

BEST PRACTICES IN COMMERCIAL CARBON OFFSET PURCHASING

2011 Green-e Webinar Series
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Climate

In speaking order:

- Orrin Cook, Manager, Green-e Marketplace, CRS
- Adrian Rimmer, CEO, The Gold Standard Foundation
- Elyse Rhodin, Clean Energy Analyst, Think Energy
- Todd Jones, Manager, Green-e Climate, CRS
(Moderator)



Outline

Brief ReviewTodd Jones
Offsetting as a part of Corporate Environmental StrategyOrrin Cook
Project CertificationAdrian Rimmer
Product CertificationTodd Jones
Purchaser ExperienceElyse Rhodin

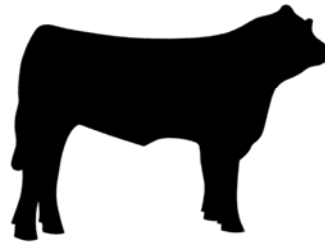
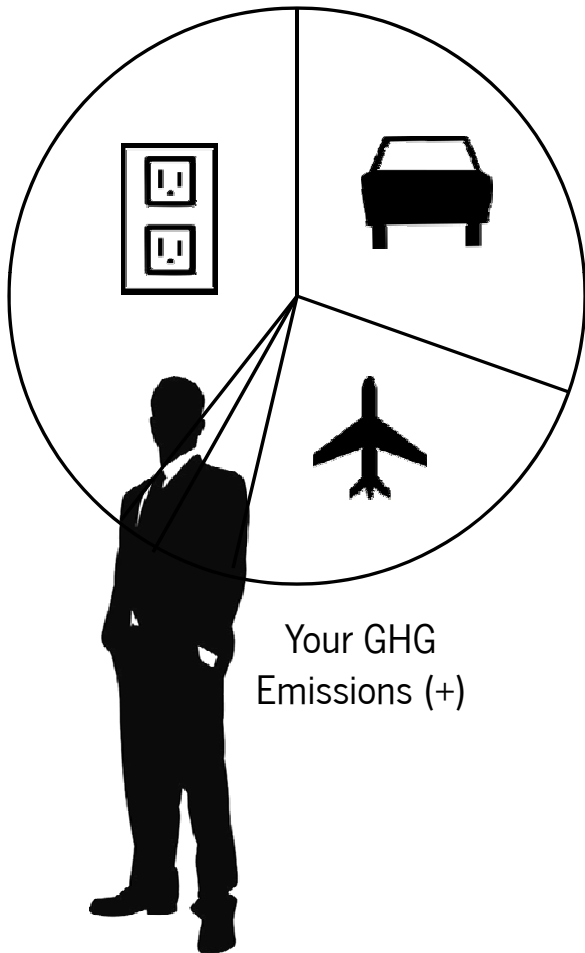
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Carbon Offset

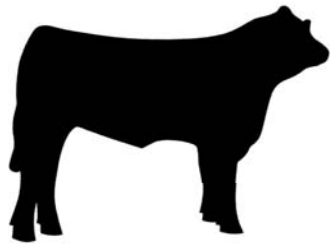
An intangible commodity representing a reduction in greenhouse gas (GHG) emissions

- In voluntary market, purchased in order to negate or diminish the recipient's GHG emissions
- Reduction occurs at a project-based activity located away from the source of emissions being offset
- Unverified Reduction → Carbon Credit → Offset Product
- Not a donation
- Not an investment in a future project



GHG Emissions Reductions (-)





GHG
Emissions
Reductions (-)

