

Tips for purchasing carbon offsets

Growing interest in carbon offsets

As concern about the impacts of climate change grows, a range of products is emerging to help companies, governments and the community offset their greenhouse gas (GHG) emissions.

A carbon offset is an investment in a project or activity that reduces GHG emissions or sequesters (stores) carbon from the atmosphere. Carbon offsets are used to compensate for GHG emissions from your own activities.

This fact sheet and accompanying websites are intended to give companies an overview of carbon offsets and to provide guidance on purchasing carbon offsets.

Offsets in a carbon management strategy

EPA developed the Carbon Management Principles to guide its own decision-making in becoming carbon neutral. The Principles can also serve as a useful framework for businesses developing their own carbon management strategies. They set out a continuous improvement cycle involving a number of steps, including measuring emissions, setting goals and reducing GHG emissions.

Applying the principles, businesses should first look at opportunities to avoid and reduce their own emissions, before considering offsets, to optimise financial and environmental outcomes.

The Principles can be found at:

www.epa.vic.gov.au/greenhouse/carbon_principles.asp

Key issues to consider

Purchasing offsets in the carbon market can be a daunting task. Many people become confused and uncertain about what they are actually buying. You need to take the time to ensure the offsets you purchase are robust and equivalent to the emissions you are seeking to address.

In going carbon neutral, EPA looked for offset products that

- were accredited according to a recognised standard
- were independently verified
- provided other environmental benefits.

We also asked for documentation demonstrating that the offsets were robust.

We have provided a checklist for purchasing carbon offsets to assist you in purchasing carbon offsets (see over the page).

Where can I go for more information?

See the websites below for further information on:

- an overview of carbon offsets and hints to help navigate the offset marketplace
- a summary of Australian offset providers and products
- the Carbon Innovators Network, a forum for business and climate change experts to address practical and strategic issues related to carbon management. Email carbon.innovators@epa.vic.gov.au.

Overview of carbon offsets

www.epa.vic.gov.au/greenhouse/carbon_offsets

Summary of Australian offset providers and products

www.carbonoffsetguide.com.au

Carbon Innovators Network

www.epa.vic.gov.au/projects/carboninnovators

Checklist for purchasing carbon offsets

Before investigating offsets

- ✓ Have you considered cost-effective avoidance and reduction opportunities within your business? Offset purchases should be used as one part of a business's carbon management strategy based on the Carbon Management Principles.
- ✓ What are your primary objectives for purchasing offsets? What level of certainty do you need so that you can credibly claim that you have achieved your carbon management objectives (for example, going carbon neutral)? Is reputational risk an issue?
- ✓ How constrained are you by offset costs? At present, offsets can range from less than \$10 up to \$55 per tonne of carbon dioxide equivalents.
- ✓ Do you have a preference for a certain type of project (such as renewable energy versus forestry) or project location (domestic versus international)? Are you looking for co-benefits from the projects, such as biodiversity benefits from biosequestration or public or staff education benefits from the installation of new, energy-efficient technologies?

When investigating offset products

- ✓ Is it clear what you are being offered? For example, does the offset provider specify the source of the emissions reduction? Can you select credits from a specific project as opposed to receiving credits arising from an unspecified portfolio of projects?
- ✓ Can the offset provider demonstrate that the offsets meet your quality requirements? For example, would the project(s) have happened without the GHG offset market? Can they demonstrate that the same offsets are not sold to multiple buyers?
- ✓ Does the offset provider create offset credits in line with a recognised standard or regulation? Have the offsets been verified by a credible third party?
- ✓ Does the offset provider sell offsets that will accrue in the future? If so, how long into the future, and can they explain why they need to 'forward sell' the offsets? How will they compensate or make good if the project doesn't deliver the expected emissions reductions?
- ✓ Does the provider give additional information to buyers about climate change and the impact of greenhouse gas emissions? Does the provider offer information about other carbon management actions, such as avoiding and reducing your organisation's own emissions?

After purchasing offsets

- ✓ Continue to review your carbon management strategy. In most instances, onsite reductions are the most cost-effective way to achieve your organisation's goals or targets.
- ✓ Communicate your actions. Let your staff, stakeholders and customers know the steps you took to purchase your offsets. Be transparent about which standards or accreditation processes apply to the offsets purchased.

Questions are adapted from Clean Air-Cool Planet's *Consumer's Guide to Retail Carbon Offset Providers*