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"Offsetting must not be a license to continue polluting"

Interview with Sabine Frank

Companies and governments are announcing "climate-neutrality" targets, and consumers are being offered ways to offset their carbon footprint. What does this mean in practice? How can we distinguish between real climate action and simple PR campaigns?

What does it mean to be "climate neutral"?

"Climate neutrality" means we don't add any greenhouse gas emissions to the atmosphere – at least in net terms. This means that if we still emit, we need to remove the same amount of emissions from the atmosphere.

This is an important distinction: the goal of zero emissions, eliminating all emissions, is different from the goal of net-zero emissions, which means removing an equivalent amount of greenhouse gases that have been emitted. There are many uncertainties over the removal of greenhouse gases from the atmosphere – both with regard to the methods and technologies and the accounting for them.

Is offsetting our emissions a good solution to address the climate crisis?

It is not. In offsetting, emissions caused in one place, say an industrial plant in Europe, are compensated with emissions saved through a project elsewhere, typically a developing country. Offsetting is a zero-sum game, and sometimes the sum isn't even really zero because of the flaws in the verification and accounting of the projects.

Offsetting is also too cheap to incentivize behavioural change: the cost is less than 5€ per ton of CO_2. The carbon price in the EU emissions trading system is around 25€ and according to the estimate for setting our economies on a path to meet the objectives of the Paris Agreement the price should be 50–100€.

How do you see initiatives such as the one by Shell that promises consumers "climate neutral" driving through a programme whereby motorists can buy credits from forestry projects around the world?

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Climate neutrality claims about particular products of companies are problematic. What we need is companies being serious about decarbonizing their whole operations rather than distracting from their bad overall record by making some selected green offerings. Merely pandering to climate concerns and deceiving customers is greenwashing. In addition, companies' offsetting usually costs them only a tiny fraction of their profits – Shell's annual 100m$ investment is only a mere 0.47% of its 2018 profits, while the vast majority of its investment goes into further oil and gas exploration.

Driving with supposedly climate-neutral Shell petrol in the tank distracts from the fact that not driving at all would be better for the climate. The promise of "climate-neutral driving" could actually increase emissions because people might drive more thinking it is benign.

This month, Total set another bad example: it announced that it is now selling carbon-neutral liquified natural gas because it offsets through two projects by developer Verra, a Chinese wind farm and a social project in Zimbabwe. So Total will be supplying more fossil fuel to the country while claiming to be financing a shift away from fossil fuels! On top of that, the wind farm, according to Verra's registry, has been in existence for a decade already, and would not be accepted under carbon standards today. The project in Zimbabwe is a REDD+ project for "reducing emissions from deforestation and forest degradation in developing countries". Such forestry projects are notably controversial because many have created large amounts of carbon credits of questionable quality in the past.

A lot of the climate neutrality pledges indeed involve purchasing credits from forestry projects in order to compensate for CO2 pollution. Do you think that we should be relying on trees to absorb what we emit?

The highest climate commandment is to eliminate greenhouse gas emissions. The question of compensation comes second and only for emissions we can't avoid. Afforestation or reforestation projects have become very popular and something we can easily latch on to. Forests are good for the climate, biodiversity and people. But the problem lies with using them as offsets: The benefit of one forestation project can be undone by deforestation elsewhere. A forest project might not be guaranteed to last as long as carbon will stay in the atmosphere, which is at least 100 years. Forests differ in their capacity to absorb CO2 depending on age and tree type, and they don't just grow but also decay – and worse still, burn down. All this makes the calculation of how forests compensate for CO2 pollution extremely tricky.

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Some say that voluntary offsetting through the purchase of carbon credits shows true climate commitment because one goes beyond reducing emissions. What is your take on this?

Going beyond reducing emissions is great, but let's make sure the emission reductions happen first. Offsetting must not be a license to continue polluting. Going beyond reducing emissions also doesn't have to mean buying carbon credits. It could happen in the form of financing emission reduction projects without an accounting link to the buyer's emissions. Climate finance is better than offsetting.

Why is voluntary offsetting such a phenomenon in the first place?

The underlying question is, why are emission reductions voluntary? Given the climate emergency, we need to regulate and price emissions out of existence.

Emissions from aviation, for example need to be reined in by ending tax breaks and subsidies. Airlines in Europe pay no tax on fuel, are mostly exempt from VAT and get half their emission allowances under the EU emissions trading system for free.

Companies, especially consumer-oriented ones, know they have to take climate action. Over 800 companies worldwide have so far made climate pledges of various sorts. This has led to an expansion of the so-called voluntary offset market. But under the Paris Agreement, where all countries are required to make their maximum contribution to reaching the goal of staying within the limit of 1.5°C global warming, there should not be any emission reductions left to sell. At the very least, we need to ensure that emission reductions are not counted twice – once in the national emission reduction inventory and once by the company buying the credits. In the absence of new rules on international carbon markets – no agreement at COP25 and COP26 postponed – the market for voluntary offsets thrives and operates by its own rules.

How could companies be clearer about their climate footprint and activities?

There is an established protocol for companies to identify and report their emissions. Basically, they need to consider emissions directly linked to their operations and production, emissions associated with their operations but occurring elsewhere, e.g. through the electricity they consume, and finally emissions in their supply chain.

Most companies are incomplete in their data gathering and reporting and not comprehensive in their efforts to reduce emissions. Of course, companies can't become climate neutral at once, but they ought to be transparent and not use selected climate efforts to hide a complete lack of intention to eliminate emissions.

When it comes to governmental action, the EU is often considered as a global climate leader. The EU Commission has recently proposed a new 2030 climate target of at least 55%. What do you make of this renewed climate commitment? Could the EU do better still?

A reduction target of 55% would be an improvement on the current 40% target. But the new proposal, unlike the current target, includes carbon removals when there should be a separate target for them. Taking carbon removals out reduces the target the Commission proposes to 53%, even 50%.

Moreover, the deal is not yet done! Not all EU Member States support 55% yet and while the European Parliament has demanded 60%, we have to see what the final decision will bring.

Nevertheless, the European Green Deal is a positive move in a world where major countries are ruled by climate change deniers who shun their international responsibilities.