



**Submission by CHOICE
to the Australian Competition
and Consumer Commission**

Carbon Offset Claims

15 February 2008

CHOICE is a not-for-profit, non-government, non-party-political organisation established in 1959. CHOICE works to improve the lives of consumers by taking on the issues that matter to them. We arm consumers with the information to make confident choices and campaign for change when markets or regulation fails consumers.

CHOICE is fiercely independent: we do not receive ongoing funding or advertising revenue from any commercial, government or other organisation. With over 200,000 subscribers to our information products, we are the largest consumer organisation in Australia. We campaign without fear or favour on key consumer issues based on research into consumers' experiences and opinions and the benefit or detriment they face.

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Introduction

CHOICE is pleased to provide this submission on Carbon Offset Claims. There has been significant growth in products and services offering carbon offsets. Consumers tell us they are interested in reducing their environmental impact. It is important that providers of carbon offsets are providing the information consumers need to make informed decisions in the market.

Consumer information should address the following issues:

- Whether the emissions reduction is in addition to existing reductions;
- The method and scope of the emissions calculation;
- The method used to offset emissions;
- The meaning of low carbon claims;
- Expected emission reduction achievements in the short and long-term; and
- Confidence that the claims can be proven.

We will address each of these issues in the submission. At the start of each section, we have set out specific questions. These are questions which consumers may want answers to. But they're questions for which satisfactory answers are not readily available to consumers or may be difficult to find.

In this submission we're asking that the market for carbon offsets and carbon claims more generally be standardised and more closely monitored, so consumers can be sure the products they're buying live up to the promises.

Some savvy consumers show a good understanding of the place of carbon offsets among strategies for mitigating carbon emissions:

“Contributing to carbon-offsetting programs eases my conscience a bit, but reducing my carbon emissions is much better than simply carbon-offsetting them.”
- Ruth in 'Going Carbon Neutral', CHOICE Nov 2007.

At CHOICE we've advised our membership to - in this order - **measure** their emissions, **reduce** them, **switch** to accredited green power, and then purchase **good quality carbon offsets** to mop up remaining emissions that can't be avoided.

However, the market for carbon offsets is new and poorly regulated. There are many ways of calculating the carbon amount, many ways of achieving the emissions reductions, and increasingly many avenues by which consumers pay for the offsets, and at different prices. By failing to explain these first steps in going carbon neutral, offset providers can deceive consumers into purchasing **more offsets than they would otherwise need**.



Even savvy consumers are at risk of being misled in the rapidly expanding market for carbon offsets. It is difficult to **compare products**. For example, consumers would find it difficult to determine readily which of these is the more environmentally responsible car loan.¹

- NRMA's Green Car Loan: only for cars with a greenhouse rating of seven or higher, but offsets only the first year's driving.
- MECU's goGreen car loan: offsets emissions for the life of the loan (up to seven years), any vehicle – with an interest rate discount for cars with a greenhouse rating of six or higher.

Consumers must watch out for **doubling-up**. For example, consumers simply shouldn't be led to believe they need to offset the emissions generated by the electricity their broadband internet connection uses, if they've already paid to offset all their electricity emissions, or have 100% accredited GreenPower.

Additional emissions reduction

Questions consumers need answered

Does the offset result from a project specifically creating offsets?

Would the offset project happen even if I don't buy the offset?

Have the same offsets been sold to multiple buyers?

Is the scheme independently audited and verified?

Discussion

Carbon offsets mean paying someone else to reduce their greenhouse gas emissions. So consumers want to know that something extra is being done than would have happened anyway. It is difficult for a consumer to assess for themselves whether the offsets are 'additional' to what **would have occurred anyway**. Under the Kyoto Protocol's Clean Development Mechanism, offset projects have to meet strict additionality rules. The government's Greenhouse Friendly additionality guidance document draws on the CDM, explaining how emissions reduction must be **real and go beyond business as usual and regulatory compliance**, and be more than just revenue generation.²

¹ 'Carbon Offsets Galore' Consumer News, CHOICE Magazine February 2008.

² Australian Greenhouse Office, (2007) 'Guidance on Additionality for the Approval of Abatement Projects under the Greenhouse Friendly Initiative', Version 1.1. Released 8 August 2007.



Example: A new brand of printing paper claims to be carbon neutral. The paper is pitched at businesses for printing corporate reports and other materials, and presumably those businesses can then claim ‘printed on carbon neutral paper’ to their clients. “Greenhouse Challenge Plus Member” is stamped on the advertisement. The company is not obviously visible on the Greenhouse Challenge membership list (the verification of this is not aided by the online list being a December 2006 version). Under the Challenge, companies agree to report emissions and aim to improve them over time: it is not does not mean carbon neutrality.

