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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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CHAIRMAN

January 31, 2008

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The Honorable David M. Walker
Comptroller General
United States Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Comptroller General Walker:

We very much appreciate the GAO's current work to examine the marketing, integrity, and effectiveness of carbon offset programs in the United States. As expressed in our January 14, 2008, letter urging GAO to conduct a thorough inquiry of these programs as soon as possible, we believe carbon offset programs provide a potentially valuable way for people to make direct commitments to environmental quality. However, without transparency, honesty, and reliable evidence of effectiveness, the programs seem poised to betray purchasers' good intentions. As you know, not only do the individuals making these purchases risk being duped, but taxpayers are at risk as well – as government bodies at all levels respond to "green" marketing pitches.

We are troubled to see that our own U.S. House of Representatives has been involved in the questionable purchase of carbon offsets. In November 2007, the House Chief Administrative Officer, as part of Democratic Leadership's Green the Capitol Initiative, announced a substantial \$89,000 purchase of offsets from the Chicago Climate Exchange. We now learn, according to the January 28, 2008, Washington Post report, "Value of U.S. House's Carbon Offsets Is Murky," that these taxpayer funds may not have purchased any new environmental benefit – just empty promises.

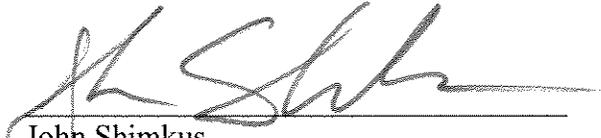
In light of this, we request that GAO, in the course of its work on these matters, specifically examine and report the manner and means by which the House of Representatives made the purchases. The investigation should look at relevant spending authorities, financial controls, and related due-diligence behind the purchases, and whether this taxpayer outlay will actually reduce greenhouse emissions.

We believe an assessment of this matter will illuminate clearly the issues we must confront to reduce the risk that individuals or taxpayers are sold empty promises. If you have any questions, please have your staff contact Peter Spencer of the Minority Committee staff at (202) 225-3641.

Sincerely,



Joe Barton
Ranking Member
Committee on Energy and Commerce



John Shimkus
Ranking Member
Subcommittee on Oversight and Investigations

Attachments

cc: The Honorable Nancy Pelosi, Speaker

The Honorable John A. Boehner
Republican Leader

The Honorable John Dingell, Chairman
Committee on Energy and Commerce

The Honorable Bart Stupak, Chairman
Subcommittee on Oversight and Investigations

The Honorable Robert E. Brady, Chairman
Committee on House Administration

The Honorable Vernon J. Ehlers, Ranking Member
Committee on House Administration

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January 14, 2008

The Honorable David M. Walker
Comptroller General
United States Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Comptroller General Walker:

Businesses in the United States have been increasingly marketing carbon offset programs and related credit schemes. With sales expected to increase steeply in coming years, plus the mounting potential for government mandates that would intensify such activity, we are troubled by the potential lack of integrity in the offering of services and products that are difficult for their buyers even to observe, never mind possess. These seem to be essentially good-faith transactions in which all the burden is on the customer to sort out the honest promoters from the cheats.

To our knowledge, no proven safeguards against fraud and deception presently exist, making the carbon offset market a ripe target for hucksters. Just last week, Federal Trade Commission Chairman Deborah Platt Majoras observed that the intangible nature of what people are buying, coupled with the lack of verifiable assurances, raise much uncertainty about these programs – creating a “heightened potential for deception.”

It is critical that Congress have full information about the functioning and effectiveness of these programs, both for its consideration of energy and environmental policy, and so that it can minimize any risk to the public of deception, waste, and fraud. Carbon offsets provide a potentially valuable way for individuals to make direct, personal commitments to environmental quality, but without transparency and reliable evidence of honesty, they seem poised to betray their purchasers’ good intentions.

The Honorable David M. Walker

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We don't want carbon offsets to become the 21st century version of snake oil and patent medicine. We request that the Government Accountability Office conduct a thorough inquiry into these matters as soon as possible.

If you have any questions, please have your staff contact Mr. Peter Spencer of the Minority Committee staff at (202) 225-3641.

Sincerely,



Joe Barton
Ranking Member
Committee on Energy and Commerce



John Shimkus
Ranking Member
Subcommittee on Oversight and Investigations

cc: The Honorable John Dingell, Chairman
Committee on Energy and Commerce

The Honorable Bart Stupak, Chairman
Subcommittee on Oversight and Investigations

washingtonpost.com

Value of U.S. House's Carbon Offsets Is Murky

Some Question Effectiveness of \$89,000 Purchase to Balance Out Greenhouse Gas Emissions

By David A. Fahrenthold
Washington Post Staff Writer
Monday, January 28, 2008; A01

The House of Representatives has presumably learned that money cannot buy love or happiness. Now, it turns out it's not a sure solution to climate guilt, either.

In November, the Democratic-led House spent about \$89,000 on so-called carbon offsets. This purchase was supposed to cancel out greenhouse-gas emissions from House buildings -- including half of the U.S. Capitol -- by triggering an equal reduction in emissions elsewhere.

Some of the money went to farmers in North Dakota, for tilling practices that keep carbon buried in the soil. But some farmers were already doing this, for other reasons, before the House paid a cent.

