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Voluntary Carbon Offsets

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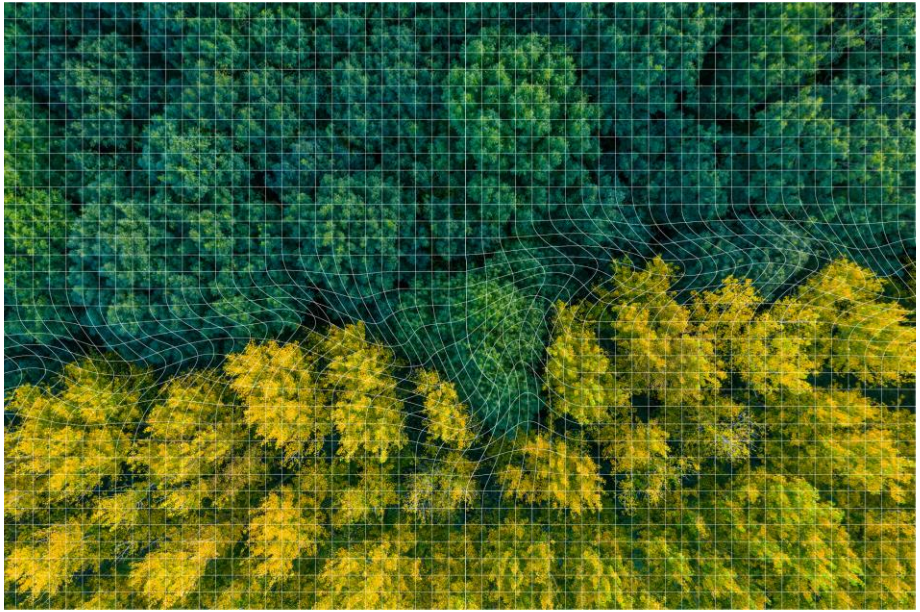
What we will cover

1. **Who are the UK CCC?**
2. **What work have we done on voluntary carbon offsets?**
3. **What are some of our main findings?**

Who are the CCC?

Who is the Climate Change Committee (CCC)?

- **A UK independent statutory body** established under the Climate Change Act 2008
- **Purpose:**
    - Advise the UK and devolved governments (Wales, Scotland, Northern Ireland) on **emissions targets and adaptation**
    - **Report to Parliament on progress** made in reducing greenhouse gas emissions and adapting to the impacts of climate change
- CCC analysis usually focusses on **sectors e.g. transport**
- We are now also considering cross-cutting priorities for delivering net zero, including **business and finance**



What work have we done on voluntary carbon offsets (VCOs)?

CCC work on voluntary carbon offsets

Context for CCC analysis: Growth in demand and supply; rising in policy focus; concerns around integrity, clarity and public trust

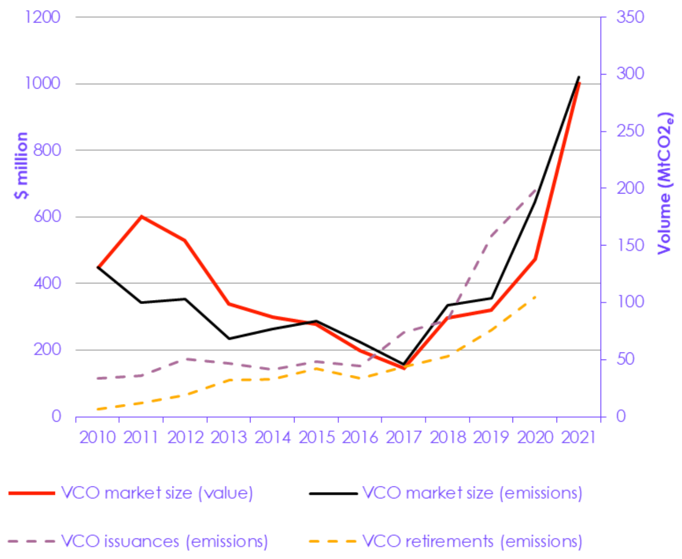
CCC Analysis: Call for Evidence, internal Literature review, data collection on offsets in UK, workshop with businesses

CCC Report: advice to government, with some illustrative guidance to businesses/organisations considering offsets

Scope: Corporate use of VCOs.

