Carbon Offsetting – What is it and how can it help you achieve your carbon and climate change objectives?

In this article, we will explore the following:

- What is carbon offsetting?
- What are the differences between 'Carbon Neutral' and 'Net Zero' organisational targets?
- What voluntary carbon offsetting programmes are available?

Most business activities, from turning the lights on to flying on a plane, release carbon emissions into the atmosphere through the utilisation of fossil fuel based energy sources. An organisation's carbon emissions are often expressed in terms of carbon dioxide equivalent (CO_2e) which is a unit that accounts for the greenhouse gases (GHG) covered by the Kyoto Protocol.

What is carbon offsetting?

Carbon offsetting is a mechanism for businesses to compensate for their carbon emissions by investing in carbon reduction, removal, or sequestration. In the voluntary carbon offsetting market, organisations can choose from many offsetting programmes and initiatives, including:

1. **Funding of projects and initiatives that reduce or remove carbon emissions.** These projects can be located anywhere in the world and include carbon-reducing projects for example, the supply of fuel-efficient cooking stoves, development of renewable energy projects, and projects that reduce deforestation. When an organisation funds these projects, they receive 'carbon offset credits' which are transferable credits certified by governments or independent certification bodies to represent an emission reduction of one metric tonne of CO_2 or an equivalent amount of other GHGs. By participating in these initiatives, organisations will receive offset credits equal to the amount of carbon that has been reduced.
2. **Financing carbon-removing projects which actively sequester carbon.** These projects typically include natural reforestation and technology-driven carbon capture and storage (CCS). When an organisation funds these sequestration projects, they also receive carbon credits equal to the amount of carbon that has been actively sequestered from the atmosphere.

With increasing pressure on organisations to commit to net zero or carbon neutrality, carbon offsetting is becoming ever more popular and is increasingly being incorporated into long term business strategies.

Have you thought about introducing carbon offsetting? Carbon offsetting is a useful tool to achieve both carbon neutrality and net zero, but how you approach it depends on your organisation's strategic objectives and targets.

[1]This article focuses on Carbon Neutrality and Net Zero. The concept of 'Carbon Negative' will be explored, inclusive of what this means and how it can be achieved, in a future article.

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'Carbon Neutral' vs 'Net Zero' – what do they mean?

The terms **'Carbon Neutral' and 'Net Zero'** are often used interchangeably, but there are key differences:

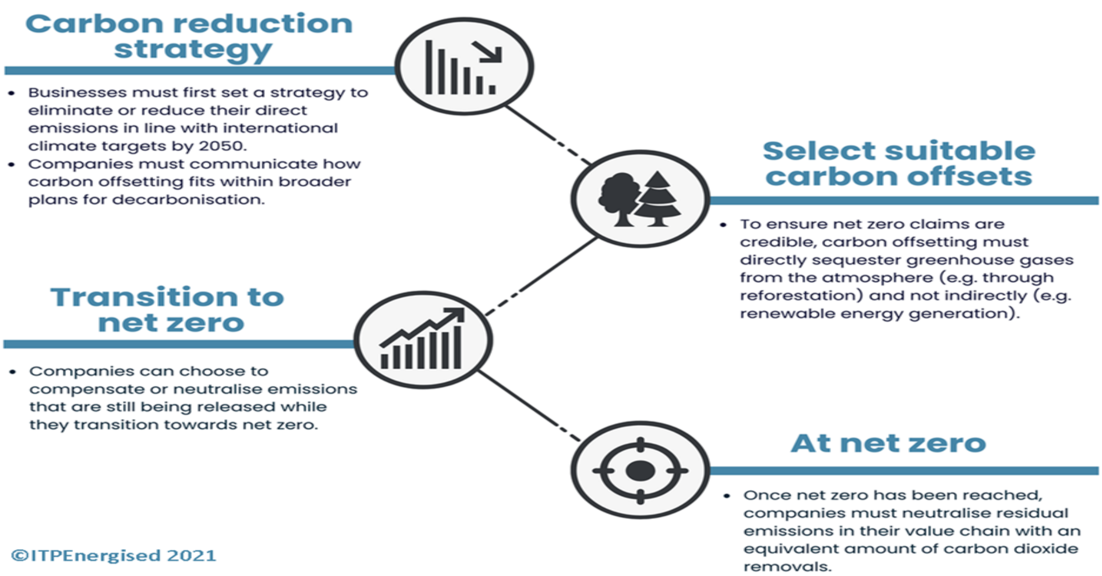
'Carbon Neutrality'

- GHG emissions are categorised into scopes 1, 2 and 3 by the Kyoto Protocol. To achieve carbon neutrality, an organisation must balance at a minimum their scope 1 and 2 GHG emissions by removing an equal amount of carbon from the atmosphere from the amount produced. Carbon neutrality can be achieved purely through offsetting. A carbon neutral commitment does not require an organisation to reduce overall GHG emissions.

'Net Zero Carbon'

- For carbon offsetting to be consistent with a 'net zero' ambition, businesses must first set a strategy to eliminate or reduce all of their material scope 1, 2 and selected scope 3 emissions (specifically exported waste, transmission & distribution and transportation) for the organisation, to meet international climate targets by 2050. As well as this, to be considered net zero, an organisation must also neutralise the impact of any residual emissions by permanently removing an equivalent amount of atmospheric carbon dioxide.
- In an organisation's journey to net zero, carbon offsetting may be a key, but not the only, component. Once all efforts have been made to eliminate or reduce emissions via behavioural change, increased operational efficiency, switching to renewable energy sources, and many other methods of reduction, then offsetting can be used to neutralise any residual emissions. To fully align with a net zero ambition, offsetting must directly sequester greenhouse gases from the atmosphere (e.g. through reforestation and not renewable energy production).

Journey to credibly achieving net zero:



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What carbon offsetting programmes are available?

The voluntary carbon offsetting market is growing and evolving rapidly as businesses increasingly commit to net zero and carbon neutrality. There are a range of offsetting standards and initiatives available worldwide, the most common include Gold Standard, Verified Carbon Standard (VCS) and Climate Action Reserve.

There is no 'one size fits all' offsetting programme, with several programmes having recently been developed to serve the growing market. Some of these are not yet considered reputable, so it is important to conduct due diligence before offsetting. The International Carbon Reduction and Offset Alliance (ICROA) Code defines international best practice principles for carbon offsetting and standards that are endorsed by ICROA must meet rigorous requirements to ensure the credits they certify are high-quality.

Standards endorsed by ICROA include:

Ways we can support

ITPEnergised work with clients across sectors to identify reputable carbon offsets that meet their specific requirements in terms of type, price, location, quantity, and timescale, and are aligned with their carbon and climate change objectives.

We can:

- Design a bespoke plan to achieve carbon neutrality or net zero, considering all available methods of reducing, eliminating, and offsetting emissions.
- Integrate carbon offsetting into your existing business strategy.
- Advise on the most suitable offsetting standards and projects for your organisation.

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