

INSIDE MONEY: Carbon Confusion

Presenter: Lesley Curwen

Listener: Simon Mallett

Producer: Smita Patel

Tx: Saturday 4th August 2007 1204

Rpt: Monday 6th August 2007 1502

THIS IS A TRANSCRIPT OF THE LONGER REPEATED VERSION

CURWEN: Global warming is arguably one of the most important, and controversial issues facing the world. More and more of us worry about it. And increasing numbers of companies are capitalising on the guilt some people feel about the carbon dioxide they generate, and its possible effect on our climate. These firms offer, for a fee, to balance out, or offset the damage. They work out the amount of carbon emissions you might be responsible for, and tell you how much money you could donate to environmentally beneficial projects, to make up for that. It may sound easy enough, but how can consumers be sure that they're getting value for their money? Radio 4 listener Simon Mallett is one potential customer. He's already committed to a green lifestyle – he tries hard to conserve electricity, and water at his home.

MALLETT: They are big square plastic tanks, they hold about a cubic meter of water and if I open one of the taps then I can dip a bucket of water in, and I can water my garden. So that means even if there is a drought, I've still got loads of water.

CURWEN: Apart from saving water, Simon, who's a technology consultant, has installed solar panels on the roof of his house in Kent.

MALLETT: What I want to do eventually is turn it into a carbon neutral house. Overall I want to feel that we don't damage the earth. And I'm doing this in a number of ways and you've seen the solar panels on the roof. This is something I really have believed in for many, many years. But there's six billion of us and we have to be very careful how we use the resources on this planet and I don't think we're being very careful.

CURWEN: More and more of us are buying carbon off-sets, for flying, driving our cars or heating our homes. Government figures show that sixty million pounds was spent on such schemes in the last 12 months, and that figure is forecast to grow rapidly. Would Simon Mallett be willing to pay money, to off-set his carbon emissions?

MALLETT: I want to take the kids to America next year, one of the things in the back of my mind is carbon offsetting

because I would like to think I'm environmentally friendly. What I would like to do is actually understand what I'm getting for my money. There's a lot of companies that have possibly jumped on the bandwagon. Am I actually putting money towards planting trees or something else like solar panels in Africa? I would like to know because I might do it. I don't know.

CURWEN: Off-setting is a nebulous concept. You can't see what you're buying: in theory, you're paying for someone else to cut pollution somewhere else on the planet, to neutralise the damage you've done. As Simon was about to find out, there's a dizzying range of such projects to put your money into, and a range of prices. We would take him to see what's on offer from two different providers. First stop was a charity called PURE, where Simon met Phil Wolski.

MALLETT: I've promised my kids a trip to Disneyworld and I want to see the Space Centre so Orlando is it otherwise they'll beat me up

WOLSKI: *(laughs)* Okay, what we will do is go on to the PURE calculator, 5 persons to Orlando...

CURWEN: Phil took details of the number of people and the distance to be travelled, and used a government-approved calculator to work out how much carbon dioxide the Mallett family might generate from the flights.

WOLSKI ... which is a round trip for 5 people of 43,360 miles ...

CURWEN: The answer was 7 and a half tonnes of carbon dioxide. Simon would be able to offset that carbon by investing in one of a number of projects. All the projects PURE offers are operated under one official framework. It is the snappily-named Clean Development Mechanism or CDM. It's an initiative set up under the Kyoto Protocol, the international agreement on limiting the discharge of greenhouse gases, created by the United Nations. The CDM allows companies in richer countries to pay for projects that reduce carbon-dioxide pollution in poorer nations. In return, the companies get official credits that can be used to meet their own emissions targets. The carbon off-setters use your money to invest in those projects in poorer countries. So how much would it cost to off-set Simon's flights?

WOLSKI: £135. Because we're a registered UK charity, we're able to get gift aid which is a subsidy from the government which means it'll cost you personally £105.30. The charity then recovers £29.70 from the Inland Revenue. So we receive 135 pounds.

MALLETT: What does it actually go on, what does it do?

