



Biggest California forest owner enters carbon trade

By Peter Henderson

September 30, 2009

LOS ANGELES (Reuters) - The largest private forest owner in California, Sierra Pacific Industries, is entering carbon markets with a deal to preserve redwoods and other trees and sell credits for soaking up greenhouse gases to power companies and investors, the company said on Wednesday.

The move is a sign that commercial forest owners who have hesitated to embrace carbon markets now see financial potential in the developing system of creating 'offsets' to industrial pollution that can be sold to factories and energy companies.

International climate change talks in December will include discussion of similar schemes to stop the destruction of global forests, which accounts for about a fifth of global greenhouse gas emissions.

Sierra Pacific and environmental markets company Equator LLC's Eco Products Fund will develop a 60,000 acre project to sequester 1.5 million tons of carbon dioxide, roughly equivalent to 200,000 to 300,000 cars' pollution in one year.

Trees which otherwise would be cut down will be allowed to keep growing, increasing the storage of carbon dioxide. It is one of the first deals under updated California rules that incorporate forest management into the most populous U.S. state's plan to cut greenhouse gases.

California plans to cap emissions in the state and allow power companies to trade pollution credits, a system known as cap-and-trade that will begin in 2012 -- unless a federal plan being considered by the U.S. Congress pre-empts it.

The project creators expect the Sierra forest credits will qualify in federal or state plans, and that when trading actually begins there will be a big demand for projects, which take some time to start.

Sierra Chief Financial Officer Mark Emmerson said the carbon, which will have to be kept intact for a hundred years to qualify for the California program, was a new commodity.

"It fits really well with industrial forestry," he said.

Forest management projects generally allow selective cutting of trees, and credit is built if the remaining forest is larger than would be available if cut at traditional rates.