IEMA submission to UK Climate Change Committee Call for Evidence Carbon Offsetting - February 2022

About IEMA

IEMA is the professional body for those people working in environmental management, impact assessment and corporate sustainability roles. IEMA’s growing membership of over 18,000 professionals work at the interface between organisations, the environment and society in a range of critical roles (for example from sustainability directors through to climate change leads and in consultancy and advisory roles). We also work with a range of corporate partners. Our professional members are active across all sectors of the economy, for example from construction and manufacturing through to logistics, facilities, and across financial, retail, food, consultancy and the wider service and public sector.

Executive summary

This response has been compiled by IEMA, drawing on relevant evidence from engagement with professionals (e.g. in their support towards developing guidance, GHG hierarchy approach and principles for net zero[[1]](#footnote-1)) and from surveys of environment and sustainability professionals[[2]](#footnote-2). The response has also been informed by contributions from experienced professionals within IEMA’s Climate Change and Energy network steering group.

Although limiting our response at this stage to 6 key questions where direct evidence and insights are available, IEMA is very interested in this field and in particular in its important interaction with developing corporate approaches to net zero transitions. We look forward to further opportunities to contribute on this important topic. IEMA will be willing to support and inform developments, drawing on our leading policy and practice work regarding net-zero and also through our large professional network.

Key IEMA comments are summarised as follows:

1. The critical issue for any actor using offsets, will be to ensure the approach is additional and does not displace transition of the business model. Although a range of quality concerns do exist around offsets, a core risk for users of offsets relates to the claims they are associating (e.g. organisational claims made by the offset purchaser).
2. A risk exists on variability in offset quality (for example additionality) and a growing lack of supply for the highest quality offsets. A further risk is that businesses, understandably nervous of accusations of greenwash, may not invest in useful projects via carbon credits.
3. Offsetting can be used alongside a carbon reduction strategy. This should be transparent and (importantly) offsets should be presented as separate to science based/reduction targets.
4. Offsetting or other carbon credits, can present an action opportunity towards historic emissions (as opportunities for companies to invest in Climate Action more broadly).

Q1 - What are the main risks and opportunities presented by voluntary carbon offsets?

A range of risks and opportunities exist and the situation is complex following years of voluntary approaches and developments. The growing interest in net zero is generating some new approaches also and clear standards are imperative. Some positive development opportunities are the outcome from COP26 on article 6 rules, the Oxford Principles for Net Zero aligned carbon offsetting, the Mark Carney initiated Task Force on the Voluntary Carbon Market. These and other carbon market integrity developments, offer potential for improved consistency in the offset market and related rules and standards. However, experience suggests this will take time and there will be a continuing requirement for caution from those seeking to utilise offsets within claims.

RISKS INCLUDE

* A significant risk arises from actors (e.g. organisations / companies) potentially claiming a status such as net zero without sufficient transition in their core business model. This can happen if offsets are conflated with absolute (GHG) reduction targets. This should be prevented through transparent reporting of such separate targets
* A related risk exists concerning variability in offset quality (for example additionality). Questions arise over the quality and quantity of offsets that are available for purchase, and how purchasers can be sure that what they are buying is reliable.
* A further risk is that businesses, understandably nervous of accusations of greenwash, may not invest in useful projects via carbon credits. An additional risk around the quality concerns is the growing lack of supply for the highest quality offsets.

MAIN OPPORTUNITIES

* Offsetting can present an opportunity when being used to support the transition to net-zero and reduction of carbon emissions. This can be constructive if offsetting is used alongside a carbon reduction strategy / mitigation hierarchy such as the one created by IEMA - <https://www.iema.net/document-download/51806> - In this regard the offsets should be transparent and (importantly) presented as separate to science based or other reduction targets.
* Offsetting or other carbon credits, can present an action opportunity towards historic (past) emissions. In that context they could be seen as opportunities for companies to invest in Climate Action more broadly.

The critical issue for any actor using offsets, will be to ensure the approach is additional and does not displace transition of the business model. Although a range of quality concerns do exist around offsets, a core risk for users of offsets relates to the claims they are associating (e.g. organisational claims made by the offset purchaser).

Q2 - Quality and duration of offsets

In terms of UK carbon offsetting, one of the more established and credible schemes is the Woodland Carbon Code (WCC) - <https://woodlandcarboncode.org.uk/>. The IUCN Peatland code has also been developed from a similarly strong science (researched) basis. These two schemes are active in the UK and well regarded (for example both are referenced for use within Corporate GHG reporting under the Government’s guidance for Streamlined Energy and Carbon Reporting).

