



## **ICROA (International Carbon Reduction and Offset Alliance)**

Submission to the Australian Department of Climate Change in  
response to the National Carbon Offset Standard Discussion Paper

**27 February 2009**

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**About ICROA:**

The International Carbon Reduction and Offset Alliance (ICROA) is a membership organisation of leading carbon reduction and offset providers. ICROA provides leadership and a unified voice advocating for rigorous industry standards. ICROA members include the most reputable and longest established carbon offset and reduction providers who operate in a range of international voluntary markets.

ICROA is well placed to comment on the impact of carbon regulation on the voluntary carbon market, as ICROA’s membership base is spread across countries which have Kyoto commitments (UK, Germany, Holland, Australia & Japan) and countries currently without Kyoto commitments (USA). Collectively, ICROA members have experience in a wide range of voluntary markets which operate alongside compliance market regimes.

Members of ICROA sign up to and adhere to the ICROA Code of Best Practice, which has best practice requirements for carbon footprinting, reduction consultancy and offset services. The ICROA Code of Best Practice recognizes only the highest quality offsets which are validated, verified and registered under internationally recognized standards. The ICROA Code currently only permits the use of the Gold Standard, the Voluntary Carbon Standard and CDM/JI. ICROA is committed to enhancing both best practice and transparency in the voluntary carbon market . ICROA will achieve this by ensuring that its members report annually on their adherence to the ICROA Code of Best Practice.

ICROA is governed by an Executive Committee, with its day to day affairs managed by the Secretariat. ICROA is a not for profit organization funded by membership fees. During its first year, the ICROA Secretariat was based at The Climate Group, a world renowned environmental NGO. ICROA receives advice on its strategy and policy from an Independent Advisory Board, comprised of leading NGOs.

**Members of ICROA:**



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**Executive Summary:**

A robust and internationally consistent voluntary carbon offset market in Australia has the potential to contribute significantly to reducing global greenhouse gas emissions and to engage the 7.6 million Australian businesses and 20 million individuals who are not directly involved in the carbon pollution reduction scheme.

ICROA supports the intent of the Australian Department of Climate Change's proposed National Carbon Offset Standard to 'ensure consumer confidence in the rapidly growing carbon offset market'.

However, ICROA is concerned that the National Carbon Offset Standard, as currently proposed:

- Fails to provide encouragement and support for the voluntary carbon market.
- Limits consumer choice and will not enhance consumer confidence.
- Creates confusion for consumers and risks for businesses which purchase Greenhouse Friendly offsets.
- Is likely to create significant extra costs for market participants.
- Proposes a definition of carbon neutrality that is inconsistent with current best practice.

To address these issues, we recommend the Department of Climate Change take the following actions:

- Recognise the Voluntary Carbon Standard and the Gold Standard as eligible offset standards under the National Carbon Offset Standard.
- Communicate publicly that Greenhouse Friendly offsets are not additional to Australia's Kyoto Protocol target.
- Make the National Carbon Offset Standard voluntary and remove requirements for independent verification of footprints.
- Confirm that the introduction of the CPRS has no impact on current international practices for calculating carbon neutrality.

## Introduction

### **The voluntary offset market:**

The international market for voluntary offsets has grown rapidly over the past several years and has the potential to contribute significantly to reduced global emissions. In 2007 over the counter sales of voluntary offsets were 42.1 million tonnes, almost triple 2006 volumes. The Australian and New Zealand market accounted for 7% of 2007 volumes (2.9 million tonnes)<sup>1</sup>. The majority of this volume was sold in Australia and is equivalent to approximately half a percent of our national emissions in 2006. This means that voluntary action by Australian consumers and individuals in 2007 led to a real, immediate and additional reduction in global emissions equivalent to over one tenth of the reduction target the CPRS proposes to achieve by 2020.

In addition to immediate reductions in global emissions, the voluntary offset market plays an important role in engaging the 7.6 million Australian businesses and 20 million individuals who are not directly involved in the carbon pollution reduction scheme. The voluntary measurement of a carbon footprint raises the awareness of individuals and businesses about the impact their actions have on global greenhouse gas emissions. This information, when combined with an ongoing commitment to purchase offsets, creates an incentive for organizations and individuals to undertake low cost energy efficiency measures and behavioural change to reduce emissions.

