

INSTITUTE FOR SUSTAINABLE FUTURES

## Carbon Offset Watch

### Assessment Methodology and Results

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THINK.  
CHANGE.  
DO

# Carbon Offset Watch

## Introduction

- > Methodological challenges
- > What did we do?
- > Participation
- > Principles
- > Scoring system
- > Exclusions
- > Assessment of accreditation standards
- > Assessment of retailers
- > The future of Carbon Offset Watch



# Carbon Offset Watch

## Methodological challenges

Challenge	Response
Growth in voluntary carbon market	Assess during set period – 1 November 2007 to 30 April 2008 Plan for regular updates of assessment
Survey fatigue	Integrate Carbon Offset Watch survey with Carbon Offset Guide survey to avoid repetition
Diverse business models	Focus on retailers – direct sale to consumers, not tied to another product
Diverse offset types	Only the contribution to climate change mitigation is assessed. Co-benefits are not assessed. Where these are important to consumers, they should be considered alongside our assessment.

# Carbon Offset Watch

## Methodological challenges (continued)

Challenge	Response
Data assurance	<p>Self-reporting by retailers with follow up for clarification</p> <p>Limited quality checking by ISF (websites), Carbon Offset Guide (particularly of accreditation standards) and CHOICE (web calculators)</p>
Gaming of results	<p>Assess during historical period, based on actual sales</p> <p>Limit advance knowledge of assessment methodology</p>
Subjectivity	<p>Pilot survey</p> <p>Peer review</p> <p>In the end, this is our considered opinion of what is important for a quality carbon offset. We welcome debate on the decisions we have made.</p>

# Carbon Offset Watch

## What did we do?

1. Literature review and internal workshops to develop survey and assessment methodology
2. Pilot survey with four retailers and peer review, leading to survey revisions
3. Identification of 57 organisations believed to be selling carbon offsets in Australia
4. Invitation to participate in online survey, integrated with quarterly Carbon Offset Guide survey
5. Organisations given 2 weeks to complete survey
6. Survey responses collated and clarification sought
7. Responses returned to participants for checking
8. Data assurance by Carbon Offset Guide
9. Flight calculator checks by CHOICE
10. Allocation of scores based on survey responses

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## Participation

- > 57 organisations invited to participate
- > 20 (35%) responded with sufficient information and were included in the assessment
- > 3 responded but did not fit the retail business model and were excluded
- > 3 responded with insufficient information and did not respond adequately to follow up requests
- > 1 responded but chose to withdraw
- > 30 did not respond – we did not investigate the reasons for their lack of response

# Carbon Offset Watch

## Principles

1. Consumers should be encouraged to consider alternative cost-effective mitigation measures before purchasing offsets
  - Prevention at source is preferable to emission and offsetting
2. Consumers should be provided with sufficient information to understand and inform their offset purchase decision
3. The voluntary market should closely follow the requirements of the compliance market
  - CDM requirements inform our assessment

# Carbon Offset Watch

## Principles (continued)

4. Independently accredited offsets are better than retailer-accredited and non-accredited offsets
5. Emissions abated should match customer emissions
  - In quantity and time
6. Offset projects that change or prevent the underlying activities that create greenhouse gases are best for combating climate change in the long-term
  - The voluntary carbon market should contribute to transformation towards low-carbon society
7. Reliability is balanced against practicality
  - Accuracy is important but so is an easy customer experience

# Carbon Offset Watch

## Scoring system

Category	Points (%)	Comments
Retailer services	19.5	Extent to which retailer encourages customer to reduce emissions, provides information and documentary evidence, provides adequate estimation of carbon footprint
Accreditation features	60.5	Assessment of features of accreditation standard, or equivalent features for unaccredited offsets
Timing of emission reduction and contractual arrangements	7.5	Preference for ex-post accounting (especially prompt delivery, where emission reductions have already occurred)
Verification of retailer acquittal/compliance	5	Independent verification that quantity of offsets retired or transferred matches quantity sold
Project type	7.5	Points awarded to projects that change or prevent the underlying activities that create greenhouse gases
<b>Total</b>	<b>100</b>	