In 2021, an important study was completed by the Environment Agency into potential carbon offsets and developments. <https://environmentagency.blog.gov.uk/2021/05/10/carbon-offsetting-reviewing-the-evidence/> IEMA and several organisations contributed to the report, which will provide CCC with a) information on the two codes outlined above and b) insights and information on the types of carbon codes that could now be developed.

International sources of information are extensive. The UNFCCC Climate Neutral Now initiative includes information about international offsets that can be purchased by UK actors - <https://unfccc.int/climate-action/un-global-climate-action-awards/climate-neutral-now>

Other developments now / in the future include international initiatives seeking to add integrity to the voluntary market. These include initiatives like the Task Force on Scaling Voluntary Carbon Markets - <https://www.iif.com/tsvcm> - and the Voluntary Carbon Markets Integrity Initiative -- <https://vcmintegrity.org/>. A further development by the International Organization for Standardization is ISO 14068 Carbon Neutrality (in development). This International Standard is an opportunity to improve practice (and it will be likely to supersede the current British Standard PAS2060).

The TSVCM and related initiatives should lead to so called ‘core carbon principles’ which can help to ensure greater understanding and alignment. However the market is hugely variable with concerns around integrity. In this regard, approaches have developed such as [BeZero Carbon - Global Carbon Ratings](https://bezerocarbon.com/)

One gap for consideration is the role of other contributions such as ‘insetting’ within an organisations value chain. There is considerable interest in such ‘offset type activities’ and these alternative actions should be evaluated. Standards are required to ensure good quality outcomes.

Q3 - Voluntary offset market regulation and standards

We plan to assess how well current standards and policies are working and to evaluate different options for how current standards or policies can be improved. In some of the following questions we mention several existing standards as illustrative examples; this is done to clarify what kind of standard we are referring to and does not indicate any preference for certain standards over others.

What is your assessment of the various standards relating to offsets (including UK specific standards such as the Peatland Code, and international verification standards such as Gold Standard and Verified Carbon Standard), including those in development (including UK specific standards such as the UK Farm Soil Carbon Code, and international standards/principles such as the Core Carbon Principle)? What more is needed?

Two good sources of information regarding these questions are as follows;

* A report last year by the UK Environment Agency (2021) investigated and reviewed current standards - <https://environmentagency.blog.gov.uk/2021/05/10/carbon-offsetting-reviewing-the-evidence/>
* In terms of available guidance for users, the Stockholm Environment Institute (2020 guidance) is also helpful - <https://www.offsetguide.org/wp-content/uploads/2020/03/Carbon-Offset-Guide_3122020.pdf>

The need for new standards is significant and across a range of topics. There will be value in initiatives that seek to align their developments to core principles. It is likely that this is required at both international and national levels. Complexity is also a consideration regarding the challenge of achieving ‘reasonable assurance’ verification. In certain contexts (for example in many nature based offsets) there will be a need for careful design of M&R protocols.

The standards field can look confusing and new codes are emerging, with a risk that future schemes and developments may not align. In this regard, international developments like the TSVCM and via ISO are timely and do offer opportunity for better alignment and ‘raising the bar’. Positive outcomes however are not guaranteed. It is therefore important that credible stakeholders do engage with the main development opportunities in International Standards.

Q4 - What are the strengths and weaknesses of monitoring, verification and reporting (MVR) for offsets produced in the UK and globally? What more is needed?

MVR approaches are established for schemes outlined above, notably for the Woodland and the Peatland codes (and in the UK, UKAS is the accreditation body for the WCC as well as UKETS). The already referenced 2021 UK Environment Agency (2021 report) also includes considerations on other potential offset developments and on their associated requirements (such as monitoring) - <https://environmentagency.blog.gov.uk/2021/05/10/carbon-offsetting-reviewing-the-evidence/>

MVR developments are important in wider areas of carbon contributions also, including insetting and value chain actions / compensations. A range of technical developments are emerging including blockchain, remote sensing, AI and the IOT. These offer some opportunities for enhancements in MVR (possibly also some risks).

An additional consideration is the level of MVR as new approaches may emerge based on estimates rather than on quantified units. For example, there could be a need for estimated carbon removals for initiatives working at scale and engaging multiple actors (standardised approach may be required). MVR is imperative where units are currently traded, but future and developing environmental schemes may require alternative approaches.

A challenge for ‘traditional’ verification is the number, quality and accreditation of verification personnel needed to deliver an increasing workload. A shift towards technological verification approaches could help to a degree. The need however for professional personnel will grow as the field expands and increases in complexity. There ae risks such as independence and of fragmentation of the available verifier personnel. This is something that does not appear to be being sufficiently considered.

