



Carbon offsetting code of practice

Consultation response from the Centre for Sustainable Energy to the Defra and DfT consultation

April 2007

1. The Centre for Sustainable Energy (CSE) welcomes the Government's "Consultation on establishing a Code of Best Practice for the provision of carbon offsetting to UK customers". We believe that it is long overdue that the Government takes action:
 - (a) to protect customer interests from misleading and undue claims regarding the benefits and carbon emission impacts of carbon offsetting schemes, and;
 - (b) to place the value of even high quality carbon offsetting schemes clearly and unambiguously in its place as a 'last resort' category of actions for individuals, organisations and even government departments to take to avoid (though, in the case of offsetting, not reduce) making an impact on climate change.
2. CSE is a Bristol-based national charity with more than 27 years' experience of developing, delivering and evaluating initiatives intended to stimulate individuals, households and communities to achieve sustainable energy objectives – particularly affordable warmth and lower carbon emissions. More details can be found in the Appendix and at www.cse.org.uk
3. Our view is that any carbon offsetting scheme only deserves that name if it can unequivocally demonstrate that it has achieved genuine, equivalent and sustained carbon emission reductions which result from either (a) actions which were not otherwise taking place or (b) actions within an existing capped and regulated market which does not currently include the source of emissions which are being offset.¹
4. We therefore welcome the proposals outlined in the consultation paper as an important step towards protecting the consumer and encouraging offsetting schemes actually to deliver genuine 'offsets'.
5. We have two principal reservations regarding the proposals: (a) the code will not be compulsory (such that the phrase 'carbon offset' has the same legal standing in trades description terms as enjoyed by the term 'organic'); (b) the code is silent on the issue of discounting and future value accounting, yet asserts that "*offsetting is a way of compensating for the emissions produced with an equivalent carbon saving*" (para 1.3). We return to these issues in paragraphs 18 – 19.
6. We also would encourage the government to address simultaneously the other area where consumers are making incorrect assumptions about the carbon emission impact of their actions – green electricity tariffs. We return to this issue below in paragraphs 20 – 22.

1 If the emissions to be offset are also within a capped and regulated market, any 'offset' can provide no additionality, simply a trade within or between those markets.

Carbon offsets: no emission reductions, just a false sense of 'achievement'

7. However, even for schemes which 'meet the code', we believe there is a considerable danger that they create in the mind of the consumer an undue belief that they 'have acted' to curb climate change and a false sense of security that they need do no more.² Yet total carbon emissions are not reduced by even the best offsetting schemes – they are still emitted as a result of the consumer's action but 'offset' by a carbon saving or absorbing project elsewhere.³
8. In this respect, we believe that carbon offsetting has no part to play in an effective strategy to reduce carbon emissions in the UK. With a challenging target of 60% reduction – possibly more – by 2050 due to be enshrined in UK law, the notion that we are anywhere near a position where UK citizens, companies and government departments have 'unavoidable' carbon emissions for which offsetting is the appropriate option is dangerous.
9. In every case, there are many straightforward and mostly low or no cost steps which the individual, company or government department can and needs to take – but tends not to take – to reduce their own carbon emissions. In this context, we are a long way from 'unavoidable' carbon emissions. Most people, companies and government departments could take action themselves now to cut their currently excessive and highly avoidable carbon emissions; by taking such actions they would effectively 'offset' themselves their own so-called 'unavoidable' carbon emissions through cuts in their own emissions.
10. It would, for example, be good to see Government departments 'offsetting' their air travel carbon emissions not through an international offsetting scheme but by including them in their own departmental carbon cap and taking actions actually to meet emission reduction targets. Within that cap and reduction target, the more air travel the department does, the greater the attention needed to cutting electricity consumption, controlling heating regimes, and minimising the use of ministerial cars.
11. Indeed, we consider offsetting to have a detrimental impact on an effective carbon reduction strategy, creating a sense that we can 'offset' our way out of having to face up to and make the lifestyle and behaviour changes (flying and travelling long distances less, walking or cycling instead of driving, lowering the heating thermostat, switching things off when they are not in use, etc) and the investments in lower carbon buildings and technologies that we need to make to cut back our carbon emissions.
12. That is because, even if a UK consumer is buying carbon credits from the CDM, this is as an alternative to cutting their own emissions by the same amount. In this setting total global carbon emissions have not been reduced. In the meantime, nothing additional needs to have been done by that rich(er) carbon-intensive lifestyle 'westerner' on their own emissions (indeed they will have the sense that they have 'done their bit' so may actually feel less carbon constrained).
13. We do not therefore agree with the position described by the Government in the consultation paper (para 1.8) that it "*supports how this market has increased demand for offsetting. Consumers who have already purchased VERs have made the important*