The requirements of the businesses and individual consumers who purchase voluntary offsets are best met by existing, robust, international voluntary offset standards. Corporations which purchase voluntary offsets for green marketing claims and CSR commitments do so because they can tell a story about their support for a specific voluntary offset project with demonstrable sustainability 'co-benefits'. Likewise, individuals who purchase voluntary offsets want to know that their money is going to support an outcome they can identify with. The Voluntary Carbon Standard and Gold Standard are leading international voluntary offset standards . These are currently the only voluntary offset standards recognized under the ICROA Code of Best Practice. Both the Voluntary Carbon Standard and the Gold Standard have been developed with significant NGO and other stakeholder input, which ensures that these consumer requirements are met.

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<sup>1</sup> New Carbon Finance, 2008, 'Forging a Frontier: State of the Voluntary Carbon Markets'

### **Australia's National Carbon Offset Standard:**

The Commonwealth Government made a pre-election commitment in June 2007 to develop a national standard for voluntary carbon offsets. Its stated purpose is to 'ensure consumer confidence in the rapidly growing carbon offset market'<sup>2</sup>.

The Department of Climate Change has released a Discussion Paper and a draft National Carbon Offset Standard and called for comment by 27<sup>th</sup> February. There are three key elements addressed by the Discussion Paper and the draft National Carbon Offset Standard:

- The definition of carbon neutrality under a cap and trade scheme.
- A carbon neutral calculation standard.
- A carbon offset standard.

This submission is ICROA's response to the Discussion Paper and the draft National Carbon Offset Standard. It addresses the following points:

- The concerns ICROA has about the Discussion paper and the draft National Carbon Offset Standard.
- Recommended actions by the Department of Climate Change to address these concerns.
- Responses to specific questions raised in the Discussion Paper.

### **ICROA's concerns about the Discussion Paper and the Standard:**

While ICROA supports the Government's intention to ensure consumer confidence, several of the proposals in the Discussion Paper and the draft National Carbon Offset Standard raise significant concerns for the development of a credible and internationally consistent voluntary offset market in Australia.

- The proposed **National Carbon Offset Standard fails to provide encouragement and support** for the voluntary carbon market. Robust international voluntary offset standards offer key benefits that can not be achieved by compliance standards. These include providing institutional diversity at a time when the form of future international agreements is uncertain, making real contributions to sustainable development and supporting innovation in sectors that are not yet incorporated into compliance markets. The greater flexibility of the voluntary carbon market allows methodologies to be developed which can subsequently be implemented in the compliance markets.
- The proposed **National Carbon Offset Standard limits consumer choice and will not enhance consumer confidence**. Existing international voluntary offset standards, such as the Voluntary Carbon Standard (VCS) and Gold Standard, are as rigorous as compliance standards and offer consumers better value and the ability to select offsets with a 'narrative' that meets their requirements. This is important for businesses making green claims or supporting CSR policies. Pollution permits, on the other hand, do not provide the range of

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<sup>2</sup> Australian Labor Party, 6<sup>th</sup> June 2007, 'Credible credits; a national standard for carbon offsets'

‘narratives’ that consumers seek from voluntary offsets. Neither pollution permits nor Kyoto units offer consumers a real increase in certainty compared to voluntary offset standards.

- The lack of clarity over the status of **the Greenhouse Friendly offset standard and logo creates confusion for consumers** and puts businesses which purchase Greenhouse Friendly offsets at risk of breaching the Trade Practices Act.
- Offset retailers using the National Carbon Offset Standard would need to **incur the significant expense** of having an Australian Financial Services license in order to sell pollution permits or Kyoto units.
- Finally, the proposed **definition of carbon neutrality is inconsistent with current best practice** both internationally and in Australia. The key objective of any National Carbon Offset Standard should be to reduce confusion over the definition of ‘carbon neutrality’ in order to maintain incentives for voluntary action through offsetting.

