



The Committee on Climate Change.
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CONSULTATION RESPONSE

Source of consultation

<https://www.theccc.org.uk/carbon-offsets-call-for-evidence/>

These comments will be pasted into response site.

Questions

1. What are the main risks and opportunities presented by voluntary carbon offsets

Using voluntary offsets for avoidable emissions rather than taking the route of more substantial decarbonisation is one risk. With nature-based solutions being asserted as necessary for difficult to abate sectors, there is the risk of displacement of the opportunity for the latter given that offset capacity is finite.

The definition of what sectors are 'difficult to abate' should have strict parameters and be subject to scrutiny and challenge, ideally through an annual review process. As an example, in the steel sector, sometimes consider a 'hard to abate sector' zero-carbon steelmaking is already being commercially applied by several companies. In the transport sector, electrification in all forms of transport is making zero-carbon technologies commercial realities in a much shortened time-frame to that envisaged even a year or two ago. For example for aviation, LAPFF has supported a clear legislative framework for carbon reductions (not offsets) and in line with measures being taken by France, Austria and Spain, has promoted that the UK government push for domestic flights to be replaced by train journeys and for any remaining domestic flights to be electrified.

Superficial offsets are another risk, e.g. there are not actually offsets there, or has been observed in South America, the effect of tree planting in one area (for offset/subsidy) has been replaced by deforestation elsewhere.

There are also ecological and community issues that need to be addressed for any offsets project.

Quality and duration of offsets

We plan to assess the quality of various voluntary carbon offsets bought by UK companies, or 'produced' in the UK. A range of activities are considered part of voluntary carbon offsetting, from shorter-term emissions reduction measures to long-term removals of carbon.

2. What data/evidence is there on the scale, range, pricing and quality of offset activities that are being purchased in the UK, and are being produced in the UK? How can we expect this to change in future? What are the data gaps?

We are not sure that there is either sufficient data or a sufficiently trusted source for data. The US government (Environmental Protection Agency) has a comprehensive and accessible map based database <https://www.epa.gov/airmarkets/power-plant-data-viewer> that shows large emissions by source and sinks by location. It is essential to have transparency on both sinks and emissions.

Without transparency on sinks it is possible for various parties to lay claim and make claims regarding the same sink.

LAPFF has had significant concerns about the 'sink' in relation to the Drax wood pellet burning - coal converted - power station. It is not at all clear what the net effect is given the dependence on the harvesting of afforested area for pellets. As the UK's largest single CO2 emitter, transparency on quality and duration of offsets that Drax supposedly represents, is of vital importance.

Voluntary offset market regulation and standards

We plan to assess how well current standards and policies are working and to evaluate different options for how current standards or policies can be improved. In some of the following questions we mention several existing standards as illustrative examples; this is done to clarify what kind of standard we are referring to and does not indicate any preference for certain standards over others.

3. What is your assessment of the various standards relating to offsets (including UK specific standards such as the Peatland Code, and international verification standards such as Gold Standard and Verified Carbon Standard), including those in development (including UK specific standards such as the UK Farm Soil Carbon Code, and international standards/principles such as the Core Carbon Principle)? What more is needed?

The codes and standards mentioned appear well set out, researched and altogether responsible, partly as they have been codes of choice for the subset of organisations/bodies that would naturally gravitate towards responsible choices, and partly because the parties setting them up have done it with genuine commitment. There is a risk that, the sooner there is the necessary process of compulsion/mandating, less worthy behaviours start to come into play through superficiality, especially with greenwash type marketing.

The fact that 'Gresham's Law', where the bad drives out the good, may need to be addressed by political scrutiny and the implementation of legislative solutions with appropriate inputs from bona fide NGOs.

4. What are the strengths and weaknesses of monitoring, verification and reporting (MVR) for offsets produced in the UK and globally? What more is needed?

See the above response to Q3. Proper accounting and transparency systems are essential. LAPFF has a particular interest in the dangers of misleading financial reporting and the same factors that are at play there, for example auditors and standard setters being under the command/influence of malign elements of business. are likely to be risks in this area as well, as financial incentives (executive pay) and incumbency are relevant.

We note how, for example, Mark Carney got into difficulty by the confusion of genuine offsets (which contribute to net zero) with variants that do not, the 'Brookfield Portfolio', e.g.



building a windfarm does not offset the emissions of an unabated coal fired power station, only replacement does that (see

<https://www.theguardian.com/environment/2021/jan/27/green-groups-raise-concerns-over-carney-carbon-credits-plan> and <https://www.ft.com/content/de5e8631-bdf2-4c2e-8b7f-83c0c80cdea8>).