Other funds went to Iowa, where a power plant had been temporarily rejiggered to burn more cleanly. But that test project had ended more than a year before the money arrived.

The House's purchase provides a view into the confusing world of carbon offsets, a newly popular commodity with few rules. Analysts say some offsets really do cause new reductions in pollution. But others seem to change very little.

To environmentalists, the House's experience is a powerful lesson about a market where pure intentions can produce murky results.

"It didn't change much behavior that wasn't going to happen anyway," said Joseph Romm, a senior fellow at the Center for American Progress who writes a blog calling for more aggressive action on climate change. "It just, I think, demonstrated why offsets are controversial and possibly pointless. . . . This is a waste of taxpayer money."

The House bought its offsets through the Chicago Climate Exchange, a five-year-old commodities market where greenhouse-gas credits are traded like pork bellies.

This month, officials at the exchange vigorously defended the sale, saying the House's purchase had done a great deal of good by funneling money to those who were helping to combat climate change.

"It basically rewards people for having done things that had environmental good in the past and incentivizes people to do things that have environmental good in the future," said Richard Sandor, the exchange's chairman and chief executive.

He rejected the argument that the exchange shouldn't sell offsets until it can prove that the pollution reductions wouldn't have happened if the money wasn't paid. "We can't, as an exchange, trade hypothetical things," Sandor said.

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The offset purchase was part of a Green the Capitol initiative, begun after Democrats took over last year. House leaders bought compact fluorescent light bulbs to save energy and ordered the Capitol Power Plant to burn natural gas instead of dirtier coal. For emissions they couldn't avoid, they bought offsets: 30,000 metric tons at about \$2.97 per metric ton.

The Senate has taken some similar steps to reduce energy use but has not purchased offsets.

Daniel P. Beard, the House's chief administrative officer, said he asked the Chicago exchange for offsets based only on U.S. projects. But, he said, he asked not to be told where the projects were, so representatives could not buttonhole him about projects in their districts.

The carbon offset market has taken off in the United States -- worth an estimated \$55 million, according to a study last year -- despite its odd-sounding premise. Its stock in trade is, in essence, a claim that some pollution might have been emitted but wasn't.

In Europe, offsets are regulated and often expensive, more than \$30 per metric ton. In the United States, offsets are hardly regulated and generally far cheaper.

Many environmental groups say any offset must meet one all-important criterion, called "additionality": Buying an offset must cause some new reduction in emissions that wouldn't have happened if the money hadn't been paid.

"If you don't have additionality," said Mark Trexler, a consultant in Portland, Ore., who advises companies on offset purchases, "you know what you're getting. You're getting nothing."

A review of three projects that got about a third of the funds from the House's offset purchases shows that, in all three cases, it did not appear that offset money was the sole factor causing any of the projects to go forward.

About \$14,500 of the House's money went to the North Dakota Farmers Union, some to pay farmers to do "no-till" farming. The farmers stopped using conventional plows and instead make tiny slits to plant their seeds. The practice increases the amount of carbon, a component in heat-trapping carbon dioxide, kept in the soil. But organizers said that some farmers had started the practice before the offset money came in because it saves fuel, brings in federal soil-conservation funds and could increase crop yields.

"When we first started, the financial incentive was trying to raise better crops . . . and that's still the biggest incentive," said Mark Holkup, who raises wheat and sunflowers in Wilton, N.D. He said, however, that the contract for his offsets would prevent him from abandoning this practice in the near future.

That's a troubling sign, according to Wiley Barbour, director of Environmental Resources Trust in Arlington County, which evaluates the worth of potential carbon offsets.

"If they say, 'Well, they were already doing no-till,' then immediately that raises a big, red flag," Barbour said. "Nothing changed."

Another \$14,500 went to a project that enabled a power plant near Chillicothe, Iowa, to burn switch grass instead of coal. This was a test program to learn more about making power from plant matter, and it reduced the facility's emissions for 45 days in spring 2006. Officials conducted the test with the expectation that they would get offset money.

Would it have happened in the absence of such funds?

"I don't know," said [David Miller](#), of the Iowa Farm Bureau Federation, who helped broker the deal.

About \$1,400 went to the Nez Perce Indian tribe to pay for tree plantings on tribal land in northern Idaho. Trees absorb carbon dioxide as they grow.

An official involved said the offset money was welcome in this case but was not the only factor that made the project worthwhile.

"No one is changing any practices for carbon offsets right now, because it doesn't make economic sense" with prices so low, said Ted Dodge, executive director of the National Carbon Offset Coalition, based in Butte, [Mont.](#), which handled the transaction.

[Rep. Vernon J. Ehlers](#) (R-Mich.) said this month that he was concerned about the real effect of the House's offset purchase.

"This is just extra money in their pocket for something they're already doing," Ehlers said. A member of the House committee that oversees Beard's office, Ehlers said he wanted the money spent on energy-efficiency measures on [Capitol Hill](#).

But Beard said he did not regret the purchase, despite questions about the role that offset money played in the individual projects.

"Whether they were going to do it or not" without the House funds, "the point is that they did do it."

Staff researcher Meg Smith contributed to this report.

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