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## CLIMATE: Yahoo! Tech cowboys try blazing carbon-neutral trail

Michael Burnham, *Greenwire* reporter

As one of the most visible survivors of the '90s dot-com boom and bust, Yahoo! Inc. has helped alter the DNA of Silicon Valley and information technology hubs around the globe.

Now, this famously iconoclastic company wants to save the planet.

Yahoo's young turks, who helped turn Bangalore, India, into a global tech hub, are vowing by the end of the year to neutralize their company's "carbon footprint" — the greenhouse gases spewed to make energy for its corporate offices, sprawling data centers and car-commuting and jet-setting employees.

Yahoo (Nasdaq: YHOO) would become the first big IT company to go carbon-neutral, a move company officials say would save enough energy to light all San Francisco homes for a month or fuel 25,000 cars for a year.

### Carbon Markets at a Glance, Volumes and Values (2005-2006)

	2005		2006	
	Volume (MtCO <sub>2e</sub> )	Value (MUS\$)	Volume (MtCO <sub>2e</sub> )	Value (MUS\$)
Allowances				
EU ETS	321	7,908	1,101	24,357
New South Wales	6	59	20	225
Chicago Climate Exchange	1	3	10	38
UK-ETS	0	1	n/a	n/a
Sub total	328	7,971	1,131	24,620
Project-based Transactions				
Primary CDM	341	2,417	450	4,813
Secondary CDM	10	221	25	444
Jl	11	68	16	141
Other	20	187	17	79
Sub total	382	2,894	508	5,477
<b>TOTAL</b>	<b>710</b>	<b>10,864</b>	<b>1,639</b>	<b>30,098</b>

Source: *The World Bank, State of the Carbon Market 2007.*

It's an ambitious plan with pitfalls galore, Yahoo co-founder David Filo conceded on a company blog.

"Carbon neutrality isn't without controversy," wrote Filo, who is asking the world's 500 million Yahoo users how the company should go greener. "And it's honestly deserved if companies and individuals don't first make an effort to find direct ways to reduce their impact."

The self-described "Chief Yahoo," who along with Stanford University classmate Jerry Yang helped start what is now the world's most trafficked Web site, Yahoo.com, is promising to trim his company's energy use as much as possible before investing in outside greenhouse gas reduction projects, including carbon offsets.

Due diligence is the key in the voluntary offsets marketplace — where company and consumer money is directly or indirectly invested in reforestation, wind farms and other projects purported to avoid or soak up greenhouse gas emissions. The market is largely unregulated, and buyers don't always get what they pay for (*Greenwire*, April 27).

So while the IT industry's other big players are changing inefficient light bulbs and encouraging employees to buy gas-electric hybrid cars — it remains to be seen whether those firms will follow Yahoo into what has been described as a "cowboy" carbon offsets marketplace.

Sun Microsystems Inc. (Nasdaq: **SUNW**), for one, doesn't plan to buy offsets as it tries to trim its carbon dioxide and other heat-trapping gases 20 percent by 2012, said Dave Douglas, the company's vice president for eco-responsibility.

"We're not trying to make claims that we're carbon-neutral — because we aren't," Douglas explained. "We're just trying to get better."

Ditto for search engine rival Google Inc. The Mountain View, Calif.-based company (Nasdaq: **GOOG**) is taking the comparatively modest steps of strapping solar panels to its headquarters' rooftop and cutting energy use in its computers. The company's philanthropic arm, Google.org, is said to be exploring other climate-friendly initiative — but such plans are under wraps for now, said company spokeswoman Diana Adair.

## Low-hanging fruit

Yahoo isn't the first company to make a carbon-neutrality commitment. Big companies taking the plunge include Rupert Murdoch's News Corp., Timberland Co., Barclays PLC and Aviva PLC. Smaller companies, including the Swedish search engine Picsearch and California wine distributor Cameron Hughes Wine, are also getting into the act.

"Businesses are recognizing that this makes economic sense, with rising fossil fuel costs and increasing carbon regulation," said Alexia Kelly, a policy analyst with The Climate Trust, a Portland, Ore.-based nonprofit that has more than 4 million tons of CO<sub>2</sub> offsets under management. "They're also interested in good marketing — consumers are paying more attention to this."

One pioneer was HSBC Group, which says it became carbon-neutral in September 2005.

The London-based bank said it measured and cut its direct emissions first. Next, it bought carbon-free renewable energy certificates, or RECs, from utilities. Finally, HSBC bought 170,000 tons of CO<sub>2</sub>-equivalent offset credits from four projects around the world, including a wind farm in New Zealand, organic waste landfill in Australia, agricultural biogas plant in Germany and a biomass-to-electricity facility in India.

Yahoo will take a similar inside-outside approach to shrinking its environmental footprint.

