



CARBON OFFSETTING:

the corporate cure for a commodified culture

Everyone's talking about carbon offsetting, but what does it really mean? And if you're not 'offsetting' how off-putting can it be for your consumers? **Sam McConnell** finds out.

When first charged with writing an article about 'going green', I found myself with two legendary characters top of mind – the Incredible Hulk and Kermit the Frog. What this says about my psyche is a topic for another day, but after first dismissing these thoughts as irrelevant and, to a certain degree, troubling, I realised that there were potential parallels that could be drawn here. Lessons learned. Warnings heeded. Both characters enjoyed the benefits of being green, but also suffered the consequences – in the case of the Hulk, his city-destroying rage and shorts-destroying bulk saw him relentlessly pursued by the US military. In the case of Kermit, well, as he once sang – 'it ain't easy being green'.

I'll end the analogy there before it gets any more ridiculous, but it does highlight to a certain extent, that taking your business 'green' has the same risks associated with it as any new business strategy. The environment seems to be perceived by many people as one big business opportunity and they're probably right – but seeing the opportunity and knowing how to act on it are two very different things.

Carbon offsets are a great example. I reckon I hear the term 'carbon offsets', along with 'carbon footprint' and 'carbon neutral' dozens of times every day and this is largely because these terms are now being used in marketing. But the more I hear them, the more cynical I get. These are the early days of an environmental revolution and like the early days of the internet going mainstream, everyone knows they need it, but few people

know what to do with it. So where to start? It seems like getting a thorough understanding of the nature of carbon offsets is as good a place as any.

"Carbon offsets are a tradable unit that represent one tonne of carbon dioxide reduction through an approved abatement project," says Peter Lovett, managing director of Green Pass Australia.

"For every tonne of carbon dioxide released, one tonne of carbon offset may be purchased and surrendered to neutralise that emission. Carbon offsets are the last step in an emissions management system."

This is a pretty standard definition and I think it is roughly in line with what most members of the public and those within the business community believe to be the case. David Peters, founder and CEO at Emagine, has a similar understanding.

"Carbon offsetting provides an opportunity for a business to factor environmental costs into production," he says. "Carbon is produced at various stages in the manufacturing life cycle of a product or service, through the use of resources such as gas, electricity or transport. You tally your carbon usage by considering these things (such as the number of staff that use public transport, drive a car or walk to work, and how many hours of computer usage or office heating was used, etc.) and then you offset the negative impact of that carbon by doing something positive for the environment."

Peters explains that at telecommunications technology business Emagine, carbon usage is converted into carbon credits purchased via the Carbon Reduction Institute. The money then goes towards its initiative



to replace incandescent light globes with more energy efficient globes to reduce CO₂ production.

“This has an immediate positive effect on the environment as opposed to other initiatives such as planting trees, which take longer and are the subject of some debate.”

This is where things get a little messier. Offsetting carbon makes sense – you tally up the amount of carbon you’re using and then buy credits that equal that amount – easy. But there are two major issues here – how much carbon your business actually emits and where your carbon offset money actually goes. On the first point, there is no right answer – it’s not an exact science and various reputable businesses that offer carbon auditing services will assess your carbon emissions differently. Should emissions from employees driving to work be counted? Should emissions generated by suppliers be counted? Put simply, it depends who you ask.

“There appears to be a general understanding among the corporate community of the basic principles of carbon offsetting,” says Catherine Boundy, consultant at The Leading Edge.

“But there is some confusion regarding the calculation of carbon footprints, the relative impact of various activities (international travel and energy consumption being the biggest) and how the process actually works. There are also so many different ways to calculate carbon footprints, from the basic – www.carbonneutral.com.au or www.acfonline.org

What three key mistakes are organisations making when seeking to offset their carbon emissions?

Andrew Barson - projects director, Carbon Reduction Institute

- not shopping around for good, well-priced credits
- buying offsets for emissions savings that would have occurred anyway, and
- not ensuring that their offsets are calculated, audited and monitored under a recognised framework.