WOLSKI: Any donations we receive are used to support clean development mechanism projects which will reduce an equivalent amount of emissions elsewhere and the best example I can give is - it's called the Malovarley Power Plant in India and it's the world's first gold standard project to have its certified emission reductions issued by the United Nations. Gold Standard means that the project is also supported by 38 non-governmental organisations like Green Peace, Friends of the Earth, the World Wild Life Fund and so on. It's generating clean, renewable electricity from crop waste such as coconut fronds, and sugar cane trash that previously was either left in the fields to rot or burnt and the project itself is now reducing carbon emissions by about 20,000 tons a year. But what's so good about this is not just the emissions reductions, it's also the sustainability and community benefits that the project provides.

MALLET: It strikes me that this seems to be more about community benefit than taking carbon out of the air which I've emitted.

WOLSKI: Not at all, not at all. The United Nations clean development mechanism has a very robust system of audit and verification of the emissions reductions that are achieved. But it's also vital that these are achieved with the correct benefits for local communities

MALLETT: How can I be sure that the money that I'm spending which is going towards the Malovarley power project isn't duplicating money that's coming from somewhere else?

WOLSKI: The United Nations clean development mechanism has a series of characteristics that are very important. For example, the first feature is what's called additionality. Additionality means that the project would not have gone ahead had it not been for money generated by the carbon markets. The second important feature is that the carbon credits are cancelled which means that they cannot be used as licences to pollute and as a result you can be certain that it's genuinely additional, and no risk of double selling of the carbon credits. We're talking about Kyoto schemes that have total integrity, and like anything, you do pay slightly extra for absolute certainty of emissions reductions.

CURWEN: The Clean Development Mechanism, which PURE uses and which is part of Kyoto, is not used in all carbon off-setting. There are also projects which don't come under this official, Kyoto, banner. These are governed by voluntary standards, and off-sets bought in this way are often cheaper. One company which offers them, alongside CDM projects, is the Carbon Neutral Company. It's a

commercial venture, set up a decade ago under the name Future Forests. Simon asked Bill Sneyd from Carbon Neutral, how much he would charge.

SNEYD: The cost will be somewhere in the region of £55 to £80 for the 7½ tons depending on exactly which project you want to select for the offsetting. There are a number of reasons why projects might differ. One very important one is the standard to which they have been developed, which accreditation or certification route they've gone down. So there is a system called the clean development mechanism which is part of the Kyoto protocol and carbon credits which are generated according to that standard are generally more expensive than projects outside the Kyoto system.

CURWEN: So are you saying that the more trustworthy the project is, the ones that are part of Kyoto or the clean development mechanism, the more they're going to cost Simon?

SNEYD: No I think we should remove the question of trustworthiness of different standards. There's no doubt that there are good projects and bad projects out there. But it's not as simple to say, Kyoto clean development mechanism projects are trustworthy and everything else is untrustworthy. But the standard is one of the reasons why there is a difference in pricing.

MALLETT: Can you give me a particular example of a project?

SNEYD: A good project to look at is a project run by the Solar Electric Lighting Company in southern India and they are involved in helping households and very small businesses to adopt solar lighting systems to replace mainly kerosene-based open-flame lamps. So clearly there's a carbon benefit from reducing the amount of kerosene that's being burnt. There's a big safety improvement from not having naked flames in houses and health benefits as well from people not inhaling kerosene fumes in their households.

CURWEN: That solar lighting project was not part of the CDM framework – it complied with voluntary standards. Buying into it would cost Simon 62 pounds. There was another issue to put to Bill Sneed. Some years ago, when the company was still called Future Forests, the band Coldplay paid it to plant thousands of mango trees, to offset the emissions incurred while recording an album. According to press reports, those trees have since died. Did Bill Sneed admit that was right?

SNEYD: No it's not entirely right actually. We were involved in a project with Coldplay around the planting of mango and other fruit trees in India but contrary to popular belief that project has not failed. There have been difficulties with the project and they

were captured in one of our routine monitoring visits in 2003 initially. The last visit, about 80% of the carbon benefit of that project was in tact at the time and the project was undergoing improvements to try and catch up on that remaining 20%. There's a further monitoring visit that's planned for the end of this year and we'll see how it's doing then.

CURWEN: So that wasn't why you changed your name from future forests?

SNEYD: No

MALLET: These projects, are they regulated?

SNEYD: We have some projects that are regulated, part of the Kyoto mechanism. We also have projects that are being developed outside that, for example, the gold standard that was originally developed by WWF and also some projects that meet our own standard that we've developed over about five years with input from academics, businesses and NGOs that we call the carbon neutral protocol.

