

## **Carbon Credits - Recommendations for selection and procurement**

### **BACKGROUND**

The Working Group on Offsetting was established at the 1<sup>st</sup> meeting of the **Issue Management Group on Sustainability Management (IMG)** on 9-10 February 2010. Offsetting means the purchase of carbon credits to compensate for greenhouse gas emissions generated by UN operations, in particular facility operations and official travel. Carbon credits are tradable certificates representing one tonne of CO<sub>2</sub> equivalent, which an organization purchases to offset its own emissions.

The IMG Working Group on Offsetting included the following members: Georgina Stickels (WFP), Judith Moore (World Bank), Anne Fernqvist (UNDP), Steven Giwa (IAEA), Victor Ogbunike (SCBD), Lorenzo Gavilli (ICAO), Lova Andre Nilsson (UNEP), Mirjam Steglich (UNEP) and John Miller (UNESCO). Oliver Buhler (UNFPA) and Dragoslav Jovanovic (UNFCCC) joined in May, David Sturt (UNFCCC) and Niels Ramm (UNOPS) in June.

The Working Group on Offsetting was tasked with:

- a) reviewing modalities for common offsetting
- b) preparing a guide on offsetting for UN organizations
- c) providing guidance on funding aspects for offsetting
- d) developing recommendations for EMG with regards to offsetting

The following text was approved at the 4<sup>th</sup> meeting of IMG on 10 March 2011.

### **RECOMMENDATIONS RELATED TO CARBON OFFSETTING**

As stated by the EMG Senior officials meeting in September 2009 and reiterated in September 2010<sup>1</sup>, the work of moving towards a climate neutral UN should be carried out as an integral part of the sustainability management efforts within each UN organization.

In light of this, and with a view to implementing the Statement of the Chief Executives Board for Coordination, “Moving towards a climate-neutral United Nations” (CEB/2007/2), the IMG recalls that UN organizations should undertake an ambitious programme aimed at *first reducing* GHG emissions and only consider purchasing carbon credits as a last resort. They should avoid attempting to achieve climate neutrality simply by going straight for the purchase of carbon credits.

In support of the specific request of the CEB/2007/2, to “*analyse the cost implications and explore budgetary modalities – including consulting with governing bodies as needed – of purchasing carbon offsets to eventually reach climate neutrality*”, the IMG recommends the following :

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<sup>1</sup> [www.unemg.org/MeetingsDocuments/EMGSeniorOfficialsMeetings/2009/tabid/1330/Default.aspx](http://www.unemg.org/MeetingsDocuments/EMGSeniorOfficialsMeetings/2009/tabid/1330/Default.aspx)

1. Each UN organization should prepare a draft plan on how offsets could be financed, procured and accounted for, and submit it for the consideration of its Senior Management by July 2012. Subject to the decision of Senior Management, and with reference to the Strategy for a climate-neutral UN, the plan might be adopted internally, be submitted to the governing body for consideration, or be rejected. Whatever the outcome, each EMG member should clearly document and communicate to the EMG its final position on climate neutrality;
2. In organizations where offsetting is approved, the objective should be to become climate neutral in all their operations. The boundary definitions agreed for UN greenhouse gas inventories<sup>2</sup> should apply also for the climate neutral objective. Some flexibility will be permitted for organization-specific opportunities and constraints, e.g. an organization might choose to offset only the emissions related to Headquarters as a first step;
3. Organisations may consider a time-bound target for when to start offsetting so as to support emission reduction efforts and provide focus for the work towards a climate neutral UN;

#### *Quality of offsets*

4. The IMG follows the “Strategy for a climate-neutral UN” (EMG/AM.07/06/Rev.1) which states that: “the UN’s choice of offsets [...] should meet the levels defined under the Kyoto mechanisms at the very least”. In addition it recommends that offsets procured by UN organisations should:
  - a. at a minimum be generated by a project registered as a Clean Development Mechanism (CDM) project at the time of signing a procurement contract;
  - b. be cancelled within no more than 12 months from date of contract signature;
  - c. provide insurance for delivery if credits are not issued at time of contract signature;
5. UN organizations may, acting individually or collaboratively, specify additional requirements that reflect their specific mandates, aspirations or objectives. These could include specifying the CDM Gold Standard, or specifying projects located in nominated countries, such as in Least Developed Countries or requiring the use or exclusion of specific technologies such as energy efficiency, solar power, or re-forestation;

