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CLIMATE CHANGE SOLUTIONS

Climate Change Authority
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REVIEW OF INTERNATIONAL OFFSETS: CONSULTATION PAPER

SUBMISSION BY BEYOND NEUTRAL PTY LTD

The following submission by Beyond Neutral Pty Ltd relates to the Review of International Offsets: Consultation Paper being conducted by the Climate Change Authority.

Beyond Neutral works with businesses to identify, document, reduce and neutralise their carbon footprint and help clients improve outcomes from their carbon spend.

Of particular relevance to this Review is our role, over more than a decade, of providing carbon offsetting services to Australian and international clients, including those participating in Climate Active (CA). We only source our carbon offsets from Verified Carbon Standard (VCS) or Gold Standard (GS). We do this because they meet all the requirements for carbon offsets as laid out in international standards and clearly and transparently address the integrity principles underpinning these standards and the Climate Active Carbon Neutral Standard (CACNS). We consider transparency to be vital to ensuring accountability, upon which any trust in carbon offsets is built.

Beyond Neutral has been a participant in the voluntary carbon offset market for 15 years and in the wider response to climate change for 25+ years, since the days of Greenhouse Challenge and before the Kyoto Protocol, RET, AGO, Greenhouse Friendly™ or LULUCF. Our director was a director of the company that completed the Queensland avoided deforestation project, "Minding the Carbon Store", a multi-million dollar Greenhouse Friendly™ project that stopped land clearing without needing to buy the land, changing behaviour through the use of carbon finance. It prevented 1.25 million tonnes of CO_2e from being released, saved approximately 13,000 ha of biologically diverse habitat from being cleared and was, at the time, Australia's largest carbon trade.

Our position on the use of international offsets is focussed on VCS and Gold Standard carbon offsets. We support the use of VCS and Gold Standard carbon offsets by all Australians to lower their footprint now in a cost-effective manner, to provide choice from a wide selection of project types unable to be created in Australia.

At this time and moving forward, CA should continue to consider VCS and Gold Standard carbon offsets as eligible units. Any changes to the units eligible under CA (e.g. vintage) should be done after extensive consultation with affected parties within the sector (on both the supply and demand sides) and significant notice be given to allow business to adjust inventory to enable continuity of supply.

No barriers should be placed in the way of Australian's using international carbon offsets to reduce their carbon impacts. Adding additional complexity to the offsetting process disincentivises the general public and small business.

We have provided responses to a selection of the questions raised in the consultation paper and would be interested in providing more input through targeted consultations.

Regards

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General

1. What considerations should guide the use of international offsets in Australia?

- Any offsets need to meet the principles laid out in the international standards that underpin carbon accounting and carbon offsetting.
- Barriers should not be created to their use. If offsetting is to be mainstreamed as part of our response to climate change, barriers to their use should be avoided or removed.
- Certainty and stability of CA eligibility criteria moving forward is vital, especially regarding vintage.

2. What is the role of offsets in Australia's transition to net zero emissions and how might this change over time?

They are essential to net zero, form part of a least-cost abatement approach and if additionality criteria are enforced, will drive innovation and more rapid uptake of technology.

Offsets provide a carbon price signal to companies looking to reduce their climate impacts, a price against which they can compare their own internal actions. This price signal allows business to choose the climate solution that is right for them.

International offsets provide choice across projects, locations and sustainability co-benefits that are not available from Australian offsets.

Given the developmental issues confronting billions of people globally today, international offsets enable Australians to act globally on sustainable development while making progress towards net zero emissions.

As efforts to achieve net zero ramp up, demand for international offsets should also increase (unless barriers are placed in the way). Given the increased focus on sustainability co-benefits, this will have the potential to drive multiple benefits into locations and communities where these "other" impacts significantly improve lives. Gold Standard has calculated the shared value created by different carbon offset project types (none of these project types are available in Australia)

- Biogas (household biodigesters) creates US$465 of shared value
- Cookstoves creates US$267 of shared value
- Safe Water creates US$183 of shared value

a. *Does this vary by offset type (e.g. sequestration vs emissions reduced or avoided?)*

Whatever the project type, permanence, additionality and the other criteria listed in international standards and the CACNS need to be satisfied. Over time and in accordance with these criteria, a technology in a particular location that no longer needs carbon finance to be viable will be replaced by another project type that is, as yet, unviable without carbon finance.

If sustainability co-benefits are included in the considerations, some project types have a greater impact than others so over time choosing these high co-benefit project types will drive greater sustainability impacts.

Use of offsets by Australian companies

4. Does your company (intend to) use domestic or international offsets and, if so, why?

We provide and retire carbon offsets on behalf of our customers. We only supply VCS and GS sourced offsets and given that there is only one GS and no VCS projects in Australia, we typically supply international carbon offsets. We sell those carbon offsets to Australian and international customers.

a. What are the most important factors you (will) consider in choosing which international offsets to purchase?

