



## CARBON OFFSETS WWF-AUSTRALIA POSITION

Properly designed and implemented carbon offsets reduce carbon pollution. Conversely, poorly designed and/or implemented carbon offsets can contribute to carbon pollution and/or have other adverse economic, environmental or social results. WWF-Australia supports the use of carbon offsets that reduce carbon pollution, particularly those that have additional economic, environmental or social benefits. To be supported by WWF-Australia, carbon offsets would either:

- Be verified under the [Gold Standard](#) offset accreditation;
- Satisfy the following WWF-Australia criteria<sup>1</sup>:
  - **Credible carbon accounting:** the offset methodology and/or system applies best available knowledge and conservative estimates for the calculation of greenhouse gas (GHG) emission reduction benefits accruing from the project to ensure that credits are real, additional and permanent;
  - **Social and environmental impacts:** the offset methodology and/or system requires the assessment of social and environmental project impacts and includes a mechanism for avoiding adverse effects on communities and the environment;
  - **Validation and registration of project design:** the offset methodology and/or system requires independent validation of the project design and includes mechanisms for monitoring the work of validation bodies;
  - **Social and environmental performance:** the offset methodology and/or system ensures that the social and environmental safeguards included in the project design phase are being followed through during project implementation;
  - **Verification:** the offset methodology and/or system requires independent verification of the social and environmental project performance and the achieved GHG emission reductions;
  - **Registration and determination of carbon emission reductions:** the offset methodology and/or system ensures that credits are unique and avoids double counting;
  - **High quality design and application of the system itself:** the methodology and/or system and its associated crediting systems are credible and effective.

Both processes should ultimately achieve a high-quality carbon offset that provides the same level of protection for the environment and society. However, differentiation is made in recognition of the fact that many high-quality carbon offset projects will not pursue Gold

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<sup>1</sup> WWF-International (2010), 'Forest Carbon Standards: a WWF Assessment Guide', [assets.panda.org/downloads/forest\\_carbon\\_assessment\\_guide.pdf](https://assets.panda.org/downloads/forest_carbon_assessment_guide.pdf)

Standard accreditation for several reasons, including the timing and cost of accreditation, project size and the market for which the offset will be traded (e.g. under Australia's Emission Reduction Fund). WWF-Australia recognises that both approaches are highly credible and will fit different project designs and target markets accordingly.

Carbon offsets should only be used after all efforts have been made to **avoid, minimise** and **abate** carbon emissions from an activity (an approach known as the 'mitigation hierarchy').

This Position does not apply to offsets used to reduce the environmental impact of vegetation clearing (see WWF-Australia Position: Vegetation Offsets).

Where an organisation is offsetting its carbon emissions, but is not sourcing from either Gold Standard projects or projects aligned with WWF-Australia's criteria, WWF may encourage a step-wise approach towards these accreditation processes including by helping identify the barriers to the purchase of Gold Standard/WWF-Australia criteria carbon credits, and working to help the organisation overcome those barriers.

## **January 2017**

Sources: *WWF Policy on Biodiversity Offsets* (2012); *Forest Carbon Standards: a WWF Assessment Guide* (2010); WWF-Australia Position: *Tree Clearing in Queensland* (2017).

Attachments:

- Attachment A: Definition of carbon offset activity and carbon credits
- Attachment B: Types of carbon credits

## Attachment A: Definition of carbon offset activity and carbon credits

### *Definition of a carbon offset activity*

A carbon offset activity is one which generates a measurable reduction in carbon emissions and is used to “offset” the carbon emissions of another activity. The activities can take many forms, including: reforestation and avoided deforestation activities; clean cook stoves; wastewater biogas-to-energy; wind, geothermal, biomass and other renewable energy; and waste heat recovery<sup>i</sup>.

For a carbon offset activity to be effective offsets must be measurable, generated from activities that are ‘additional’<sup>2</sup> and do not result in the ‘leakage’<sup>3</sup> of emissions and not be counted more than once.

### *Definition of carbon credits*

Carbon credits are the currency generated from an offset activity. One carbon credit represents a volume of verified and certified emission reductions – typically one metric tonne of CO<sub>2</sub>e – generated from an activity that reduces carbon emissions against a pre-defined baseline that has often been validated to ensure additionality.

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<sup>2</sup> Measures whether a project or activity creates ‘additional’ emissions reductions that would not have occurred in the absence of the incentive.

<sup>3</sup> Leakage occurs when the actions to reduce emissions in one area are countered by a consequential increase in emissions somewhere else – e.g. an increase in emissions from logging as a result of one area becoming cleared due to the protection of another.

## Attachment B: Types of carbon credits

There are many different types of carbon credits. They are usually defined by the standards for which they are created and the markets in which they are traded. Some of the most common types of carbon credits are shown below<sup>ii</sup>. They are divided into two broad forms:

- (i) Compliance carbon credits: credits which are traded in markets where there is a mandatory requirement to reduce carbon pollution; and
- (ii) Voluntary carbon credits: those generated by organisations who choose to voluntarily purchase carbon abatement credits.

Form	Type	Brief explanation
Compliance Carbon Credits	Certified Emission Reduction (CER) units	The most common type of compliance credit is a CER (Certified Emission Reduction unit) which originates from projects in developing countries. Certification and overall approval of these abatement projects and their credits is known as the Clean Development Mechanism (CDM).
	Emission Reduction Units (ERUs)	Like CER in developing nations, within developed nations, a mechanism known as Joint Implementation or JI, produces compliance credits referred to as Emission Reduction Units or ERUs.
	Australian Carbon Credit Units (ACCUs) under the Emission Reduction Fund (ERF)	Although not strictly a compliance market, the ERF does have safeguards which can obligate companies to purchase ACCUs for carbon pollution over a certain baseline. In this sense ACCUs generated under ERF methodologies can be considered. At present, there are around 33 ERF methodologies for approved practices which can earn ACCUs.
Voluntary Carbon Credits (just a sample of the most commonly used products in Australia and globally. Many more types exist)	Voluntary Carbon Unit (VCU) or Voluntary Carbon Standard (VCS) credit	The VCS Programme provides a robust, global standard for approval of credible voluntary carbon credits.  VCS credits or Voluntary Carbon Units (VCU) must be real, the abatement must have occurred, they must be additional by going beyond business-as-usual activities, be measurable, permanent, not temporarily displace emissions, the findings need to be independently verified and unique so they cannot be used more than once to offset emissions. The VCS is the most widely known and

		<p>chosen standards in the voluntary market due to its Kyoto compatibility as well as its ability to manage a wide range of project types and methodologies.</p>
	<p>Verified (or Voluntary) Emissions Reduction (VER) and Gold Standard VER</p>	<p>The most popular type of carbon credit used to offset emissions around the world voluntarily is a VER, a Verified or Voluntary Emission Reduction unit and there are many different types. Before CDM or JI projects deliver credits used for Compliance purposes such as CERs and ERUs they can produce VERs. These credits can be verified to a number of specific standards, including the <b>Gold Standard</b>. Not all projects go on to register within the CDM or JI, often due to the size of the project and the inhibitive costs associated with compliance registration, so their choice of one or more of these voluntary standards is made based on its overall viability and compatibility to them.</p>

<sup>i</sup> WWF International. (2012). *WWF Policy on Biodiversity Offsets*. Approved November 28 2012

<sup>ii</sup> Adapted from [http://www.carbonplanet.com/types\\_of\\_carbon\\_credits](http://www.carbonplanet.com/types_of_carbon_credits)