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NY Company Buys First Californian Forest Carbon Credits

By Timothy Gardner

NEW YORK - US carbon asset manager Natsource LLC said on Monday it has invested in the first forest-based greenhouse gas emissions reductions under California rules.

Natsource paid a private owner of a redwood forest in Humboldt County represented by nonprofit group the Pacific Forest Trust for credits representing 60,000 tonnes of carbon emissions.

The company declined to say how much it paid for the credits, but a source familiar with the deal said Natsource bought the credits for "well below" \$10 per tonne.

Trees soak up the main greenhouse gas carbon dioxide as they grow, and release it when they rot or are burned.

Carbon market developers like Natsource say they can encourage land owners to make forests grow and absorb more carbon by paying them to take actions that wouldn't have happened otherwise, like slowing deforestation and harvesting timber more carefully.

The United States does not regulate greenhouse gases, but several states like

California and 10 others in the Northeast are creating carbon markets of their own.

In voluntary carbon deals, payments are swapped for carbon credits that investors store in hopes the United States regulates greenhouse gases in the future, which would likely push up prices for the credits.

"From our point of view this is a statement and an investment," Jack Cogen said in a telephone interview. "We are confident we are going to make money on this over time."

Cogen said forestry will likely be included in a future greenhouse regulatory regime in the United States and in a global emissions deal.

Voluntary deals hold risk, however, because it can't be known whether any future US regulatory regime would give credit to early actions, or whether prices would rise significantly in regional markets that are forming.

As global forests are lost to agriculture and urban sprawl, land owners around the world are increasingly looking to generate credits for saving trees. A UN climate conference in

Bali late last year agreed to launch pilot projects to grant developing countries credits for slowing deforestation under a new long-term climate pact beyond 2012.

Natsource and PFT said the deal was the first under rules adopted last year by the California Air Resources Board (CARB) which set governmental accounting standards for emissions reductions through slowing deforestation.

Opponents of generating carbon credits for protecting trees say it is hard to prove that land owners would not have slowed harvesting on

their own.

But Laurie Wayburn, the president of PFT, said the deal will save emissions by paying land owners to let the forest grow back more fully from the last time it was harvested and that the state's rules ensure the reductions will be verified.

Eventually that should lead to bigger forests that will grow in value, she said.

"The additional revenue stream allows forest owners to take a long-term harvesting strategy rather than a short-term strategy," she said.