# Carbon Offset Watch

## Scoring – accreditation features

Category	Points (%)	Comments
Project validation standard	7.5	Set of criteria or rules that the project must meet
Independent project validation	7.5	Independent auditor to confirm project complies with rules
Project validation approval	4	Outcome of the project assessment is reviewed and approved by a body that is independent from the project developer, the retailer and the auditor that conducted the validation process
Abatement calculation methodology	7.5	Accepted and documented method for calculating emission reductions
Additionality	7.5	The project is required to meet sufficient tests to ensure that it is additional

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## Scoring – accreditation features (continued)

Category	Points (%)	Comments
Independent abatement verification	7.5	Actual emission reductions generated by the project are verified as being accurate by an independent auditor
Independence of the accreditation standard	7.5	The standards body is independent from the project developer and offset retailer
Scheme registry	7.5	Publicly-accessible registry showing ownership and status of credits
Retirement of offsets	4	There is an acceptable process for retiring offsets
Permanence	-7.5 (up to)	Points deducted for offsets that have a risk of reversibility. The size of the deduction depends on the quality of the risk management measures.

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## Exclusions

- > Leakage and secondary effects
  - A project's unintended effects on emissions outside the project boundaries
- > Reconciliation with national greenhouse inventories
  - No process in place to excise voluntary carbon reductions from national greenhouse gas inventory
  - Australian carbon offsets since Kyoto ratification are not truly additional
- > Verification of claims made about retail offset products
  - Important issue but survey responses did not allow assessment
- > Transparency and quality of information provided to consumers
  - Difficult to quantify and excluded from this assessment

# Carbon Offset Watch

## Assessment of accreditation standards

Scheme/standard	Score out of 60	Reasons for lost points
CDM and Gold Standard	60	
VCS	57	Project approval not independent of auditor
VER+	57	Project approval not independent of auditor
Greenhouse Friendly	57	Registry not publicly accessible
GGAS non-forestry	53	Inadequate additionality requirements
GGAS forestry	50	<ul style="list-style-type: none"> <li>•Inadequate additionality requirements</li> <li>•Some residual risk of reversibility despite risk management measures</li> </ul>
MRET	42	<ul style="list-style-type: none"> <li>•No third-party audit of project approval</li> <li>•No standard methodology for conversion of RECs to carbon abatement and no auditing</li> <li>•Inadequate additionality requirements</li> </ul>
Origin Energy's CRS	40	<ul style="list-style-type: none"> <li>•Project approval not independent of retailer</li> <li>•Inadequate additionality requirements</li> <li>•Scheme is not independent</li> <li>•Registry not publicly accessible</li> </ul>

# Carbon Offset Watch

## Assessment of retailers - results

Performance category	Retailers
Outstanding (90% or more)	<ul style="list-style-type: none"> <li>•Climate Friendly</li> <li>•Cleaner Climate, Climate Positive, SMRC</li> <li>•Carbon Reduction Institute</li> </ul>
Good (75 to 89%)	<ul style="list-style-type: none"> <li>•Fieldforce Environmental</li> <li>•Neco</li> <li>•Coolplanet</li> <li>•Ark Climate, Carbon Planet</li> <li>•Greenpass, Low Energy Supplies and Services</li> <li>•Greenpig</li> <li>•AGL, Enviro-friendly, Origin Energy</li> <li>•Landcare Carbon Smart</li> </ul>
Adequate (60 to 74%)	<ul style="list-style-type: none"> <li>•CO2 Australia</li> <li>•COzero, Global Carbon Exchange</li> </ul>
Not recommended (< 60%)	No Carbon Offset Watch participants in this category. This does not imply that all carbon offset retailers in Australia perform well.

# Carbon Offset Watch

## The future of Carbon Offset Watch

- > Ideally an annual (or more frequent) assessment
- > Seeking funding for next assessment
- > Next assessment will seek to address some of the exclusions
- > To ensure future inclusion, provide contact details to TEC