CURWEN: That's a lot of different standards. It's confusing.

SNEYD: You're right, there are quite a lot of different standards out there and I think if you look back to many industries, video players back in the 1980s, for example, we had VHS and Beta Max and Phillips, V2000 and all sorts and eventually the market sort of coalesces around a single standard and I think that that will eventually be the case within the carbon market.

CURWEN: So different standards, different projects, different prices. What did Simon make of what he'd been offered by the carbon offset providers?

MALLET: It seems to be a bit of a lottery. I don't know what the money is going for. I mean they've told me, but I'm not quite sure. I'm afraid I rather lost track of the number of regulations that they were quoting. A lot of it seems to be based on trust. I lost track of what the guidelines were doing, whether they were saying this particular project was generating this volume of carbon saving. It just seemed a bit confusing.

CURWEN: There may be various rules and standards governing the projects which are used for carbon off-setting, but the companies which actually sell off-setting in the UK are not regulated by any organisation such as the Financial Services Authority. And that's raised concerns about consumer protection, given the growing number of firms and the sheer complexity of what they're selling. The government has responded by drafting a voluntary code of best practice. Is that

adequate – or might we need laws to introduce binding regulation? In Parliament, MPs on the environment audit committee have been investigating carbon off-sets. The Committee's chairman Conservative MP Tim Yeo told Simon they found a mixture of good practise and abuses.

YEO: There have been some schemes where people have been putting money in to do things where the concept of additionality is not clear - in other words we may be paying for something to happen in a foreign country, which would have happened anyway, and so that actually hasn't reduced the world's total carbon emissions at all. Another type of abuse is where schemes that may be set up with good intentions don't actually achieve the reductions that have been promised. And a third abuse - we didn't find concrete examples of this, but it is rumored that this happens - that the same scheme may be sold to more than one investor.

MALLETT: Can you see any legislation coming in in the future?

YEO: I think it's possible. I mean my preference is that this should be achieved through voluntary action but there's no doubt that in the end there's a sort of reserve, a fallback position for the government they could always legislate if they felt that progress was insufficient. Crucially we need more transparency so people know what they're putting their money into, so that it's clear afterwards whether a scheme has achieved what it said it was going to. But the most worrying thing, I think, is the possibility that a significant number of the schemes that you may invest in by offsetting simply don't work. They don't deliver what they promise. That's the area where we need more transparency and we may possibly need some regulation.

CURWEN: Transparency is one of the biggest concerns – how can an ordinary consumer such as Simon be sure about where his money's going and how effective it is at cutting emissions. He can't travel to foreign lands to check. Someone who has done just that is Jutta Kill, of the environmental group FERN, which campaigns on climate change and preserving forests. She's been to see a number of projects which are part of the Clean Development Mechanism. None of them is offered by PURE, or Carbon Neutral. Jutta Kill told Simon what she'd found.

KILL: I did visit a number of these project sites. At one, for example, was a hydro power project where a small hydro dam was to create renewable energy, but from the local community's perspective that wasn't such clean energy because the river was diverted just at the very location where the community had always used the water or taken out the water for their traditional irrigation system. So in effect a CDM project was threatening the irrigation of a local community that had been living reasonably well because they were able to grow their food not

only being dependent on rainfall but also using the water of the river, which was to be diverted for this supposedly clean energy project.

MALLETT: But disregarding the benefits to their community, did you see any benefits in terms of carbon reduction?

KILL: There might have been one or the other project that actually did reduce emissions. The issue though is does anybody know whether these reduced emissions are savings over and above reductions that would have happened anyway. In another project for example that we visited, it was to the economic advantage of the company to install a piece of equipment and therewith save energy that to this point had been wasted. And it's quite possible that the company would have decided to put this piece of equipment in place anyway. And one recent study by a German CDM expert who has actually evaluated a number of projects his estimate that about a third, possibly more of the CDM projects are not creating additional savings. They're just credits for activities that would have happened anyway.

MALLETT: So you're saying a third of all these projects would have happened anyway despite anything that we do in terms of giving funds to offset our travel?

