

These Trees Are Not What They Seem

How the Nature Conservancy, the world's biggest environmental group, became a dealer of meaningless carbon offsets.

By Ben Elgin

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▲ Hawk Mountain Sanctuary near Kempton, Pa. Mark Kauzlarich for Bloomberg Green



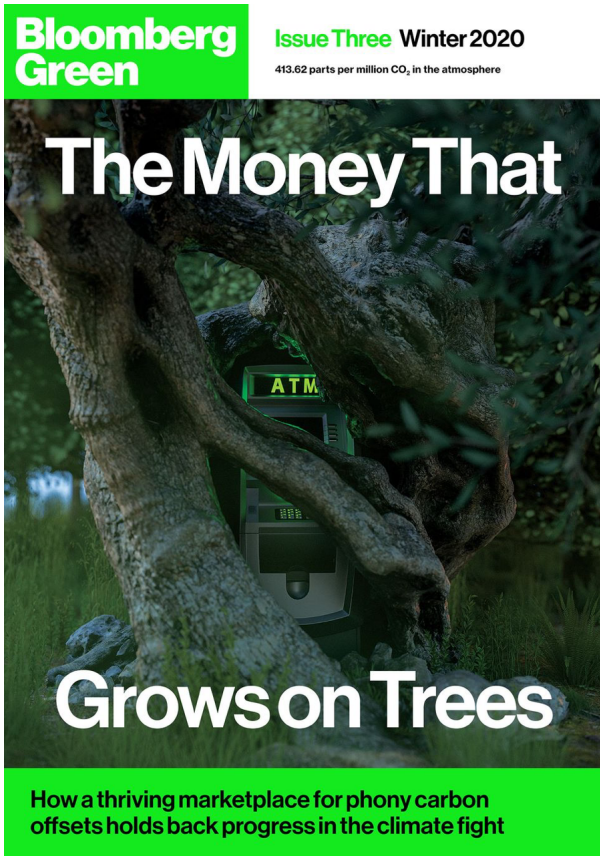
At first glance, big corporations appear to be protecting great swaths of U.S. forests in the fight against climate change.

JPMorgan Chase & Co. has paid almost \$1 million to preserve forestland in eastern Pennsylvania.

Forty miles away, Walt Disney Co. has spent hundreds of thousands to keep the city of Bethlehem, Pa., from aggressively harvesting a forest that surrounds its reservoirs.

Across the state line in New York, investment giant BlackRock Inc. has paid thousands to the city of Albany to refrain from cutting trees around its reservoirs.

JPMorgan, Disney, and BlackRock



▲ Featured in *Bloomberg Green*, Issue Three Winter 2020 illustration: Nathan Levasseur for Bloomberg Green

tout these projects as an important mechanism for slashing their own large carbon footprints. By funding the preservation of carbon-absorbing forests, the companies say, they're offsetting the carbon-producing impact of their global operations. But in all of those cases, the land was never threatened; the trees were already part of well-preserved forests.

Rather than dramatically change their operations—JPMorgan executives continue to jet around the globe, Disney's cruise ships still burn oil, and BlackRock's office buildings gobble up electricity—the corporations are working with the Nature Conservancy, the world's largest environmental group, to employ far-fetched logic to help absolve them of their climate sins. By taking credit for saving well-protected land, these companies are reducing nowhere near the pollution that they claim.

The Nature Conservancy recruits landowners and enrolls its own well-protected properties in carbon-offset projects, which generate credits that give big companies an inexpensive way to claim large emissions reductions. In these transactions, each metric ton of reduced emissions is represented by a financial instrument known as a carbon offset. The corporations buy the offsets, with the money flowing to the landowners and the Conservancy. The corporate buyers then use those credits to subtract an equivalent amount of emissions from their own ledgers.