*Does **not** include UK government purchase of international carbon credits for its own targets. Separately we advised the UK Government **not** to rely on international carbon credits to meet its targets

Estimated growth in market size of global VCO markets by value and volume



What were some key findings?

Review of evidence for different risks and opportunities

Table 1
Evidence on issues and opportunities presented by voluntary carbon markets to Net Zero

	Issues	Strength of evidence
1	Slowing direct emissions reduction	Medium
2	Emissions reductions/removals from carbon credits from the UK are overstated	Medium
3	Emissions reductions/removals from carbon credits from overseas are overstated	Strong
4	Negative impacts on global emissions reduction ambition	Limited
5	Negative impacts on biodiversity* and equity	Medium
	Opportunities	**Strength of evidence**
1	Support UK Net Zero pathway by funding biological or engineered removals	Medium
2	Support UK Net Zero pathway by supporting UK land outcomes	Medium
3	Direct financial flows to nature-based projects/biological removals globally	Strong
4	Raise overall global emissions reduction ambition	Limited

Overall assessment of the role of voluntary carbon offsets

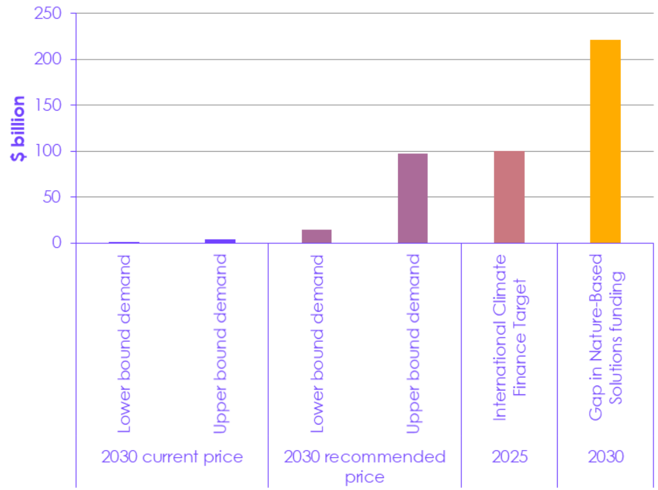
- First and foremost UK government needs to take steps to ensure businesses are not using offsets instead of reducing emissions, and to raise the quality of carbon credits

- Once this is in place, VCOs have a limited but useful role in the Net Zero transition:

    - They could help with filling global funding gaps – only if prices and demand significantly increase

    - Government should treat them only as a stepping stone to firmer policy or compliance mechanisms/regulations

Comparing estimated projections of VCM funding with global annual funding priorities



Strengthened integrity and quality of credits

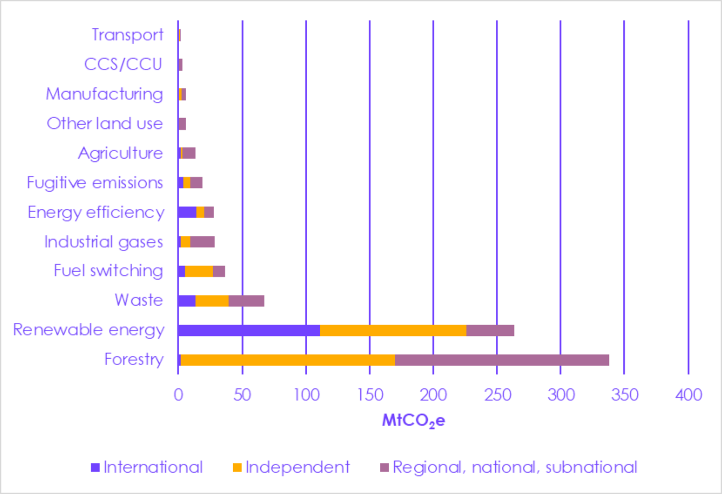
What should we be seeing?