Terence Jeyaretnam - director, Net Balance

- not understanding the scope of what they are offsetting
- not purchasing the right offsets, and
- not looking carefully at minimising consumption in the first place, before reaching to offsets as a solution.

Marc van Beek - business manager, Origin Carbon

- not ensuring their carbon footprint is calculated properly - it’s advisable to have it externally and independently verified
- not ensuring their carbon offset strategy is based on a portfolio of independent and credible carbon offsets from a reliable and trusted supplier, and
- not ensuring the claims they’re making are clear, accurate and concise for consumers.

It’s best to use the correct language when making representations of the environmental benefits associated with products. It’s imperative that claims are scientifically sound and appropriately substantiated. Consumers are entitled to rely on claims and expect them to be truthful without any confusion.

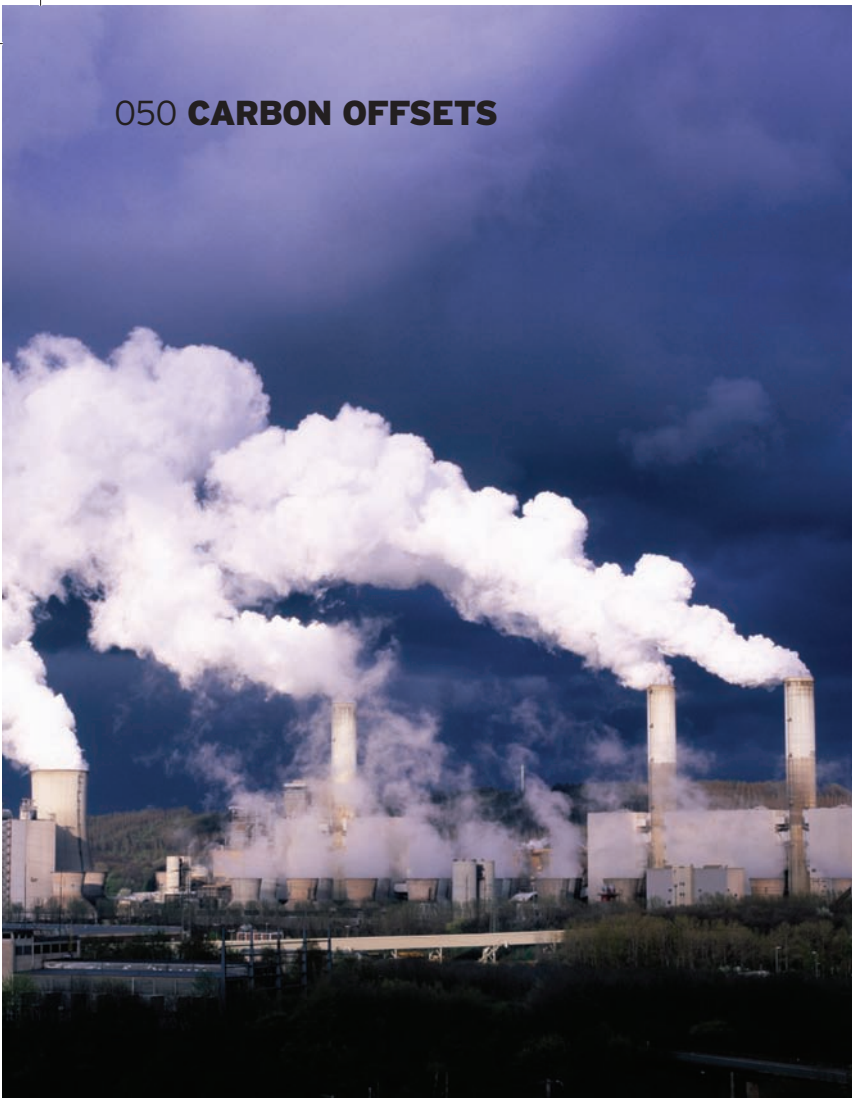
Catherine Boundy - consultant, The Leading Edge

- The key issue is that this is an unregulated industry. The first mistake organisations make is with their audit process as many audits are not based in science or are performed by unaccredited organisations.
- The second mistake is to not research the offsetting partner enough and to use an offsetting organisation that, for example, has just one program such as tree planting.
- The third mistake is more attitudinal in that organisations regard the offsetting process as atonement for their sins - i.e. now we’re carbon neutral, we can feel guilt free about trashing the planet. The first step in becoming an eco-conscious organisation is to do all you can to reduce your carbon footprint (e.g. switching to green energy) and then offset what’s left.

