

SDC response to Defra consultation on establishing a voluntary Code of Best Practice for the provision of carbon offsetting to UK customers

As the Government's advisor on sustainable development, the Sustainable Development Commission (SDC) has played an active role in the area of climate change policy, and our work programme in this area continues to expand to reflect the importance of these issues. The SDC recently hosted a two-day workshop in partnership with the UK Energy Research Centre (UKERC), and with the support of Defra, which looked at the whole issue of carbon neutrality and carbon offsetting¹. The workshop was attended by around 50 stakeholders from Government departments, the Devolved Administrations, the carbon offsetting industry, NGOs, and academics, and there was general consensus on a number of offsetting issues.

Our response to this consultation therefore draws heavily on the proceedings from this seminar, and on our work on climate change² and sustainable consumption³ more generally.

Summary

The SDC has serious concerns over the Government's proposal for a voluntary Code of Best Practice for offset providers. We believe that, as it stands, the proposed Code could seriously undermine the voluntary offset market rather than encouraging greater self-regulation and certification from within the sector, which we would support. The Government should focus on introducing procurement standards for the purchase of carbon offsets by Government departments and other public sector organisations, whilst laying out a set of conditions to which a voluntary certification scheme should comply.

Background

- The SDC cautiously supports the use of carbon offsetting, but only in the absence of a viable international framework covering global emissions
- Carbon offsetting should always be part of a comprehensive carbon management strategy, as recommended in recent work by the Carbon Trust⁴
- There are a number of sustainable development benefits that offsetting can deliver to less developed countries, such as the provision of new sources of energy and a reduction of local air pollution – however, not all offsets offer these benefits, and consumers should be made aware of the differences between carbon offset projects
- Carbon offsetting may raise carbon awareness (or 'carbon literacy') among individuals and businesses⁵, whilst helping to put an additional cost (albeit a small one) on carbon-emitting activities

¹ UKERC (2006). *Carbon Neutrality and Carbon Offsets – workshop report, 18-19th December 2006*. Available at: <http://www.ukerc.ac.uk/content/view/367/763>

² The SDC's submission to the UK Government's review of the Climate Change Programme can be found at <http://www.sd-commission.org.uk/publications.php?id=256>. Our response to the revised Climate Change Programme 2006 can be found at <http://www.sd-commission.org.uk/publications.php?id=399>.

³ The SDC jointly hosted the Sustainable Consumption Roundtable alongside the National Consumer Council. The final report from this work, *I Will If You Will*, can be found at <http://www.sd-commission.org.uk/pages/020506.html>

⁴ Carbon Trust (2006). *The Carbon Trust three stage approach to developing a robust offsetting strategy*. Available at: <http://www.carbontrust.co.uk/publications/publicationdetail?productid=CTC621>

- In order to have a viable offset market consumer confidence needs to be maintained – particularly considering the complexities of this issue
- The Voluntary Emission Reduction (VER) market in the UK has grown considerably in recent years, and now offers a wide range of products and services; however, there are concerns that there is no common standard for VERs, and that this may damage consumer confidence
- The need for greater regulation seems to be accepted by the carbon offset industry; many of the participants at the SDC-UKERC workshop supported the VALID approach developed by the Carbon Trust⁶
- Industry self-regulation is regularly used in other environmental areas (e.g. the Soil Association, the Forestry Stewardship Council, the Marine Stewardship Council, Fairtrade etc) as well as non-environmental areas (Press Complaints Commission and Fundraising Standards Board), and is in many cases supported by Government through formal recognition; furthermore, industry self-regulation may be better able to respond to the needs of consumers
- The SDC-UKERC seminar concluded that the VER market adds additional value in the carbon offset market overall: it can help build capacity where this doesn't already exist, it allows investment in non-Kyoto countries, it can invest small projects that might be too small for the CDM, it is quicker to develop projects, and (importantly) it can be used for innovation and development of projects/techniques that do not currently qualify for CDM

Code of Best Practice

- The SDC is seriously concerned that the proposed Code would serve to undermine the VER market, despite the stated intention of Government not to do so; instituting a Code that only allows offset credits from the compliance market (e.g. CERs, EUAs etc) could result in a complete move away from the VER market
- The SDC is also concerned at the Government's engagement strategy leading up to the proposed Code, with many stakeholders claiming they had not been consulted early on in the process, and had simply been told of Government's intentions once there were already agreed
- We are broadly in favour of requiring Government departments, and possibly other public sector organisations, to procure carbon offset credits from the compliance market, as already proposed by Government
- However, there should be no attempt to broaden this requirement to the private or voluntary sector, where we believe VER credits have a strong role to play

SDC recommendations

- The Government should restrict the scope of the proposed Code of Best Practice to just Government departments and, if agreement can be sought, the Devolved Administrations and other public sector organisations - this should specify Gold Standard CDM projects (or equivalent) for all carbon offsetting
- The Government should simultaneously announce its desire to see strong independent regulation of the VER market, with the option of a deadline by when this should be agreed and in place - the penalty for inaction by offset providers would be further action by Government later on

⁵ For example, the Sustainable Consumption Roundtable found that actions such as carbon offsetting could act as a 'wedge', helping to drive other actions towards more sustainable behaviour

⁶ VALID: validation, additionality, leakages, impermanency, and double counting.⁴

- The Government should then publish a list of criteria which any independent standard would have to meet - this could be based on the VALID approach suggested by the Carbon Trust
- With this in mind, the Government should give strong conditional support to the proposed Voluntary Carbon Standard (VCS) currently being developed by the Climate Group⁷, or any other credible certification scheme

Response to consultation questions

To ease the analysis of our response, we have included some answers to the specific questions asked in the consultation document. We have not commented on a question where we do not have a view.

Q1: Do you agree that the Government should publish a Code for offset providers? NO – not in its current form. See above for details.

Q2: Do you agree with the proposed aims of this Code? NO – the Code should not seek to cover all offset providers, but should be restricted in scope to Government departments, and other public sector organisations. See above for details.

Q3: Should Government consider, in the future, making the Code mandatory and putting it in legislation? NO – the SDC believes that the Government should firstly focus on industry self-regulation of the voluntary market, and should only consider mandatory controls on the procurement of carbon offsets by Government departments and other public sector organisations.

Q4: Do you agree that the Code should be voluntary in nature? See above.

Q5: Do you agree that the most appropriate credits to demonstrate best practice in offsetting are one, or a combination of, CERs, EUAs or less easily, ERUs? NO – we believe that the voluntary market (VERs) offers additional benefits to the compliance market, so long as there is adequate certification of the voluntary market.

Q10: Do you agree that the Code should require companies offering offsetting at the point of sale with other goods or services, to give consumers a compulsory choice or a 'default option'? YES to a default option, NO to compulsory choice. The Sustainable Consumption Roundtable report³ recommended that carbon offsets for aviation should be provided on an 'opt-out' basis, as this was found to achieve much higher take-up. We would support this approach whenever carbon offsetting is offered.

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⁷ The Climate Group (2006). *The Voluntary Carbon Standard: verification protocol and criteria*. Available at: http://theclimategroup.org/assets/Voluntary_Carbon_Standard_Version_2_final.pdf