

Carbon “Offsets”

A Lose-Lose-Lose Scenario to address Climate Change

Articles of Interest :

- “Value of US House’s Carbon Offsets Is Murky,” [Washing-ton Post](#), Jan. 28, 2008. [1]
- “Billions wasted on UN climate programme: Energy firms routinely abusing carbon offset fund, US studies claim,” [The Guardian](#), May 26, 2008. [2]
- “The Great Carbon Bazaar,” [BBC World Service](#), Jun. 4, 2008. [3]
- “UN Effort to Curtail Emissions In Turmoil,” [Wall Street Journal](#), Apr. 12, 2008. [4]
- “Turning Carbon Into Gold,” [Mother Jones](#), July/August 2008. [5]
- “Discredited Strategy,” [The Guardian](#), May 21, 2008. [6]
- “The Carbon Neutral Myth: Offset Indulgences for your Climate Sins,” [Carbon Trade Watch](#), Feb. 2007. [7]
- For a satirical treatment of offsets, see [www.cheatneutral.com](#)

1. “Offsets”—A cheap means to avoid regulation

- The use of emissions “offsets” provides the means for entities emitting greenhouse gases and other pollutants to avoid reducing their own emissions by purchasing emission reductions in some far off place. This allows them to continue business-as-usual and avoid making the needed investments in pollution control equipment or switch to clean energy options.

2. Additionality—projects would have happened anyway

- “The world’s biggest carbon offset market, the Kyoto Protocol’s clean development mechanism (CDM)... is intended to reduce emissions by rewarding developing countries that invest in clean technologies. In fact, evidence is accumulating that it is increasing greenhouse gas emissions behind the guise of promoting sustainable development. The misguided mechanism is handing out billions of dollars to chemical, coal and oil corporations and the developers of destructive dams—in many cases for projects they would have built anyway.” [8]
- “In order to receive carbon credits from the CDM, projects are supposed to demonstrate that they will lead to cuts in greenhouse gas emissions that are ‘additional’ to what would have happened without the availability of credits. This concept of ‘additionality’ is crucial to the credibility of the mechanism... The buyers of CDM credits are companies in developed nations... who use them to offset their own emissions. They are allowed to count the carbon credits towards targets they would otherwise have to meet by cutting emissions at their own factories... which is usually much more expensive.” [9]
- “[T]he thorny issue of additionality. Carbon offsets are supposed to provide investment for emissions reduction projects that wouldn’t otherwise have happened. If not, they are simply selling ‘hot air’. But a 2006 investigation in India, conducted by an adviser to the CDM executive board (which regulates the scheme), conservatively estimated that one-third of all projects failed to be ‘additional’. An extensive study of CDM hydro-electricity projects by International Rivers, meanwhile, found that almost all such projects were already under construction when they applied for carbon financing, suggesting that ‘additionality’ in this sector is in very large part a fiction.” [10]
- “A working paper from two senior Stanford University academics examined more than 3,000 projects applying for or already granted up to \$10bn of credits from the UN’s CDM funds over the next four years, and concluded that the majority should not be considered for assistance. ‘They would be built anyway... It looks like between one and two thirds of all the total CDM offsets do not represent actual emission cuts.’ [11]
- “A separate study published this week by US watchdog group International Rivers argues that nearly three quarters of all registered CDM projects were complete at the time of approval, suggesting that CDM money was not needed to finance them. ‘It would seem clear that a project that is already built cannot need extra income in order to be built... Judging additionality has turned out to be unknowable and unworkable. It can never be proved definitively that if a developer or factory owner did not get offset income they would not build their project.’” [12]
- “In China, almost every new hydroelectric and natural-gas-fired power plant has applied for CDM money, casting doubt on whether they really require the offset revenue to be built. ‘It looks like the CDM is just turning into a production subsidy... and that’s not a good way to spend our money.’” [13]
- “No one can quantify how much of a ‘climate benefit’ a project generates. Dan Welch, who conducted a comparative study of offset providers for the Ethical Consumer magazine, summarized this problem when he described offsets as ‘an imaginary commodity created by deducting what you hope happens from what you guess would have happened.’ There is so much speculation in trying to calculate what might have happened if you hadn’t contributed a certain amount of money to a certain project. In practice, this makes it impossible to establish a meaningful degree of equivalence between the ‘climate benefit’ that is being sold and the carbon emissions that are supposed to be being ‘offset’.” [14]