renewable energy

energy efficiency

agriculture/forestry/land use

methane destruction

industrial gas destruction

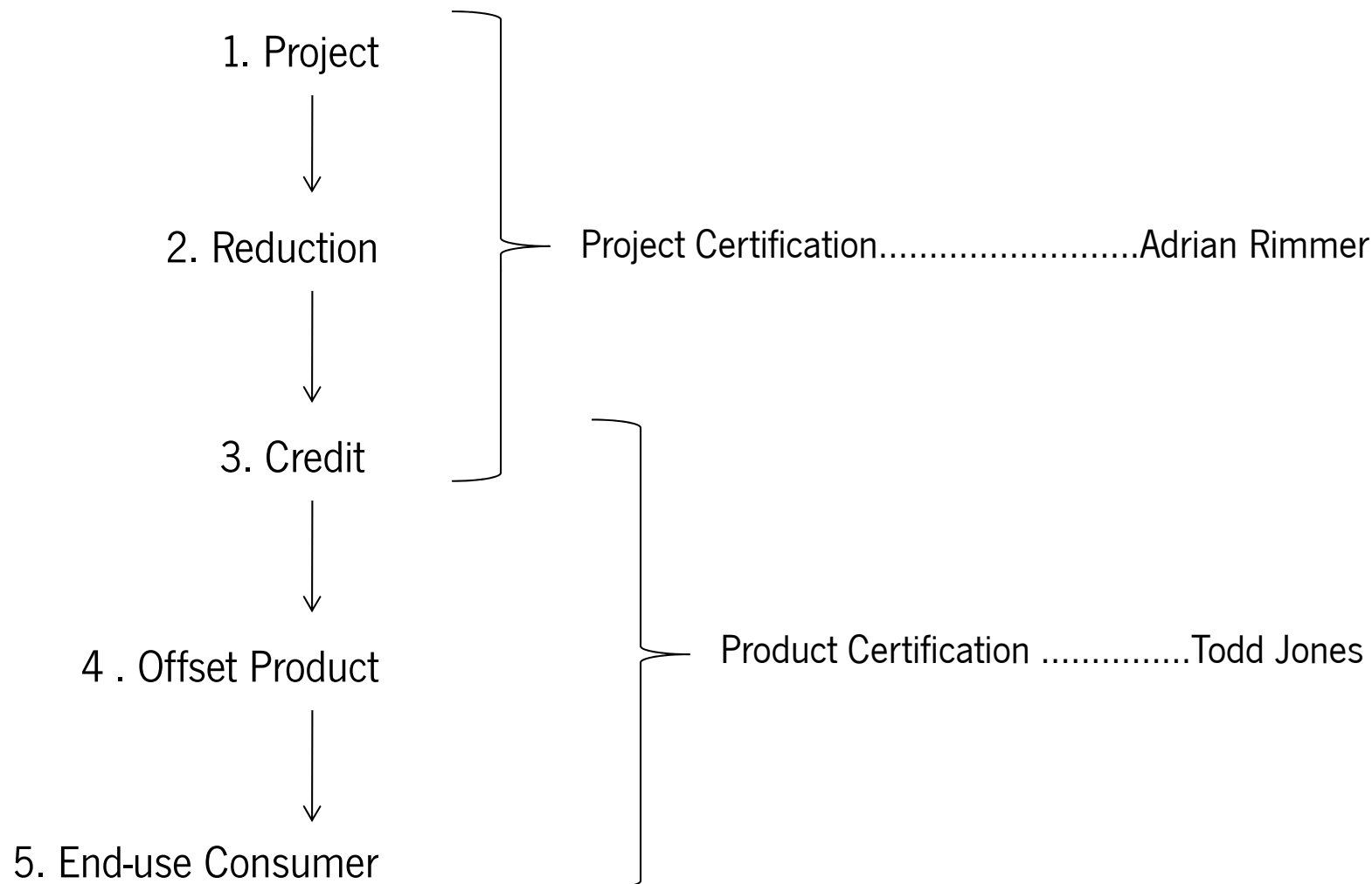
transportation

fuel switching

industrial process emissions

and more...

Path of Emissions Reductions in the Retail Market



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Best Practices in Commercial Offset Purchasing

September 29th, 2011

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Presentation Overview



Role of Offsetting in Corporate Strategies
Benefits of Purchasing Offsets
Making Responsible Claims

Charting A Carbon Path



Typical Organizational Path

1. Measure GHGs
2. Set Targets
3. Reduce
4. Purchase Carbon Offset

Understand Your Company's Emissions Profile



Emissions Categories (Scopes)

Scope 1 – direct emissions



Scope 2 – indirect from electricity consumption



Scope 3 – other indirect emissions



Calculate Your Carbon Inventory



Recognized Methodologies

The Climate Registry

ISO 14064

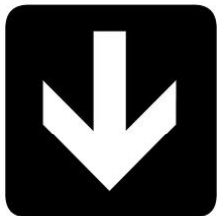
ICLEI – municipalities only

US EPA

WRI/WBCSD – GHG Protocol

Clean Air-Cool Planet – universities and schools only

Develop GHG Management Plan



Carbon Reduction Goals

Organizational
Business Unit
Product

Carbon Reduction Strategies

Energy efficiency projects
On-site renewable energy
Process emissions reductions
Behavioral improvements
Carbon Offsets

Reasons for Carbon Offset Purchasing



Why Offsets?