#### **Encouragement and support for the voluntary market:**

In a number of other jurisdictions, Government policy has taken a different approach, such as in France where the Government has a list of best practice carbon reduction and offset providers rather than a specifically developed standard. There are several benefits to a more flexible approach which include:

- **Institutional diversity** - given the uncertainty over a post-2012 international agreement, voluntary offset standards provide support for offset projects outside the Kyoto Protocol’s CDM and JI mechanisms which are subject to regulatory uncertainty. In times when the pricing of Kyoto units is unstable, voluntary offset standards are likely to continue to provide financial support for new offset projects to go ahead.
- **Sustainable development** – voluntary offset standards have been developed with input from NGOs to ensure they make a real contribution to sustainable development. One of the key drivers behind the development of voluntary offset standards was to support community focused projects. Voluntary offset standards have therefore developed robust approaches to assessing broad sustainability criteria. A tangible example of this is the Ugastove project in Kampala, Uganda. Ugastove take advantage of the small scale community focus of the voluntary carbon market: ‘Projects like ours [efficient home cooking stoves] that start small cannot easily get funding from the compliance market’. By contrast, Kyoto Units have limited requirements for consideration of sustainability and have limited independent review. The Voluntary Carbon Standard (VCS) has developed a useful approach for including additional sustainability benefits, ecosystem benefits and/or biodiversity attributes, beyond carbon as part of the units generated by its system. Voluntary Carbon Units (VCUs) can be tagged with those additional attributes, thereby giving those VCUs an additional (marketing) element that can be used to great advantage. For example, several of the REDD<sup>3</sup> projects being developed are also being verified with the Climate, Community and Biodiversity Alliance (CCBA) standard, which will give those VCUs a compelling story.

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<sup>3</sup> REDD refers to Reduced Emissions from Deforestation and Degradation

- Innovation** - voluntary offset standards support innovative projects that - due to their geographic location, size or methodology - are not yet supported by the Kyoto Protocol. A specific example is the “Methodology for Improved Cook Stoves and Kitchen Regimes” which was approved by the Gold Standard Foundation as a Voluntary Methodology. It remains the only Large Scale Methodology that tackles cooking with “non renewable biomass”. Cooking is one of the main drivers of deforestation in the developing world – not to mention indoor air pollution. The Ugastove project above is developed under this methodology and is currently selling 30,000 stoves per year, reducing CO<sub>2</sub> by one tonne a year. The Voluntary Market has also been a leader in developing workable AFOLU and REDD<sup>4</sup> methodologies. Such projects play an important role in demonstrating innovative climate change solutions that can be transferred to the compliance market regimes. The AFOLU guidelines are a compelling study in innovation. With the AFOLU guidelines, the VCS have resolved one of the key stumbling blocks related to these projects – the permanence of the emission reductions. To accomplish this, the VCS requires project proponents to set aside a certain percentage of the VCU's generated by each project into a buffer account which, as a whole (taking the buffer contributions from all projects), serves as an insurance pool to cover any catastrophic losses in respect of the projects. With this solution, the VCS has opened up an entire new sector to carbon finance. The VCS AFOLU guidelines have also instituted an essential double approval process for the verification of AFOLU credits to ensure emissions reductions are real. Importantly, this innovation was driven by the high demand for carbon offsets from the AFOLU sector. Such projects play an important role in demonstrating innovative climate change solutions that can be transferred to the compliance market regimes in the future.

#### **Consumer choice:**

There are several reasons why offsets registered under robust international voluntary offset standards, such as the Voluntary Carbon Standard and the Gold Standard, are much better matched to voluntary offset customer requirements than pollution permits or Kyoto units:

- They provide consumers with **greater ‘bang for their buck’**. Voluntary offsets are generally less expensive than pollution permits or Kyoto units because they are not exposed to high levels of regulatory demand and are not traded through multiple intermediaries before reaching the end user. This means consumers achieve larger emissions reductions per dollar spent.
- They provide consumers with a **‘narrative’ to match the objectives of CSR or green marketing initiatives**. Voluntary offset projects are highly differentiated by location, technology and contribution to sustainable development. This allows the purchaser to tell a story about the outcomes from their financial support for an offset project. In contrast,

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<sup>4</sup> AFOLU refers to Agriculture, Forestry and Other Land Use. REDD refers to Reduced Emissions from Deforestation and Degradation.

pollution permits can not generally be traced back to a specific emissions reduction and are less attractive to consumers who will recognize that they may, in effect, be subsidizing large polluters who received free permits. While Kyoto units are linked to a specific project, they have historically been concentrated in only a few countries and industries and so do not provide the range of ‘narratives’ consumers expect from voluntary offsets.

