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WIND FARM: Some carbon-offset companies invest in renewable energy projects like these wind turbines in Kasigluk, Alaska, funded by Vermont-based NativeEnergy. PHOTO COURTESY OF ALASKA VILLAGE ELECTRIC COOPERATIVE

DO CARBON OFFSETS LIVE UP TO THEIR PROMISE?

Consumers purchase them to relieve greenhouse-gas guilt, but there's no easy way to keep offset companies accountable.

By Moises Velasquez-Manoff / *Correspondent of The Christian Science Monitor*

In 2006, "carbon neutral" became the New Oxford American Dictionary's word of the year, evidence not only of the "greening" of our culture, but of our language as well. As scientists predict another bout of record-setting temperatures this year, climate concerns may soon "green" our wallets as well. By all accounts, 2007 is poised to see the industry of carbon neutrality - so-called carbon offsetting - grow dramatically.

In theory, the idea is simple. The consumer pays a third party to remove a quantity of carbon (in the form of a greenhouse gas) equal to what he or she emits. But how voluntary carbon offsets actually work is unclear at best, and potentially fraudulent at worst, say experts.

The problem: No current certification or monitoring system has any teeth, and there is no easy way to confirm that offsetting companies are doing what they promise. Now, various organizations are scrambling to provide standards for what experts call a fragmented market with a product of drastically varying quality.

The first-ever ranking of carbon offsetters recently released by Clean Air-Cool Planet, a nonprofit in Portsmouth, N.H., graded 30 companies on a scale of 1 to 10; tellingly, three-quarters scored below 5. Critics, meanwhile, question whether the carbon market might be a dangerous distraction at a time when decisive action is needed to avert climate catastrophe.

"On the one hand, there is the potential benefit of educating people through offsets," says Dan Becker, director of Sierra Club's global warming program. "On the other hand, if people view offsets like papal indulgences that allow you to continue to pollute, then it's probably not a good idea."

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Many companies have nonetheless moved to make carbon neutrality part of their 21st-century brand identity. Travelocity and Expedia now offer customers the option of offsetting carbon emissions associated with their trips for a few extra dollars. In 2005, "Syriana" became the first carbon-neutral movie. In 2006, "An Inconvenient Truth" followed suit to become the first such documentary. With the purchase of 170,000 tons of carbon offsets, HSBC declared itself the first-ever carbon-neutral bank. Other companies, including Google and Ben & Jerry's - not to mention musical groups such as the Dave Matthews Band - are moving toward, or have arrived at, various levels of carbon neutrality.

And that's just the beginning, say analysts. The volume of metric tons of carbon traded on the voluntary market doubled last year over 2005. It's widely expected to double again in 2007. Of 92 companies polled by The Conference Board, a nonprofit business research organization, three-quarters were actively computing their carbon footprint. While only 15 percent were currently trading on the voluntary carbon market, 40 percent were considering it. Carbon was the topic du jour in more than two-thirds of the corporate boardrooms polled.

Carbon markets fall into two broad categories:

1. The cap-and-trade system. Countries that have ratified the Kyoto Protocol, an amendment to the global treaty on climate change, participate in this system by setting a limit, or cap, on greenhouse-gas emissions. Those companies that emit less than their allotment receive credits that they can sell on carbon exchanges. Those that emit more must purchase credits in order to avoid financial penalties. (The voluntary Chicago Climate Exchange also operates this way.) Proponents of this system trust the innovative power of the free market to promote energy efficiency.

2. The voluntary carbon market. In the United States, the market for carbon offsets is voluntary, driven primarily by corporations seeking to enhance their brand identity or to familiarize themselves with what they consider to be an inevitability.

Many offsets sold on this market are what Ricardo Bayon, director of Ecosystem Marketplace, a San Francisco-based information provider on ecosystems services, calls "gourmet." Their value lies not in the compliance, but in the prestige of achieving carbon neutrality. At first glance, this type of offset appears more straightforward: A consumer pays for a carbon-removal service.

Dig a little deeper, however, and it gets more complicated. There are many ways to remove carbon from the air, each operating on a different time scale and all of them of different "quality." You can capture greenhouse gases by planting trees. You can also prevent greenhouse gas from entering the atmosphere by burning methane released from animal manure and landfills. (As a greenhouse gas, methane is 23 times more potent than CO₂.) Or you can preempt its release by building alternative-energy sources such as wind- and solar-power devices.