- Meet Emission Reduction Targets
- Demonstrate Environmental Leadership
- Product/Company Differentiation
- New Business Opportunities
- Risk Mitigation
- Stronger Stakeholder Relationships

Recognition Programs for Carbon Offset Purchasing

3rd Party



2nd Party



Self Certification



Broadcasting Your Offset Purchase



Guidelines

- Be Aware
- Be Accurate
- Be Specific
- Be Transparent

A photograph of a lush green forest. The foreground is filled with tall, vibrant green grass. Several tall, slender trees with smooth bark stand in the mid-ground, their trunks creating a rhythmic pattern. The background is a dense canopy of green leaves, with soft light filtering through. The overall scene is peaceful and natural.

Your company. Your story.

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Best Practices in Commercial Carbon Offset Purchasing: The Role of Standards

Adrian Rimmer, CEO, The Gold Standard Foundation



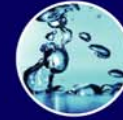
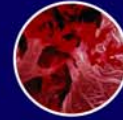
Recognizing excellence in carbon markets



03/10/2011



The Gold Standard
Premium quality carbon credits

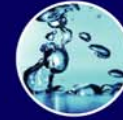
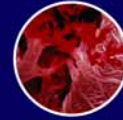


What is the Gold Standard?

- Non-profit organization based in Geneva, Switzerland
- The global benchmark certification for high quality carbon reduction projects in both compliance and voluntary carbon markets
- Independently verified to deliver real, permanent greenhouse gas reductions and sustainable development
- The only standard to incorporate MRV for sustainable development and environmental co-benefits - for all projects
- Actively supported by 80 NGOs worldwide, including WWF, Greenpeace, Care International, World Vision, Mercy Corps
- Buyers include DHL, Nokia, News Corporation, Panasonic Virgin Atlantic and multiple governments – including the US State Department
- Used by UN agencies for carbon finance projects



The Gold Standard
Premium quality carbon credits

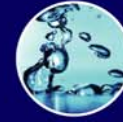
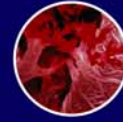


Certification is essential

- Carbon accounting is highly complex
- Additionality is paramount
- Permanence, leakage must be addressed
- Technical rigor must be assured
- Ownership must be guaranteed
- An offset portfolio is only as strong as its weakest tonne
- Non-compliance buyers are looking for CSR and PR benefits
- Claims must be 'bulletproof' to avoid reputational damage
- 'Futureproofing'



The Gold Standard
Premium quality carbon credits



Why this is important..

“Chevy's Carbon Plan: Less Than Meets the Eye. The carmaker will buy carbon offsets if you buy a Chevy. But the carbon reductions may likely be less than promised..”

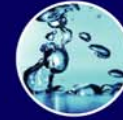
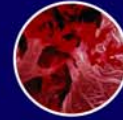
Businessweek

“Chevy Offsets Corvette Carbon With Inflated Green Housing Claim”

Bloomberg



The Gold Standard
Premium quality carbon credits



What do the standards do?