- Voluntary carbon market offsets, specifically VCS, VCS + CCB, or Gold Standard
- Project features (project type, location)
- Sustainability co-benefits

Criteria and Standards

5. What criteria and standards should govern the use of offsets in Australia and under Climate Active in particular?

VCS and GS should continue to be accepted under Climate Active in line with the CACNS.

The Climate Active Carbon Neutral Standard requires that an offset meet integrity principles:

- Additional
- Permanent
- Measurable
- Transparent
- Address leakage
- Independently verified
- Registered and tracked
- Not double counted

According to international standards they should also be conservative in the calculations of their claims and real.

VCS and Gold Standard offsets meet all of these integrity requirements.

The issue of transparency focusses on the public's ability to access information of a project's design, monitoring and verification, and on the issuance and retirement of its offsets. VCS and Gold Standard meet this requirement thoroughly as the public can easily and independently examine the details of any offset through several discovery pathways.

While Beyond Neutral does not handle ACCUs, it appears that there is a lack of an easily accessible, publicly transparent registry which provides the same level of transparency as either VCS or Gold Standard. In this regard, VCS and GS more fully meet the CACNS than ACCUs.

6. What is your view of the criteria and standards currently applied by international offsets programs such as the Gold Standard, the Verified Carbon Standard and the CDM?

VCS and GS are excellent, high-quality programs that meet the requirements set out in international standards, and CA. They are transparent in the methodologies used, project documentation is accessible and publicly available, and serial numbers are tracked and issuances and retirements are publicly available.

b. What is your view of the standards applied to ensure an offsets credit represents a real reduction in greenhouse gas emissions (e.g. permanence, additionality, measurement, reporting and verification (MRV) standards)?

VCS and GS specifically address these in their methodologies and are in line with international standards. They both regularly review their application of these criteria and update methodologies when required. Land-based projects also have to address leakage as well as the other criteria.

c. What is your view of the standards applied for taking into account co-benefits?

- VCS typically includes co-benefits in its Project Design documentation – renewable energy co-benefits are not as dramatic as REDD+ but they are addressed.
- Gold Standard has, since its conceptualisation, taken account of co-benefits.
- Experience with Climate, Community, Biodiversity Standards (CCB) is that CCB sets a high standard for taking into account the co-benefits for land-based projects.
- There is enough information provided by VCS, VCS+CCB and GS to extract information about sustainability co-benefits from the project documentation.

7. Should the age of units (their vintage) be considered in the criteria for eligible offsets in Australia?

While it should be one of the criteria for an eligible offset under CA, the current requirements should remain as is until there is a compelling reason to change and an adequate supply of newly eligible offsets are available. Any changes to the eligible vintage dates should be implemented after a substantial notice period as eligibility changes impact offset values and the ability to sell them within the Australian market.

At the moment, 2013+ vintage is required for Climate Active and this requirement is accepted and understood. Theoretically it is possible for companies not participating in CA and individuals to purchase pre-2013 offsets to offset their emissions. Typical practice is for CA's requirements to be adopted by most Australian offset purchasers as they use the Carbon Neutral Standard for guidance.

CA's requirement for 2013+ vintage does increase costs for business as there is typically a price premium on more recent vintages. Choosing a newer vintage as the cut off for eligibility will create cost pressures, especially for businesses competing in a global market against other non-Australian carbon neutral companies who are free to choose any vintage.

It can be argued that offsets of any vintage are valid responses to climate change and often reflect first mover participation at a time of great uncertainty. They represent emissions not in the atmosphere since the year (vintage) that they were verified as having been created. In this way older vintages have acted on climate change for longer before being "neutralised" as an offset. Newer vintages are not inherently "better" for climate change.

Setting a particular vintage range is within the purview of any carbon neutral scheme or program. There will be considerations as to what vintages are acceptable that are larger in scope than just the offset's age. If an established vintage range is to be changed to meet changing higher-level considerations, it needs to be clearly communicated with a substantial lead time until it takes effect.

Co-benefits

10. How important is it that offsets also produce co-benefits?

After over a decade of examining carbon offset projects from both VCS and Gold Standard and extracting information about projects' sustainability co-benefits as an integral part of our quoting process, it is evident that offset projects produce co-benefits beyond the simple carbon impact.

Given offset projects create sustainability co-benefits, it is important that these co-benefits are documented within the project documentation.

VCS requires information on non-carbon co-benefits as a part of its processes, with greater levels of information as project complexity increases.

Gold Standard provides, as a part of its approval process, an assessment of sustainability co-benefits. Gold Standard applies this process to all of its wide range of project types.

CCB Standards are useful for the assessment of sustainability co-benefits for land-based projects, especially REDD+ (Reduced Emissions from Deforestation and Degradation). Used in conjunction with VCS accreditation of the carbon mitigation (VCS+CCB), this allows buyers to examine the verified sustainability outcomes (or current progress of a 30-40 year project) from these carbon offset projects.

