



# Offsets



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## Offsets

- Investing in projects that bring about emissions reductions that would not otherwise have occurred
- Eg. energy efficiency, renewables, etc
- Getting credit for the resulting emissions reductions



# Voluntary vs Compliance Markets

- **Clean Development Mechanism of the Kyoto Protocol**

- Certified Emissions Reductions (CERs)

- **Others**

- Voluntary Emissions Reductions (VERs)



# Criteria for offsets

- Additionality
- Verification and certification
- Transparency
- Time-frame and permanency
- Sustainable development benefits
- Intergovernmentally accepted standards
- Avoidance of own projects
- Para. 48 of the UN Climate Neutral Strategy



# Standards

- Clean Development Mechanism (CDM)
- Gold Standard
- Voluntary Carbon Standard (VCS)
- VER+
- Voluntary Offset Standard (VOS)
- Climate, Community and Biodiversity Standard (CCBS)



# Decision of the CEB

"We make this commitment with a view to achieving the goal of climate neutrality at a date to be set in the future, by reducing emissions first and then offsetting the remainder through the purchase of offsets from the Clean Development Mechanism, that meet high international standards of additionality, transparency and verification and which promote sustainable development in developing countries."



# Clean Development Mechanism

- One of three flexibility mechanisms under the Kyoto Protocol
- CDM Executive Board:
  - Methodologies
  - Approval process
  - Etc.



# Additional criteria

- Promotion of employment
- Additional social benefits
- Additional environmental benefits
- Minimize secondary negative environmental impacts
- Geographical scope



## Avoidance of own projects

- What is an own project?
- Conflict of interest
- Credibility of overall climate neutral approach
- Legal issues – financial audit
- CDM provides a firewall



## CDM investors

- Governments
- Financial sector institutions
- Other institutional investors
- Individuals



## The CDM process

- Cost – USD100,000
- Submission of proposal – “Pipeline”
- Verification by external private sector firm
- Provision of information / reporting



## Purchasing offsets

- Offset providers are available on the internet
- UN committed to purchasing CERs



# Cost of CDM offsets

- Spot market price
  - 20-25 Euro /t CO<sub>2</sub>
- Recent quotes:
  - Gold Standard – 22-32 Euro/t CO<sub>2</sub>
  - CERs – 14-27 Euro/t CO<sub>2</sub>
  - Range: 20,000t - average
- Own criteria – cost not know
- Adaptation Fund – cost not known  
(Adaptation Fund not yet operational)

