

DOW JONES REPRINTS

Credit Cards' Latest Pitch: Green Benefits

Banks Pay 'Rewards Points' For Environmental Projects; Weighing the Interest Rates

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February 6, 2008; Page D1

Your credit card can help save the planet.

That's the message companies are pitching to consumers as they roll out new credit cards designed to cash in on people's worries about global warming.

These "green" cards allow users to channel a percentage of their spending toward efforts to cut greenhouse-gas emissions. **General Electric** Co.'s Earth Rewards MasterCard, launched in July by the company's GE Money unit, targets as much as 1% of total spending on the card toward emission-reduction projects. **Bank of America** Corp. followed in November with its own green card, Brighter Planet Visa, which matches every dollar spent with one point that can be accumulated and traded in for "carbon offsets." Carbon offsets are meant to reduce the impact of emissions made somewhere else -- such as by planting trees. Additionally, Storm Lake, Iowa, savings bank MetaBank, a unit of **Meta Financial Group** Inc., in August launched its GreenPay MasterCard, which also allows users to accumulate carbon offsets with each purchase.

With the Bank of America card, accumulated offsets are funneled to various projects its partner, Burlington, Vt., start-up Brighter Planets, deems deserving. Each month, cardholders will be notified how many carbon emissions have been mitigated with their contributions. With the MetaBank card, individuals earn offsets that they can then use to mitigate their own carbon footprints.

Yet offsets have recently come under criticism in the U.S., where the market is strictly voluntary. Environmentalists are calling for greater transparency in terms of verifying green projects that are eligible for offsets. Some critics charge that offsets don't serve to reduce overall emissions, and should be the last resort for companies and individuals.

Green cards have been available in Europe for several years and have attracted a sizable following, tapping into the region's well-established environmental movement. Their move into the U.S. comes amid mounting concerns over climate change and impending mandatory restriction on carbon emissions.

By some measures, though, the new cards aren't as generous as standard cash-back cards, some of which pay back the card user up to 3% of total spending. By contrast, the environmental cards contribute less than 2% of purchases to green initiatives.

For financial institutions, adding green cards to their product lines is a way to boost their own corporate environmental credentials. Last year, Bank of America and **Citigroup** Inc. each committed to spend tens of billions of dollars to reduce their own corporate carbon emissions, invest in alternative-energy projects and develop financial products to support their clients' efforts to address these issues.

How Green Is 'Too Green'?

However, banks have moved more slowly to roll out green consumer products. That's because "you can't just tell your customers what to do," says Matthew Arnold of Sustainable Finance, an environmental consulting firm that advises banks. Banks are nervous about issuing environmentally focused cards amid concern about appearing to be "too green" or "judgmental of their customers' behavior," he says.

The credit cards resemble so-called affinity cards -- which are branded with, say, the holder's university, a sports organization or a favorite charity. Affinity cards, which have been around since the 1980s, typically pass along 1% to 1.5% of the value of each card transaction to the cardholder's preferred group.

Comparing the relative merits of the green cards can be tricky, since they use different ways of calculating rewards. But the interest rates they charge do vary. Brighter Planet, the Bank of America card, offers the lowest rate among the three: a fixed annual percentage rate of 9.99% for the most creditworthy applicants, which is lower than the average 11.97% on fixed-rate cards among the 50 largest issuers, according to Bankrate.com.

MetaBank's GreenPay charges 13.25% for all cardholders, while GE charges variable rates that recently ranged from 12.99% to 18.99%, depending on the holder's creditworthiness, according to the card's Web site. That makes it the least competitive among the three. (The average variable rate is 13.1% for people with good credit, according to Bankrate.com¹.)

Experts say it's generally tough to assess which rewards cards offer the most bang for the buck. The simplest way to compare the green cards "is to convert them back to cash-back," says Curtis Arnold, founder of CardRatings.com, a credit-card rating Web site.

Splitting the Rewards

With GE's program, cardholders earn 1% on each purchase -- the equivalent of 1% cash back -- to fund greenhouse-gas emissions-reduction projects at GE AES Greenhouse Gas Services, a joint venture with power producer AES Corp. Cardholders can also choose to split the rewards equally between carbon credits and cash back. The points are redeemed annually, on Earth Day.

Some may question whether the GE AES joint venture is essentially benefiting from cardholders' money. "The credit card is one avenue for the business of the joint venture; it's not the only one," says a GE spokesman.

Bank of America, by contrast, offers to offset one U.S. ton of carbon emissions for every \$1,000 cardholders spend. Brighter Planet, the bank's partner on this product, says the price of carbon offsets averages \$10 to \$12 per ton, which translates into a cash-back rate of around 1%, according to Mr. Arnold. Additionally, Bank of America will be matching 50% of awarded points through the end of this year, bringing the total reward to 1.5%.

Green Cards

The three credit cards are marketing their environmental benefits. Here's how they work:

Card Issuer/Card Name	Annual Fee	APR	How It Works
Bank of America/ Brighter Planet Visa brighterplanet.com/ products/credit_card	None	9.99%-15.99% (fixed rate)	Cardholders earn one point for every \$1 spent; points are redeemed monthly to help finance renewable-energy projects, designated by the issuer's partner, Brighter Planet.
General Electric/ GE Money Earth Rewards MasterCard www.gemoney.com/ personal/credit_cards/ rewards/earth_rewards. html	None	12.99%- 18.99% (variable rate)	Cardholders accumulate rewards, up to 1% of purchases, which fund projects to lessen greenhouse-gas emissions managed by a joint venture between GE and power producer AES Corp.; points are redeemed annually, on Earth Day.
MetaBank/ GreenPay MasterCard www.greenpay.com	None	13.25% (fixed rate)	Net purchases charged on card are converted to "Carbon Dollars," which are used to buy carbon credits from the Chicago Climate Exchange.

Sources: company Web sites; WSJ research

MetaBank's GreenPay card also comes in around the 1% level, according to Mr. Arnold. It offers 1.6% carbon-offset rewards on purchases of gasoline and household utilities, and 0.8% on others. The card buys carbon offsets from the Chicago Climate Exchange, a voluntary greenhouse-gas-emission trading system, where carbon offsets trade around \$2 per ton, a deep discount from retail prices. As a result, the card offers about twice the amount of carbon offsets as the other two cards.

'Carbon-Ridiculous'

Some advocates question whether the green cards will actually lead to fewer greenhouse-gas emissions. "What I am more concerned about is that it gives people an easy pass: 'OK, I've got my green credit card, so I can do things that are carbon-ridiculous,'" says Leslie Lowe, director of the Interfaith Center on Corporate Responsibility on Energy and Environment, a nonprofit based in New York.

The card issuers, for their part, say their products can make a difference. "We don't pretend to be the only answer," says Michael Rhodes, senior vice president of Bank of America's North America Card Services. The issuers also offer online calculators for consumers to assess their own household's contributions to greenhouse-gas emissions, and tips on how to reduce that impact.

Card companies are also looking for ways to encourage a greener lifestyle. Sustainable Finance's Mr. Arnold says there are currently a few cards under development that will help customers identify "green" choices within various product categories and let them accumulate rewards points by making more energy-efficient purchases.

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