"We're very clear about how we need to reduce our emissions first, and then offset what we can't reduce," said Erin Carlson, a senior manager with Yahoo For Good, the company's social-responsibility arm.

So for starters, Yahoo will continue investing in an alternative-commute program that includes biodiesel-powered commuter shuttles and subsidies for transit riders and carpoolers, she said.

The free shuttles, which connect San Francisco and the East Bay with the company's offices in Sunnyvale and Santa Clara, helped save the use of about 47,000 gallons of fuel last year, noted Nicki Dugan, a company spokeswoman.

"Public transit for some people is losing control, so we wanted to make it worth their while and productive," Dugan said of the Wi-Fi-equipped shuttles, which have won U.S. EPA kudos.

On the ground, Yahoo already buys renewable energy certificates for its headquarters and Hillsboro, Ore., offices. The company plans to buy additional RECs, which would represent electricity derived from carbon-free hydropower, for a data center under construction in Quincy, Wash.

Ultimately, however, Yahoo plans to venture for the first time into the voluntary carbon offset market.

Carlson won't say how many metric tons of CO<sub>2</sub>-equivalent emissions Yahoo would have to offset after it picks the low-hanging fruit, but she said her company is already reviewing a short list of projects that would avoid or reduce Earth-warming emissions.

Annual Volumes and Values (2005-2006) for Project-Based Transactions				
	2005		2006	
	Volume (MtCO <sub>2</sub> e)	Value (MUS\$)	Volume (MtCO <sub>2</sub> e)	Value (MUS\$)
Compliance of which	382	2,894	508	5,477
Primary CDM	341	2,417	450	4,813
Secondary CDM	10	221	25	444
JI	11	68	16	141
Other	20	187	17	79
Voluntary Market	6	44	10+	100
<b>TOTAL</b>	<b>388</b>	<b>2,937</b>	<b>518</b>	<b>5,577</b>

Source: *The World Bank, State of the Carbon Market 2007.*

Among the renewable energy projects Yahoo officials are considering to support are a wind farm in India and a run-of-the-river hydropower project in Brazil.

Company officials are also mulling ways to support projects that deploy efficient cook stoves in developing nations and plant trees that store CO<sub>2</sub> in their tissue.

Caution is the watchword.

"We're very interested in investing in high-quality forest projects," added Carlson, whose company is taking pointers from Environmental Defense and the consultant firm ICF International. "It's a question as to whether they could meet our quality criteria."

Yahoo's plans have elicited mixed reviews on the blogosphere.

Among the hundreds of people who have weighed in on Yahoo's blogs is Tom Arnold, chief environmental officer of TerraPass Inc., a Silicon Valley startup that enables drivers to measure and offset their greenhouse gas emissions by investing in renewable energy projects.

"Focusing on energy use reductions in the data center is the biggest area for reductions in terms of carbon and costs," Arnold wrote. "I'll wager the whole program, including offsets, will be [return on investment] positive."

Another blogger, who calls himself Steve, was dubious. "How hypocritical to have bought into the carbon offset scandal," he wrote. "If people and companies really cared about the environment, they would just pollute less."

"You are not going to do this, and neither is most of the public," the blogger added.

## Carbon bazaar

Unlike the European Union, the United States has not ratified the Kyoto Protocol and is not subject to a mandatory cap on greenhouse gas emissions. Companies within the European Union must cut their emissions or buy offsets on a regulated market to stay below the cap, but U.S. firms may buy offsets voluntarily on the Chicago Climate Exchange or directly from an offset company or project developer.

The Climate Trust and other offset companies typically buy offset credits from developers who use the money to plant trees or build low- or no-carbon renewable energy projects. The intermediaries then sell the credits to individuals or companies who want to mitigate some or all of their emissions.

According to a recent World Bank analysis, the global offsets market grew to about \$30 billion in 2006, three times greater than the previous year.

Dominating the market was the sale and resale of emissions allowances, at a value of almost \$25 billion, under the European Union's regulated Emissions Trading Scheme.

The voluntary market for reductions by corporations and individuals grew to a mere \$100 million. But with more than 50 firms selling offsets today, the World Bank projects that the global voluntary market could swell to 400 million metric tons a year by 2010.

And while corporate offset buyers aim to do well by doing good for the planet, some watchdogs say the voluntary market is full of risks.

The World Bank warns that the lack of a generally acceptable standard for offset projects remains a "significant reputation risk" to the voluntary market and the regulated European market.

Individuals and companies sometimes have no way of verifying whether the offset projects they are investing in are actually avoiding or capturing carbon emissions, explained Lars Kvale, an analyst with the Center for Resource Solutions, a California nonprofit that certifies RECs. And in some cases, he added, carbon credits are sold multiple times to different buyers, negating the net benefit of the project.

"There are some offsets that look credible, but there are plenty that aren't," Sun Microsystems' Douglas said. Sun can track its climate-related investments more closely, he said, by improving the energy efficiency of its buildings and encouraging employees to work from home.