2 We assert but do not actually know if it is true that most people and organisation who purchase carbon offsets actually believe they have reduced carbon emissions. We believe Defra should research this point as it is important to the Government's understanding of how it should 'position' carbon offsets within a carbon emission reduction strategy for the UK.

3 This would of course change – for the better – if the consumer's emissions and the offsetting action were both within an effective emission cap.

decision to pay for the consequences of their actions. They have not been wasting their money, far from it, they have helped to blaze a trail."

14. We believe that, in the main, 'they' have been wasting their money and they have helped to blaze a trail which heads in the wrong direction and arrives in the wrong place, wasting time and misleading people in the process. They have created a false sense of achievement and reduced the will to take action on 'avoidable' carbon emissions.
15. In addition, we find something deeply disturbing in the sight of profit-motivated companies in a developed country like the UK 'snapping up' the easier carbon emission reduction options in developing countries – just to offset excessive emissions we have patently failed to curb ourselves. Having been snapped up for our 'use', these options become unavailable to those developing countries as features of their own strategies to curb future carbon emission. We anticipate that this injustice will haunt future international negotiations on climate agreements.
16. In response to this consultation, we have no doubt that the Government will receive many arguments from vested interests in the 'offsetting industry' against setting the standard and in favour of less stringent requirements on the use of certified credits. These interests will no doubt claim that the Government's proposals will be stifling innovation, restraining entrepreneurial spirit, and risking the UK's lead in developing such initiatives.
17. We urge the Government to resist strongly such arguments. It strikes us that carbon offsetting schemes without formal verification and transparent pricing are exactly the types of misguided innovation, destructive entrepreneurial spirit and unwelcome leadership that should play no part in a country seeking to show international leadership in addressing climate change.

The case for a compulsory code

18. As mentioned above, we also believe that the Government should go a step further than proposed and make the code compulsory. We are not confident that an industry that has proved cavalier with the facts⁴ can be relied upon to promote and work with such a scheme and not seek to develop alternative 'quality marks' with less rigorous standards (such as has happened with food labelling). We recommend that the Government legislates to make 'carbon offsetting' – and the phrase 'carbon neutral' – legally defined terms in the same way that use of the word 'organic' is legally protected in relation to food.

The importance of timescales for carbon emissions

19. We are concerned that the code is silent on the issue of future value accounting and thereby fails to acknowledge the importance of the relationship between when the carbon is emitted, its impact on climate stability, and the timescale over which it is 'offset'. Our understanding is that even CDM credits do not effectively take account of the climatic influence of a tonne of carbon dioxide released now compared with the CDM accredited activity which is designed to offset the emissions over a period of time. Because of the non-linear nature of the influence of carbon dioxide in the atmosphere, a tonne emitted today will have a net impact even if it is 'offset' completely by some scheme over the next

4 Such as: (a) buying 'carbon absorption rights' from trees that were already being planted and which therefore have no role in 'offsets' since nothing additional has happened; or (b) sponsoring energy saving light bulbs which are anyway provided as part of existing utility programmes and which have only limited lifetime (cf. the carbon they are supposed to offset).

10 years. We believe the Government should take action to ensure this issue is addressed within the CDM and thereby incorporated into the code.

