



CLIMATE CHANGE

Carbon offsetting is one of business' great hopes in the mission to stop global warming, but does it actually reduce greenhouse gas emissions, or is it merely a convenient salve for the buyer's conscience?

Clearing the air on offsets

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AT THE front line of the battle against climate change are products that cannot be seen or touched. But they depend more than any other on credibility. They are carbon offsets — varied, confusing and not regulated. Every time a company or a consumer buys an offset — whether it's for forestry, carbon sequestration, clean energy or a host of other forms — they are taking a leap of faith, hoping that what they have bought actually exists, and that it is making a difference.

Those concerns have become particularly pointed as the grim message of Ross Garnaut's interim climate change report sinks in: Australia may need to slash its greenhouse gas emissions by as much as 90% by 2050 to avert the worst effects of climate change.

British economist Nicholas Stern dubbed climate change the biggest market failure in history. The big question is whether carbon offsets will help tackle this market failure, or whether they will become, as some fear, another bubble.

Will offsets become known as the latest "wind trade" — the buying and selling of a promise of a tulip flower — or another "vapourware", the selling of software that is yet to be invented?

The question is, can a market that literally trades in air ever be credible? Not even the environmental movement's most passionate supporters can give an unqualified yes. In fact, it is the environmentalists who are calling the loudest for more scrutiny of carbon offsets.

Jeff Angel, executive director of Sydney-based advocacy and research group Total Environment Centre, says the offset market "is at severe risk of a major loss of credibility", pointing to a "proliferation of methodologies, purchasing systems and degrees of transparency".

So concerned is the centre that it is building its own website to monitor and compare the different offset providers, which it hopes to have online by mid-year, about the same time that new offset guidelines from the Australian Competition and Consumer Commission will be released.

It is also hoped the Federal Government will by then have made progress on its promised national standard for offsets.

Last month, the ACCC raised concerns that offset consumers "may be facing misleading and deceptive conduct", flagging that some carbon-neutral spruikers may be showing "blatant disregard for the Trade Practices Act".

Meanwhile, some bodies are trying to apply scrutiny. The Environment Protection Authority maintains a guide to offset providers that sets out the name of each group, its accreditation (if any) and the type of offset it sells.

Terry A'hern, the EPA's director of sustainable development, says the guide does not make calls on the worthiness of each offset operation.

For some companies, credibility has proved to be a lucrative asset. The auditing and offsetting company Climate Friendly, which refers to itself as a "profit for purpose" organisation, is accredited under just about every carbon standard around, including the Gold Standard and the Voluntary Carbon Standard.

Last year, Macquarie Capital Group bought half the company for an undisclosed sum. "More so than almost any other product, carbon credits are not something that people physically receive," says Climate Friendly chief Joel Fleming.

"The process of assessment and transparency is so important. For a corporate client, they want to avoid the risk of buying a carbon credit that comes back to bite them."



But other operators have been stung by negative publicity. WA group Elementree does not refer to its products as offsets, but says rather that it receives donations to plant trees. A national newspaper recently accused the organisation of selling forestry carbon credits but not planting any trees.

Elementree's managing director, Courtney Hayes, says that at the time of the story, Elementree had 50,000 trees growing and poised for planting. The trees existed, they just hadn't been physically planted.

He suggests the media has overstated the threat of exploitation in the offset market. "It is very important to appreciate that the industry has barely begun," he says. "What you are witnessing through the plethora of websites and myriad so-called 'green promotions' is the opportunism and experimentation that accompanies the beginning of any new industry . . . this experimentation is vital to attracting the capital that is needed to build the foundations of any new industry in a free market system."

The Age raised some issues with Elementree's website, in which the company discusses its involvement in the WA reforestation project Corridors Across NEWROC.

The site says that "in partnership with Elementree", the seven shires in WA's north-eastern wheatbelt have "embarked upon a three-year project". "With your support, the Corridors Across NEWROC project plans to reintroduce over 500,000 local native seedlings," the site says.

Elementree's contribution to the project was 50,000 trees. According to Linda Vernon, the natural resource manager for NEWROC member the Shire of Trayning, Elementree was involved in a one-off project last year, and to her knowledge, NEWROC would not have any more involvement with Elementree.

Poor rainfall in the region has meant the trees are not expected to have good survival rates, and many will need to be replanted.

Hayes says survival rates on the project will not be evident until after the summer rains and that Elementree will replant to replace those lost, if necessary. He rejects any suggestion the website is misleading.

The carbon neutral industry is a relatively simple food chain. A consumer, be it an individual or business, decides to reduce

their carbon footprint, they seek to measure it, then they buy credits to offset it. Simple . . . to a point. First comes measurement, through online calculators or home audits. Prices start from around \$2500 for a small-business audit.