Consumers are in fact told by the government to look for a different logo under this program to indicate carbon neutrality certification, ‘Greenhouse Friendly’.³ The company marketing the paper has a mill in Tasmania. What’s to say the paper being produced at a mill using existing hydro-electricity hasn’t just been re-branded to give the impression that more has been improved for the environment, than is actually the case? Businesses and consumer end-readers could find themselves paying a premium for a product that has not changed. This example may be above board, but this information provided does not instil confidence.

What’s needed

- Recognised independent verification that carbon offsets or carbon neutral claims are additional to what would have occurred under a business-as-usual scenario.
- Prevention of the use of seals or official-looking logos in a way that could reasonably give the impression of carbon neutral certification where it has not been awarded.

³ Refer to www.greenhouse.gov.au/greenhousefriendly/consumers/index.html accessed 15/2/2008.



Emissions calculation

Questions consumers need answered

What specific activities or products is the offset applying to?

What is the price per tonne of carbon saved?

Discussion

There are **different scopes** of carbon offsets. Airline and non-airline greenhouse gases may or may not be factored into the required offset amount.

For example,

“I researched the various carbon offset companies and found that Climate Friendly didn’t use trees as an offset, and took more than airplane fuel carbon content into account when calculating CO2 emissions, using the appropriate multiplying factors for other gases.” - Clare, in ‘Going Carbon Neutral’, CHOICE Nov 2007.

There are different schools of thought on **apportioning emissions** throughout the **life of a product**. The tonnage that some companies claim erases the average person’s associated emissions, can be about one-fifth of that quoted by other companies.

This appears to be chiefly because household energy use and transport aren’t the only things contributing to greenhouse gas emissions. If you take into account **indirect emissions** involved in the production, transport and distribution of goods, services and the food we buy, household transport and energy use make up only 30% of the total.⁴ Some consumers know this,

“Other than flying, I do reasonably well on energy and transport costs, but recognise that we’re not counting the costs of producing and transporting our food, clothes and all the other items that are so easy to buy these days”. - Ruth in ‘Going Carbon Neutral’, CHOICE Nov 2007.

These issues can result in **significant variation in price and tonnes** of products offered to the consumer, and the reasons for these differences may not be sufficiently clear.

⁴ Australian Conservation Foundation (2007) ‘Consuming Australia’, Main Findings, p.5.



Example: CHOICE found that differences in the calculated carbon content for a Melbourne to London return flight, combined with method of offsetting chosen would result in a quote of anywhere from 4.4t to 12.1t of greenhouse gases, for which the consumer could be charged anywhere from \$42 to \$221.⁵

Example: An offset credit card, which appears to exaggerate the environmental qualities of the product. A consumer might reasonably infer from statements such as “offset the emissions of the average Australian” that their purchases on that card are offset; but the offset investment would not be sufficient to cover these items.

What’s needed

- Standardisation (possibly through regulation) so that it’s possible for consumers to readily compare offers.
- Better information disclosure in the form of clear declaration of the total price or spend and the price per tonne of emissions reduction.
- Clear declaration of the scope of the calculation, i.e. what components of the product or its life are offset.

Method used to offset

Questions consumers need answered

What projects or activities does my money pay for?

Are the offsets validated against a third party standard, by a credible source?

Discussion

It is tricky to compare products or judge which are of good quality or value, because there are so **many methods** of creating an offset – from giving away energy-efficient light globes and tree planting or investing in renewable energy, to methane flaring from landfills. Although these projects are all attempting the same thing - reduction in carbon dioxide equivalent emissions - they do so with varying qualities. It appears different methods of offsetting have different levels of certainty, longevity and timeliness. **Some are permanent and immediate, others slow and potentially temporary.** This is not always spelt out for the consumer.

⁵ ‘Carbon offsets for flights, CHOICE Online June 2007.



Tree planting schemes in particular have been criticised because it takes up to 100 years to sequester what is already emitted, there is not necessarily certainty that the trees will be around for that long, and the carbon could still be emitted back into the atmosphere after that. Greenhouse Friendly, according to the Australian Greenhouse Office, independently verifies projects and has legal arrangements to ensure the forests are permanent.

Apart from Greenhouse Friendly's certification, there's a multitude of standards:

- Gold Standard renewable energy (from overseas renewable energy projects).
- Some companies have developed their own standards, and use assessors based overseas.
- The Global Voluntary Carbon Standard.

As long as there is **no single mandatory or widely accepted standard** for what qualifies as an offset, it is hard to know whether what is being sold will really offset emissions.