The market for these credits is booming, according to BloombergNEF, a clean-energy research group. In the first 10 months of this year, companies used more than 55.1 million carbon credits to offset their emissions (equivalent to the pollution from 12 million cars), a 28% increase from the same period in 2019. While some of these credits are paying for projects that are truly reducing

emissions, an unknown number represent inflated claims.

Few have jumped into this growing market with as much zeal as the Nature Conservancy, which was founded 69 years ago by a small group of ecologists seeking to preserve the last unspoiled lands in the U.S. In the seven decades since, the nonprofit in Arlington, Va., has grown into an environmental juggernaut, protecting more than 125 million acres. Last year its revenue was \$932 million, which eclipsed the combined budgets of the country's next three largest environmental nonprofits.

The Nature Conservancy's headquarters in
Arlington, Va.



Photographer: Mark Kauzlarich for Bloomberg Green

Now, with an increasing number of companies looking for creative ways to cut emissions, the nonprofit has accelerated its work on carbon projects. But a review of hundreds of pages of documents underpinning those projects and interviews with a half-dozen participating landowners indicate that the Conservancy is often preserving forested lands that don't need defending.

"For the credits to be real, the payment needs to induce the environmental benefit," says Danny Cullenward, a lecturer at Stanford and policy director at CarbonPlan, a nonprofit that analyzes climate solutions. If the Conservancy is enrolling landowners who had no intention of cutting their trees, he adds, "they're engaged in the business of creating fake carbon offsets."

The Conservancy defends its carbon-offset projects, saying that all adhere to peer-reviewed methodologies developed by independent registries and that each project is validated by third-party auditors. "We have absolutely no motivation to not achieve real climate solutions," says Lynn Scarlett, chief external affairs officer at the Conservancy. JPMorgan, Disney, and BlackRock

declined to be interviewed for this story.

The blistering urgency of the planet's climate crisis is almost impossible to overstate. To avert the most dangerous effects of a rapidly warming planet, leading scientific bodies warn that global emissions must be cut by half in the next decade. Thousands of the world's biggest companies have vowed to do their part, but a lot of that corporate emissions-cutting is accomplished through buying offsets. When the credits represent no actual carbon reduction, it's a setback the planet can't afford.

Barbara Haya, research fellow at the University of California at Berkeley, has studied these types of carbon projects for almost two decades. "We just don't have time for false offsets that take credit for reductions that were already happening anyway," she says.

Two sharp-shinned hawks float elegantly above sloping Appalachian ridgelines, long black tails pronounced against the light gray October sky. The mountaintop is dense with leafy green oak trees, speckled with bursts of the rusty orange and pale yellows of maples, hemlock, and black gum. This forested ridge, 80 miles northwest of Philadelphia, is claimed as a protectorate of JPMorgan and other corporate patrons, whose good works in defense of the thick forestland generate carbon credits from a project the Nature Conservancy has orchestrated.

This is how the carbon accounting works: These 2,380 acres of trees have absorbed almost a half-million tons of carbon dioxide, storing it in their trunks, stems, and roots. If not for payments for carbon offsets coming from corporate buyers such as JPMorgan, all this would be jeopardized, according to documents for the project, developed by the Conservancy and Blue Source LLC, a carbon-project development company. Aggressive timber harvesting could "feasibly occur," the documents say, wiping out about 89% of the living trees in only five years.