- Accuracy
- Resilience
- Wider impacts
- Increasingly long-term and additional credits

What is the situation?

- Limited additionality
- Overstated impact
- Gaps in international standards for monitoring biodiversity
- Limited transparency

Breakdown of carbon credits issued from 2015- 2019



Support efforts for a raised global standard for carbon credits and improved transparency of registries

2. Organisational use of voluntary carbon offsets

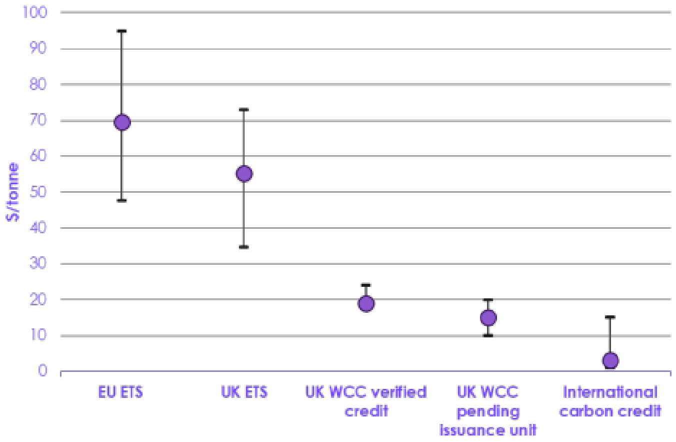
What should we be seeing?

- Rapid decarbonisation by organisations themselves before considering voluntary carbon offsets
- Transparency in use of voluntary carbon offsets for organisational emissions reduction claims
- ‘Net Zero’: only when almost all emissions reduced, with final emissions offset by high-quality long-term removals

What are we seeing?

- Low prices of offset projects → risk of choosing offsets over more challenging but necessary emissions reduction
- Limited transparency in organisational net zero claims on reliance on offsets
- Net zero claims despite many emissions left to be reduced
- Reliance VCO projects with varying quality

Carbon credit price comparison



4. What have we recommended relating to organisational use of offsets that has implications outside of the UK?

- By end of 2022, in the UK Net Zero Transition Plan standard, require disclosure of existing and planned carbon credit usage in net emissions claims
- By June 2023, publish guidance on what activities it is appropriate to 'offset' and when.
- By mid-2023, establish what constitutes a business reaching 'Net Zero' or being 'Net Zero aligned' or 'Offset Zero'. This could draw on aspects of the SBTi's Net Zero Standard and VCMI's draft Code of Practice.
- By end of 2023, building on the above guidance on appropriate activities and Net Zero business claims, set out plans to turn this into regulation.
- Consider the role of other 'beyond value chain mitigation' (measure which can reduce emissions outside of a business' value chain).

Actions relevant to mainstream businesses which should **definitely** be done before considering carbon credits in the **2020s**

Switch car fleets to electric vehicles.

Incentivise employee travel towards walking, cycling and public transport.

Replace all air travel with alternatives (e.g. trains or video conferencing) where alternatives are available.

Encourage reduction of lamb, beef and dairy from employee diets, and set example through canteen provision and hospitality.

When commissioning new buildings, ensure they are built to be ultra-energy efficient and to rely on low-carbon heating only from 2025

Make more efficient use of resources in production, including through light-weighting products and packaging, reducing material inputs, and material substitution for more efficient materials.

Ensure all electricity consumption is low-carbon, either on-site or directly procured to create new low-carbon generation.

For building owners: Invest in building energy efficiency measures e.g. energy systems management, behaviour change and building fabric insulation to reduce energy consumption. EPC B should be achieved wherever it is cost effective and practical to do so.