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3. Time matters

"[T]here is the time lag issue. In fact there are two: First, when carbon is released into the atmosphere, it is part of the problem' in terms of climate change, but the various carbon offset schemes are operating to supposedly neutralize these emissions over a much longer period of time, sometimes, as in the case of forestry offsets, over a period of a hundred years or more. If an individual or company keeps offsetting regularly, their rate of emissions increases rises at a much faster rate than the rate at which their activities are being 'neutralised' to the point at which, far from being 'carbon neutral', quite the opposite is true. The carbon in the atmosphere increases at a far greater rate than it's supposed 'neutralisation'. Secondly, many if not most offset operators in the voluntary carbon market trade in 'future' reductions, selling their offset credits often long before the actual reduction that has been sold with the offset actually happens – or is hoped to happen." [15]

4. Oppressive projects in the Global South

- "[T]he growing practice of purchasing carbon dioxide credits in order to 'offset' affluent consumers' excessive greenhouse gas emissions is increasingly opposed by people on the receiving end. Carbon offsets, whether sold on the Internet or negotiated through the Kyoto Protocol's Clean Development Mechanism, also favor the conversion of forests into monoculture plantations and further the displacement of traditional communities." [16]
- "The vast majority of indigenous peoples feel that the [Reduced Emissions from Deforestation in Developing Countries] will not benefit Indigenous Peoples, but in fact will result in more violations of Indigenous Peoples' rights. It will increase the violation of our rights to our lands, territories and resources; cause forced evictions; prevent access and threaten indigenous agriculture practices; destroy biodiversity, cultural diversity, traditional livelihoods and knowledge systems; and cause social conflicts. Under REDD, States and carbon traders will take more control over our forests." — Petition to the Members of the Permanent Forum on Indigenous Issues [17]



Wandeka kept the title to his land after rangers set fire to his home and evicted him and other farmers.

5. Verifiability and financial incentives for fraud

- "UN regulators are [] concerned that some independent auditors of these [CDM] projects, who are responsible for vetting their environmental legitimacy, have been letting project developers push through ventures of questionable environmental value. The crackdown challenges a plank of the world's campaign against climate change: that polluters can pay someone else to clean up the mess... The UN says it isn't suggesting that most of the developing-world projects are illegitimate. Evaluating whether a project would have been built without carbon-credit revenue is a complex judgment call, says UN's Mr. Shmidt. It represents 'one of the biggest challenges' of the current system... The UN regulators are questioning the actions of two main players in the carbon market: Project developers, who put together projects in order to sell the credits to Western industrial buyers; and the auditing firms that inspect and certify to the UN that the projects are environmentally legitimate... 'There is a high incentive' for companies to put together environmentally questionable carbon-credit projects, 'because there is a lot of money that can be earned... People are getting more inventive, so it's getting harder to detect the black sheep.'... A member of the UN board... expressed concern that the system may be open to what she called 'collusion' between auditors and project developers to push through environmentally dubious projects... she was suggesting 'a systemic collusion in which the UN board is being put in a position of having to do an in-depth review of these projects because the auditors are not doing it.'" [18]



Demonstration, Espirito Santo, Brazil, 2005. Carbon credits will finance expansion of already vast eucalyptus plantations, destroying local agriculture. After approximately 7 years trees will be cut to make charcoal, produce pig iron, make steel, manufacture cars, and allow more CO₂ in the atmosphere. [22]