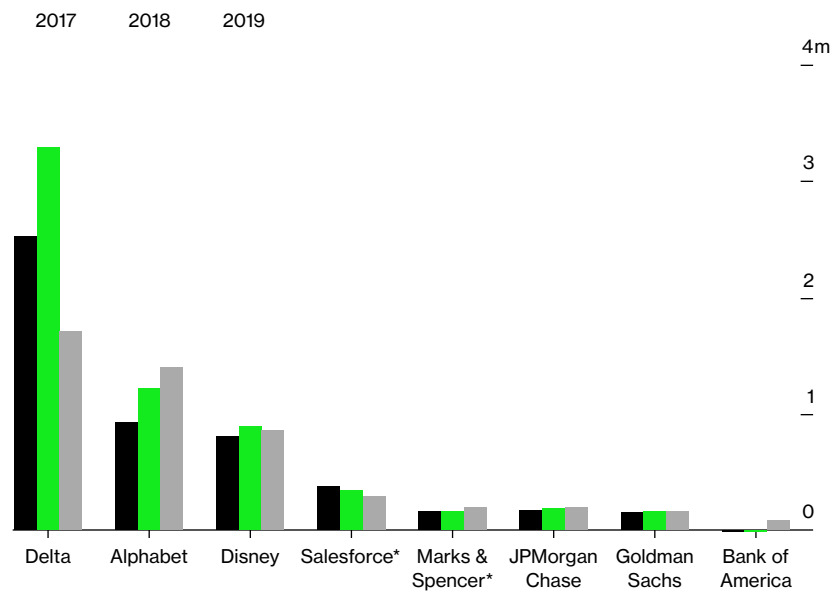
▲ The Middle Mountain Overlook Trail at the Conservancy's West Branch Forest Preserve near Lock Haven, Pa. Photographer: Mark Kaulzarich for Bloomberg Green

In other words, a tree massacre has been averted thanks to the payments from these corporations. By avoiding this so-called baseline scenario of deforestation, the landowner generates hundreds of thousands of carbon offsets—worth millions of dollars—over a two-decade period. JPMorgan has already acquired more than 96,000 of the offsets, which it applies to its own environmental ledger to help erase the emissions from its employees' air travel. "Climate change is a critical issue of our time," Daniel Pinto, co-president of JPMorgan, said in an October press release. "While the world has a long way to go, we at JPMorgan Chase want to do more."

But this Pennsylvania ridge wasn't in peril. Ninety years ago hunters congregated on these mountains each fall to shoot the hawks for sport. On some days the sky was so thick with birds riding the ridges' favorable wind currents that hunters could kill "as many as eight with a single bullet," according to a 1929 article in the Pottsville Journal.

Offsets Purchased

Metric tons of CO2 equivalent



Source: Company sustainability reports

*From fiscal years ending in January (Salesforce) and March of the following year (Marks & Spencer)

Rosalie Edge, a philanthropist and birdwatcher in New York and a veteran of the women's suffrage movement, heard about the slaughter and became incensed. She acquired the land, hired a warden, and kicked out the hunters in the 1930s. Edge created a nonprofit, the Hawk Mountain Sanctuary Association, to preserve the forested land as natural habitat for the migrating birds.

The trees have remained untouched for 85 years. Hawk Mountain has become wildly popular with researchers and birdwatchers, with 60,000 visitors each year. The nonprofit has grown into a \$3 million organization, with most of its revenue coming from contributions, membership dues, and admission fees. "Our mission has been keeping the sanctuary as natural as possible," says Laurie Goodrich, Hawk Mountain's director of conservation science.

The additional revenue from the carbon-offset program helps them take better care of the land, plant more saplings, and improve the forest's health, Goodrich says. She says her understanding is that these incremental improvements generate the carbon credits. That's not the case: The project documents show almost all of the credits come from the assumption that the land would have been heavily harvested. Goodrich says Hawk Mountain had no intention to cut down most of its trees; that runs counter to their mission, and the sanctuary already had a management plan in place that protects the trees. "We'd still be managing the land the same way," without carbon payments, she says.

Scarlett, of the Conservancy, says Hawk Mountain's forests were in decline and not regenerating well on their own. "We want to go in there and improve that forest's health. That's central to our mission," she says. In addition, as part of the carbon deal, Hawk Mountain's lands are placed under a permanent conservation easement, meaning they can't be clear-cut three decades from now if the sanctuary goes belly up. As for the idea that Hawk Mountain had no plans to do major clearing, Scarlett says the project was following the rules the American Carbon Registry had set up.

