



Carbon Credits

Carbon Credits are a mechanism that allows organisations to fund and trade climate change actions on an open market. Each carbon credit represents one tonne of carbon dioxide or its greenhouse gas equivalent (CO₂-e) reduced or saved from entering the atmosphere.

Carbon credits come from a range of projects, some are accredited under various government and non government programs and some are pirate credits provided without any accreditation. Some credits can be traded into various mandatory schemes while others can only be used for voluntary purposes (such as carbon offsetting).

Purchasing Credits

While all carbon credits represent one tonne of CO₂-e, different projects, even with the same accreditation, can achieve differing outcomes for our climate and in some cases leave the purchaser with a liability. Trading credits generally takes two forms; mandatory emissions trading to meet targets under a cap and trade scheme and voluntary, usually in support of a green marketing claim, such as 'Carbon Neutral'.

When trading under a mandatory scheme, you must ensure that the credits you purchase contain the accreditation labels accepted by that scheme. Diligent organisations will also determine their marginal cost of abatement. This is the point where it makes financial sense to start purchasing credits instead of reducing emissions onsite. Put simply it is better to spend \$30.00 reducing 1 tonne of CO₂ output before spending \$30.00 on a carbon credit to offset your impact. When purchasing for mandatory targets there is little need to investigate the project, all risks are covered by the accreditation.

Carbon credits, when purchased for offsetting purposes or to substantiate a marketing claim such as Carbon Neutrality are considered voluntary. While there is no accreditation that you must follow when making these purchases, it is the responsibility of those making the claim to ensure that the credits meet the claim. Companies that wish to make a Carbon Neutral or Low Carbon claim should investigate the project behind the carbon credits to ensure that it meets the claim and leaves them with non liability.

Evaluating Carbon Credit Projects

There are 3 primary requirements for a carbon credit to deliver at minimum the 1 tonne of CO2 savings with no risk attached.

1. Financially additional

For a carbon credit to be financially additional, the money from the credits must have been required to make the project happen beyond business as usual. Projects often fail this where they are cheaper than their more polluting equivalent, or their energy savings pays back in time frames that make it a 'business as usual' proposition.

2. Environmentally additional

The project must be additional to the environment. Carbon Credits can not be claimed on projects that would have occurred anyway. An example being the natural growth of a forest with no human intervention required.

3. Permanent

Permanence is a very important requirement for a voluntary credit. Carbon savings that have been forward claimed or carbon emissions that have been stored can present a liability risk for any party using them to make a claim. If the emissions fail to happen, or are released into the atmosphere then it may fall back on the purchaser who made a claim to rectify the issue.

Why not Trees?

Tree projects risk failure on the above issues. Although they are a tool in the fight against climate change they place a significant liability on the purchaser. For trees to be used as an offset, they must stay in the ground for 100 years to match the life-cycle of CO2 in our atmosphere.

Trees are susceptible to droughts, fires and disease. If the trees credits that you have purchased for your Carbon Neutral claim succumb to any of these issues you will be liable to organize someone to replant them or replace them with equivalent credits. Companies that purchase many years worth of credits through trees could be placing a significant liability on their organisation.

Call the Carbon Reduction Institute for assistance with your Carbon Credit purchases, on (02) 9439 9990.

ACT NOW ! BUY CARBON NEUTRAL PRODUCTS AND SERVICES