- "Clean Development Mechanism: The \$75 million fraud—[UN Framework Convention on Climate Change] UNFCCC has neither the mechanism to credibly assess the projects, nor the will to ensure that only eligible projects get credits." [19]
- "As with voluntary offsets, [the CDM] is designed to shift the burden of cutting emissions onto poorer countries in the South. A range of research has shown that the same problems of corruption, bogus emissions reductions and harm to communities occur within the CDM as with the voluntary offset market." [20]
- "In November, the Democratic-led [US] House spent about \$89,000 on so-called carbon offsets... Some of the went to farmers in North Dakota, for tilling practices that keep carbon buried in the soil. But some farmers were already doing this, for other reasons, before the House paid a cent. Other funds went to Iowa, where a power plant had been temporarily rejiggered to burn more cleanly. But that test project had ended more than a year before the money arrived... The House bought its offsets through the Chicago Climate Exchange, a five-year-old commodities market where greenhouse-gas credits are traded like pork bellies... the exchange's chairman and chief executive [] rejected the argument that the exchange shouldn't sell offsets until it can prove that the pollution reductions wouldn't have happened if the money wasn't paid. 'We can't, as an exchange, trade hypothetical things.'" [21]

6. Phantom Offsets blowing through any cap on emissions

- “In total, CDM-approved offsets have captured or destroyed the equivalent of 135 million tons of CO2 emissions worldwide... Yet an astounding 51 percent of those offsets have been generated by paying refrigerant manufacturers to incinerate HFC-23, an industrial byproduct and potent greenhouse gas, instead of spewing it into the atmosphere. The price of HFC-23 offsets can be worth more than twice the market price of the refrigerants themselves, which has had the unintended effect of encouraging refrigerant companies to produce (and then destroy) even more greenhouse gases in the name of eliminating them. The 43,000 tons of HFC-23 incinerated between 2003 and 2012 will generate \$6 billion worth of carbon credits, but cost just \$150 million to destroy, according to [Stanford University climate policy expert Michael Wara]. He describes the practice as an ‘excessive subsidy that represents a massive waste of resources.’” [23]
- “Like the CDM, the [Chicago] Climate Exchange has been criticized for approving questionable offsets. For instance, it paid some Midwestern farmers to reduce methane emissions by practicing no-till agriculture, even though they’d been doing so for more than a decade... The Carbon Offsets Providers Coalition, the self-described ‘Better Business Bureau of carbon offsets,’ is lobbying for climate legislation to incorporate ‘enhanced oil recovery,’ a petroleum extraction process in which CO2 is injected into old oil wells. Critics say such a move would create a new subsidy for the oil industry.” [24]
- “[W]here’s the guarantee that the tree planted in Bolivia to offset \$10 worth of air travel... won’t be chopped down long before it absorbs the requisite carbon?” [25]

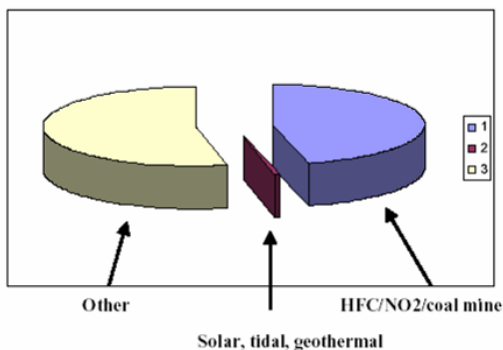


Villagers stand amid corn planted on what the government says is national park, but which they claim has belonged to them for generations. To plant the corn, the villagers chopped down trees planted by the Dutch FACE Foundation as part of a carbon trading project.