- **Pollution permits and Kyoto units will not provide any enhanced consumer confidence** compared to voluntary offset standards. Pollution permits carry the risk that in a prolonged recession, the cap is reached without any investment in abatement by large emitters – which would make voluntary retirement of pollution permits irrelevant. Leading international voluntary offset standards provide consumers with the same level of confidence as Certified Emissions Reductions (CERs) as they apply equally robust criteria to assessing offset project additionality. This has been recognized by the UK Defra Secretary of State, the Rt. Hon. Hilary Benn MP, who publicly acknowledged that VERs can be just as rigorous as CERs.

#### **Confusion over Greenhouse Friendly:**

The Greenhouse Friendly program was developed as part of a Government-industry partnership to encourage investment in domestic abatement projects. It consists of three parts:

- A methodology for conducting and verifying carbon footprints;
- Procedures for validating abatement projects and verifying offsets;
- A logo which can be used to support claims of carbon neutrality that comply with the Greenhouse Friendly footprinting methodology and use Greenhouse Friendly offsets.

There has been significant consumer confusion about the Greenhouse Friendly since Australia ratified the Kyoto protocol. Greenhouse Friendly offsets no longer represent emissions reductions that are additional to the Kyoto target, yet this has not been clearly communicated. This creates confusion for consumers and puts businesses that continue to purchase such offsets and use the Greenhouse Friendly logo to support carbon neutral claims at risk of breaching the Trade Practices Act.

#### **Significant extra costs:**

Two particular aspects of the proposed National Carbon Offset Standard are likely to present a competitive disadvantage to smaller businesses which participate in the voluntary carbon market.

1. In order to adhere to the currently proposed Standard, businesses would have to cover the cost of independent verification of their carbon footprints, which under the current Greenhouse Friendly program can be in the order of thousands of dollars. Where people are offsetting relatively simple emissions such as a given amount of road fuel, electricity or air travel, this level of verification should not be necessary and presents a barrier to participation.
2. Offset retailers would need to incur the expense of having an Australian Financial Services license in order to sell pollution permits or Kyoto units. The Government’s White Paper on the CPRS confirms that pollution permits and all Kyoto units will be considered financial

instruments under the Corporations Act. This would require all retailers of such offsets to hold an Australian Financial Services Licence, at significant expense. This is not relevant to the voluntary offset market as pollution permits and Kyoto units would not be used as investment or risk management products. However, unless an exception is made for sales of these instruments for voluntary use, only large offset retailers are likely to be able to afford the required license.

While some of these concerns are reduced if the Standard is voluntary rather than mandatory, large end users who adhere to the Standard will still benefit from the perception that their actions are Government endorsed. There is also the risk that the Standard may be used by the ACCC as criteria against which to assess the carbon neutral claims of companies who have legitimately used different footprinting and voluntary offset standards.

**The definition of carbon neutrality:**

The Discussion Paper proposes that entities for whom all emissions are covered under the Scheme could be considered 'carbon neutral' because any increase or decrease in their emissions does not affect total emissions under the Scheme. Such a definition of 'carbon neutrality' is at odds with both current international practice and guidance provided by the Australian Competition and Consumer Commission – where carbon neutrality is generally taken to mean that “the equivalent of all CO<sub>2</sub>-e emissions have been eliminated through emissions reductions and offsets”<sup>5</sup>.

The key issue the Discussion Paper highlights is that the introduction of a cap and trade scheme imposes a 'floor' below which emissions can not fall, as well as a 'cap' above which emissions should not increase. This is because any action to reduce covered emissions by any one business or individual frees up pollution permits that allow another business or individual to emit more. What this means is that no action by an entity can reduce the quantity of total emissions to less than the target 'cap'.

However, this does not mean that entities for whom all emissions covered under the Scheme are automatically 'carbon neutral'. The current Scheme target is for a 5% reduction in emissions over 2000 levels by 2020. If this reduction were distributed evenly across covered sectors, the impact of the Scheme would be to reduce the emissions factors for electricity and other products and services by 5%. Entities with activities covered by the Scheme would therefore have a carbon footprint in 2020 which is 95% of their equivalent footprint in 2000. Unless they took further action to offset these emissions, individuals and businesses with emissions covered under the Scheme could not claim to have eliminated all their CO<sub>2</sub>-e emissions.

Finally, it is worth noting that for activities not covered by the scheme, such as international flights, purchasing voluntary offsets remains the only way to ensure there is no net global impact from emissions.