More important than the question of whether a project produces co-benefits is the consideration of what its co-benefits are and whether they align with the purchaser's values.

11. What are the range of co-benefits that might result from the production of offsets?

Renewable electricity projects have a set of very similar co-benefits, often at the macro-scale (displacing fossil fuels, increasing economic activity, reduced air pollution) mixed with smaller scale benefits like employment, training and community outreach.

Renewable electricity project co-benefits are not as dramatic as improved living conditions projects and REDD+ projects. Cookstove and Safe Water projects have enormous co-benefits and REDD+ projects rely on co-benefits to be successful.

Renewable heat, cookstove and safe water co-benefits reflect the project's focus and include human-scale benefits (cleaner indoor air, clean water, less disease, more time, women and children specific outcomes).

REDD+ projects create community and biodiversity co-benefits in addition to massive amounts of mitigation. These benefits operate from the individual/ household scale (food security, employment, cookstoves, land tenure) to global scale (protection of globally and regionally significant species, habitat and landscapes).

All of these benefits can be identified within project documentation and this reporting of co-benefits is being strengthened currently, reflecting increased interest in sustainability in relation to carbon outcomes.

The following co-benefits have been identified from actual projects available under VCS or GS (this is not an exhaustive list)

- Education, schools, training, employment
- Governance, community, land tenure, indigenous peoples
- Equality, empowerment, safety, time saving, women, children
- Indoor air pollution, polluted water, particulates, pneumonia, soot
- Health clinics, injury reduction, WASH, water-borne disease, diarrhea
- Pro-poor, reduced poverty, micro-enterprises, economic opportunities, eco-tourism
- Food security, sustainable land management, agroforestry, non-timber forest products
- Biodiversity, habitat protection, critically endangered, iconic species, anti-poaching, endemic

a. *Are some co-benefits more valuable than others, and if so, which?*

Yes – but which co-benefit is more important reflects the paradigm of the viewer.

Determining which co-benefit is more valuable depends on what one is trying to address:

- 2.2 billion people do not have access to safe water
- Over 2 billion people's drinking water is contaminated with faeces
- 785 million people cannot access clean water within 15 minutes walk (one way)
- 2.6 billion people use open fires or simple, inefficient stoves
- 4 million people die prematurely from household air pollution
- Almost 50% of pneumonia deaths in kids under 5 years are caused by breathing soot
- 3/4 of a billion people have no access to electricity, each one of them using about 22 kWh per year
- Each year between 2015 and 2020, 10 million hectares were deforested
- Species loss is massive, many threatened, endangered and critically endangered species are declining
- Indigenous people and landless poor don't have access to land tenure, good governance or the enforcement of their recognised rights

There are so many different co-benefits that are potentially created by offset projects, it is possible to find a project that provides co-benefits suited to a purchaser's preferences.

b. *Are there specific offsets activities that might have a particularly positive impact?*

- Renewable Heat (household biogas, solar cookers)
- Improved Living Conditions (cookstoves, safe water)
- REDD+

The project types above provide positive impacts at the human-scale (not industrial scale) or, in the case of REDD+, at both the human-scale and landscape level. Renewable electricity projects have positive impacts but at a larger scale in terms of electrification, improved economic conditions and reduced foreign imports of fossil fuels.

Most of the co-benefits listed earlier are derived from these types of projects.

None of these project types are able to generate carbon offsets in Australia.

These project types link our climate response to improved sustainability by addressing the overwhelming need to rapidly and significantly improve the sustainability of development worldwide combined with the urgent, growing need to mitigate carbon emissions.

12. In your view, what are the most appropriate and effective approaches for supporting, recognising and valuing co-benefits associated with offsets, and ensuring the delivery of co-benefits in local communities?

- Use VCS, VCS+CCB or Gold Standard projects – the carbon finance provided by the carbon offsets will achieve a range of co-benefits at varying scales from individual, households, communities, landscape, regional and national
- Identify sustainability co-benefits from projects and select those that the business wants to be associated with
- Buy the carbon offset and the co-benefits that the project brings

Broader implications

16. Does the use of international offsets under Climate Active have any broader implications in Australia? (For example, for other offset schemes, for corporate reporting and for the development of carbon markets and carbon trading platforms.)

Climate Active eligible offsets are also sought out by consumers who are independently seeking to reduce their carbon footprint, but who not able or wanting CA certification.

The use of VCS and GS offsets outside of CA provides competition amongst offset options, helping pricing and offering consumers' choice and access to a significantly larger and varied range of project types, locations and sustainability benefits.

17. What are the lessons learned from carbon markets to date?

Government should not interfere in the market as this distorts the message and pricing information gained from supply and demand.

18. Outside of Climate Active and IPCOS, where else might offsets criteria be relevant in Australia? Are there different considerations in those cases?

Individuals and businesses that wish to reduce their climate impacts, become carbon neutral or to go beyond carbon neutral can use VCS and GS offsets. Customers are able to choose their own climate solution.