

Business Leadership on Climate Action: Drivers and Benefits of Offsetting



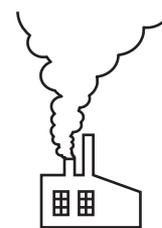
In 2016, some 43.5 million carbon credits were removed from the marketplace, the equivalent of eliminating 9.3 million cars from the road for a year.

This figure was close to 2015's record high of 45.9 million carbon credits and demonstrates a healthy appetite for offsetting within the business community, across many sectors.

More can be done to increase action on climate change and close the gap on the global goal of a two degree limit. There is a disconnect between where science says we need to be and how far the Paris Agreement will take us and the voluntary carbon market is crucial in bridging that gap.

This report considers the current demand for carbon offsetting, what drives

businesses to use it as one of its solutions to climate change, and what the benefits are. Its findings were taken from responses to a survey developed by Imperial College London in consultation with the UNFCCC and ICROA. The survey was conducted from September to November 2016 among respondents across a wide range of sectors, including private, public and non-profit / NGOs.



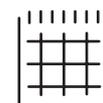
43.5m

Carbon credits were removed from the marketplace in 2016



9.3m

The equivalent of eliminating 9.3 million cars from the road for a year



45.9m

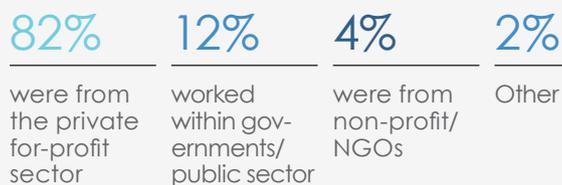
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While the objective of this survey was to assess different organisations' demand and preferences for voluntary offsets, two specific questions were addressed:

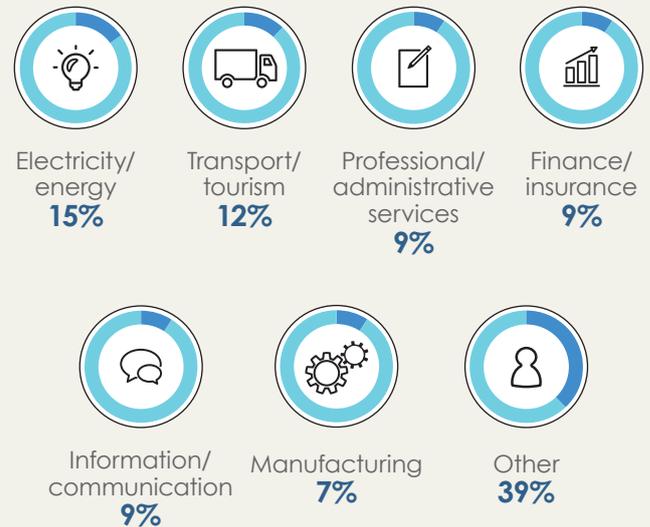
- Why do organisations purchase offsets and what is their Willingness To Pay (WTP) for them?
- Which offset attributes can promote uptake or increase WTP?

A closer look at the survey respondents

Of the 97 relevant responses we received...



Sector breakdown of survey respondents



Sample population

48% offset users

52% non-users

Key findings

94% Of respondents felt that organisations should reduce their GHG emissions, even when not required to do so by law

79% Believe that climate change poses a risk to their organisations

Perceived risks



Why offset?

A “sense of responsibility” was ranked by most to be their primary motivation for offsetting.

Motivations included

Sense of responsibility		33%
Reputation / brand image		22%
Market differentiation		13%
Employee engagement		9%
Care about the environment		7%
Pre compliance		6%
Internalising carbon cost		4%
Risk mitigation		2%
Other		2%

Sectors more likely to offset

	Electricity / Energy	
	Transport / Tourism	
	Finance / Insurance	

Pricing

\$1-\$38

The reported price per tonne CO₂e ranges from below US\$1.00 to US\$38.00

\$3.46

While the weighted average price was calculated as US\$3.46

Locations

Organisations that are located or headquartered in the countries shaded green are also more likely to purchase offsets than those that are not.



Why not offset?

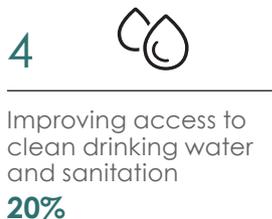
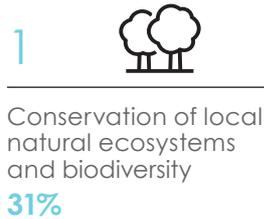


What are co-benefits?

Carbon offset projects generate a range of 'co-benefits' to communities such as health improvements, alternative livelihoods, water stewardship and biodiversity conservation, in addition to mitigating climate change.

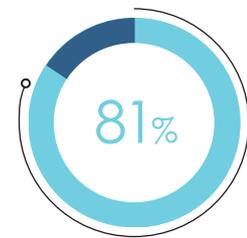
The top five

When co-benefits were ranked in order of preference, the results were:



A look at the detail

Most respondents (81%) agreed that it is important for the co-benefits of offsetting to be independently verified.



Supply chain priorities

Increasingly, businesses are looking to use carbon finance projects to lessen their impact within their own supply chains.

Preferred project types within the supply chain

Renewable energy		29%
Energy efficiency and fuel switching		25%
Forestry and land use		13%
Industrial gases		11%
Household device distribution		8%
Agriculture		8%
Methane avoidance		6%

Outside the supply chain?

For projects which can't be based directly in the supply chain, the order of preference is:



Have experienced tangible benefits from voluntary offsetting



The main benefits are...



Reputation and market differentiation



Employee and stakeholder engagement

Driving higher levels of corporate ambition

What could motivate more companies to invest in voluntary offsetting in the future?



Putting it all together: recommendations

1 Carbon offset projects make a valuable contribution to the reduction of GHG emissions. Better recognition of this contribution would demonstrate the value to companies in meeting their climate goals and motivate more businesses to invest in voluntary offsetting.

Additionally, our research shows that:

- There is a positive correlation between knowledge of the voluntary carbon market and confidence in its effectiveness to reduce GHG emissions. A broader understanding of the market from the corporate world would help grow demand.
- Better awareness of the role of offsetting within the carbon management plans of climate leaders would also increase demand.

2 Offset buyers should measure their return from investing in voluntary carbon offset projects. 49% of respondents in this survey said they have experienced tangible benefits from voluntary offsetting, though in most cases these benefits are not being measured. Better data on these benefits would help build the case for companies to take voluntary action.

3 Demonstrating co-benefits, in addition to carbon mitigation, will increase the return on investment. In turn, this will increase the willingness to invest in voluntary offsetting.

About ICROA

ICROA is a non-profit organisation made up of the leading carbon reduction and offset providers in the voluntary carbon market. It is housed within the International Emissions Trading Association (IETA) and collectively we serve businesses engaged in carbon markets around the world. ICROA's primary aim is to deliver quality assurance in carbon management and offsetting. All our members are audited annually against our Code of Best Practice for Carbon Management Services. This ensures credibility and quality for corporates using voluntary carbon offsets to reduce their greenhouse gas emissions and meet their carbon targets.

At a time when governments, businesses and organisations all over the world are looking for immediate solutions to keep the global temperature rise to below 2°C, ICROA plays a vital role in advocating for the use of offsetting and carbon finance to mitigate climate change. Being comprised of the leading companies in the voluntary carbon market, we provide a unified voice in these critical policy and market discussions.

Thank you

This report was prepared with support from the UNFCCC and the Centre for Environmental Policy at Imperial College London.

International Carbon Reduction & Offset Alliance (ICROA)

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