

A DANGEROUS DISTRACTION

WHY OFFSETTING IS FAILING THE CLIMATE AND PEOPLE: A SUMMARY OF THE EVIDENCE

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ANDY ATKINS

Negotiations to prevent dangerous climate change are moving painfully slowly, despite the science demanding urgent carbon cuts. Developed countries are reluctant to set themselves reduction targets consistent with what the science demands and provide necessary financial flows to developing countries. To compound this

failure, they are also seeking to continue and extend the use of offsetting.

The report on which this summary is based amasses the evidence to show that **offsetting does not work and will not work**. Offsetting **does not lead to promised additional emissions cuts in developing countries**; it **delays essential structural change** in developed-country economies; and it **institutionalises the idea of cuts in either the north or the south**, when science demands reductions in both.

As importantly, the report reveals the inequalities of the offset approach – an approach that allows people in rich countries to carry on polluting while requiring unfair reductions in developing countries.

Offsetting is now a dangerous distraction. Negotiators must recognise that it does not work, will not work and that it must be scrapped. **Instead the world needs developed countries to cut their own emissions first and fast and pay up for adaptation and mitigation in developing countries.** This course of action is not a threat to the well-being of people in developed countries; it is a vital step towards new jobs, new industries, a healthier global economy and a safer and more just world.

Andy Atkins, Executive Director
Friends of the Earth England,
Wales and Northern Ireland



**Friends of
the Earth**

ABOUT THIS SUMMARY

This is the Executive Summary of a report prepared by Friends of the Earth England, Wales and Northern Ireland for its work on international climate justice.

The full report is being distributed to decision makers, media and campaigners ahead of the UN climate talks in Copenhagen in December 2009. The full report can be found at http://www.foe.co.uk/resource/briefing_notes/dangerous_distraction.pdf

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Tackling climate change urgently requires major cuts in global greenhouse gas emissions. At Kyoto in 1997, as a step towards this goal, developed countries agreed targets to cut their emissions. Embattled negotiators introduced offsetting to offer some flexibility in the way these targets could be met.

The theory was that offsetting would allow developed countries to meet part of their targets by paying developing countries to deliver greenhouse gas reduction projects.

Since then offsetting has grown quickly, in particular in the form of the Clean Development Mechanism (CDM). Despite many well-publicised problems¹, CDM offsets are now predicted to deliver more than half of the European Union's planned carbon reductions to 2020.

Offsetting in general is poised for further expansion, potentially bringing onstream many more offset credits:

- into forests, through proposed offset-based REDD mechanisms (Reduced Emissions from Degradation and Deforestation).
- into sectors that the CDM does not currently cover, such as nuclear power.
- under new sectoral frameworks.

Offsetting has gone from being a minor, experimental idea to an approach which, although it has major negative impacts on countries' climate-change strategies, is set to expand further. Countries are clamouring for even more offsetting opportunities as the world prepares for crucial climate talks in Copenhagen at the end of 2009.

In practice offsetting is having a disastrous impact on the prospects for averting catastrophic climate change. It is vital that the inherent and systemic flaws in the approach are recognised ahead of negotiations. These problems cannot be dealt with by simply reforming CDM; instead completely new approaches are needed that are effective and just.

The five central arguments against offsetting are that it:

1. counts action in developing countries as part of the cuts promised in developed countries, although the science is clear that action is needed in both developed and developing countries.
2. cannot guarantee the same cuts as would have happened without offsetting.
3. is causing major delays to urgently needed economic transformations in developed countries.
4. does not ensure positive sustainable development in, or appropriate financial transfers to, developing countries.
5. is profoundly unjust, fundamentally flawed and cannot be reformed.

For these reasons offsetting must not be expanded at Copenhagen. New proposed offsetting schemes must be dropped from negotiations, and existing offsetting mechanisms need to be scrapped.

Friends of the Earth's report analyses offsetting, using mainly the example of the largest scheme, the Clean Development Mechanism (CDM). However, this analysis is largely applicable to the other types of offsetting as well.

¹ See for example, International Rivers, 2008. Bad Deal for the Planet. <http://internationalrivers.org/en/node/2826> and United States Government Accountability Office, 2008. Lessons learned from the European Union's Emissions Trading Scheme and the Kyoto Protocol's Clean Development Mechanism.

The report finds that:

1. Offsetting delivers lower greenhouse gas cuts than the science says are needed to avert catastrophic climate change.

The Intergovernmental Panel on Climate Change (IPCC) says that developed countries need to make major greenhouse gas cuts and **in addition** that developing countries need to make cuts on so-called business-as-usual baselines (emissions levels). But offsetting means that action in developing countries can be counted as part of the action needed in developed countries. Offsetting therefore institutionalises the idea of making cuts in one or the other, when the science and the IPCC are clear that action in both is needed. It is incompatible with the IPCC's recommendation, and leads to less emissions cuts. The climate loses.

