



WEBINAR: A PRINCIPLES-BASED APPROACH TO OFFSETTING – WHY DOES IT MATTER?

31 OCTOBER 2024 – SUMMARY OF KEY MESSAGES

SUMMARY OF RECOMMENDATIONS FROM CLIMATE ACTION ACCELERATOR TO ORGANISATIONS

- **Prioritise direct and indirect emissions reductions** within all 3 scopes of your own operations and supply chains (Greenhouse Gas Protocol). Offsetting should be a supplementary strategy rather than a primary approach to achieving climate goals.
- **If using offsets, do not report them as part of your primary emissions inventory, nor include them in claims of carbon neutrality at the organisational level**, in alignment with internationally recognised standards.
- If using offsets, **prioritise high-quality projects as part of philanthropic activities, ensure project integrity** using high quality standards and selecting appropriately priced projects. Maximise impact by adhering to robust methodologies.
- **Support the net zero ambition** at a global level and drop inaccurate and currently impossible “climate neutral” claims at an institutional level.



KEY MESSAGES FROM SPEAKERS

Voluntary carbon markets overview – [Inigo Wyburd](#), Policy Expert, Global Carbon Markets, Carbon Market Watch

- Two types of markets for offsets exist: The voluntary and the compliance market (e.g. EU Emission Trading Scheme).
- On the voluntary carbon market (VCM) there is
 - no central marketplace
 - no defined market price
 - no homogeneity between credits
 - no governance body.
- Carbon credits should be:
 - **Real** – Project must exist and accurately estimate the GHG emission reductions/removals
 - **Additional** – Project depends on revenue from carbon credit to operate
 - **Permanent** – The CO₂ eq reduced/removed must not be re-released any time soon
 - **Verifiable** – The project design and activities must be independently verified
 - **Rights-respecting** – If local communities are involved in/affected by project, then proper consultation & equitable benefit-sharing must occur.
- Decarbonisation frameworks such as SBTi, CDP, Race to Zero, etc. provide guidance on the use of carbon offsets (see links below).
- Integrity initiatives aim to ensure quality of carbon credits: ICVCM – The Integrity Council for the Voluntary Carbon Market <https://icvcm.org/>.

Quality of offsets – [Sascha Nick](#), Business School Professor & Scientific Director of the Diploma in Sustainable Business, BSL Lausanne

- Recently published scientific paper on the quality of offsets used by the 20 largest buyers of carbon credits in 2020–23.
- Overall finding: The vast majority of offsets does not meet quality standards and does not contribute to meaningful action.
- Retirements from 20 companies represent 21% of all global retirements on Voluntary Carbon Standard (VCS), Gold Standard and the Clean Development Mechanism over 2020–23.



- Indicators used for quality assessment: Relative quality risks, age, price, country of implementation (renewables).
- **Quality risks:** Companies have overwhelmingly sourced high-risk offsets: 87% of credits fall into a high-risk category, meaning that they have a high likelihood of overestimating emissions reductions or lacking additionality.
- **Price:** 16 companies sourced the largest share of credits from the two lowest price categories, which traded for \$1-5 per tonne CO₂e over 2020-23.
- **Age:** Only 0.4% of offsets come from projects with post-2021 start years.
- **Country of implementation (renewables):** Only 0.2% of offsets come from projects implemented in a least developed country (i.e. with high obstacles to renewable energy).
- **Type of credit:** Avoidance credits make up 97% of all retirements, even though The [Oxford Principles](#) has called for a shift away from avoidance offsets to removals.

