

The carbon offset conundrum

How businesses can effectively use carbon credits to reach their net-zero goals

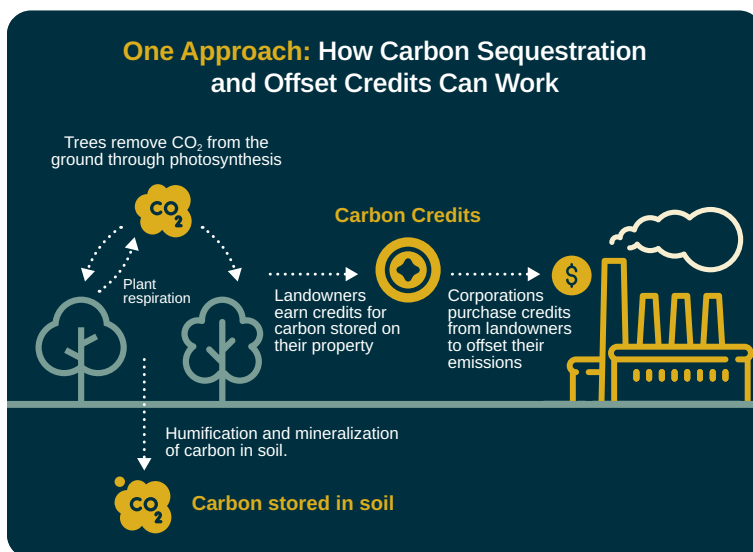
Carbon credits and offsets are on the rise as businesses face the challenge to set and meet net-zero goals. Purchasing offsets can be a viable option to address emissions and meet short-term reduction targets. However, many businesses and providers of offsets have come under fire for these practices in recent years.

The good news is that there are steps you can take to ensure that you select high quality and high-impact carbon offsets that follow best practices. **Let's find out how.**

What are carbon credits and offsets

The voluntary carbon offset market is valued at over CA\$300 million and in 2019 contributed to the estimated reduction of over 100 million tonnes of CO₂ emissions. Businesses use offsets to help meet their emissions targets by investing in carbon reduction projects outside of their own organization. Carbon offset projects are diverse and can range from natural infrastructure such as carbon absorbing forests to post-combustion carbon capture storage technology.

Carbon offsets can help businesses in many ways. Most importantly, they can help counteract hard to reduce emissions now, allowing time for your business to develop longer-term solutions. There is also the potential to realize internal and external sustainability co-benefits from offsets, such as increasing social impact. However, due to discrepancies between predicted and actual emissions reduction, it can be difficult to accurately measure the true impact of carbon offset projects.



Adapted from [Be Outdoors](#)

What's the difference between carbon credits and offsets? These terms are often used interchangeably, but there are some important distinctions to be aware of.



Carbon credits: Carbon credits are transferable assets representing one metric tonne of CO₂ (or equivalent) that can be claimed against a business's emissions. These can be allocated as part of mandatory emission caps or granted as a result of producing less emissions than expected. They may be traded among companies to meet targets as needed.



Carbon offsets: Carbon offsets are voluntary projects that reduce emissions beyond the scope of a business's operations. These involve investing in the development of carbon storage, capture, and removal infrastructure such as renewable energy and forest preservation. The amount of credits generated from offsetting projects is determined by verified third-party frameworks.

Both types of carbon assets offer the same potential climate impact. However, credits are often viewed as tools used to meet compliance requirements, whereas offsets are perceived as a voluntary action to reduce emissions, and can provide additional benefits.

The business case for carbon credits and offsets

When used correctly, carbon credits and offsets can provide significant benefits across your entire sustainability strategy. Here are three key advantages:



They can offer short-term value as a stop-gap. In the interim, credits and offsets can help businesses counteract unavoidable emissions while you develop new processes to tackle hard to reduce emissions. This also improves risk mitigation by preparing businesses to better absorb future mandatory carbon caps and regulations as they are introduced.



Industry-aligned offsetting provides operational benefits beyond emission reductions. Strategic use of offsets can reduce long-term business risk by **improving the health and resiliency of your supply chain**. This helps protect against supply shocks and potential future climate risk. For example, purchasing credits derived from water conservation projects could help mitigate supply risk for virtually any business due to water's integral role in various production processes.



They contribute to other ESG initiatives. High quality offsetting can provide **many additional sustainability benefits** beyond addressing emissions. Projects can facilitate inclusive economic development in local communities through job creation and introduce new technologies and capabilities. Land-use projects may improve biodiversity, promote ecological balance, and preserve wildlife habitats. They can also help combat gender inequality by providing opportunities for women to increase their financial autonomy.



Case Study

Maple Leaf Foods has a goal of becoming the most sustainable protein company on earth. The company is strategically using offsets in the short term to deliver on their long-term goals.

Maple Leaf's sustainability strategy combines internal emissions reductions, investment in conservation technologies, and verified offsets to counteract unavoidable emissions. To ensure offsets have the greatest impact, projects are chosen based on their long-term potential to reduce emissions. One example is the St. Leon Wind Energy Project in Manitoba, which helps provide their Winnipeg plant with renewable energy and has the co-benefit of generating clean power for other local businesses and homes.