As a result, there are big differences in **where** a consumer's carbon offset money is invested, **how much** is actually invested in projects, their **prices**, **how long it will take** for the project to offset your emissions, whether the offsets are **independently audited** and their **source of accreditation (if any)**.

Example: Energy efficiency schemes such as handing out compact fluorescent light bulbs must work on assumptions about how much the replaced incandescent bulb would have been switched on, and how much the new bulb will be used. So the amount of carbon saved may not actually be measured for some offset projects.

Example: One credit card provider says, "Your contribution is then used to help fund projects such as reforestation, renewable energy, water and wastewater treatment, land and habitat conservation, energy efficiency and other environmental initiatives that meet the strict standards developed by [us and assessed by an overseas environmental strategy company]". It is not clear whether the third party just okayed the standard, has ongoing involvement in the offset project selection, or certifies that the carbon offset projects have achieved their carbon reduction goals.



What's needed

- Claims that follow recognised guidance on what constitutes a good quality carbon offset.
- Ability to compare products on information about the method of carbon offset.
- Clear declaration of the method of offsetting - including specification of the % mix of offset projects according to tonnes of carbon they will each offset and amount of your money being invested in them.
- Clarity at point of sale by the offset provider, at point of sale by the on-seller, and by businesses promoting themselves or their products as carbon neutral.

Low carbon claims

Questions consumers need answered

In comparison to what?

What are the other environmental impacts of the product or service?

Discussion

Claims about **relative performance in a class of products** have the potential to mislead consumers into thinking that selecting that product is a very good greenhouse choice. For example, if a car were to market itself as low carbon, this might be true in relation to other cars. But the car, simply from its manufacture alone, would have more embodied carbon than greenhouse friendly transport options like cycling or walking. For environmental products, the **service that is being delivered** could be a more meaningful way of defining **product class**. In the above example the service would be transport.

Greenhouse gas emissions are **not the only environmental issue** - claims need to be careful not to mislead consumers into believing that purchasing a carbon offset or a product labelled 'low carbon' makes them completely green or sustainable. Low carbon could be used to **distract** the consumer from other environmental impacts: excess water consumption, waterways and air shed pollution, soil degradation, unsustainable harvesting rates of resource and materials, and worker rights are just some other issues which are not necessarily addressed - and **could be worsened** - by a focus on carbon.



Example: Carbon content labelling on some potato chip packets appears in the U.K, and there are moves here to carbon label some products. Have things like the transport of that product to your store been taken into account? How does a consumer understand what is a reasonable amount of carbon to be embodied in that product?

What's needed

- Mechanism so the consumer can be confident that 'low carbon' means currently in the top one-third for carbon performance in that product category - and clearly state compared to what other products.
- Clarity that a carbon claim does not relate to the entire environmental performance of that product, nor 'hide' poor environmental performance in other areas.

Future matters

Questions consumers need answered

How long will it take for my offsets to be realised?

What is being done now to reduce emissions?

How are you guaranteeing your claims into the long term?

Discussion

There are a range of claims involving future matters in the area of carbon offsetting. Some claims that "we're going carbon neutral" actually refer to dates as far out as 2020.

The carbon offsets generated from tree planting can take decades to be realised. Some providers, disclose this very visibly to the consumer on their internet homepage, others do not disclose it so visibly.

Projects such as tree planting require continued management and have associated risks of fire, drought and change of landowner wishes which could precipitate a loss of carbon and a need for re-planting.

Example: A credit card provider waits for up to one year after it receives the consumer's money before purchasing offsets. The consumer does not appear to be told up front how long it will be before their emissions are then completely offset.



What's needed

- If a claim refers to a date or milestone so far in the future that a business is unlikely to be held to account for it, but will in the near term derive marketing benefit from it, it needs to be accompanied by near-term emissions reductions milestones that are just as clearly declared.
- Pricing should reflect the risk associated with the offset method being used.
- Consumers need independent and reliable guarantees about the long-term viability of projects they're funding, about what those projects will actually achieve both in the short and longer term.

Substantiation

Questions consumers need answered

Can you prove your claims?

Discussion

In the Productivity Commission's Draft Consumer Policy Framework Review (pages 191-194) the case for substantiation power for the ACCC is assessed. The Productivity Commission, concludes overall that:

“Introducing substantiation orders would provide an additional regulatory tool to deal with the increasingly complex representations made through traditional mediums and via the internet” (p.194, paragraph 2)

Carbon offsets, low carbon, and carbon neutrality claims are certainly complex representations. An ability to verify the claims being made would be an important safeguard against misleading and deceptive conduct.

What's needed

- Substantiation power for the ACCC, so that proof for the claims will be held by businesses making the claims and able to be required by the Commission.