**Recommended actions to address these concerns:**

To address the concerns raised above, ICROA recommends the Department of Climate Change take the following actions:

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<sup>5</sup> Australian Competition and Consumer Commissions, June 2008, 'Carbon Claims and the Trade Practices Act'

- Include international voluntary offset standards (such as the Voluntary Carbon Standard and the Gold Standard) in the National Carbon Offset Standard. These standards are internationally recognized, have significant market share, offer robust methodologies and registries, are backed by NGOs and involve broad stakeholder consultation to support sustainable development.
- Clarify the status of the Greenhouse Friendly program by communicating that it does not provide offsets that are additional to Australia's Kyoto Protocol target.
- Make the National Carbon Offset Standard voluntary and remove requirements for independent verification of footprints.
- Confirm that the introduction of the CPRS has no impact on current international practices for calculating carbon neutrality – and recognise that voluntary action to offset emissions has a valuable role to play alongside the compliance scheme. This would maintain incentives for individuals and companies to take voluntary action to reduce and offset their emissions.

## Responses to specific questions raised in the Discussion Paper:

### Section 2.2 Implications for carbon neutrality:

This section of the Discussion Paper proposes that activities covered by the Carbon Pollution Reduction Scheme (the Scheme) could be considered 'carbon neutral' because any activity which reduces or increases emissions under the Scheme cap has no net impact on Australia's aggregate emissions. Such an approach is not only at odds with international practice and ACCC guidance, but carries a real risk of reducing demand for voluntary offsets by increasing consumer confusion over what is already a complex concept.

### Responses to questions

*Is the term 'carbon neutrality' still meaningful in the context of a cap and trade scheme? (p. 10)*

- *Yes, the term 'carbon neutrality is still meaningful under a cap and trade scheme.*

The introduction of the CPRS does not impact the current international practice of calculating carbon neutrality. Carbon neutrality involves an entity taking voluntary responsibility to ensure their own emissions do not increase aggregate global greenhouse gas emissions. Achieving carbon neutrality involves two actions: reducing emissions and offsetting all remaining emissions to achieve zero net emissions at a global level.

Carbon neutrality = reduction + offsetting => zero net emissions at a global level

The imposition of a floor on aggregate emissions reductions from sectors covered under the CPRS does not impact the ability of an individual or business to achieve carbon neutrality. The key criteria for carbon neutrality is to ensure there are zero net emissions at a global level from an entity's activities within a defined system boundary. The fact that actions to reduce emissions in covered sectors assist in achieving Australia's CPRS and Kyoto targets does not impact the veracity of carbon neutral claims. Companies which have taken voluntary action to reduce emissions covered under the CPRS can still 'neutralise' the remaining emissions from their carbon footprint by purchasing and retiring offsets that are additional to any Kyoto protocol targets or regulatory requirements.

*Rather than 'carbon neutrality', would another concept such as 'additional voluntary action' be more appropriate to recognize voluntary activity? (p. 10)*

- *No, as the introduction of the Scheme does not affect the current use of the term 'carbon neutrality' there is no need to introduce another concept.*

*If all an entity's emissions were covered by the scheme, would it be sufficient for the entity to participate in the Scheme to be considered carbon neutral? (p. 10)*

- *No, it is not sufficient for an entity to participate in the scheme to be considered carbon neutral.*

The comment on page 8 of the Discussion Paper that activities covered by the Scheme can be considered carbon neutral without the purchase and retirement of appropriate offsets is incorrect. Capping Australia's emissions through the CPRS puts a floor on aggregate national emissions. This means an organization's or individual's reduction efforts within covered

sectors can have no impact on reducing the quantity of Australia's aggregate emissions from covered sectors.

However, the inability to have a net impact on aggregate covered emissions does not mean that an entity has zero net emissions at a global level. The reduction targets currently proposed under the scheme mean that, at best, a 5% reduction in emissions may be achieved by 2020. A full 95% of current emissions covered under the CPRS would continue to have a negative environmental impact at the global level.

### **Section 3 Carbon footprint calculation:**

This section of the Discussion Paper proposes that entities wishing to claim compliance with the National Carbon Offset Standard calculate their carbon footprint by applying the principles outlined by the GHG Protocol. The draft Standard requires organizational footprints to be consistent with the NGER Act and product/service footprints to use a lifecycle approach.

