Carbon Credits for Carbon Sequestration

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Recently you may have heard people talking about “carbon credits,” “carbon trading,” "carbon sequestration,” and possibly even the “Kyoto Protocols.” These phrases and other similar terms have become increasingly part of our language as energy companies, paper mills, factories, and other industrial manufacturers are looking for opportunities to offset their greenhouse gas emissions through a market-based mechanism that would pay woodland owners to grow trees.

Sounds simple and the idea is certainly very interesting to many woodland owners who are looking for opportunities to generate income from their lands. But what are the opportunities and how can you get involved? I hope to cover the issue, the opportunities and the commonly asked questions that many people have as a series of articles in the newsletter. I thought that I would start with the Kyoto protocols and the basis for “trading” carbon credits.

So where did this start? The United National Framework Convention on Climate Change, commonly known as the Earth Summit, held in Rio de Janeiro in 1992 was where it all started. Article 2 of the convention directly addressed the need to stabilize greenhouse gas emissions “at a level that would prevent dangerous anthropogenic (human caused) interference with the climate system.”

One of the main greenhouse gases of concern is carbon dioxide. The burning of fossil fuels for energy, heating, and transportation has led to elevated levels of carbon dioxide in the atmosphere. Through the process of photosynthesis trees remove and use carbon dioxide to create roots, branches, trunks and leaves. Therefore trees and other green plants are seen as a potential solution to help slow down global climate change by removing carbon dioxide from the atmosphere and storing (sequestering) it as part of the permanent structure of the tree.

As a part of United National Framework Convention on Climate Change the “Kyoto Protocol” was established to create policies and measures to reduce greenhouse gas emissions. The Kyoto Protocol requires industrialized nations (the United States did not ratify these protocols and is not bound by them) to reduce their greenhouse gas emission to approximately 95 percent of their 1990 levels by 2008-2012. Countries that are unable to achieve this goal through direct reduction of emissions are allowed to “compensate” by buying credits from countries that have under used their emission allowance, by investing in “cleaner” energy technology abroad or by putting money into forestry or soil conservation.

Article 3.4 of the Kyoto Protocol provides an option to account for increases in carbon storage through forest management. Essentially, under these rules, companies can offset the amount of carbon dioxide they release into the air through industrial processes by purchasing credits from individuals or organizations who can show they are decreasing atmospheric carbon dioxide through forest management or soil conservation activities. This is often referred to as Carbon Trading.

This is the first in a series of articles on Carbon Credits. I plan to address how Carbon Credits are traded on the Chicago Climate Exchange in my next newsletter. You can learn more about the Chicago Climate Exchange online at http://www.chicagoclimatex.com/