overall demand for wood, so production can shift to other lands (“economic leakage”¹). We expect projects to manage the resulting over-crediting risk through conservative accounting—applying a conservative “leakage deduction,” showing they are not simply moving harvests to non-project lands, and maintaining ongoing timber supply rather than displacing production. EFM reduces leakage risk by (i) reducing harvest rather than halting it, (ii) managing all its regional holdings at the portfolio level under an FSC certification, so timber harvests are not moved outside the project area, and (iii) applying ACR IFM v2.1’s maximum leakage deductions.
- 3. Durability:** Reversals resulting from events such as wildfire, pests, disease, or land-use change can negate credits already issued and undermine climate integrity. We assess reversal risk using historical disturbance data and geospatial risk modeling, and we confirm that buffer-pool contributions are sufficient to insure against potential losses. The Olympic rainforest property sits in a high-rainfall region with a relatively low natural risk profile, and EFM’s active management further reduces exposure to avoidable reversals (i.e. those reasonably within the developer’s control).
- 4. Forestry quality and certification:** Durable carbon gains should not come at the expense of broader ecosystem health, so we require every IFM project to hold Forest Stewardship Council (FSC) certification or its equivalent. FSC certifies responsible harvest levels alongside practices that improve biodiversity, soil health, and water quality across the project area. EFM’s project is FSC-certified and audited annually, sustaining management practices that prioritize structural diversity, habitat value, and watershed protection.
- 5. Community impacts:** Large cuts in harvest can hurt the rural economies that depend on the forest supply chain, and a project that loses local support puts its own long-term viability at risk. We assess how a project affects local timber economies, mills, and community stakeholders, and whether it sustains or disrupts existing supply chains. To build continued community support, EFM maintains timber production through integrated supply relationships that support local mills and jobs, while diversifying revenue to include carbon, restoration, recreation and conservation.

¹ As described in our [Criteria for High-Quality Carbon Dioxide Removal](#), there are two forms of economic leakage: activity-shifting and market. Activity-shifting leakage occurs when agents operating within a project boundary shift production to outside the project boundary. Market leakage occurs when a project reduces the production of a good, and this local reduction induces increased production of that good elsewhere to meet demand. Microsoft evaluates the potential for both types of leakage in an IFM project.

Our Agreement

In May 2025, Microsoft contracted for up to **815,548 tonnes** of carbon dioxide removal over a **9-year delivery period**. This was our first long-term IFM offtake agreement and we signed it alongside a Microsoft Climate Innovation Fund investment in EFM's \$300M Fund IV.

Why We're Excited About This Project

Unlocks scalable impact of new approaches to high-quality IFM. The United States has roughly half a billion acres of working forestland. If climate-smart practices like those utilized by EFM are adopted on even a fraction of that land, the IFM pathway can deliver hundreds of millions of tonnes of carbon removal. As one of the first projects to adopt the latest IFM methodology (ACR IFM v2.1, which leverages "dynamic baselines") and to add a constraint that caps credit generation at the baseline stocking of comparable forests, this deal sets a quality bar that defines what strong projects should meet.

Strengthening a legacy industry in Microsoft's own backyard. Working forests and the mill towns they support have anchored the Pacific Northwest economy for over a century. This project keeps the land in active forestry rather than converting it to uses that would be expected to release stored carbon, and it broadens revenue beyond timber to include carbon, conservation easements, and ecosystem services. It also reinforces FSC-certified practices and channels fresh investment into rural timberland communities on the Olympic Peninsula.