A characteristic of certain participants in ordinary capital markets is to make simple matters complicated which become part of a bamboozling exercise. Complexity, including jargon is therefore a risk, as evidenced in the current voluntary market.

5. What does the evidence indicate are the key areas of voluntary offset markets that could benefit from regulation or intervention?

As set out above, some of the 'Brookfield' type claims have required media intervention. There is a model in the form of the 'Statistics Agency' which calls out false statistical claims in the realm of government statistics. A similar model may be appropriate for offsets claims.

Harnessing Financial Flows

The growing market for voluntary carbon offsets, and appetite from businesses to support climate objectives, may present an opportunity for significant financial flows to be directed towards priority sustainability outcomes such as biodiversity, nature-based solutions and scaling technologies for carbon removals. We plan to assess this potential opportunity, as well as the associated risks

6. What is the scale and potential impact of voluntary offset activity on land use and on wider social, environmental and development outcomes, both positive and negative? How would this differ between UK-based and international projects?

We have no evidence to cover these quantitative aspects.

7. Are there specific activities or regions where directing funds for offsetting might have a particularly positive impact? Please consider the UK and/or the international context, depending on experience.

In addition to the obvious statement that these regions where offset funding should be channelled should be able to sustain offsets, we also add that corruption is an issue and funds should not be channelled to corrupt regimes or where there are human rights or ecological abuses.

8. What could help concentrate private investment in offsets towards the most effective activities? What role, if any, is there for public funding?

Perhaps a further distinction needs to be made between private investment and public ownership. To the extent that offsets need to be long-term and deal with difficult to abate sectors, then the ownership of such offset assets is a significant public policy issue. Shell, for

example, has claimed to make progress with its climate change ambitions – which have been heavily criticised by a Dutch Court – by having stated it will have 120MT of CO2 p.a. removal by 2030 using nature-based solutions (NBS). We have found the scale of that to be improbable, but also in principle it does not align with the concept that NBS are not to provide a lifeline for or extend the life of fossil fuels, but for hard to abate sectors.

Company Transparency and Targets

We plan to assess the role voluntary offsets play in company and financial institution emissions reduction targets, and in consumer and investor decisions.

9. What do UK companies, financial institutions and/or other institutions (or specifically, your company or institution) consider when making purchasing decisions about offsets? What evidence/information do they/you draw on, and what more information would be useful?

We have no evidence to comment except that we would question the assertion that financial institutions should be considering offsets as we would not consider them a 'hard to abate' sector. This would equally apply to the majority of listed companies in the UK All-share index.

10. What is the evidence on the scale of reliance on offsets for Net Zero targets, for businesses, financial institutions, and/or other institutions and the role that offsets play in affecting emissions reduction ambition? If you are a business/financial institution/other institution with a Net Zero target, what role do voluntary carbon offsets play in your Net Zero target and emissions reduction ambition?

Without a central register of offsets claimed to have been taken out, and offsets that are actually in place, it is not possible to quantify.

11. What would be the strengths/weaknesses/considerations of: Regulation, guidance and/or incentives which could encourage and/or require businesses to only use offsets where emitting activities cannot currently be reduced?

1. Consumer protection standards for low-carbon products and offset purchases that accompany products?
2. Regulation on business Net Zero targets' reliance on offsets?
3. Including specification of offset use for investment product labelling?
4. Any other interventions?

Q1. Some form of consumer protection would be essential and various models exist as in weights and measures, general and specific product safety, food standards etc. The scope for claiming offsets - and charging for it – whilst not actually doing anything would seem to be high. We note that ISO already has a standard for carbon footprint labelling of goods.

Q2. A transparent register would seem to be essential to track and monitor the extent, and appropriateness of the reliance on offsets.



Q3. Investment product labelling would require a summation of all offsets of the portfolio investments.

Article 6 and GHG accounting

At COP26, [guidelines were agreed for an international carbon market for carbon credits, under Article 6](#). As we set out on page 8 of our [COP26 briefing](#), this included new guidance for how to avoid double counting through 'corresponding adjustments'. We will analyse the risks and opportunities the new guidelines pose to the role of voluntary carbon offsets in reducing global emissions and assess what role UK policy and company action can play in navigating this.

12. What is the evidence on the key risks and opportunities to sustainability and development outcomes that the updated guidance for voluntary offsetting in relation to Article 6 presents to Net Zero?

No evidence, just recognition that the issue of accounting for offsets to avoid false accounting as well as double counting is essential.

Other

13. Please submit any further evidence that you would like us to consider.

Aviation is considered a 'hard to abate' sector. LAPFF's position that the emphasis should be on emission reduction measures rather than offsetting are set out here: https://lapfforum.org/wp-content/uploads/2021/09/20210907_Jet_zero_consultation_response.pdf.