KILL: Indeed, indeed. In a meeting I attended recently somebody described the problem that all offset projects face; that if you're a good storyteller then your project is likely to get approved whether or not it is additional. If you're a lousy storyteller, you're facing more hurdles and the likelihood that your project would have happened may be exactly the same for me carbon offsets are a major distraction from the real task at hand. That real task at hand is switching as fast as possible and in a just way away from fossil fuels and into renewable energies. And carbon offsets in our view, in our analysis in fact, do not help that purpose. We need changes in the infrastructure, in our energy systems, the way in which we use and produce energy. And that goes far beyond individual consumer choice and therefore I believe they're a real distraction from that task at hand.)

CURWEN: We asked for a response to Jutta Kill's criticisms from the Executive Board of the Clean Development Mechanism

QUOTE FROM CDM: Projects approved under the clean development mechanism undergo thorough vetting, including third-party verification and an opportunity for public comments. That there is public discussion about the additionality of projects is a reflection of the nature of the concept of additionality, and is testament to the transparency of the CDM process. The Board is pleased by the great interest shown in the clean development mechanism and welcomes continued constructive discussion on all aspects of its implementation. In fact, the mechanism is being built by project participants and continues to be shaped by public input.

CURWEN: Given all he'd heard, Simon wanted to find out what the UK Government is doing about carbon off-setting. We asked if he could meet a Minister at the Department of Environment Food and Rural Affairs, which put together the draft code of practice. No one was available. DEFRA sent a statement: It said, although carbon offsetting isn't the first thing people should do, it has an important role to play in fighting climate change.

QUOTE FROM DEFRA: "People need to be sure that the way they offset is actually contributing to an overall reduction in global carbon dioxide emissions, which is why the Government has proposed a voluntary standard for offsetting products, to help provide clarity and certainty for people and businesses offsetting.

CURWEN: How did Simon feel about DEFRA's assertion – that people need to be SURE they're reducing global carbon emissions?

MALLETT: Well I've spent now two days and I have been very lucky in speaking to people who are at the heart of this industry and who are very knowledgeable of it. And I still don't know what is right and wrong and what actually contributes to an overall reduction. And if I don't after all this research, I don't really see how somebody who's just about to go on a plane journey who decides to offset it can practically follow the advice from DEFRA where they're saying people should make sure that it actually does something. I don't know whether it does anything at all.

CURWEN: The government told us it will release more details about its policy later in the summer, with the new, voluntary, code of practice due to come into force early next year. Meanwhile, what would Simon Mallett decide to do? He'd been offered carbon off-sets which would allow him to put money into individual projects which try to reduce carbon emissions. There was another, more obscure alternative for Simon to look at. It would mean he would buy up a chunk of the European market in carbon pollution permits. We're talking here about the European Union Emissions Trading Scheme or ETS. It makes EU countries set a limit on their greenhouse gas emissions, and allows companies which generate the emissions to buy and sell official permits to do so. Now the scheme proved to be deeply contentious, because too many permits were issued at its launch, leading to chaos in the new market. However, one leading environmental author, Chris Goodall, believes the EU ETS, in future, may furnish people with a better method of reducing carbon emissions, than the usual kind of off-setting. He told Simon how it might work for him.

GOODALL: You can decide to try to buy some tons of emissions out of the European Emissions Trading Scheme. It's a much more direct and quantifiable way of reducing emissions. The major polluters in the European Union are forced to live within caps. They can

buy extra emissions but the supply is restricted. If you buy emissions from them, it's inevitable that next year they will actually pollute less. So if you can find a way of buying tons of emission rights, part of the cap of the major power generators from them, they are forced to pollute less and that's a much more direct verifiable and quantifiable way of reducing emissions to counterbalance the creation of greenhouse gases on your way to Orlando.

MALLETT: How easy would it be for me to do that?

GOODALL: Well not as easy as it should be. There is one company doing it now in the UK, the Oxfordshire company called Ebico. But what I'd like to see is banks and financial institutions that trade in the European system actively marketing trading certificates to individuals on a retail level.

MALLETT: It sounds like I can buy 7½ tons and that vanishes or takes it out of the ability of somebody else to pollute and it seems like it's a permanent thing is that so?