– to the very complex. So it can be really confusing for companies to make the first step.

“Carbon offsetting is suddenly a booming industry, so there’s lots of choice but also dangers – with so many offsetters shooting up quickly, there are lots of bandwagon jumpers and the industry is largely unregulated. Government accredited organisations are best, such as www.carbonneutral.com.au.”

Once you’ve calculated your carbon footprint, which can be done online by visiting the sites listed above or by hiring an auditor to visit your business,



“The legal proceedings centred on what the ACCC considered misleading and deceptive conduct and false representations concerning green claims made in the advertising of Saab vehicles.” CATHERINE BOUNDY, THE LEADING EDGE

you’re faced with a decision about what sort of offsets to choose. I’ve certainly heard a lot about offset money going to forestry, but David Peters’ argument that there are better avenues also makes sense. Again, it seems there is no right answer. The main thing to be wary of in this case is unscrupulous providers who may be selling offsets that either don’t exist or don’t deliver.

“The questions need to be asked – what type of project is it? Is it accredited? Are the outcomes certain and irreversible?” says Carol Battle, partnership manager at Climate Positive.

“While accreditation with a program such as Greenhouse Friendly, Gold Standard or the Voluntary Carbon Standard will ensure the integrity of the methodology used to measure the emission savings from the project, we also recommend people ask questions about the type of project.”

Peter Lovett agrees, saying that choosing accredited programs is the key.

“Questionable sources of carbon offsets have arisen from tree planting schemes that have not been certified by any national or international regulators. Currently in Australia, nearly all these types of carbon offsets are

KEY WEBSITES TO CHECK OUT

Carbon calculation/carbon offset sales

- The Carbon Reduction Institute - www.noco2.com.au
- Carbon Neutral - www.carbonneutral.com.au
- Australian Conservation Foundation - www.acfonline.org
- Greenfleet - www.greenfleet.com.au

Accreditation

- Greenhouse Friendly - www.greenhouse.gov.au/greenhouse-friendly
- Gold Standard - www.cdmgoldstandard.org
- Voluntary Carbon Standard - www.v-c-s.org

seeking certification. When purchasing a carbon offset from most companies, the organisation provides details of where the carbon offsets have been sourced and which scheme they belong to.

“When purchasing a carbon offset that has been certified by a particular scheme, you know it has been through a stringent assessment process to ensure it adheres to the scheme. Scheme administrators assess and monitor abatement projects so the end user can be assured that each carbon offset has been correctly measured and reduced.”