ACR, like other carbon registries, says it's impossible to predict how lands will be managed in the future and prefers to compare the forested properties to nearby parcels, including those run by commercial timber harvesters. Mary Grady, director of ACR, disputes that this comparison leads to an exaggerated volume of credits, because, she says, the trees might be cleared despite the landowners' intentions. Moreover, the added revenue from carbon credits helps projects such as Hawk Mountain grow healthier and store more carbon. "These projects are delivering exactly what we want them to," she says.

But projects such as these undermine progress on climate change because their credits are derived from an outcome that had scant possibility of occurring—and they can siphon money from projects that actually reduce emissions. "You have to be able to make the case that these projects translate into actual carbon reductions that otherwise wouldn't have happened," says Derik Broekhoff, a senior scientist at the Stockholm Environment Institute.

For decades scientists, companies, and lawmakers who thirst for inexpensive ways to ratchet down emissions have viewed carbon offsets with great promise. Scientifically, they make sense. Carbon dioxide is known as a global gas, meaning that no matter where or how it's emitted, it mixes with the atmosphere and ends up distributed around the planet. It doesn't matter from the climate's perspective where or how carbon gets reduced, whether it's spending \$200 a ton capturing CO₂ from the exhaust of a coal-burning power plant in China or one-tenth that amount planting trees to absorb the gas in Chile.

By allowing companies or governments to pay—and take credit for—cheaper emissions reductions beyond their fence lines, the cost of addressing climate change becomes less formidable. It also allows industries with little flexibility, such as airlines, where cleaner biofuels aren't yet widely available to power fleets, to start taking

action to reduce their net emissions.

Many companies are already spending big. Delta Air Lines Inc., for instance, earlier this year vowed to allocate \$1 billion over the next decade, much of it on carbon offsets, to zero out the greenhouse gas emissions from its hundreds of aircraft. Royal Dutch Shell Plc says it's spending \$300 million over three years on projects that will eventually generate offsets by increasing the amount of carbon trees and soil absorb. And Microsoft Corp. and Google recently vowed to erase all of the historic carbon emissions from their operations, which will require them to buy millions of offsets (most cost about \$8 to \$10 per credit).

Some experts say this is just the beginning. Offsets will need to grow by at least fifteenfold if the world is to have any chance of zeroing out all its carbon emissions by 2050, says Mark Carney, special envoy on climate action and finance to the United Nations, who started a task force in September to help boost the credibility and supply of offsets.

Academics have worried for years about the validity of many forest offset projects, because it's difficult to predict what would have happened without carbon revenue. But some nonforest projects clearly show how offsets can be effective. For instance, Stripe, a San Francisco-based technology company, recently paid \$775 per ton to Climeworks AG, a Swiss company that uses renewable geothermal energy to capture CO₂ from the air, concentrate it, and store it underground in rock formations. In this case, the carbon payment from Stripe is causing the reduction to happen, because there is no other reason for Climeworks to carry out this expensive process. (It hopes to drive that cost down to \$100 to \$200 per ton.)



▲ Hawk Mountain Sanctuary in Kempton, Pa. Photographer: Mark Kauzlarich for Bloomberg Green

The powerful lure of this new revenue stream, however, has often attracted developers that were already undertaking emissions-reduction projects for other reasons but were craving additional profits. In these cases, the offsets do very little to change the amount of carbon dioxide in the atmosphere.

The problem of empty offsets has dogged the global climate mission for decades. When the Kyoto Protocol took effect in 2005, the international climate treaty required wealthy countries to reduce their greenhouse gas emissions, and it created a market for buying and selling carbon offsets to lower the cost of hitting these targets. But about two-thirds of offset projects allowed into this market don't represent true emissions reductions, say academics studying the projects.

Haya, the University of California researcher, interviewed developers of renewable-energy projects in India who were earning money from offsets, a dozen of whom said their projects would have been built with or without the carbon funds. They viewed the offset payments as “cream on the top,” Haya wrote in a [2009 paper](#). Even now, more than a decade later, countries continue to debate how to count this stockpile of old and sometimes dubious carbon credits.