Then comes reduction. Many consider this step the most important part of the equation — after measuring your emissions you reduce them as much as possible. Only then does one progress to offsetting. But online calculators often make no such suggestions — usually they simply lead to another web page, where with a click of a mouse and the provision of a credit card, one's carbon sins can be wiped out.

Sometimes, consumers only have the word of the offset provider to know that the product exists. Some sites show pictures of tree plantings, but no maps of their locations. And for offsets flowing from energy efficiency projects in developing nations, complete certainty may come at the price of a plane ticket to Africa.

Some offset providers are trying hard to address this issue. South Australian group Canopy, for example, provides map coordinates of forests for its bigger offset customers, and says its carbon sinks are registered on the land titles as the property of its customers, so they cannot be cleared even if the land is sold.

But others are not so forthcoming. Until last night, one website, Become Neutral, could be found easily through Google. It promised to offset emissions through an existing tree plantation, the exact location of which was not disclosed.



There was no way of knowing that the “credits” generated by this plantation had not already been sold at least once before. There were no contact numbers, names, addresses or even email addresses on the site. Inquiries were referred to an email form that did not display who or what would receive your email. Become Neutral said it would offset a family’s carbon emissions for \$288 a year with credit-card facilities on its website. An individual would cost \$152 and a car \$49.50. There were gift vouchers available. The site also said funds raised went “right back into the environment”.

Despite the lack of contact details on the website, *The Age* was able to find the site’s owners through domain registry records. Site designer James Richardson initially referred questions to his father, site owner Robert Richardson, who did not return *The Age*’s call. James Richardson later said his father was interstate and would not be in contact. James said there had been no sales through the website and that the credit-card facilities did not work. The site has been taken down.

Another plantation-based offset provider, TreeSmart, leases existing plantations from growers, then sells offsets from the plantations. The company uses a computerised accounting system to keep track of its products and is applying for accreditation under the Federal Government’s Greenhouse Friendly program.

But according to TreeSmart’s entry on the EPA’s Carbon Offset Guide, TreeSmart cannot ensure “that the carbon purchased has not already been sold to someone else (although that is a clause in our contracts with the tree farmers), nor can we verify that subscribers don’t on-sell their offsets, after also claiming they have used them to offset their own emissions”.

For its part, Canopy disputes that a carbon offset provider cannot make sure its credits are not double-sold.

There is also the question of whether offsets actually make any difference. Naturally, the websites of providers assure us that they do, but there are sceptics, such as Christian Downie, research fellow at think tank the Australia Institute. Downie’s concerns are mainly around forestry offsets, which he says cannot secure “real, measurable and permanent” emission reductions. This is “because sooner or later the forest will be felled, burned or destroyed”.

Forestry offset providers strongly disagree, saying they can guarantee permanence up to 50, 70, even 100 years. Land title offices have started applying “carbon covenants” to land, so that it can never legally be cleared.

The Climate Group, a not-for-profit outfit that developed the international Voluntary Carbon Standard in partnership with other green groups, includes forestry in its standards but does have issues with tree-based offsets.

“The problem is that (when you plant a tree), that tree hasn’t sequestered the carbon yet — it would take decades to do that, and there are issues of whether the tree will still be there,” says Rupert Posner, the group’s Australian executive director.

Last year, then opposition leader Kevin Rudd and his environment spokesman Peter Garrett promised to establish a national standard for carbon offsets, to ensure Australian families and businesses would not be tricked by the “green shoe brigade”.

New Climate Change Minister Penny Wong revealed this week that the Government would have the standard in place by the end of this year.

It seems that everyone involved is worried that something will happen to completely undermine the concept of offsets and dash what some believe is a viable way of fighting global warming.

Perhaps they are worried about a local version of what happened to Coldplay, when the earnest British band offset an album with mango trees in India that were neglected. Most died.

Investigations by *The Age* indicate that something like this has already happened in Australia. Industry sources speak of one big entertainment event that, wanting to spruik its carbon neutrality, bought what was claimed to be offsets.

It was, in fact, a revegetation project that would have gone ahead without the sale of offsets — meaning by existing definitions they weren’t offsets and the event was never carbon neutral. Plus, there were no guarantees on the permanence of the trees.

Had this not been discovered, those attending and organising the event would still have felt good about the carbon-neutrality of the event. Their consciences would have been completely clear.

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Page 4 of 4



CARBON OFFSET

WHAT IS IT? An investment in a project or activity that reduces greenhouse gas emissions, or sequesters carbon from the atmosphere. It is used to compensate for emissions.

WHAT MAKES A GOOD OFFSET? It has not been double-sold: for example, the same patch of new seedlings has not been sold to more than one person as offsets. It should be additional: it must not be a project that would have happened anyway. It must be permanent.