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As carbon market grows, law firms cash in

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Local law firm **Sullivan & Worcester LLP** recently helped the Van Eck Forest Project in northern California — where 2,200 acres of redwood trees will absorb 500,000 tons of carbon dioxide emissions over the next 100 years — register those 500,000 tons of CO₂ as carbon offset credits, the first ever in the state of California. The forest project administrators can, in turn, sell those credits.

“It was like found money,” said John Graham, the tax attorney who handled the deal at Boston-based Sullivan & Worcester.

Last month Sullivan & Worcester set up a Climate-Related Business & Technology Group to help clients deal with the opportunities as well as the risks presented by the heightened awareness of the environment and pending emissions regulations.

Law firms are among some of the local companies that are betting that the carbon credit market will be one of the most important and complicated business issues in the coming years, with many firms either setting up dedicated practice groups or cultivating experts on the subject. Much of the law firm work to date has focused on helping utilities — the largest group of polluters — understand how they are required to monitor emissions.

CO₂ is one of the main greenhouse gases that contribute to the warming of the earth. Currently there is no federal cap-and-trade scheme in the United States. Supporters say such a cap would help regulate greenhouse gas emissions by capping the amount of pollutants.

Under a cap-and-trade scheme, companies that pollute more would need to purchase credits, while those who pollute less could sell them. Yet while such a plan does not yet exist in this country, presidential contenders John McCain, Hillary Clinton and Barack Obama all strongly support a cap-and-trade plan.

At this point there is no plan to set up a separate agency to monitor and verify whether companies are complying. Rather, federal and local governments will likely monitor the system. (Europe has had a successful cap-and-trade market for several years.)

Regionally, the Regional Greenhouse Gas Initiative is an alliance of 10 Northeast and mid-Atlantic states crafting a regional cap-and-trade program,



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Attorneys Victor Baltera, left, and John Graham are part of Sullivan & Worcester's newly created Climate-Related & Business Technology Group.

initially covering CO₂ emissions from power plants in the region. Under that plan, utilities are required to start monitoring their emissions in January 2009.

Companies will obtain their carbon allowances through auctions; the first auction is set for Sept. 1, 2008. The plan anticipates that close to the entire annual regional emissions budget, which is initially set at 188 million short tons, will be auctioned off.

Besides saving the ozone layer, the promise of profits is also attracting businesses to the carbon trade market, which has been doubling in size every year. The global carbon market doubled to \$64 billion in 2007, according to the World Bank's carbon finance report.

“At somewhere around \$2.50 a ton, that's a lot of money within our little area of our power plants,” said Ruth H. Silman, a partner in the environmental practice at Boston-based Nixon Peabody LLP. Silman has worked to prepare the firm's utility clients for the upcoming carbon credit regional caps.

“This is an industry in its infancy. The excitement of that is — it could be worth a trillion dollars in a few years,” said Mark Williams, professor of finance and economics at Boston University and ex-staffer on U.S. Sen. John Kerry's Energy and Environmental Committee. “If you're able to get in at the bottom, either to facilitate buying and selling of these credits or creating the infrastructure, you could profit handsomely.”

Indeed, Boston-based Brown Rudnick Berlack Israels LLP's Climate and Energy Group helped the European Investment Bank launch its multilateral carbon credit fund and has also helped other clients buy and sell credits.

“It's probably more true than not to say that it is very likely we will have some sort of a carbon scheme or program,” said Madeleine Tan, a partner in Brown Rudnick's Climate and Energy Group.

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