Maple Leaf aims to use offsets to put a price on carbon as a way to incentivize internal emission-reducing activities, thus lessening the need for future offsets. Their considered approach to offsets as an emission-nullifying tool in the short-term, while they continue to improve internal reductions, shows the value that offsets provide when used properly.

The strategic approach Maple Leaf is employing to reduce their emissions is a strong example of how carbon offsets can be used as a transitory near-medium term solution to counteract emissions on the path to future emission-reducing activities.

Best practices and leading standards

The next step to carbon offsetting is to employ best practices to understand, evaluate, and choose projects that align with your business. Pursuing industry-aligned carbon offsetting projects can accelerate emissions reduction technology and increase the ability of your industry to meet net-zero targets. For example, a forestry company could explore tree-planting projects or low-impact logging technology.

The Oxford Principles for Net Zero Aligned Carbon Offsetting identifies four additional best practices for businesses to consider:



Focus on cutting emissions at their source and only use offsets for harder to reduce emissions that will take longer to achieve. When credits or offsets are required, ensure that they are high quality.



Invest in developing and improving technologies that provide long-lived carbon storing options, such as mineralising carbon into stable forms.



Prioritize carbon removal offsets over emissions reductions offsets whenever possible. Both provide similar short-term benefits; however, removal offsets have the added long-term potential to stabilize and reduce atmospheric CO₂.



Be a leader in net-zero aligned offsetting. The voluntary offset market is still developing, meaning businesses should seek out opportunities to support its growth.

There are many carbon marketplaces and standards to choose from, but leading carbon offset standards include:



1. Verified Carbon Standard (Verra)

- 47 distinct protocols organized by 11 sectors, with offset projects typically focused on wind, energy, and forestry.
- Standardized methodologies allow for greater certainty, improved scalability, and lower costs
- Per credit fee attached to credits is \$0.10, with \$0.05 going to the registry host.



2. The Gold Standard

- Robust framework with 24 methodologies to assess project impact and measure emissions reductionst.
- Rigorous certification process to ensure that projects offer maximum positive impact and enable credible impact reporting.
- Pricing varies based on project type due to the value of co-benefits, size, location, emissions reduction impact, and market forces (i.e., supply and demand).

A New Kind of Carbon Market

ROCarbon Labs is helping companies on the path to net-zero through their upcoming carbon credit exchange market, ROCX. Using a data-based and Blockchain-supported approach, ROCarbon Labs addresses common issues of impact uncertainty, lack of transparency and complexity and offers businesses a simplified way to buy and sell carbon offsets.

The way this system generates credits also serves to maximize value for businesses that are looking to use offsets. Smart meters automatically generate voluntary carbon offsets by accurately measuring, reducing, and verifying emissions from a company's own buildings. Credits take the form of NFTs, enabling them to be traded in other markets and comply with future mandates. They also incorporate price premiums when offsets include additional factors that align with the UN Sustainable Development Goals, allowing businesses to maximize their "return on carbon."

ROCarbon Labs is offering a new approach to the voluntary carbon offset market, supporting its growth by empowering businesses to maximize their sustainability impact.

A strategic approach to carbon credits and offsets

Now that we've explored the business case for using carbon credits and offsets, let's discuss how to strategically integrate them into your business. Below is a step-by-step guide that can help you determine if carbon offsetting is a good choice for your business and how to navigate the offsetting process:

- 1** Analyze your value chain to identify the highest emitting factors and activities upstream and downstream.
- 2** Develop your GHG reduction plan with targets that focus on reducing emissions at their source in the near-term.
- 3** Determine if carbon offset projects are the right option to address harder to achieve GHG reductions aligned with your strategy and long-term plan.
- 4** Select the appropriate standards and methodologies to ensure carbon credits will be high quality and provide real impact.
- 5** Engage with verifiers to ensure that offsets are transparent and traceable to avoid duplication.



The path to net-zero is a challenging one that requires businesses to use all the tools available to them. When used effectively, carbon offsets can help businesses progress their emission-reduction initiatives and realize other benefits that align with their long-term sustainability goals.

Additional Resources



Learn the basics of carbon offsets:
[Gold Standard Carbon Offsetting Guide](#)



Addressing concerns around carbon offsetting:
[10 Myths Around Net-Zero and Carbon Offsetting Busted](#)



Best practices and getting the most out of carbon offsets:
[Oxford Principles for Net-Zero Aligned Carbon Offsetting](#)



Framework for ensuring high integrity and quality carbon markets:
[International Carbon Reduction and Offset Alliance \(ICROA\)](#)



Work with Upswing Solutions

Upswing Solutions is a Halifax-based consultancy delivering commercial strategies that build resilient, sustainable, and inclusive businesses. We offer rigorous value chain mapping and GHG accounting to help understand your emissions and determine if carbon offsets make sense for you. If you choose to use offsets, we can work alongside you to ensure you are purchasing top quality offsets that support your long-term sustainability strategy. Get in touch with us today to learn more.

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