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# What is Carbon Offsetting?



# EcoAct on Offsetting

There is a certain amount of cynicism around the term 'offsetting'. Much of this comes from doubts surrounding whether or not schemes actually deliver the carbon savings promised, concern over double-counting and a view that they are simply a convenient greenwashing mechanism.

First and foremost, reducing greenhouse gas emissions is vital. There is no replacing the urgent need for emissions reductions along a trajectory aligned with climate science.

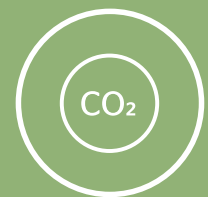
Having said this, businesses and individuals need to take responsibility today for the emissions that are still being generated in their day to day activities. At this point in time, eliminating all emissions is extremely difficult. Realistically, turning global emissions off tomorrow is unlikely.



## What is carbon offsetting?

Offsetting is a way for businesses and individuals to take responsibility for their emissions now. The sale of carbon credits does this by financing sustainable development, often in countries that need it most and by facilitating a measured and verified reduction in carbon emissions elsewhere. There are various ways that these offsetting projects achieve these reductions and it is essential to understand that this is not only about trading carbon.

Offsetting means buying carbon credits equivalent to your carbon impact. This means you compensate for every tonne of CO<sub>2</sub> you emit by ensuring there is one tonne less emitted into or removed from the atmosphere.



## What is a carbon credit?

One carbon credit is equivalent to 1 tonne of CO<sub>2</sub>. By buying one credit, you are buying one tonne of CO<sub>2</sub> that has not been emitted. The credit is then retired through registries held by the international standards and global exchanges.

## Why is there such variation in price?

Essentially, the carbon market like any other is driven by supply and demand and markets drive competition and competitive pricing.

You also need to take into account the cost of the project itself and the value placed on the beyond-carbon benefits that it delivers - this will vary from one project to another. The credits sold from any project need to account for the long-term viability of the project.

## What are the benefits?

As a global society, we need to implement multiple ways of tackling the climate crisis. This includes urgently counteracting deforestation, supporting reforestation and financing renewable technologies and the infrastructure needed to expand their reach. Carbon credits are financing these activities.

We will also need to help poorer international communities, many of whom will be most



impacted by climate change, to implement sustainable development and empower people to have ownership of a more sustainable future. We cannot successfully tackle climate change if we neglect social justice and fail to deliver equitable sustainable development. Good quality carbon offsetting projects focus on the additional benefits to people's lives: their health, their well-being, their economic prosperity, etc.

A study into the Additional Benefits from Carbon Offsetting by ICROA and Imperial College London found that for every 1 tonne of CO<sub>2</sub> offset, a further US\$664 value is delivered in additional benefits.



EcoSystem Marketplace found in their study into The State of Voluntary Carbon Markets that by the end of 2016, the voluntary carbon market had already reduced or prevented emissions of over 1 billion tonnes!

## Do offsetting projects have other impacts?

Carbon offsetting projects (such as cleaner cookstoves initiatives and renewable energy projects) all impact individuals and communities. Therefore, it is vitally important that they add value beyond compensating GHG emissions. Stimulating local economies, providing incomes, improving health, educating, counteracting inequalities and/or sharing new technologies to promote sustainable futures are just some of the co-benefits that should be expected from high quality carbon offsetting projects that are aligned with the UN Sustainable Development Goals. This is what most offsetters are looking for and what every credible carbon credit should do.

## Is it a robust way to deal with emissions?

Offsetting is part of a holistic approach to tackling emissions. It is not about discouraging emissions reductions. Instead, it is a supportive tool and sellers are required to encourage companies to set themselves ambitious targets for reduction. Reputable companies selling credits will be extremely passionate about genuine climate action by the best means possible.

Only credits from third party accredited projects, adhering to internationally recognised standards should be considered. Verified carbon offsetting projects ensure that the credits are high-quality and offer measured emissions reductions, which have been subject to a rigorous auditing process. They also ensure that the projects provide additional and measured value to the communities in which they operate. As founding member of the international governing body, ICROA, we work to set and uphold these international standards, and entrenched in these values is that we must encourage our partners to set ambitious emissions reductions targets alongside any offsetting programme. Supporting emissions reductions is where the majority of our work is focused.

By 2018 our customers had offset over 12 million tonnes of carbon and we are just one offsetting partner for businesses.



## What are the criticisms?

There is a perception that offsetting enables polluters to simply pay to continue polluting. In our research into the FTSE 100 companies in 2019, we found that 92% of companies that purchase carbon credits also have an emissions reduction target. 51% have set or committed to set a science-based target, which are the most ambitious and do not permit offsets to be used to achieve the target. Therefore, in our experience companies that are offsetting (generally) are also demonstrating ambition on reducing their emissions.

If companies are merely using offsets as a means to pay to pollute without engaging in reducing their emissions, they will be subject to increasing risks to their business both from the impacts of climate change as well as the risks associated with their reputation, their ability to gain investment and the demands of up and coming legislation.

## How does carbon offsetting help us reach net zero?

There is enormous pressure now from all angles to achieve net zero as soon as possible. This is a climate emergency and that requires urgent and ambitious action from business by every means possible. Inevitably, at this stage, companies will be considering what to do with their current remaining emissions. It is right for businesses and individuals to be considering how to compensate for these.

As we aim for our net zero goals, offsetting will play an increasing role and while it should not be seen as the solution, it should be seen as a valuable means to finance sustainable development and support projects that are doing some vital work to preserve habitats, implement sustainable development and improve people's lives whilst eliminating some of our international carbon emissions.



# Your climate experts. Your partner for positive change.

EcoAct, an Atos company, is an international consultancy and project developer, dedicated to helping businesses and organisations succeed in their climate ambitions. We simplify the challenges associated with environmental sustainability, remove complexity and empower individuals and teams to deliver bespoke solutions for a low carbon world.

Our experience tells us that climate action and commercial performance are no longer mutually exclusive. Our mission is to lead the way in delivering sustainable business solutions that deliver true value for both climate and client.

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