These approaches are consistent with international practice. However, some of the requirements outlined in the draft Standard are overly onerous for the voluntary market. Concerns with these requirements are outlined below.

#### **Response to questions**

*Does calculation of a carbon footprint represent a sound benchmark from which to determine the degree of voluntary action an entity may wish to undertake? (p. 14)*

- *Yes, the calculation of a carbon footprint is an internationally accepted benchmark against which to determine voluntary reduction and offset actions.*

In line with the ICROA Code of Best Practice, a comprehensive carbon management strategy involves measurement of carbon footprints to accepted standards.

*Should different approaches to lifecycle analysis be applied to organizations, products and services? (p. 14)*

- *Yes. Organizations should be able to calculate footprints using either a 'calculator' approach or a lifecycle approach. Products and services should use a lifecycle approach, but with the decision on whether to use a full or partial approach being made by the provider.*

In line with the ICROA Code of Best Practice, organization footprints should follow the Greenhouse Gas Protocol. Product and service footprints should be determined on a lifecycle basis, where appropriate.

The GHG Protocol has developed a tiered approach to footprint calculations which allows assessors to determine the appropriate methods to use to quantify emissions. Given the voluntary nature of the market, an organization should have the discretion to select a calculation method which strikes an appropriate balance between accuracy and the cost/complexity of calculation. As long as the methodology and assumptions behind calculations are clearly communicated, environmental claims can be substantiated. For simple calculations, such as the footprint of an average car or home, a calculator based on applying emissions factors to average activity data is likely to be sufficient. For many office

based and service sector organizations with simple footprints dominated by scope 1 and scope 2 emissions, a calculator based on actual activity data would be appropriate. Larger organizations may choose to use a partial or full lifecycle approach.

As outlined in the ICROA Code of Best Practice, product and service footprints should use either a partial or full lifecycle approach, depending on the environmental claims they intend to make. For example, if a service provider intends to offset only the aspects of the service they have control over, a partial lifecycle approach would be appropriate.

*Should the calculation of Scope 3 emissions be optional for organisations and/or services and if so which, if any, Scope 3 emissions should be considered? (p. 14)*

➤ *Yes, calculation of Scope 3 emissions should be optional.*

At present there is no internationally accepted practice as to which scope 3 emissions should be included within the system boundary of a carbon footprint. Therefore, the choice of which scope 3 emissions to include should be at the discretion of the organization or product/service provider.

In line with the ICROA Code of Best Practice, ICROA members advise clients to disclose which Scope 3 emissions sources have and have not been included in a footprint.

*Do the GHG Protocol principles and/or the Greenhouse Friendly™ initiative steps for Life Cycle Analysis constitute an appropriate basis for the calculation of a carbon footprint for organizations, products or services under the national standard? (p. 16)*

➤ *The GHG Protocol is an appropriate basis for the calculation of carbon footprints.*

However, the requirement that organizational footprints use a boundary definition based on the NGER definition of operational control is not appropriate for the voluntary market. An organization taking voluntary action to measure and offset its footprint should have the flexibility to do so for an individual business unit or company within the organization and not be required to cover all corporate group members or facilities.

The GHG emissions factors outlined in the National Carbon Offset Standard should include international emissions factor sets such as those published by the GHG protocol or by overseas governments. This would allow organizations with international operations to calculate their footprint in accordance with the National Carbon Offset Standard.

#### **Section 4. Carbon offset standard:**

This section of the Discussion Paper proposes that only Australian pollution permits and selected Kyoto units (CERs, ERUs, RMUs) should be used by organizations wishing to claim compliance with the National Carbon Offset Standard.

As outlined earlier in this submission, international voluntary offset standards which meet the carbon offset principles outlined in Section 4.5 of the Discussion Paper are equally robust as Kyoto units and are better matched to consumers' requirements. ICROA advises that these standards should be included in the Standard.

### **Section 4.3 Non-regulated international offsets:**

#### **Response to questions**

*What types of international offset credits should be eligible under the standard? (p. 22)*

- *The Voluntary Carbon Standard, Gold Standard, Certified Emissions Reductions and Emissions Reductions Units should be eligible.*

ICROA permits its members to use offset standards that meet the ICROA Code criteria for offsets: offsets must be real, permanent, additional, measurable, unique and independently verified. ICROA considers that the following standards meet these criteria: VCS, Gold Standard and CDM/JI.

