

OFFSETS: THE BASICS



WHAT ARE OFFSETS?

An offset represents the reduction, removal or avoidance of greenhouse gas emissions, measured in tonnes of CO₂ equivalent (tCO₂e), from a sector/region not subject to an emissions cap. By cutting emissions beyond what is required, offsets play an important role from an environmental perspective. Offset systems also provide a means to link emissions trading systems in the future, even if indirectly. Offsets provide a vital cost-containment tool or safety valve for each system - and each jurisdiction can implement the filters on offset eligibility which it deems necessary, according to predefined criteria.



OFFSETS ACHIEVE REAL EMISSION REDUCTIONS

Governments can encourage emission reductions from specific activities, such as forestry, agriculture and waste management, which are outside the cap. Emissions reductions from these activities can be used to generate offset credits that can be sold and used to comply with a cap-and-trade system or to voluntarily offset an organisation's emissions.



OFFSETS HELP LOWER COSTS FOR BUSINESS AND HOUSEHOLDS

Offsets are an effective way to reduce emissions in an efficient cost-effective manner. Allowing the use of offsets in a cap-and-trade system will lower the cost of emission reductions throughout the market and provide a financial incentive to reduce greenhouse gas emissions.



OFFSETS CAN HELP CUT EMISSIONS FASTER WHILE ENCOURAGING INNOVATION

Offsets generate the greatest emissions reductions in the least time at the lowest cost. Maximum environmental benefit is gained by eliminating the greatest quantity of emissions as quickly as possible. The use of offsets provides an efficient means of reducing greenhouse gas emissions in the near-term. The revenue generated from the sale of offsets can be used to develop and implement transformative technologies that will achieve longer-term reductions.



OFFSETS HELP MAINTAIN DOMESTIC COMPETITIVENESS IN THE REGIONAL AND GLOBAL MARKETPLACE

Offsets help business stay competitive by keeping both energy and compliance costs down. By keeping costs down, offsets help companies become greener and better stewards of the environment. Offsets provide economic certainty that companies want. This means that companies can flourish, generating more jobs and money for the communities they operate in.

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OFFSETS PROMOTE INNOVATION AND COOPERATION, BOTH DOMESTICALLY AND INTERNATIONALLY

Offsets allow key actors - including foresters, farmers, and emissions reduction project developers - to earn revenue for the greenhouse gas emission reductions they achieve, while at the same time stimulating innovation in areas that are outside an emissions cap.



OFFSETS CAN LINK MARKETS TOGETHER TO ACHIEVE EVEN GREATER REDUCTIONS

Especially in today's bottom-up climate policy world, sub-national and national climate policy coordination, harmonisation and innovation is more important than ever. The use of robust, eligible offsets for these actors to fully or partially link their bottom-up programs (ie, via offset linkages and trading) will become an increasingly critical step towards putting a real and lasting dent in the climate challenge.



ESSENTIAL OFFSET CRITERIA:

Offsetting must demonstrate actual emission reductions compared to what would have otherwise happened, ensure emissions are not simply released at a later date, or are displaced elsewhere. Some of the consistent essential criteria used in existing greenhouse gas offset programmes include:

- **Real:** offsets must represent real emission reductions that have already occurred (ie, the reduction is not projected to occur in the future)
- **Additional:** offsets must represent emission reductions that are in addition to what would have occurred otherwise
- **Permanent:** offsets must represent emission reductions that are non-reversible, or must typically be sequestered for X number of years in the case of carbon bio-sequestration projects
- **Verifiable:** sufficient data quantity and quality must be available to ensure emission reductions can be verified by an independent auditor against an established protocol or methodology
- **Quantifiable:** emission reductions must be reliably measured or estimated, and capable of being quantified
- **Enforceable:** offset ownership is undisputed and enforcement mechanisms exist to ensure that all programme rules are followed and the market's environmental integrity is maintained