Douglas noted that about 18,000 of Sun's 34,000 employees work outside of the company's offices on a regular basis. The satellite-commuter policy has allowed Sun to cut its office space by a sixth and avoid the emission of about 30,000 tons of CO<sub>2</sub> — the main greenhouse gas, he said.

"We've looked at offsets, but, effectively, it means we'd be paying somebody else to do an efficiency project," he explained. "Right now we know we have a long list of things we can invest in to drive down our own energy use first."

Perhaps the heaviest criticism leveled against the voluntary market is that it dissuades companies and individuals from making tough sacrifices in the first place.

In February, a Holland-based group called Carbon Trade Watch published a report that compared carbon offsets to the Catholic Church's sale of indulgences before the Reformation. Offsets, the report charged, enable "modern-day sinners" to buy surplus deeds to absolve themselves of their "responsibility to the climate."

## Click here to save the planet

Leave it to a company with an exclamation mark in its name to make a big statement.

Yahoo! Inc., which claims it reaches half of the world's Internet users, launched a Web site this week that is devoted to no less than fomenting a global environmental revolution.

The "eco-site," Yahoo! Green (<http://green.yahoo.com>), is designed to "empower" readers with the latest environmental news and advice about how to tackle tall orders such as global warming, company officials said.

"We want to make it easy for consumers to do something, as well as help them build enduring habits," said Yahoo co-founder David Filo, who unveiled the site Monday in New York's bustling Times Square. "Many small individual actions can add up to significant change."

The site is packed with clever tips (like how to save gas by keeping car tires inflated and driving slower) and factoids (the average American emits 9.44 tons of carbon dioxide annually). The site also allows visitors to craft personalized pledges to reduce one's carbon footprint.

The interactive tool allows a user to choose from a list of everyday activities, such as swapping out inefficient incandescent lights with compact fluorescent bulbs or setting a home's water heater thermostat to no higher than 120 degrees Fahrenheit. The site will automatically calculate the projected carbon emissions savings from the activities.

To date, about 6,000 people have pledged to save more than 16,000 tons of CO<sub>2</sub> a year, according to the site.

Yahoo is also promising to do its part for the planet by going carbon-neutral by the end of the year. The Sunnyvale, Calif.-based company is promising to cut its energy use where it can and buy "carbon offsets" where it can't.

Bruce Piasecki, a veteran corporate sustainability consultant, said Yahoo is at the vanguard of a growing movement in which global companies are changing their core business practices and products — in this case, the Web — to contend with rising energy costs and climate-change pressures.

The most economically successful companies this century will be those that compete not just on price and quality — but on social needs, Piasecki writes in his new book, *World Inc.* Think of Toyota's Prius or Whirlpool's energy-efficient washer/dryer units.

"Going green is colliding with going global each day," Piasecki told *Greenwire*. "The most successful companies change the product, not just the PR messaging." — *Michael Burnham*

Eric Carlson, executive director of offset specialist Carbonfund.org, bristled at such criticism.

He said his Silver Spring, Md.-based company — which is on pace to sell more than 300,000 metric tons of CO<sub>2</sub> offsets this year — encourages its clients to cut their energy use first.

"After you've reduced what you can, you can do nothing or offset the rest," Carlson added. "Even your hybrid uses energy."

As for transparency, Carlson says his firm's offset portfolio is audited annually by the independent accounting firm Weaver and Tidwell LLP.

Such open-book practices may be where the broader market is headed, experts say.

## Auditing tools

Building on its widely used "Green-e" certification standard for RECs, the Center for Resource Solutions is developing a similar third-party verification tool for carbon offsets. The goal, analyst Kvale said, is to ensure that a vendor's supplies equal sales and retired offsets are the same as those advertised.

The Green-e designation would note that an independent supply and sales audit has been conducted to ensure that an offset has not been sold more than once, according to a draft of the standard. The label would also enable a buyer to see what type of project its offset was derived from.

Kvale said his hope is that the Green-e standard could be used in concert with several other auditing tools. Among them could be a standardized, global benchmark for voluntary offsets projects that is being developed by the Switzerland-based International Emissions Trading Association.

"We're trying to get this right," added Kvale, whose advisers include representatives of the Natural Resources Defense Council, World Resources Institute and Environmental Defense. "Our approach to this is sort of an open-source model."

That's a model IT firms understand well. Yahoo's Carlson said she is willing to consider such certification tools as her company zeros-out its carbon footprint.

Whether that means changing the light bulbs in Sunnyvale and then paying someone to plant trees in Sumatra, the ultimate goal, she explained, is to inspire a half-billion Yahoos — and perhaps millions more Googlers and Microsofties — to follow.

"We're learning as we go along," Carlson said. "Hopefully we can persuade others to take the same steps."

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