GOODALL: I think you've understood it very accurately indeed. If I may go back to this figure of 7½ tons. That is just the carbon dioxide as well Simon. There are a lot of other pollutants released at high level by aircraft which certainly double and probably treble the impact of your flight to Orlando. So you really should be buying not 7½ tons but perhaps 20 tons out. Now if you buy it from an offset company that might cost you £100. It will cost you more to buy it out of the European Emissions Trading Scheme. A ton of carbon dioxide in the 2008 European Emissions Trading Scheme is trading for about £15 per ton and I would want to offset at least 20 tons for flying to Florida. So the cost of that is 20 times 15 pounds, £300. It's a lot of money but frankly it's still probably quite a small fraction of your total expenditure on your holiday.

CURWEN: You'd be prepared to pay that much?

MALLETT: I would be prepared to spend £300 on something that I had greater confidence that worked than something which I have in the back of my mind as more of a marketing exercise.

CURWEN: Simon was intrigued. But be warned - the EU Emissions Trading Scheme has provoked much criticism, it was not designed to provide an off-setting opportunity for individuals, and some would argue it's not clear that this permit system IS helping to reduce emissions. Chris Goodall went on to tell Simon of reservations he had, about the fundamental concept of carbon-offsetting.

GOODALL: My personal belief is that it simply allows us to continue polluting. It's salving our conscience yes, but it's not actually doing anything about the underlying problem which is that we

all as citizens of the rich world are creating too many greenhouse gases for the sustainable future of both future generations and indeed the current generation in the poorer parts of the world where the impact of climate change is already being felt. So I'm sure carbon offsetting, frankly, in the way that it's seen at the moment won't exist in 15 years time.

CURWEN: But do you accept that a lot of the people who are buying carbon offsets at the moment are doing that as a way in their eyes to help indeed the people of the third world who could be affected by climate change?

GOODALL: Yes but it's absolutely miniscule. It's a drop in the ocean to use that metaphor and it's not ever going to make a significant difference, to the amounts of carbon dioxide emitted to the atmosphere. We have to get used to the fact that many of the activities we've taken to granted as part of the increasing prosperity that we've seen everywhere around the rich world for the last 50 years is going to disappear.

MALLETT: So even treating carbon offsetting as a charitable donation isn't necessarily going to help very many people?

GOODALL: I think we should be clear. The best carbon offsetting companies are genuinely concerned with issues of poverty and poor health in the third world, there's no question about that, they're not wicked people, they're trying to do the best they can. But they've become in a sense part of the global poverty reduction movement and not, I think, concerned solely with counterbalancing the carbon emissions with the rich west.

CURWEN: Simon Mallett had been showered with information about carbon off-setting, and the bewildering array of products, standards and prices. The companies he'd seen had assured him their products were reliable. But he'd heard about problems elsewhere with specific projects, and critics had warned him that off-setting might be just a distraction from the bigger picture on climate change. In the end, what would our listener decide to do about the family plans to fly to America?

MALLETT: I don't have the option of not going. My children will cause me too much pain. But I would propose to be using the scheme that Chris Goodall suggested and that was buying carbon permits out of the European Emissions Trading Scheme. Obviously I've got to find somebody who will sell them to me, but it means that I can say this is a real quantifiable amount that is verifiable, has been taken out of emissions and if necessary I can write my own certificate and stick it on the wall and I can say that's the twenty tonnes that trip to America really cost the earth and I've done my bit.

CURWEN: Simon's choice wouldn't be everyone's. He would need far more information before he could buy into the European Union emissions trading scheme. And he admitted taking that route would still be a way of easing his conscience about the damage he might be doing.

MALLETT: Realistically I shouldn't be taking my family abroad by plane. I think there's an awful lot we should be doing to reduce the impact both now and in the future of global climate change. I will do all I can. I already have solar panels. I will get a wind turbine, I will reduce my other emissions. But I still feel guilty about going to America.

CURWEN: Shopping around for carbon off-sets can be complex and confusing, as Simon found. There's little consumer protection compared to what you'd expect, if you bought a financial product. Public credibility and trust are at stake, but binding regulation looks unlikely. In the end, does Simon think people are getting value for their money?

MALLETT: I think consumers are getting more peace of mind than value for money. If we are going to have carbon offsetting companies, I believe that there should be a stated standard that they must all follow. This might mean legislation, but ultimately if I'm investing in my future, I want to know that that money really is going to satisfy what it's supposed to and not risk being led by clever marketing.