UN practices – [Jacob Goldberg](#), Investigative Reporter, The New Humanitarian

- Between 2018 and 2021, the UN said it had achieved near-total climate neutrality, despite reporting emissions of nearly 7 million metric tonnes of carbon dioxide – roughly equal to the annual emissions of 1.5 million gasoline-powered cars.
- This claim was only made possible by offsetting.
- Why does it matter?
 - The UN's offsetting practices undermine its leadership on efforts to slow the pace of global warming.
 - The UN helps governments meet their climate commitments under the Paris Agreement and organises the annual COP climate conferences.
- **Finding 1: Randomly assigned** – UN agencies do not select their own credits from the CDM, UNFCCC buys them for them.
- **Finding 2: Non-additionality** – 40% of identified projects come from wind and hydropower projects, more than 50% from projects considered high-risk.
- **Finding 3: Cheap credits** – The UN spent an average of about \$1.30 on each of the credits it disclosed to reporters.
- **Finding 4: Harmful projects** – 13 projects linked in the UN offset portfolio linked to displacement, environmental damage, and health concerns.



KEY DISCUSSION POINTS

Why is the market not better regulated? Is carbon offsetting an outdated tool?

- Systemic, structural problems cannot be fixed through a voluntary market.
- Voluntary markets are very difficult to regulate, integrity mechanism introduced help to improve, but there are underlying systemic design flaws: Competition in the market leads to an incentive to reduce prices and to over credit.
- Emission reductions need to be prioritised and all emissions (Scope 1, 2, 3) need to be included (incl. supply-related emissions).
- Carbon credits should not be used to make carbon neutrality claims. Organisations could use them in a philanthropic way, but not account them against their emission reduction targets or make carbon neutrality claims.

Is there a role for offsets in a net zero society?

- Certain activities can be decarbonated, others not yet. In a net zero world we will have to make choices which activities we can pursue as a society. Offsetting is not going to solve this problem.
- Importance of using high quality carbon removals for emissions from activities that cannot be discontinued or abated. Quantity of these credits is limited, realistically only 5-10% of our emissions can be covered by those. Question of distribution of removal offsets – which 5-10% of activities should receive these credits?
- All sectors, including sectors with high social impact, need to prioritise emission reductions in both absolute terms and in intensity.

How to ensure the quality of carbon removal projects?

- Depending on the type of project.
- Technological carbon capture does not work for now. Direct air capture is anecdotal today, it will take decades, possibly a century to develop at scale. Carbon capture and storage technologies are also not mature technologies, and we know too little about associated risks. We shouldn't bet our future on such technologies to stabilise the climate by mid-century.
- Natural carbon sinks: It is difficult to ensure accuracy of the estimation, as permanence of storing the carbon in forests cannot be guaranteed and is under threat because of human land use change and global warming. Despite the fact that there is a lot of uncertainty due to the changing climate and the biodiversity crisis, we know how to "do" natural carbon capture in natural ecosystems. The various



challenges linked to nature-based carbon removal projects need to be addressed and overcome in order to create high-quality and high-impact projects.

What changes could UN agencies make to improve their practices?

- Some emissions cannot be avoided in the contexts some UN agencies work.
- If the UN makes recourse to carbon credits, they should ensure high quality credits, which are around 100 times more expensive than what is currently spent.
- Question is also around the UN-wide frameworks that guide UN agencies in these questions – revision of the boundaries and the UN wide approach to decarbonisation necessary.

FURTHER READING

Link to webinar page, including replay and the presentations:

<https://climateactionaccelerator.org/events/webinar-carbon-offsetting/>

International frameworks and good practices

- [Science Based Targets initiative](#)
- [Oxford Principles for Net Zero Aligned Offsetting](#)
- [Carbone4 Net Zero Initiative](#)

'Integrity Matters' [Report](#) by the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities

Scientific papers

Trencher, G., Nick, S., Carlson, J. *et al.* Demand for low-quality offsets by major companies undermines climate integrity of the voluntary carbon market. *Nat Commun* 15, 6863 (2024).

<https://doi.org/10.1038/s41467-024-51151-w>

Investigations

- The New Humanitarian, [Is the UN really climate neutral?](#)
- The New Humanitarian, [UN defends questionable offsetting practices in new emissions report.](#)
- Carbon Market Watch : <https://carbonmarketwatch.org/>
- The Guardian, [Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows.](#)

Climate Action Accelerator [position paper](#)