The questionable quality has created a stigma. California limited

the use of offsets in its statewide cap-and-trade system, with polluters allowed to use the credits only for about 4% of their emissions. Some companies, including Capital One Financial Corp. and Lyft Inc., recently announced they will steer away from using offsets to hit their sustainability targets.

The offset controversy has not deterred the Conservancy, which for years ruffled the feathers of other environmental groups for its businesslike approach and close ties to corporate partners. When discussing potential projects, the Conservancy routinely describes natural habitats as “assets,” and its leaders pose questions such as “What rates of return can an investment in nature produce?”

The nonprofit has taken a page from corporate America for more than 50 years. In the 1960s, the Conservancy hired an IBM manager as its new boss, who told the Wall Street Journal, “I’m anxious to work with other businesses, particularly the extractive industries.” Soon the group would be working closely with Exxon, International Paper, Dow Chemical, and other big polluters. Future leaders would be plucked from the executive ranks of McKinsey & Co. and Goldman Sachs Group Inc. Conservationists toiling at the nonprofit understood that even though these companies were trying to burnish their image, they also had the deep pockets to fund major preservation work. When Patrick Noonan, who led the Conservancy in the 1970s, was asked whether its close ties to large corporations tainted its efforts, he famously responded, “The problem with tainted money is there ‘tain’t’ enough.”

The approach has produced some enormous victories. In 1998 the Nature Conservancy spent \$35 million to buy pristine forests surrounding much of the 130-mile upper St. John River in Maine. A decade later it acquired 320,000 acres of forested land in Montana

from a timber company before developers could get their hands on it. Each year, the Conservancy spends around \$150 million purchasing land or paying for easements that shield it.

But there were also questionable choices. In a series of articles in 2003, the Washington Post revealed the Conservancy was drilling for oil—an odd practice for an environmental group—on land in Texas inhabited by an endangered prairie chicken. (Neighboring landowners sued the nonprofit for allegedly siphoning off their gas.) The Post also exposed deals in which the Conservancy bought land and sold it at a loss to its wealthy donors, who then made a donation to the Conservancy to cover the difference, generating hefty tax write-offs for the benefactors. After the stories were published, the U.S. Senate Committee on Finance started an investigation, and the nonprofit halted some of the practices.

Before most people realized climate change was a pressing issue, the Conservancy began dabbling in carbon offsets as a way to raise funds to preserve forests. In 1996 it persuaded American Electric Power Co., a utility in Columbus, Ohio, that was the country's biggest greenhouse gas polluter at the time, to commit more than \$5 million for carbon credits from a rainforest in Bolivia that the nonprofit was helping to preserve.

In the beginning the nonprofit was strict about carbon accounting, making it clear it wouldn't be an enabler for credits that weren't actually creating emissions reductions. During the late 2000s, leaders of the Conservancy's Vermont chapter wanted to set up a carbon project on 26,000 acres of forested land just south of the Canadian border it had acquired along with the Vermont Land Trust in 1997, with most of the funding from a local philanthropist's \$5 million contribution. The nonprofits sought to practice sustainable harvesting on the land while preserving the habitat for biodiversity. When the local chapter asked the Conservancy's headquarters for its blessing to develop an offset project to generate income from the carbon it was saving, it was rebuffed, because it couldn't say the offset payments triggered the carbon-saving practices. "We acquired the property to use it for sustainable forestry, so we couldn't say it was going to be clear-cut," says John Roe, who worked as a manager for both the Vermont Land Trust and the Nature Conservancy in the state. "They weren't going to overestimate what would have happened."

The nonprofit's conservative approach to carbon accounting was short-lived. A decade ago the Conservancy began pitching municipalities in the eastern U.S. for carbon-offset deals to preserve forested lands around their drinking-water reservoirs. Its first such deal, in 2011, was with Bethlehem, which owns two reservoirs. The water is surrounded by 22,000 acres of forests. Albany entered into

its agreement in 2017.

