

February 26, 2008

PG and E Buys Some Hot Air In California Trees

Posted by Keith Johnson

Rebecca Smith reports from California:

Pacific Gas and Electric Co., the big California utility, is buying its first carbon credits for forest conservation, a move that could be a model for other utilities.

Under the arrangement, PG&E is making annual purchases of 214,000 carbon-dioxide emission credits derived from California forest land. For PG&E, the deal is tiny, amounting to only about 1% of the utility's annual CO2 emissions. But it marks a big purchase in the world of forestry-derived CO2 credits, an area gaining interest around the globe. ([Here](#) and [here](#).)

PG&E will pay \$10 for each credit, for a total of about \$2 million per year. The deal satisfies the California Climate Action Registry, a standards-setting body that has created protocols to quantify and verify the mechanics of carbon storage.

The utility is spending money from customers who volunteered for a program to make them "carbon neutral." In coming years, U.S. utilities likely will have to cut their carbon footprint to slow climate change. Most will cut emissions at power plants, but many likely will buy carbon offsets, too.

Most of PG&E's purchase – 200,000 annual credits – is going through The Conservation Fund, an environmental group. The credits

come from a 23,780-acre parcel in the Garcia River Forest of Mendocino County that was last logged in 2004 by other owners. The Conservation Fund, working with Nature Conservancy, plans to restore it and run it as a "sustainable" working forest with careful timber harvesting. Carbon sales will generate more cash than tree cutting — \$700,000 annually versus \$500,000.

"We're not just tree farmers anymore, we're carbon farmers," said Chris Kelly, California program director at the Conservation Fund. He estimates a redwood tree is worth more for its carbon credits than lumber at carbon prices above \$30 a ton.

A smaller part of the PG&E purchase – 14,000 annual credits – is coming through the Sempervirens Fund, formed in 1900 to protect California's giant sequoias. Those credits cover a 202-acre tract of redwoods and fir trees in the Lompico Headwaters Forest in Santa Cruz County that's been removed from active logging. Sempervirens bought it as part of a 425-acre parcel in 2006 for \$3.85 million from a timber company. Its aim is to transfer title to a water district for protected watershed. Sempervirens is placing a conservation easement on the 202-acre tract, permanently prohibiting logging.