
Australian carbon sinks: good for investors, bad for the environment

The compromise agreement reached last July in Bonn on greenhouse gas emissions includes a renegotiated and broadened definition of sinks which allows tree plantations to be included as carbon sinks. This is certainly good news for the carbon investment industry. Not for the Earth's climate though.

Now, trees like eucalyptus may be planted elsewhere by international investors, electricity-generating companies or any other greenhouse gas-emitter which will thus be able to continue pumping out carbon dioxide as owners of the carbon content stored in the timber of those tree crops, now labelled carbon sinks.

The day after the agreement, the US-based Hancock Natural Resources Group announced that it would establish a company in Australia --Hancock New Forests Australia-- to allow investors and greenhouse gas producers to buy into carbon-absorbing trees and thereby gain carbon credits.

The company's spokesman, David Brand, was enthusiastic about the agreement. No wonder: Hancock launched a A\$ 200 million capital raising drive for the first of a series of investment funds in Australian tree plantations. The carbon absorbed by the trees could be traded by investors as credits on an international market and they expect good profits from a low risk investment. The grounds of the business is that it is a cheaper way to meet reduction emission targets than to actually reduce those emissions.

The Hancock venture is not the first carbon sink business in Australia. Tokyo Electric Power Co. (TEPCO) signed a A\$ 120 million deal with New South Wales State Forests --the government-backed carbon-investment scheme-- last year to plant up to 40,000 hectares of trees, in exchange for ownership of the resulting timber and carbon credits.

Tony O'Hara, investment manager of State Forests, announced that two more major deals may be struck in the near future. Predictions target to a sharp rise in investment, not only in carbon sinks but in many other schemes whereby companies could potentially harness carbon credits, like the recycling of methane gas from landfill. Australia is so heavily dependent on high-emission fossil fuels, that almost anything else looks cheaper than seriously reducing greenhouse emissions.

While industrial interests continue devising new tricks to avoid carbon emission reductions and at the same time to increase their profits, the problems created by climate change continue posing a major threat to the present and future generations.