2. Offsetting cannot guarantee the same level of carbon cuts in the developing country as would have been made in the developed country.

- i. It is almost impossible to prove that most offsetting projects would not have happened without the offset finance – ie that they are “additional”. The US Government Accountability Office's (GAO) 2008 review of offsets said “it is impossible to know with certainty whether any given project is additional”. Without this guarantee the net effect is that greenhouse gas emissions are increasing – because the CDM credit allows the developed country to continue polluting. The climate loses.
- ii. Even if a project were additional, it is often impossible to calculate accurately how much carbon a project is saving. This is because credits are calculated by judging action against hypothetical futures – things that haven't happened.

3. Offsetting delays necessary infrastructure changes in developed countries.

It weakens incentives to implement strong climate policies or prevent high-carbon investments. A switch to a low-carbon model in developed countries in time to prevent catastrophic climate change requires that they make major investments now and over the next 10 years. Yet offsetting means that, for example, EU countries can delay taking strong action until at least 2020. Locking in their high-carbon infrastructure will have severe consequences for the global climate and developed-country economies.

4. Offsetting is not delivering for developing countries.

- i. In many cases offsetting is not helping developing countries take a low-carbon path. In fact a large proportion of CDM revenues are subsidising carbon-intensive industries, or projects building fossil-fuel power stations.
- ii. CDM can create financial incentives for developing countries not to implement strong climate policies. This is because only projects that are not required by regulation are supposed to qualify as CDM projects.
- iii. The financial flows involved are far lower than those required to adequately or effectively support low-carbon development. Developing countries must be given far greater support – not least because of the colossal historic debt owed to them by developed countries, which have overwhelmingly caused the climate change crisis. Offsetting, however, is not the tool for this job.
- iv. There are severe equity impacts for developing countries if developed countries offset even part of their targets. Offsetting deepens inequality in per capita carbon consumption between developed and developing countries.

In summary, CDM and other types of offsetting are flawed and highly problematic tools for tackling climate

change. They are a dangerous distraction from the urgent business of decarbonising the world's economies. They are not open to reform, and should be scrapped.

Governments should:

1. Agree that developed countries must reduce their own emissions by at least 40 per cent by 2020, excluding offsetting.
2. Reject all forms of offsetting: proposals for new and expanded offsetting schemes must be dropped, and existing offsetting mechanisms need to be scrapped.
3. Reject plans to introduce REDD offsets, and instead negotiate effective and fair mechanisms to protect the Earth's forests that do not involve offsetting.
4. Negotiate a new financial mechanism under the authority of the UN Framework Convention on Climate Change (UNFCCC) to ensure adequate financial flows to developing countries to support their transition to a low-carbon future.

OFFSETTING IS NOT REFORMABLE

Offsets are a swap of an emissions cut in developed countries for a cut in developing countries. But action in both is needed. Failure to cut in developed countries also results in delays in essential infrastructure changes necessary for deeper cuts in the future. Offsetting results in fewer emissions cuts. No amount of reform can alter this.

The problems of proving “additionality” – that the developing country project would not have happened without CDM – are inherent. The US Government Accountability Office says it is impossible to know with certainty whether a project is additional.

The problems of proving the offset project generates the same level of carbon cuts are inherent. Offsetting credits are created against hypothetical baselines – they are not and cannot be guarantees of the same level of cuts.

A DANGEROUS DISTRACTION

Scientists tell us that taking action on climate change is more urgent than ever.

Since 1997 offsetting has been championed as a key tool to deliver cuts in greenhouse gas emissions, and financial and technological flows to developing countries.

This report examines the record of the main offset scheme, the Clean Development Mechanism (CDM). It asks what the effects are likely to be of expanding offsetting as proposed in the UN climate talks.

It finds that in practice offsetting is not leading to global emissions reductions or benefits to developing countries. Instead, it is simply leading to more ingenious ways to avoid cutting emissions.

The report finds that offsetting:

- is profoundly unjust, fundamentally flawed and cannot be reformed.
- counts action in developing countries as part of the cuts promised in developed countries, although the science is clear that action is needed in both.
- cannot guarantee the same level of carbon cuts as would have happened without offsetting.
- is causing major delays to urgently needed economic transformations in developed countries.
- does not ensure positive sustainable development in, or appropriate financial transfers to, developing countries.

Read the full report at

http://www.foe.co.uk/resource/briefing_notes/dangerous_distraction.pdf

Friends of the Earth is:

- the UK's most influential national environmental campaigning organisation.
- the most extensive environmental network in the world, with around 2 million supporters across five continents, and more than 77 national organisations worldwide.
- a unique network of campaigning local groups, working in more than 220 communities throughout England, Wales and Northern Ireland.
- dependent on individuals for over 90 per cent of its income.



Friends of the Earth

Making life better for people by inspiring solutions to environmental problems

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