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PG&E carbon offsets fund California forest

By BERNIE WOODALL

LOS ANGELES, Feb 26 (Reuters) - Pacific Gas & Electric Co and The Conservation Fund on Tuesday announced the first big sale of carbon dioxide offsets in PG&E's ClimateSmart program that is voluntarily funded by utility ratepayers.

A carbon offset is payment to another party that makes up for activity by a person or a company that causes carbon dioxide (CO₂) emissions, the primary greenhouse gas.

In this case, PG&E customers will pay to offset 200,000 tonnes of CO₂ emissions by giving an undisclosed amount of money to help The Conservation Fund manage a nonprofit working forest in Northern California. That's about as much CO₂ emissions created by 37,000 average PG&E households annually.

PG&E, one of the biggest U.S. utilities, adds a fee to bills of power and natural gas customers who volunteered to offset use. For an average house, that's about \$4.50 monthly into ClimateSmart to be spent on green projects.

The pool of customers has grown to about 17,500. Since the program began last June, customers have paid nearly \$1

million into ClimateSmart, said PG&E, the principal unit of PG&E Corp (PCG.N: [Quote](#), [Profile](#), [Research](#)) which is headquartered in San Francisco.

PG&E gets no financial benefit from the transaction to help fund the Garcia River Forest in Mendocino County, which is located about 130 miles north of San Francisco, the company says.

Pulling money together from ratepayers into a huge pool can fund large conservation projects, said PG&E and Chris Kelly, California program director for The Conservation Fund.

In the still-taking-shape world of carbon dioxide (CO₂) offsets, the California Public Utilities Commission allowed PG&E to value a tonne of CO₂ emissions at \$9.71.

"The offsets are real and induced by your payments," Kelly said, referring to PG&E customers enrolled in ClimateSmart. "PG&E (funding) is allowing us to reduce the amount of timber we bring to a mill each year to about 1 million board-feet or less. Otherwise, we'd have to bring 1.5 or 2 million board-feet to the mill to meet our operating expenses."

The amount of wood from a redwood tree that captures a tonne of carbon is worth about \$30 if it is milled. So, Kelly suggested, that may be the true value of a forest CO2 offset once an actively traded market is in place.

The PG&E deal will help the forest regain good health quicker after years of clear-cutting by profit-minded owners, Kelly said.

The Garcia River Forest is one of two -- the other is the 2,100-acre Van Eck Forest in Humboldt County in Northern California -- to be certified to sell carbon offsets by the California Climate Action Registry. The registry is a voluntary organization that registers companies and government and private organizations that volunteer to report their greenhouse gas emissions -- which primarily consists of CO2.

The fund bought the Garcia River Forest in 2004. It consists of 60 percent redwoods and 40 percent Douglas firs.

By owning the forest and not cutting trees at the pace of a normal industrial owner, The Conservation Fund has smaller deals than PG&E's for another 300,000 tonnes of offsets from Garcia River Forest, Kelly said.

By the summer of 2010, PG&E hopes to have raised \$20 million and remove 2 million tonnes of CO2 from the air with ClimateSmart. The average PG&E household adds 5.3 tonnes of carbon emissions a year.

AEP, the nation's biggest coal user and emitter of CO2, has said it produced an estimated 145.3 million tonnes of CO2 in 2006.

The U.S. produces about 7 billion tonnes of greenhouse gases per year, according to the U.S. Environmental Protection Agency. That number includes CO2 and the other greenhouse gases.