Bond Case Briefs

Municipal Finance Law Since 1971

Attention, Public Financiers: Money Is Now Growing on Trees

As polluters pay up for absolution, state treasuries and public pension funds might be able to capitalize on carbon offset credits. Public forests and timberland investments could yield untapped value.

Last month, Alaska Gov. Mike Dunleavy introduced carbon management and monetization bills that could be forerunners of similar legislation, in the 38 states with state forests, seeking to capture some of the economic value of global efforts to reduce carbon emissions. Just a month before, a major U.S. oil company promised the government of Guyana, where it has discovered a massive subsea oilfield, a $750 million deal to buy what are called carbon offset credits for local forest preservation. A week later, JP Morgan asset managers cut a deal to buy $500 million of loblolly pine timberland in Arkansas, Mississippi and Oklahoma, with investment analysts pointing to the trees' hidden environmental value as carbon sinks.

What spurs these actions is a slowly developing global marketplace. In simple terms, carbon offsets are tradable credits earned by property owners and enterprises that take actions to reduce or offset carbon dioxide emissions. Those credits can be sold for hard cash to businesses that pollute, in order for buyers to achieve a zero-carbon or reduced-carbon footprint. An example would be carbon credits earned by large landowners in the Amazon region who refrain from deforestation, which otherwise would yield them a higher land value if exploited for conventional agriculture.

Continue reading.

governing.com

OPINION | Feb. 14, 2023 • Girard Miller