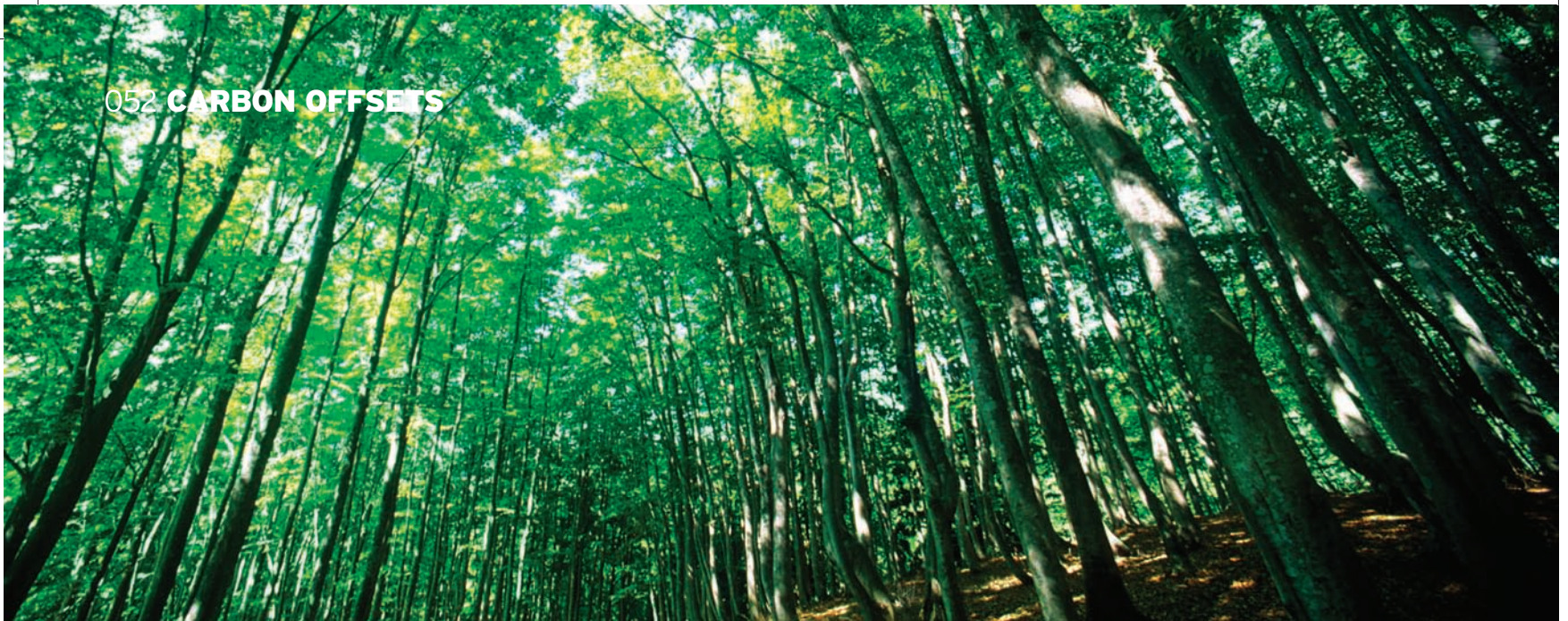
Once you’ve established how much carbon you need to offset (your footprint) and how you are going to offset it (via forestry, energy efficient light bulbs, etc.), business owners and managers are faced with the cost. How much should you pay for that great intangible – the ability to offset your emissions? As Peter Lovett explains, carbon offsets do have a market rate, but this does not mean they are always sold at this price. “Varied carbon offsets that are considered a higher standard than others

may be sold at premium. For example, in the GGAS carbon offset market, methane capture offsets are sold at premium over energy efficiency and forestry offsets. This is because of the increased demand for this particular offset and because its carbon reduction credentials are stronger than other forms. Although they all represent the same amount of carbon dioxide reduction, it’s the additional benefits that they provide that make them a more desirable offset to choose.”

Dan Atkins, a director of Sustainable Business Practices, agrees, saying the varying quality of each offset is reflected in its price. As Atkins explains, higher quality offsets may cost up to \$20 per tonne of CO₂e [carbon dioxide equivalent] whereas lesser quality offsets may cost only a couple of dollars.

“The planting of trees is generally a cheaper offset as it takes time for the trees to offset the emissions produced and therefore the outcome is less guaranteed (i.e. what happens to your offsets if the trees burn down?). Offsets from the flaring of landfill, however, or the production of renewable energy are more expensive as these methods cost more to implement and have greater certainty surrounding their outcome. Organisations should also consider the sustainability of the offset – e.g. if the offset is a plantation, is it taking into consideration impacts on biodiversity and water, or is it located in fire prone areas, etc.”