#### *Procurement of carbon credits*

6. There should be no requirement for central procurement of carbon credits: each UN organization should be individually responsible for the procurement of carbon credits related to that organization;
7. At the same time, UN organizations should be free to work together and jointly invite tenders/requests for quotations/requests for proposals for the supply of carbon

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<sup>2</sup> UN GHG inventory boundaries are specified in the *Strategy for a climate-neutral UN* (2007). UN Environment Management Group. EMG/AM.07/06/Rev.1. or in *United Nations GreenHouse Gas Calculator. User Manual 1.0.* (2009). UNEP Environment Management Group, UN Department of Field Support and the World Resource Institute.

credits as and when their interests coincide (as happens at present for procurement of other goods and services) ;

8. UN organizations are encouraged to include in the contract document a clause allowing for the contract to be extended to other UN organizations, should the contractor wish to do this;

#### *Finance*

Agencies may encounter resistance from donors/member states to the prospect of their funds being used for the purposes of procuring carbon credits rather than for delivering core business aims. The IMG recommends that the EMG review the following options for providing central support to raising funds for the purpose of offsetting:

9. The EMG secretariat to support and coordinate UN fund raising efforts for the purpose of offsetting through the provision of a fundraising facility; and/or
10. The EMG to consider the possibility of creating a multi-donor UN Trust Fund to assist in UN system efforts to finance the purchase of carbon credits. The management of the Trust Fund could be supported by a UN-wide offsetting facility (service) that UN organizations could choose, but would not be obliged, to use;
11. The EMG to explore the creation of system-wide Long Term Agreements;

#### *Support functions*

It is essential that UN offset procurement be carried out correctly and that UN staff be made aware of and understand the UN climate neutral commitment. System-wide technical assistance for the procurement of offsets should be provided, for which purpose the IMG submits for EMG consideration the following possibilities:

12. Establishment of a UN Helpdesk to provide support and information on suitable CDM projects and advice on procurement/contractual issues. Organizationally, such a helpdesk could be housed within SUN;
13. Provision of training on offsetting for all UN Climate Neutral/Sustainability Focal Points. This training could be tasked to SUN;
14. Exchange of ideas, experience and advice relating to various aspects of offsetting (types of offsets, contractual/procurement issues, financial implications and fundraising, training, communication) could be facilitated and supported via Greening the Blue and/or the UN Global Marketplace. These sites could host examples/case studies, provide a secure area for sharing information, facilitate meetings and workshops;
15. Organization of a UN-wide campaign to raise awareness and create understanding and commitment “towards a climate neutral UN”, including offsetting;

The EMG may also want to consider any alternative hosts for the above functions and which funding mechanism would best secure their sustainability.

#### *Legal and related issues*

16. Legal advice is required to clarify the issue of possible diversion of Official Development Assistance (ODA) funds and any other legal or financial issues (e.g. contractual restrictions on use of funding) before UN organizations can proceed to implement offsetting on a wider scale. This clarification should be undertaken on an

organization by organization basis to account for differing constitutional and operational rules (e.g. some organizations are entirely ODA funded, others are not);

*Other*

17. It is essential that adequate financial and staff resources be committed to ensure that the emissions of each UN organization are accurately measured and can be reduced as far as possible before resorting to the purchase of carbon credits;
18. The strategy for a climate-neutral UN will need to evolve in accordance with significant developments in the offsetting sector or other relevant contextual changes. Areas to be closely monitored include:
  - a. The development of the offset market post 2012. It should be noted that all recommendations above are based on the assumption that there will still be carbon trading within CDM or other similar schemes.
  - b. The possible introduction of national carbon taxes directed at consumers and carbon taxes at airports directed at travellers. Introduction of such taxes might require revised methodologies for UN GHG inventories to avoid “double payment”.