7. Stifles technological innovation & the needed transition to a clean energy future

- “Advocates of the CDM face a steady flow of criticism that the programme is not reducing emissions but merely transferring wealth to the developing world and, primarily, to China... Artur Runge-Metzger, who oversees climate issues at the [European Commission] says that Europe needs to spur new technologies now because simply paying for offsets elsewhere won’t solve the problem.” [26]
- “The big question for the future is how international credits will be handled by the United States, where lobbying is under way to shape a market that could dwarf that of the European Union.” [27]
- “All the so-called clean development mechanisms authorized by the Kyoto Protocol, designed to keep 175 million tons of CO2 out of the atmosphere by 2012, will slow the rise of carbon emissions... 6.5 days.” [28]

- “If we cannot trust financiers with something as apparently straightforward as the housing market, why should we imagine they can triumph at controlling global pollution?... It is also far from clear that carbon trading will benefit the climate in the long term. By reducing the short-term costs of cutting emissions it could be undermining research and development into the low-carbon and energy-efficient technologies without which the problem will never be properly solved. Bizarrely, no one has thought to address this issue.” [29]



HFC and NO ₂ projects	40
Coal bed/mine methane	6
Fossil fuel switch	6
Landfill gas	9
Biogas	2
Biomass energy	7
Hydroelectric dams	7
Solar	0.05
Tidal	0.05
Wind	6
Geothermal	0.6
Other	16
TOTAL	100

Percent of Clean Development Mechanism (CDM) credits in the pipeline to 2012. [30]

- Offsets can be a major distraction from what will be required to achieve the systemic energy and transport infrastructure changes we need to make low-carbon economies a possibility.

The Clean Development Mechanism (CDM)

- “Evidence of serious flaws in the multi-billion dollar global market for carbon credits has been uncovered by a BBC World Service investigation. The credits are generated by a United Nations-run scheme called the Clean Development Mechanism (CDM). The mechanism gives firms in developing countries financial incentives to cut greenhouse gas emissions. But in some cases, carbon credits are paid to projects that would have been realised without external funding. Arguably, this defeats the whole point of the CDM scheme, set up under the Kyoto climate change protocol, as these projects are getting money for nothing. The findings reinforce doubts that the CDM is leading to real emission cuts, which is not good news for the effort to combat climate change. And in one case a company is earning truly staggering sums of money from the carbon credits it is receiving - perhaps as much as \$500m (£250m) over a period of 10 years - for a project it says it would have carried out without the incentive of the CDM... The CDM operates on a massive scale. More than 1,000 projects have already qualified for carbon credits. A further 3,000 projects have applied. Trade in CDM carbon credits is running at some \$10bn a year. That is a welcome flow of resources from the developed to the developing world. But it is far from clear that the trade in credits is contributing much to tackling global warming.” [31]

The CDM is “not working.”

CDM Gold Standard staff member

It “is not encouraging companies to devote funds to renewable energy sources . . . to the extent . . . hoped”

Wall Street Journal, 11 August 2005

“It is widely recognized that . . . [the end-of-pipe developments that so far constitute the bulk of CDM projects] have no direct development benefits.”

Holm Olsen, UNEP

While “there were high hopes that the CDM would usher in climate-friendly FDI . . . this remains largely to be seen.”

R. A. Alburo Guarin,
Development Bank of the Philippines

Endnotes:

- [1] David A. Fahrendthold, “Value of US House’s Carbon Offsets Is Murky,” *Washington Post*, Jan. 28, 2008, <http://www.washingtonpost.com/wp-dyn/content/article/2008/01/27/AR2008012702400.html?sid=ST2008012800764> [2] John Vidal, “Billions wasted on UN climate programme: Energy firms routinely abusing carbon offset fund, US studies claim,” *The Guardian*, May 26, 2008, <http://www.guardian.co.uk/environment/2008/may/26/climatechange.greenpolitics> [3] Mark Gregory, “The Great Carbon Bazaar,” *BBC World Service*, Jun. 4, 2008, <http://news.bbc.co.uk/2/hi/business/7436263.stm> [4] Jeffrey Ball, “UN Effort to Curtail Emissions In Turmoil,” *Wall Street Journal*, Apr. 12, 2008, <http://online.wsj.com/article/SB120796372237309757.html> [5] Josh Harkinson, “Turning Carbon Into Gold,” *Mother Jones*, July/August 2008, <http://www.motherjones.com/news/outfront/2008/07/outfront-turning-carbon-into-gold.html> [6] Patrick McCully, “Discredited Strategy,” *The Guardian*, May 21, 2008, <http://www.guardian.co.uk/environment/2008/may/21/environment.carbontrading> [7] Kevin Smith, “The Carbon Neutral Myth: Offset Indulgences for your Climate Sins,” Carbon Trade Watch, Feb. 2007, http://www.carbontradewatch.org/pubs/carbon_neutral_myth.pdf [8] “Discredited Strategy,” *The Guardian*, May 21, 2008. [9] “The Great Carbon Bazaar,” *BBC World Service*, Jun. 4, 2008. [10] “Offset standard is off target,” *Red Pepper Magazine*, April/May 2008, <http://redpepper.org.uk/> [11] “Billions wasted on UN climate programme: Energy firms routinely abusing carbon offset fund, US studies claim,” *The Guardian*, May 26, 2008. [12] “Billions wasted on UN climate programme: Energy firms routinely abusing carbon offset fund, US studies claim,” *The Guardian*, May 26, 2008. [13] “Turning Carbon Into Gold,” *Mother Jones*, July/August 2008. [14] Kevin Smith, “Hot Air and Snake Oil: Carbon Offset Upsets,” Transnational Institute, Jan. 20, 2008, http://www.tni.org/detail_page.phtml?act_id=17827&username=guest@tni.org&password=9999&publish=Y [15] “Hot Air and Snake Oil: Carbon Offset Upsets,” Transnational Institute, Jan. 20, 2008. [16] Brian Tokar, “Global Warming and the Struggle for Justice,” *Z Magazine*, Jan. 1, 2008, <http://zcommunications.org/zmag/viewArticle/16106> [17] Petition to the Members of the Permanent Forum on Indigenous Issues, Seventh Session of the United Nations Permanent Forum on Indigenous Issues, Apr. 20, 2008–May 2, 2009, <http://colonos.wordpress.com/2008/05/13/protest-united-nations-permanent-forum-on-indigenous-issues/> [18] “UN Effort to Curtail Emissions in Turmoil,” *Wall Street Journal*, Apr. 12, 2008. [19] Himanshu Thakkar, “Clean Development Mechanism: The \$75 million fraud,” *Deccan Herald*, May 15, 2008, <http://www.deccanherald.com/Content/May152008/editpage2008051467934.asp> [20] “Offset standard is off target,” *Red Pepper Magazine*, April/May 2008. [21] “Value of US House’s Carbon Offsets Is Murky,” *Washington Post*, Jan. 28, 2008. [22] Larry Lohmann, Case studies Slideshow, Spring 2007, <http://www.thecomerhouse.org.uk/pdf/document/OffsetsMarket.pdf>; <http://www.thecomerhouse.org.uk/pdf/document/OffsetsMarket2.pdf> [23] “Turning Carbon Into Gold,” July/August 2008. [24] “Turning Carbon Into Gold,” July/August 2008. [25] Spencer Reiss, “Carbon Credits Were a Great Idea, But the Benefits Are Illusory,” *Wired Magazine*, May 19, 2008, http://www.wired.com/science/planetearth/magazine/16-06/ff_heresies_07trading [26] Jeff Tollefson, “Carbon-trading market has uncertain future,” *Nature*, 452, 508-509, Apr. 2, 2008, <http://www.nature.com/news/2008/080402/full/452508b.html> [27] “Carbon-trading market has uncertain future,” *Nature*, Apr. 2, 2008. [28] “Carbon Credits Were a Great Idea, But the Benefits Are Illusory,” *Wired Magazine*, May 19, 2008. [29] “Can carbon capitalism save the world?” *New Scientist*, Apr. 19, 2008, <http://www.newscientist.com/channel/opinion/mg19826523.300-editorial-can-carbon-capitalism-save-the-world.html> [30] Larry Lohmann, Case studies Slideshow, Spring 2007. [31] “The Great Carbon Bazaar,” *BBC World Service*, Jun. 2, 2008.