To put \$20 per tonne of CO₂e into perspective, a return Melbourne to Sydney plane trip generates about 200 kilograms of emissions and airlines



THE PERILS OF CLAIMING THE GREEN HIGH GROUND

Slowly but surely examples of bad luck or bad management of a company's environmental positioning are creeping into the media. The recent classic was Sir Paul McCartney's gift for helping the planet, the eco-friendly Hybrid Lexus, being delivered by jet from Japan! In the rush to measure offset emissions, care must be taken before using 'carbon neutrality' and putting your company's flag on the moral high ground. Below are a few tips to help when dealing with your marketing communications.

How will carbon emissions affect the marketing landscape? Marketing communications are not due to be directly targeted under the federal legislation on carbon trading (due to be announced at the end of this year). Any affirmative action taken by companies will be driven by an increase in direct costs coming from the legislation leading to higher energy costs being passed on. Just as importantly, pressure to reduce emissions, wherever they occur, will start to build especially from the community, stakeholders and shareholders. Someone needs to be accountable.

Carbon emissions from advertising activity. Most businesses have completed or are in the middle of a life cycle assessment (LCA) or a simpler level one GHG audit. From this you can get an historic view of the carbon emissions from your business operations; however, this is not the complete picture of your emissions.

The promotion of your goods and services will also have a carbon impact, so you need to add this to the operational emission total. By understanding where you currently are as a business, you're then able to set reduction targets and strategically imbed this into your overall business strategy, which includes your communication strategy.

Beware of carbon neutrality. There are numerous industry groups claiming 'carbon neutrality', and 'built-in offsets'. Also, lots of suppliers are either indicating offsets as a loading (some TV production estimates are starting to have an 0.8 percent carbon offset fee as a line item) or claiming, either with accreditation or on their own calculations, to be 'carbon neutral'.

So is it a case of business as usual and charge the end consumer for planting a tree? You should take ownership of any offsetting to ensure that it's compliant and also lines up with your environmental strategy. Regardless of how many trees you pay to plant, the point is the emissions are still occurring in the first place.

Measuring the impact of carbon emissions from marketing communications. Without first having the right media strategy in place, it's not possible to consider a reduction in the carbon footprint from your communications. If the strategy is correct, your spend becomes more targeted. Less waste not only saves you money, it also reduces the amount of carbon that is being produced by your marketing communications.

What do we currently know about the emissions from marketing channels? There is currently a lack of independent debate regarding the carbon emissions created by marketing communications. While there has been a body of work on the environmental impact within the paper and printing industries, other forms of communication have escaped this level of scrutiny.

So the question you should ask is: do we really know what impact our marketing communications is having on the planet?

NEXT STEPS

- Ask a junior colleague to find you a copy of the company's environmental policy. All the good words in the world will not help save the planet if the guidebook is missing.
- Conduct a 'green audit' on your marketing spend. Contrary to popular belief, you will be surprised to find that being a bit greener will save you money.
- The great thing about changing your marketing communications practice is that whatever you do will have a positive effect.

Christopher Sewell is a P3 consultant specialising in carbon emissions from marketing communications. He is also the CEO of The Gaia Partnership. More information is available on www.p3.com.au.

normally charge around three dollars to offset the trip. From a motoring perspective, Greenfleet (www.greenfleet.com.au) claims it costs about \$40 a year to offset the emissions of the average Australian car. Pretty affordable, but for those short of money who are still seeking to do the right thing offsetting certain items, such as events or travel, can be a great place to start. From here you can build towards full carbon neutrality.

Despite the obvious benefit to the environment, the cynical person in me says that for the business community to be embracing carbon offsets as eagerly as it is, there must be something in it for them. The future of all humankind aside, businesses big and small don't have a great track record of doing things just because they are the right thing to do, when it's going to cost them and deliver no tangible benefits. I guess the core question is, can becoming a green organisation by offsetting your carbon emissions among a range of other environmental measures, be a source of competitive advantage?

Many business owners and managers seem to believe the answer is a definite yes.