Most local governments protect the trees around reservoirs to guard their water quality; it was highly unlikely these cities would aggressively cut down trees. In the two decades before Bethlehem signed its contract, each year it harvested about 70 acres, or 0.4% of its watershed land, according to the carbon-offset project documents. Albany's forest plans show the watershed has not experienced any harvesting for "nearly two decades." But the offset projects say that were it not for the carbon revenue, massive deforestation would have commenced. About two-thirds of Bethlehem's trees and almost 90% of Albany's trees would have been harvested within a decade, according to the project documents. City officials in Albany and Bethlehem both say it's unlikely the municipalities would have done something so drastic. "Probably not," says Stephen Repasch, executive director of the Bethlehem Authority, which oversees the watershed lands. "Our timber projects are always geared toward forest health."

These aggressive calculations generated an enormous stockpile of lucrative offsets. Bethlehem has received \$1.2 million over the past eight years from its offsets, which have been acquired by Chevrolet and Disney. The funds have helped pay for upgrades to water infrastructure, as well as a security guard to deter illegal dumping on the land, Repasch says. While all of that may be useful, the corporate money has done little to reduce carbon dioxide in the atmosphere.

The Nature Conservancy also takes a cut. In a similar contract that it signed last year with the city of Port Jervis, N.Y., the city gets 60% of the net proceeds from the carbon credits, and the Conservancy gets the rest. Over the first decade of that contract, the nonprofit expects to make \$365,000.

The Conservancy defends the deals. As with Hawk Mountain, the agreements require municipalities to put an easement on the lands. In Bethlehem, the easement protects against development or aggressive harvesting for 60 years. "A lot of watersheds, unfortunately, have looked at their forests as piggy banks," says Josh Parrish, director of the Conservancy's American



▲ Repasch in the forest owned by the Bethlehem Authority. Photographer: Mark Kauzlarich for Bloomberg Green

Forest Carbon Initiative, which enrolls landowners in carbon deals.

This logic sets up a raw deal for the climate. The easements being paid for with carbon money are protecting some of the safest trees outside of a national park. With the window to address climate change slamming shut, many observers say the scarce resources to tackle this problem should be funneled into projects that actually result in concrete emissions reductions. “The climate is getting the short end of the stick,” says Cullenward, the Stanford lecturer.

Companies participating in the Nature Conservancy’s offset program are turning their environmental performances into the stuff of legends. Disney says it’s cut its emissions almost in half by purchasing offsets, many of them from the Conservancy. As if to preempt any criticism for using offsets, Disney included a footnote when mentioning them in its sustainability report, pointing out that “all credits are verified by accredited third-party reviewers.” That is true—and, experts say, much less meaningful than it sounds.

There are four major online registries where corporations go to buy offsets. These registries create methodologies outlining rules that offset projects have to follow. Once a project is set up, a third-party verifier must confirm that it follows these rules. Offsets can be sold only when the verifier has signed off.

But there are gaping loopholes that can let in programs that clearly don’t represent real emissions reductions. The Conservancy sets up many of its projects on the ACR, which, created in 1996, is the oldest of the major registries. ACR is operated by Winrock International, a nonprofit in Little Rock that touts market-based solutions to environmental problems. For its projects, the Conservancy most often uses an ACR methodology filled with formulas explaining how carbon should be measured and counted. It’s called “Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions Through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands.” The rules do very little to ferret out nonfederal owners who might already be managing their lands sustainably for different reasons. Third-party verifiers examine only whether a project

follows the methodology's rules, not whether it's at all plausible that, say, a sanctuary would harvest 89% of its trees in five years.

"To say verifiers vouch for the environmental integrity of a project, that shows a fundamental misunderstanding of what verifiers do," says Mark Trexler, a management consultant who authored the first carbon-offset methodology three decades ago and has worked on dozens of offset projects since.

