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Trading Firm Pioneers Forest-Based California Emissions Rules

By John J. Fialka

A New York firm that trades in emissions-reduction credits announced today that it has purchased the first credits sold under rules approved by California in October. They set standards for the verification of carbon dioxide reductions caused by forestry practices.

Jack Cogan, president of Natsource LLC, said it had purchased 60,000 tons of carbon emissions reductions on behalf of investor clients from the Pacific Forest Trust, a San Francisco-based nonprofit that manages private forests on the West Coast in compliance with the new rules approved by California's Air Resources Board.

The rules were developed to control voluntary trading done in advance of the state's mandatory greenhouse-gas regulations, which begin in 2012, and require third party monitoring firms to measure whether the reductions are achieved or not.

"We know there is lots of controversy about measurement and about leakage," noted Cogan, "and there are lots of legitimate environmental concerns." Scientists and environmental groups have argued for years about how much carbon can be reliably stored by trees and whether regulations can be developed to make sure that the covered trees aren't later cut down or that preservative actions aren't offset by cutting down trees elsewhere.

"Having said all these things," Cogan added, "this is not a perfect world and we think ways to use forests in the battle against climate change is a good thing."

Cogan said the money used to buy the reduction credits came from funds investors have deposited with Natsource. While he said he could not disclose the amount involved, he said "our investors expect a return on it" when companies facing mandatory CO2 reductions begin buying credits to offset their emissions.

Under the transaction, the money from Natsource goes to the Van Eck Forest Project in Humboldt County, Calif. The forest is owned by a foundation designed to benefit Purdue University and is managed by the Pacific Forest Trust.

Laurie Wayburn, president of the trust, said the forest is managed under an easement or legal restriction that requires a lower harvesting rate than is normal for California redwood forests. On the average, California redwood trees on private land are cut down for lumber when they are 40 years old, but under the easement the average tree will grow much older, storing more carbon during their extended lifetimes.

"These forests have the capacity to store enormous amounts of carbon," Wayburn said, explaining that the trade will promote that capacity. "It's like rebuilding a bank account."

Stanley Young, a spokesman for California's Air Resources Board, said the new rules "are very vigorous and will be verifiable." Under earlier versions of the rules, Speaker of the House Nancy Pelosi (D-Calif.) and California's governor, Arnold Schwarzenegger (R), made contributions to the forest project to offset emissions created as they jetted around the country.