What are carbon offsets?

Carbon offsetting is a concept many companies use to say that they have counterbalanced their emissions or to claim that their products are ‘carbon neutral’. It normally involves making a small payment towards climate solutions projects – most commonly planting or protecting trees – in return for a notional ‘carbon credit’.

The premise seems simple: if you give money to projects that remove carbon from the atmosphere, it balances out the emissions created through consumption, and so the product is made ‘green’ or the company can get to net zero. Or so the story goes.

As customers, we are sold carbon offsetting more and more. Companies promote carbon offset products or advertising alongside airline flights, car petrol, home gas supply, red meat, and even plastic packaging. In effect, this tells us the solution is for us to choose to compensate for the climate impacts of such high-emitting products.

But this is marketing fiction. Small donations to climate projects do not actually counterbalance continuing emissions and, what’s worse, the ‘offset’ myth often interferes with urgent efforts to reduce emissions in the first place.

Underneath the advertising puff is a concept that is causing real problems for climate action.

Why is carbon ‘offset’ marketing a problem?

A carbon credit is calculated to remove or avoid 1 tonne of CO_2, which is around the same as the amount of carbon dioxide emitted in a flight from Paris to New York. The purchase of these credits contributes to projects which aim to help mitigate climate instability through funding new technological or natural solutions.

These natural projects can be valuable in fighting climate change. Good examples support local communities and can help to protect critical natural ecosystems, such as forests, that act as ‘carbon sinks’ absorbing harmful greenhouse gases.

But ‘quality’ in the unregulated carbon credit market can be hard to come by, and harder still to verify. Often described as a ‘wild west’ industry, too many projects have been found to harm the interests of local communities and offer false claims of actually making a difference to the amount of CO_2 absorbed and stored.

Another issue is there simply isn’t enough room on the planet to plant the number of trees needed to counterbalance the current level of global emissions without harming food supply. To put this into perspective, a single oil and gas company plans to use a tenth of the globally available unused land to ‘offset’ its emissions. Enhancing natural sinks will only get us so far, getting to net zero by 2050 is not possible without a hard and fast reduction in emissions.

Carbon credits are not offsets in the way that a profit offsets a loss. The accurate label for these credits is simply a donation towards climate-friendly projects and not, as marketing for high-carbon products often claims, as a means to ‘offset’ the harmful climate impacts of the things we buy.

Why is carbon ‘offset’ marketing dangerous for businesses?

The flawed nature of carbon ‘offsetting’ marketing is attracting a range of legal risks: non-compliance, shareholder action, litigation, and regulatory enforcement.

In the Netherlands, Shell has been reprimanded twice in succession, first for advertising ‘CO2-neutral’ car petrol, then for trying a different claim that carbon credits mean ‘CO2 compensation’.

Dutch airline KLM is facing a court action, which we’re supporting, for breaching consumer law with its CO2 compensation marketing. Total Energies is facing a similar case.

In Germany, a claim is being brought against a list of companies for misleading ‘carbon neutral’ claims.

In the US, financial regulators are getting interested in carbon credit markets.

And in France, the government has adopted a new law requiring companies to clarify how emissions are being actually reduced before being offset.

The list goes on. Bans on companies misleading consumers exist in consumer protection laws and advertising regulations in countries all over the world. Using ‘carbon neutral’ or compensation marketing, and giving consumers the impression that the climate impact of high-carbon products is thereby addressed, raises a real risk of being found to breach these prohibitions.

And for companies relying on carbon offsetting in their corporate transition plans, that range of risks increases – with even company directors liable to be held accountable over miscommunication on the impact ‘offsetting’ has on emissions reductions.

What are the problems with carbon ‘offsets’?

The legal risk of offsetting marketing is growing – but so too is the risk that we blow opportunities to reduce real-world emissions.

To meet climate goals, financial support must be directed at efforts to protect the world’s vital ecosystems, as well as green technologies, and cover the huge funding gap for climate loss and damage. This is where financial contributions through carbon credits can have a valuable role to play, but incentivising finance must not provide a perverse incentive to delay critical reduction measures.

For carbon credits to serve a positive purpose on the road to a liveable climate future, they must be kept separate from emission reduction strategies. The only way out of this crisis is to stop pumping out greenhouse gases at the current devastating rate. Blurring the picture with fictional offsetting only delays that vital action.

Source: Client Earth