Taking the same approach to 'green tariffs'

20. We also recommend that the Government takes a similar 'consumer protection' approach to green electricity tariffs. In our experience as providers of energy advice to the public, some consumers mistakenly believe such tariffs provide them with 'carbon-free' electricity – and some energy consumer advice and 'reduce your carbon footprint' websites reinforce this impression. This is not the case since, at worst, none, and, at best, very little additional renewable electricity generation occurs as a result of someone signing up to a green tariff. Consumers do not understand this – indeed, we suspect they believe the opposite. Consumers can not currently make informed choices and are very likely to have a significantly over-inflated sense of the carbon impacts of any green tariff they do choose.
21. Moreover, many recent claims by large businesses regarding their carbon emission reductions are partly predicated on the idea that their green electricity tariff is reducing carbon emissions (rather than simply redistributing renewable electricity sales from one customer to another). This risks giving the public (and shareholders) misleading impressions of the environmental performance of these companies. We therefore believe the Government should establish a clear methodology for determining the carbon emission impacts being caused by a customer buying each of the green tariffs available.
22. The Government should then require all marketing for such tariffs to state the carbon emission impact so that consumers can make informed decisions about the different tariffs and how they fit within their strategies to cut carbon emissions. This would not interfere with the approach of those green tariffs which donate funds to habitat protection or R&D, but it would make clear how 'green' the tariffs are in carbon emission terms. This would allow consumers to choose on an informed basis and draw appropriate conclusions about the impact of this choice on their 'carbon footprint'.

Further discussion

23. We would welcome the opportunity to discuss this consultation response further with Defra and examine how our recommendations, particularly in relation to green tariffs, could be implemented.

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Appendix: About the Centre for Sustainable Energy

The Centre for Sustainable Energy (CSE) is a charity and company limited by guarantee that started life in 1979 as the Urban Centre for Appropriate Technology. Based in Bristol, we have 34 staff and student placements and a turnover of £1.3 million earned from 60 -70 projects funded variously by government agencies, local authorities, charitable foundations and private business.

Our mission as a charity is to advance sustainable energy policy and practice, engaging people and communities in meeting real needs for environmentally sound and affordable energy services. We believe this mission is best achieved through a combination of:

- innovative local energy efficiency and renewable energy projects – mainly in the Bristol and Somerset area;
- activities to empower and support effective action by others across the UK, and;
- research and analysis to use our experience ‘on the ground’ to influence policy and practice at local, regional and national level.

We focus, possibly uniquely amongst UK charities, on both the social and environmental aspects of energy. Sustainable energy is not just about cutting the pollution which damages future generations. It is also about ensuring that people today can meet their basic needs for affordable warmth.

Our local activity means we are delivering sustainable energy solutions directly to people – and it provides a ‘test bed’ for new ideas and approaches. It also grounds in real experience our activities to support the work of others and our research and policy analysis.

Empowering others through education, training, advice and support unleashes their potential to become sustainable energy activists in their own families, communities and organisations. This extends our reach, embedding sustainable energy in the learning of thousands of school children and the work of hundreds of organisations.

We believe we must follow through our own direct experiences ‘on the ground’ with effort to change policy and practices more widely, regionally and nationally. That way the exceptional and innovative – sustained features of our work – can transform the mainstream and make a genuinely sustainable energy future a reality.

Over the last 27 years, CSE has developed several nationally significant initiatives, many of them innovative and ahead of their time.

- We established the first phone and software-based energy efficiency advice service, which became the model for the national network of 52 Energy Efficiency Advice Centres. Our own advice centre continues to reach more than 20,000 householders in the Bristol and Somerset area each year.
- Our major energy education programmes like Energy Matters have reached tens of thousands of school children and proved that children are effective energy advisers for their families.
- CSE’s training modules have built awareness of energy issues and capacity, engaging with some 10,000 experts and non-experts over the years.
- Working with the University of Bristol, we developed the Fuel Poverty Indicator, a unique tool to enable local targeting to tackle fuel poverty and now widely used by local authorities and regional government.
- Our innovative processes for engaging stakeholders in the development of policy, strategies and action plans are securing new support for sustainable energy, and renewable energy in particular.
- CSE’s research is improving understanding of consumer experiences of energy markets and the need for stronger protection of their interests.