Compounding an offset's inscrutability is its intangibility. Unless you're willing to visit Uganda in 20 years to verify the existence of a new tree, a carbon offset is arguably invisible. "The carbon market is particularly difficult because of that issue," says Mark Trexler, president of Trexler Climate + Energy Services in Portland, Ore., the firm commissioned to author Clean Air-Cool Planet's (CA-CP) guide to carbon offsets. "You're dealing with stuff in the future in many cases that hasn't happened yet."

CA-CP's "A Consumer's Guide to Retail Carbon Offset Providers" attempts to wrangle a

semblance of order from what one industry insider calls the "Wild West." It ranks offsetting companies on factors like transparency, third-party certification, their efforts to educate consumers, and how well they prove they're not selling the same carbon offset more than once.

CA-CP's ranking effort is the first in what's likely to be a burgeoning industry effort at standardization. Two San Francisco organizations, Business for Social Responsibility and Ecosystem Marketplace, recently joined forces to write guides on the voluntary carbon market, and Ecosystem Marketplace is about to release a book on the topic. This spring, the Center for Resource Solutions in San Francisco plans to release a certification standard it hopes will be universally adopted.

Central to the CA-CP report - and to the debate on how to gauge an offset's quality - is the topic of "additionality." Additionality is determined by answering a deceptively simple question: Would a project have happened anyway? If yes, the offset cannot be said to have additionality. If no, then it qualifies as a true offset. Simple - except that no one agrees on what *could* have happened.

"You put a bunch of climate wonks in a room, it's the one [topic] they're going to talk about most," says Mr. Bayon. "And it's the one that has bedeviled every single climate discussion I've ever seen."

But while experts disagree on the effectiveness of the carbon market at averting global warming, nearly everyone agrees on two points. First, the fact that people are beginning to factor in the cost of their carbon footprint when doing business is good. "You're starting to put a price on the emissions of carbon," says Bayon. "That cost begins to filter into your operations. And you start saying to yourself, 'Should I throw that 10 or 20 bucks out of the window?'"

Second, the more money invested in renewable energy, the better. "That has an important effect in the aggregate," says Bogdan Vasi, assistant professor at Columbia's School of International and Public Affairs in New York City. "As more and more people make these choices, they are creating a market, and slowly it's shifting the proportion of renewable energy to fossil-fuel energy."

But ultimately the carbon-offset market is more a phase than a destination, says Jonathan Isham, professor of international environmental economics at Middlebury College in Vermont. "We really want a world where, in a generation, we don't need offsets anymore," he says. "Once we get the legislation we need, prices will reflect the social costs of carbon."



SCOTT WALLACE - STAFF

MORE TREES NOT NECESSARILY THE WAY TO A COOLER EARTH

Everybody loves trees. They're beautiful, big, and green. Unfortunately, planting them may not be the best approach to reduce global warming, say scientists. While a tree does suck up carbon, its net cooling effect depends on latitude, according to a collaborative study from Lawrence Livermore National Laboratory in Livermore, Calif. Only trees planted at tropical latitudes have a net cooling effect. Those at temperate latitudes actually warm the planet.

And unless a forest is permanent (and who can guarantee that?), trees only temporarily sequester atmospheric carbon. When they burn or decompose, the carbon they contain is released back into the atmosphere. In tropical countries, where trees are most effective as a cooling agent, they're often up against poverty and political instability. "Does some guy wake up and say, 'Now I'm the dictator of the country. I want a golf course?'" says Michael Dorsey, a professor of environmental studies at Dartmouth College in Hanover, N.H. "There's the big issue."

Still, a tree's value shouldn't be discounted. While not the ideal carbon solution, they do increase biodiversity and decrease soil erosion. Most important, their natural appeal makes them ready-made symbols. "We do support tree-planting projects to get our employees engaged," says Erin Meezan, director of environmental affairs at Interface Inc., a textile company with an environmental bent. "It's one of the easiest things for people to understand. If you start getting into anaerobic digesters and underground injection, we lose them."

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