Q7. Are there specific activities or regions where directing funds for offsetting might have a particularly positive impact? Please consider the UK and/or the international context, depending on experience.

There will be many opportunities for co-benefits in the UK through ecosystem services for example (such as water flow management) and internationally the development and broader SDG agenda can be well supported (and just one of many examples will be schemes such as TIST - [http://www.tist.org/welcome/](https://linkprotect.cudasvc.com/url?a=http%3a%2f%2fwww.tist.org%2fwelcome%2f&c=E,1,n1Oi9o0s9kfITDfCX3bZVNdMkA7PPF2TWLrFLiH6pgvlFCyGKdVYqm1GVpmuUNQmSIBLUGFf3mQ5OKcgZ_G0dRQ0c9Iq-XA0P5eE6JWdNtHWJBCs&typo=1)). This is a large question and could warrant strategic consideration, especially as practice diversifies with new ‘offset type’ approaches (e.g. insetting).

A further aspect that also warrants consideration, is the potential for addressing past emissions by countries, companies and other actors (sometimes called historic emissions yet still active).

The discipline of corporate carbon accounting, and in turn net zero approaches, is predicated on annual performance disclosure and improvements over time. However, within the context of a now recognised climate emergency, all emissions in the atmosphere are problematic and the polluter pays principle can (and arguably should) be applied to recent (historic) emissions.

In this regard, a truly science based net zero approach can legitimately consider all emissions, not just those in the latest 12 Month period. A temporal distance decay approach may estimate removals and compensations on historic emissions (for example phasing over a 15 year period). Applying such an approach could escalate funding for offset based transitions with positive development gains to the global South.

Q 10. What is the evidence on the scale of reliance on offsets for Net Zero targets, for businesses, financial institutions, and/or other institutions and the role that offsets play in affecting emissions reduction ambition? If you are a business/financial institution/other institution with a Net Zero target, what role do voluntary carbon offsets play in your Net Zero target and emissions reduction ambition?

IEMA has surveyed its professional membership to better understand net zero in practice and the situation concerning a range of carbon actions (including offsets). In just a two year period, this indicated a +31% increase in the use of net zero as a target, up from 28.7% to 59.6%. For the action responses, the survey uses the same basic questions over a decade and in three surveys (2010, 2019 and 2021).

IEMA’s GHG Management Hierarchy states broad approaches for eliminating, reducing and substituting emissions, along with options for compensating residual and historic emissions. Some headlines from the 2021 IEMA survey are as follows. These figures do not equate to use in net zero claims (see note at end of this answer);

(i) Improvements to buildings and premises and active energy management approaches both continue to be the dominant / leading actions (in all three surveys). This is encouraging and reflects that serious net-zero transitions require both step changes in business structures/ facilities as well as ongoing management of energy. The responses in 2021 are at 68% and 72% respectively.

(ii) Engagement and team approaches have both declined (by around 12% and 6% over the decade) possibly reflecting a combination of increased technical solutions such as choice editing (starting to replace behaviour-based emissions actions), along with impacts from changes to working practices in the pandemic that have reduced office-based working. The responses in 2021 are at 44.7% and 51.5% respectively.

(iii) The importance of organisational approaches has increased with management systems (+6.5%) and sustainable procurement (+8.3%). This reflects the approach that organisations adopting net zero will all require systems to address longer-term targets. Also systems which can work to engage suppliers in addressing complexity and Scope 3 emissions. The responses in 2021 are both at around 54%.

(iv) Substitution measures such as fuel-switching (+16%) and on-site renewables (+7%) have increased. The responses in 2021 are at 47% and 37.6% respectively

(v) There is an increase in ‘compensatory’ measures such as green energy tariffs (+23%) and use of carbon offsets (+11%). The increase for offsets is however from a low base, increasing from 11.3 to 22.4%.

IEMA evidence indicates that offsets play a relatively small role in corporate approaches generally. Their role will be even lower when considering corporate GHG reporting itself, where practice will often exclude offsets or may report them separately (e.g. in narrative explanation and context).

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1. Pathways to Net Zero: Using the IEMA GHG Management Hierarchy (2020) - IEMA publication <https://www.iema.net/document-download/51806> [↑](#footnote-ref-1)
2. Net Zero Explained: (2021) – IEMA publication - <https://s3.eu-west-2.amazonaws.com/iema.net/documents/knowledge/policy/climate-change-energy/Net-Zero-Explained-Oct-2021-4.pdf> [↑](#footnote-ref-2)