

## Offsets, the Indulgences of Today?

Saul Gomez

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Middelgrunden windmills outside Copenhagen.  
Photo by [Andreas Johannsen](#) (CC).

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What do political heartbreaker turned environmental heartthrob [Al Gore](#), British rockers [Coldplay](#), and multinational banking giant [HSBC](#) have in common? They are all seeking to make personal and business activities carbon neutral. More and more, wealthy individuals and companies are offsetting their carbon consumption out of a sincere concern for the environment, for good public relations, and for economic value.

Carbon offsets are reductions of greenhouse gas emissions proportional to the energy expended during normal behavior. One common example is planting trees to offset the jet fuel burned by airlines—trees naturally sequester carbon.

Al Gore often travels by air in his global tour to combat climate change. Because airplanes emit a significant amount of greenhouse gases, critics like to highlight the inconsistency of Gore's message and method of travel. So what does Gore do? He pays a carbon-offset company to invest in projects that reduce greenhouse gases equal to his portion of in-flight emissions.

Offset projects typically fall into four categories: renewable energy, energy efficiency, greenhouse gas capture and storage, and bio-sequestration. All of these methods, if managed well, can reduce greenhouse gases.

Many offset projects are found in developing countries, where they are cheaper to finance. This trend has fueled debate about the responsibility to mitigate climate change. Despite having only 4.6 percent of the world's population, the United States is responsible for about 25 percent of global greenhouse emissions. The average American produces twice as much as a European or Japanese, six times more than those in China, and sixteen times more than an inhabitant of India.

Companies and individuals from developed countries are rapidly purchasing carbon credits originally awarded to offset companies under the [Clean Development Mechanism](#) of the Kyoto Protocol. The intention of the CDM is to help developing countries become environmentally sustainable while industrialized countries meet their emission targets under Kyoto.

Many critics claim that this approach allows rich countries to swipe the "low-hanging fruit" and leave poorer countries with expensive and difficult reductions down the road. Proponents argue that since carbon dioxide spreads evenly throughout the atmosphere it really doesn't matter where a project is located—it need only be effective. It is also argued that it makes economic and environmental sense to reduce emissions where they are cheapest—the cheaper these reductions are, the faster they can be financed and achieved.

In addition to being cost effective, this approach also helps developing countries alleviate poverty and spur development without increasing emissions. There is a multiplier effect with offset projects: access to new technologies, improved infrastructure, provision of energy services to the poor, and education and training for new jobs. Some countries, like [China](#), have combined their Millennium Development Goals of poverty reduction with their goals to combat climate change.

The popularity and apparent win-win opportunity of offsetting has contributed to an emerging "green" market for carbon trading. In 2006, the volume of metric tons of carbon traded globally on voluntary carbon markets doubled from 2005. The market is expected to double again in 2007, reaching \$4 billion. One such voluntary market is the [Chicago Climate Exchange](#) (CCX), a private greenhouse-gas emission registry, reduction, and trading system.

Expecting federal cap-and-trade legislation eventually, CCX was formed in 2003 by 13 companies and the City of Chicago to serve as a test for a future emissions-trading system. CCX member institutions make legally binding voluntary commitments to reduce emissions. This voluntary system has attracted more than [250 members](#) over the last four years, including companies, universities, and speculative trading firms, and is expected to reduce their combined emissions 6 percent by 2010.

This trend of participation is reflected in the findings of an October 2006 poll published by [The Conference Board](#), a business membership and research organization, which indicated that 75 percent of the 92 companies surveyed were measuring their carbon footprint, and 65 percent were either trading or considering trading on the voluntary carbon market. Internet travel company [Expedia](#) was inspired to announce in March that its corporate customers have the option to buy offsets when they buy tickets.

Although offsetting appears to be a clear winner in theory, like any emerging industry with little or no regulation there are real and potential problems in practice. First is the risk of fraud, including the sale of credits from nonexistent carbon reduction projects or the sale of the same credits several times over.

Second is the difficulty of guaranteeing a project's permanence. Coldplay, for instance, purchased offsets that funded the planting of several trees in order to neutralize the emissions from producing its most recent album. They later discovered that a number of those trees had died. Third, there is the

issue of "[leakage](#)," the displacement of a polluting activity from one location to another. Last, there is the issue of "[additionality](#)," when a project would have occurred anyway even if the carbon offsets from it could not be sold.

Ironing out standards in this new industry is an important next step. "With offsets there is no governing body to assure quality. This hurts the market," said Brian Allenby, the manager of operations and education for Reverb, a nonprofit that helps musicians green their tours and concerts. Reverb purchases offsets from NativeEnergy, a company that builds wind farms on American Indian lands and helps small farmers capture and use methane from manure.

Carbon offsets are one move toward a low-carbon economy. But they are far from a comprehensive solution given that they are voluntary. The fact that companies and individuals are considering their carbon footprint is positive—they are investing millions in renewable energy projects.

Neutrality during a time of war is often adopted from a position of weakness. Some authors have compared offsets to the medieval sale of papal [indulgences](#) to expiate sins. Others have suggested that offsetting shields political leaders from making tough policy decisions on mandatory greenhouse gas reductions and investments in clean technologies.

Carbon neutrality has become the bugler's call in the fight against climate change.



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