### **Section 4.4: Domestic offsets – uncovered sources:**

#### **Questions**

*Should domestic offsets from uncovered sources contribute to Australia’s Kyoto obligations or should an Assigned Amount Unit be cancelled to provide additionality beyond the Kyoto obligations? (p. 24)*

- *Yes. An Assigned Amount Unit should be cancelled to provide additionality beyond Australia’s Kyoto obligations.*

*How should reforestation be treated under the standard? (p. 25)*

- *In the first instance, the DCC should review the Afforestation, Reforestation and Revegetation (ARR) programme in the VCS AFOLU guidelines for guidance on how reforestation should be treated.*

*Should domestic offset products other than carbon pollution reduction permits surrender be eligible under the standard? If so, from which sources? (p. 26)*

- *Yes. Domestic offsets should be eligible.*

Any projects which meet the criteria set out on page 26 of the Discussion Paper should be eligible to generate domestic offsets.

### **Section 4.5 Carbon offset principles:**

#### **Question**

*Are these appropriate principles for credible offsets under a national carbon offset standard? (p. 26)*

- *Yes.*

These principles are in line with international best practice and ICROA’s Code of Best Practice which requires offsets to be real, permanent, additional, measurable, unique and independently verified

## Section 5. Accreditation:

This section of the Discussion Paper proposes that the Standard should provide guidance to the market and be voluntary in nature and that no quality mark or logo be associated with the Standard. It also proposes that the ACCC is the appropriate body to assess any misleading claims of adherence with the Standard.

### Questions

*Should the national carbon offset standard be voluntary or mandatory in nature? (p. 27)*

#### ➤ Voluntary

A voluntary standard is more appropriate than a mandatory standard as it provides guidance to end users of offsets but does not constrain their actions.

*Should there be a form of branding available to those entities which provide products or services that meet the standard? (p. 28)*

#### ➤ No

The provision of a form of branding would create consumer confusion by adding one more logo to an overcrowded market. It would also create confusion over whether the brand applies to the product or to the provider, similar to the issues with the current Greenhouse Friendly logo.

If a form of branding is available under the Standard, the Government would have to put in place a verification process to ensure all entities using the branding adhered to the Standard.

*Is further oversight of the standard required beyond the ACCC's administration and enforcement of the Trade Practices Act? (p. 28)*

#### ➤ No

The ACCC is the appropriate body to oversee environmental claims. However, caution is needed to ensure that the National Carbon Offset Standard is only used to assess claims of adherence to the National Carbon Offset Standard, not more general marketing claims.

## **Section 6. Supporting processes**

This section of the Discussion Paper proposes that independent verification should be required for all carbon footprint calculations. It also proposes that the existing Greenhouse Friendly procedures are used to assess applications for new methodologies for Australian voluntary offset projects.

### ***Section 6.1 Verifying carbon footprint calculations***

#### **Question**

*Should a panel of verifiers be established under the standard and/or should the standard specify a particular accreditation standard which eligible verifiers must meet?*

➤ *No, the standard should not require footprints to be verified.*

As long as footprints are conducted according to internationally recognized and accepted standards, there is no need for them to be verified. Including such a requirement would limit smaller organizations from adhering to the standard and impose unnecessary costs on voluntary action.

Under the Trade Practices Act, the ACCC can require entities which make marketing claims to provide proof of the veracity of those claims. This is sufficient regulation to protect consumers against deliberately false or misleading footprint calculations.

### ***Section 6.2 Validating domestic offset methodologies***

#### **Question**

*Does the Greenhouse Friendly™ initiative abatement provider process form a good basis for the administrative procedures for the assessment of new methodologies for the generation of domestic offsets?*

➤ *No, robust international procedures have been developed and should be used for assessing new methodologies for domestic offsets.*

ICROA advises that the methodologies permitted by the Gold Standard and the Voluntary Carbon Standard are the most appropriate. The Gold Standard and the Voluntary Carbon Standard have developed robust principles and processes for selecting methodologies that are consistent with the CDM approach. ICROA has some concerns that the Greenhouse Friendly initiative processes may not be sufficiently sophisticated for developing and approving methodologies, in comparison to the these standards.