

Australian bank accepts carbon credits as currency

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The idea of buying and selling carbon credits stored in trees on farms or in forests, has been adopted by an international merchant bank. Rothschild Australia is setting up a managed investment scheme, that aims to buy and sell carbon credits to multinational companies, to offset the companies' greenhouse gas emissions.

Rothschild's Simon Games-Thomas says the scheme is more about learning how to legally sell this new type of commodity, rather than turning a profit. "It's less of a profitable enterprise than trying to get involved in the market place.

"There've been a lot of questions asked by clients of the bank about how the protocol or how working in a carbon constrained world is going to affect their business and in response to those questions we decided to put together the consortium."

The move has been welcomed by Professor Snow Barlow, from the research centre for Greenhouse Accounting.

Professor Barlow says the process of trading carbon credits can earn money for farmers with tree lots, as well as having an obvious benefit for the environment. "I see it as another step along what is proving to be quite a long road towards actually giving a value to carbon – that's what it's all about.

"People that own land and who cultivate woody perennial vegetation are essentially farming carbon."

Environmentalists argue the exchange of money for carbon dioxide (CO₂) allows industry to 'pay for global cooling.'

Emissions trading, the selling of federally recognized "credits" from one industry to another, upped tempo following the 1998 Kyoto Accord on global warming - which called for a reduction in the worldwide CO₂ emissions to below 1990 levels.

How does it work?

The proper term is 'carbon sequestration' - otherwise known as 'sinks'.

Coal-burning operations that lack the ability/technology to reduce emissions to Kyoto levels make a greenhouse trade with farmers or agri-businesses - who by growing trees 'absorb' the industrial carbon output.

A consortium of Canadian greenhouse gas producers - GEMCo work on the basis that one acre of farmland can absorb about one ton of carbon.

GEMCo pays an average of \$1.50 a ton to obtain 2.8 million metric tons of greenhouse gas reduction credits. But this deal could eventually exceed \$5 million because the credits become more valuable the longer they are held until the year 2008, the deadline for the Protocol.

What's the catch?

Carbon trading is still unregulated. Despite contracts being signed - not one national government has guaranteed that they will recognise the credits.

It's also argued that native forests will be lost in the haste to create 'tree farms'; and that plantation establishment is pursued in a helter skelter manner, without proper planning or thought of environmental sustainability.

Who's in?

There are several major players who have backed CO₂ currency - Canada, Australia, New Zealand, United Kingdom and the European Union.

In 2001, Australia set up the first official futures exchange in carbon credit trades.

In May this year, New South Wales mining company Centennial Coal made a deal to sell a major Japanese power utility carbon credits in what was believed to be one of the first trades under the Kyoto Protocol.

The company who had several mining operations within the Lithgow district - paid landholders in the far west to grow salt bush in exchange for the carbon credits generated.

In some cases companies have bought large tracts of land to grow specially planted agri-filters. These trees face a life-expectancy of 30 - 35 years after which they'll be harvested in regional mills.

Source: www.abc.net.au