

Call for the EU to reject carbon offsets following scandal of largest voluntary carbon offset certifier

In November 2022, the European Commission presented a proposal for an European Union (EU) Regulation on certification of activities that remove carbon from the atmosphere ('carbon removals'), which included voluntary minimum standards for companies that certify voluntary carbon offsets. Less than two months later, an investigation by the German weekly Die Zeit and the UK's Guardian newspaper, with support from the non-governmental organisation (NGO) SourceMaterial showed, yet again, how flawed the voluntary carbon offset market is. An investigation by the Dutch independent media outlet Follow The Money underscored the extent of the flaws when it showed how the operator of one of the largest offset projects on the African continent had been allowed to continue to sell offset credits despite the seller knowing the project was overestimating alleged emission avoidance.

The investigations focused on 'avoided deforestation' offsets that have been audited against the Verified Carbon Standard (VCS). VCS is administered by Verra, a carbon offset standard developer whose standards underpin 75 percent of all carbon offsets sold on the voluntary carbon market.

The EU should take the failure of Verra's business model as an indication of the need to stop promoting offsets as a valid form of climate action.

A global team of academic researchers assessed 29 projects that claimed to have saved a total of 89 million carbon credits, equivalent to the annual emissions from Greece and Switzerland combined. The researchers found that over 90 percent of the credits were based on implausible claims that emissions had been avoided — making them, in the words of the journalists, "a heap of junk".

The investigations found numerous examples of project developers interpreting methodologies in their favour and auditors approving carbon credits based on hugely inflated estimates of how many emissions were avoided. The mass generation of junk credits doesn't come as a surprise to many in the offsetting industry, with a broker noting that "methodologies have been so flexible that anything goes...[y]ou could choose the best option to maximise your profit."

How is it possible for such an obvious scam to go on for well over a decade? One of the researchers, who has been a long-time observer of the offset market explained: "There is simply nobody in the market who has a genuine interest to say when something goes wrong".

Reacting to the investigations, rating agencies and a representative of the GoldStandard pointed out that 'avoided deforestation' projects are not the only type of project whose methodologies create 'junk credits' due to inflated calculations of alleged emission reductions. The co-founder of carbon offset rating agency Calyx Global, Donna Lee, noted that her team has assessed nearly 70 Reduced Emissions from Deforestation and Degradation (REDD) projects and that **"for many project types we find high variability in our ratings.** This is true for everything from landfill gas and cookstoves to forest carbon credits".

These problems continue despite the fact that **all these offset projects have been assessed against carbon standards like Clean Development Mechanism (CDM), VCS or GoldStandard, and received the stamp of approval following third-party audits of offset methodologies.**

Voluntary standards have been part of international carbon markets for as long as they have existed. They have prevented neither the massive generation of junk credits, nor human rights abuses, environmental harms, and land conflicts. The problem has been particularly stark in connection with 'avoided deforestation' and tree planting offset projects. Nothing in the European Commission's proposed voluntary EU certification framework would fare better than past failed attempts to elaborate rules for **"an industry where, for many, flaws have become the norm."**

Given the numerous problems even within projects certified by Verra, **no offset certifiers should be endorsed by EU climate policy.** There is a danger that certification would imply that such offsets were "high quality", legitimising a failed attempt to address the climate crisis.

Pushing ahead with a proposal that is likely to incentivise generating even greater volumes of climate-damaging junk credits is reckless, particularly given the urgency with which we must reduce emissions this decade. Offsets are not equivalent to reductions. The latest media investigations have reiterated that even after 20 years of carbon markets, there is nothing that can be done to stop the generation of meaningless offset credits.

If averting uncontrollable climate chaos is the objective, **offsets have no place in the policy toolbox.** We therefore demand that the European Commission does not legitimise a market whose holes are so deep they can never be filled.

Signed

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Carbon Market Watch

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European Coordination Via Campesina - ECVC
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Environment East Gippsland inc
The Australian Rainforest Conservation Society
Association pour l'Integration et le Developpement Durable au Burundi (Indigenous Forum in
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Climate Action for Lifelong Learners (CALL)
Nature Nova Scotia
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