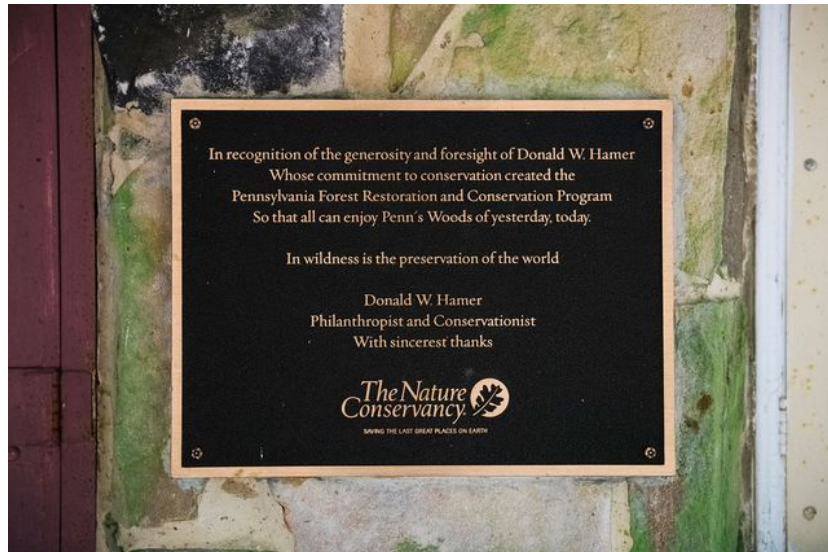
ACR vigorously defends the quality of its offsets. No matter how unrealistic it might seem that a landowner such as Hawk Mountain would cut its trees, things like this happen all the time, says John Kadyszewski, director emeritus of ACR. "Some landowners don't have any intention of cutting until they encounter a financial emergency," he says. "That land could easily be cleared."

Back in Pennsylvania, the Nature Conservancy has found a new swath of land to enroll in its carbon-offset program. This most recent project, called Pennsylvania Ridges, is 3,800 acres of forested land in the center of the state, a three-hour drive from Hawk Mountain. The Conservancy didn't have to do much to recruit the owner to join the program, because the nonprofit itself has owned most of the land since 1999. That means it's effectively protecting the forest from itself.

Before the Conservancy bought it, the area was "specifically and immediately threatened by a pending logging contract," according to an archived version of its website. So the nonprofit did what it does so well: It raised millions of dollars from donors to purchase the land, including \$2.5 million from a local philanthropist named Donald Hamer, who died in 2016. Hamer's gift "will help restore the land through sustainable forestry," reads a plaque the nonprofit gave him. The group extolled the purchase at the time, saying the "acquisition of this property by the Nature Conservancy has successfully abated these threats."

Honoring philanthropist Donald Hamer at the
West Branch preserve, part of the Pennsylvania
Ridges project.





Photographer: Mark Kauzlarich for Bloomberg Green

But in September, some two decades later, the Conservancy painted a starkly different picture in project documents it filed with the ACR. In the absence of carbon revenue, this land “could otherwise undergo significant commercial timber harvesting” including “large scale clearcuts.” Approximately 72% of the living trees on the property would be felled in five years. In other words, the Conservancy should earn hundreds of thousands of dollars in carbon revenue to preserve a forest that it had already saved.

Nature Conservancy spokeswoman Ciaran Clayton said in an email that it enrolled the land in a carbon-offset project “to demonstrate that sustainable forestry and carbon can keep [the] forest healthy, resilient, and productive for people and nature.”

What about its decades-old statements about having already saved the land? “We can’t speculate what the timing, exact size, or exact prescriptions [would be] absent enrollment in the Pennsylvania Ridges project,” Clayton said.

At least one big corporate buyer appears unfazed by the details: Disney has already purchased 180,000 of the project’s credits.

(Updated to include the cost of offsets in the 27th paragraph. A previous version corrected the location of Hawk Mountain in the 15th paragraph.)

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