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“In a December 2007 study by The Leading Edge of 1,248 Australians aged 18 to 64, 80 percent of consumers stated that climate change will affect them and their families and 56 percent of people said they actively chose products and services from companies that they see as environmentally friendly,” says Catherine Boundy.

“This indicates the importance of this issue in their attitudes and purchasing behaviour. Despite widespread misconceptions about what carbon neutrality involves, consumers are becoming increasingly savvy around green credentials. In the future, however, a carbon neutrality claim, rather than standing out from the pack, will become a minimum and expected requirement of all major organisations and brands.”

Chris Eccleston – founder and lead consultant at Green Solutions Marketing, agrees. “With the growth of the LOHAS (Lifestyles of Health and Sustainability) demographic in Australia, consumers are getting much more interested in the philosophy of a company.

“So if you place two similar products in front of them, one product claiming to be carbon neutral and one without any such promotion, providing the price of the products is similar, most consumers (in my opinion) will choose the carbon neutral product,” says Eccleston. “But be careful, don't overstate the truth. The ACCC has tough penalties for those who greenwash.”

So-called ‘greenwashing’ – misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service, is a real threat to the ability of organisations to capitalise on the investments they've made in the environment. As the environment becomes increasingly important in marketing, consumers are becoming

increasingly wary of green claims, especially after legal proceedings were launched by the ACCC against Saab Australia. They centred on what the ACCC considered misleading and deceptive conduct and false representations concerning green claims made in the advertising of Saab vehicles.

Saab had used the environment as a key marketing tool, using newspapers and magazines to make various statements, including “Grrrrreen”, “Every Saab is green”, “Carbon emissions neutral across the entire Saab range” and “Switch to carbon neutral motoring” to promote its green credentials. The advertisements also contained a statement that, in addition, Saab would plant 17 native trees in the first year following a Saab vehicle purchase as a carbon offset.

Without going into the details of the case, the ACCC alleged that Saab had breached ss52 and 53(c) of the Trade Practices Act as part of its environmental campaign. While, as I write this, the case is yet to go to court, it does show that the ACCC is getting serious about green claims it considers dubious. It has also formally expressed concern at claims made by major brands in the air-conditioning space including Sanyo,

Hagemeyer, Daikin and De'Longhi. Marc van Beek, business manager at Origin Carbon, offers the following advice. “The term ‘carbon neutral’ is very broad and implies that an activity or organisation is completely balanced. Claims of carbon neutrality should be factual and not overstated. Any organisation or marketer considering the use of the term ‘carbon neutral’ should first consult the ACCC Green Marketing and Trade Practices Act 2008 and be confident they can justify these claims under scrutiny.”

The inherent vagueness of the term ‘carbon neutral’ seems to be a consistent problem for organisations. According to Sustainable Business Practices' Dan Atkins, carbon neutrality can be a source of competitive advantage for a number of reasons including efficiency gains, reputation, employee retention, investment opportunities and product/service innovation. But it can also be a risky claim. He agrees that the ACCC is conscientious about greenwashing and that any claims of carbon neutrality need to be rigorously backed up.

“What needs to be considered is that ‘carbon neutral’ is potentially a misleading term,” Atkins says. “It's too vague and wide open to interpretation. ‘Zero net emissions’ is a better term and, for organisations wishing to secure competitive advantage, this is the better approach. Indeed going further into a carbon restorative state is better still. But the expression ‘carbon neutral’ has caught the imagination of the marketplace and therefore has been useful to raise awareness.”

So where to for the future? Origin's Marc van Beek concludes that there's no doubt that going forward, investing in energy efficiency education and behavioural change, purchasing accredited Green Power and carbon offsets will be an important investment in the sustainability of any business.

“At the very least, Australians are starting to make purchasing decisions based on an organisation's commitment to real and tangible positive environmental benefits. Soon it will be expected an organisation behaves this way and, as such, will no longer be a competitive advantage. Those that take the leadership position and start their environmental journey early will be rewarded with customer loyalty, employee engagement and bottom line returns.” **M**