Increasingly move away from fossil fuel use and production, and towards low-carbon energy.

For building renters/leasers: Invest in energy systems management and promote behaviour change to reduce energy demand. Engage with the landlord to advocate for investment in building fabric insulation to bring building up to EPC B wherever it is cost effective and practical to do so.

For buildings off the gas grid: replace fossil fuel heating systems with a low-carbon alternative, from 2024

Encourage more efficient end-user consumption and disposal of manufactured products. For example, increase product durability and longevity, and encourage customers to recycle and re-use goods, including through making products and packaging easier to recycle and repair

Actions relevant to mainstream businesses which should **almost always** be done before considering carbon credits in the **2020s**

Switch van fleets to electric vehicles (where there is off-street parking available).

Use green delivery and haulage services, like rail freight and green services like e-cargo bikes and electric delivery vans. Use logistics/consolidation to reduce volume.

Provide charge points for EVs for corporate fleets and citizens.

Short-term: use sustainable biofuels in HGVs.

Choose shipping solutions/ports with high fuel efficiency and ambitious plans/investments in electrification, low-carbon ammonia and/or hydrogen.

Where owns land: support increased afforestation and peatland restoration.

Procure waste management services which provide separate collections for recycling and food waste, with no waste to landfill and focus on recycling plastics.

For larger businesses: consider using procurement models or tariffs which specify creation of new electricity generation, e.g. power purchase agreements. (100% renewable tariffs do not have additionality so are not a substitute for PPAs).

Audit electricity use and reduce electricity consumption through investment in efficient appliance, energy systems management and building occupant behaviour change.

Businesses who produce/sell products or are in construction: Adopt circular economy strategies to prevent waste by reducing excess use of materials (e.g. packaging), and designing in repair, recyclability, and extended use.

Replace gas boiler at end of lifetime to a low-carbon alternative, e.g. heat pump, low-carbon heat network, or hydrogen boiler. (Exception: this may be challenging when it is not yet clear if the area will be prioritised for district heating or hydrogen or if leasing the property).

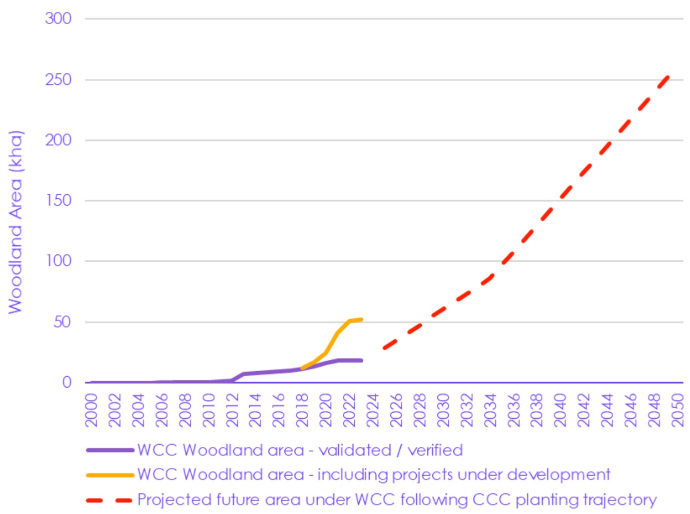
Incentivise / enable consumers to share and use products for longer and to avoid disposable items.

Recognising the short-term value in UK carbon codes

The UK Woodland Carbon Code is an example of a good practice standards for carbon credit project standards:

- Projects must demonstrate successful woodland establishment, with tree growth and sequestration rates assessed at year five and then every ten years.
- Transparent registry
- Strengthened additionality requirements for when forests become investable
- Buffer fund
- Area for improvement: long-term biodiversity monitoring and governance across standards to update in line with the science + businesses claiming the savings in advance

Historic and projected potential area of woodland under the WCC



Contact us

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