'Carbon-offset' markets are riddled with fraud

by The San Diego Union-Tribune

In coming months, Congress will take up landmark legislation by Sen. Joseph Lieberman, I-Conn., and Sen. John Warner, R-Va., meant to reduce the greenhouse gas emissions blamed for global warming. It would be nice if the veteran senators spent less time complimenting themselves for their sagacity in coming up with the plan and more time fixing its obvious flaw.

We refer to its reliance on a lightly regulated cap-and-trade scheme akin to those in place in Europe and a few other places around the world. These schemes allow polluters - whether they be individuals, companies or whole industries - to buy "carbon offset" credits to atone for their harm to the environment. The payments, in theory, fund various projects and initiatives that reduce greenhouse gas emissions.

Such credits are also available for polluters to use on a voluntary basis in the United States. So far, U.S. media coverage of such credits has often focused on quirky details such as the fact that California Gov. Arnold Schwarzenegger offsets his frequent use of his private Gulfstream 400 jet by helping a New Zealand wind farm, an Illinois methane-containment project and three Wisconsin dairy farms. Another common angle is that such offsets let celebrities hooked on excessive-consumption lifestyles off the hook too easily.

Perhaps someday we'll get around to the far bigger issue of world carbon-offset markets being riddled with fraud. Investigations by two London newspapers - the pro-business Financial Times and the green-touting Guardian - could hardly be more damning.

The Times found that offset credits purchased by many companies went for nonexistent or misrepresented projects that yielded no greenhouse gas relief. There was little substantive verification of offset claims.

The Guardian made similar findings and reported that the claims of many Third World companies set up to sell credits to developed countries cannot be trusted because the firms flout rules and/or are incompetently managed. The newspaper noted that fully one-third of the projects in India registered as carbon-offseting were in fact commercial ventures unable to offset anything.

None of this should be a surprise. Any time a new, multibillion-dollar industry emerges with little regulation, fraud is inevitable. That is especially the case when the industry springs up in reaction to the desire to counteract global warming, an issue with vast government and media momentum behind it. Carbon-offset markets were an instant hit because they offered the hope of relatively quick, easy progress.

But an attractive theory has turned ugly in practice. Without vigorous oversight, carbon-offset markets can't be trusted. Here's hoping that this common-sense view gains traction in Congress, the European Union, the

United Nations and beyond. Unless offset claims are verifiable and regularly checked, they are more of a feel-good device than anything else.

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