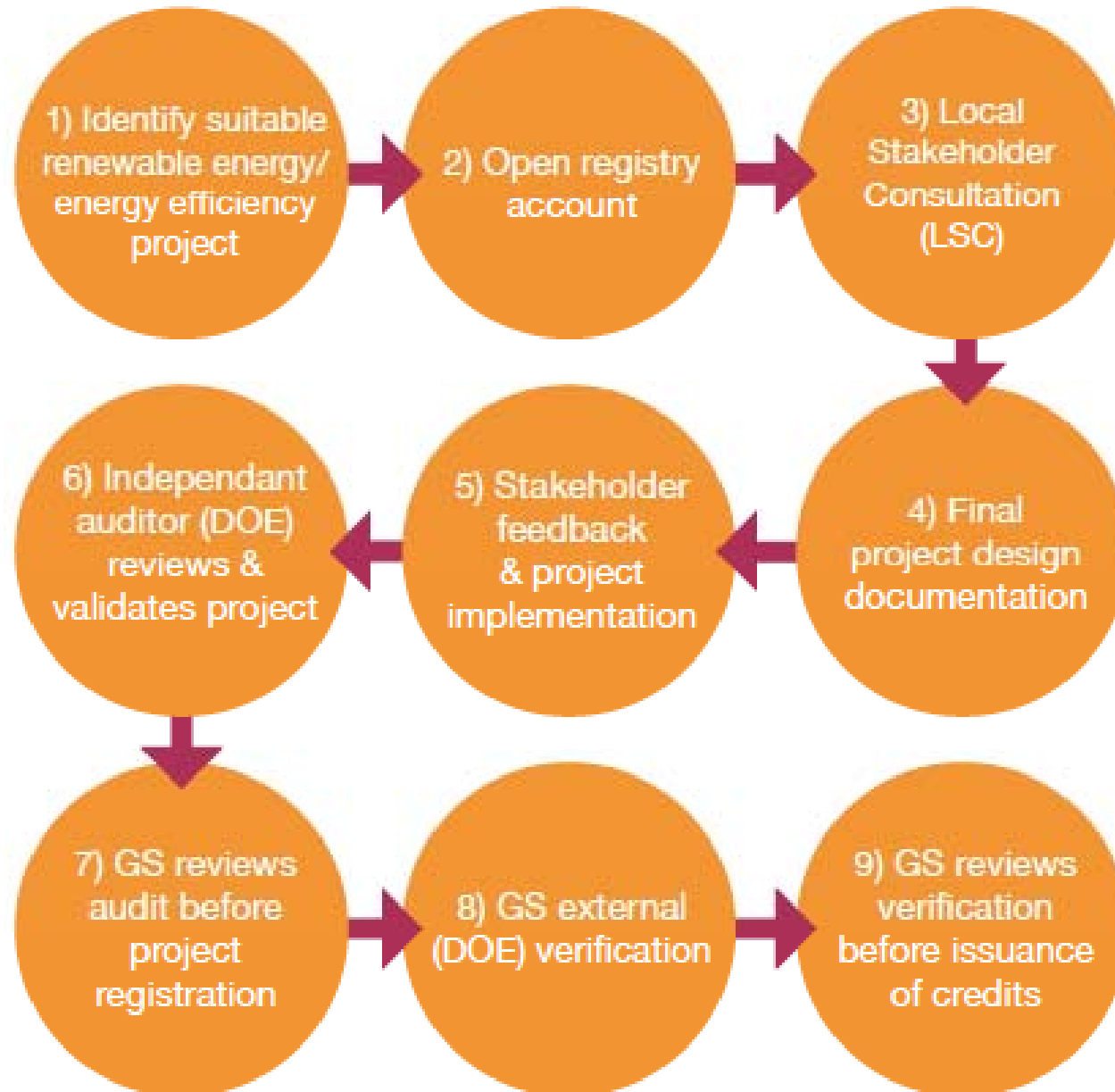
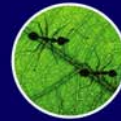
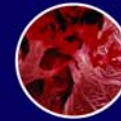
Give assurance to buyers that the emissions reductions generated by a particular project are **real, quantifiable** and **additional**

- and that all co-benefits claimed are genuine and delivered (GS only)

- Approve methodologies (set the rules)
- Define the processes (how to apply the rules)
- Audit the project (have the rules been followed?)
- Provide assurance that outcomes are delivered
- Issue credits
- Ensure ownership is clear and traceable (via a 'Registry')
- Enable and ensure 'retirement'

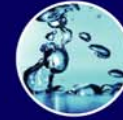
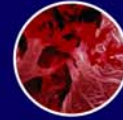


The Gold Standard
Premium quality carbon credits





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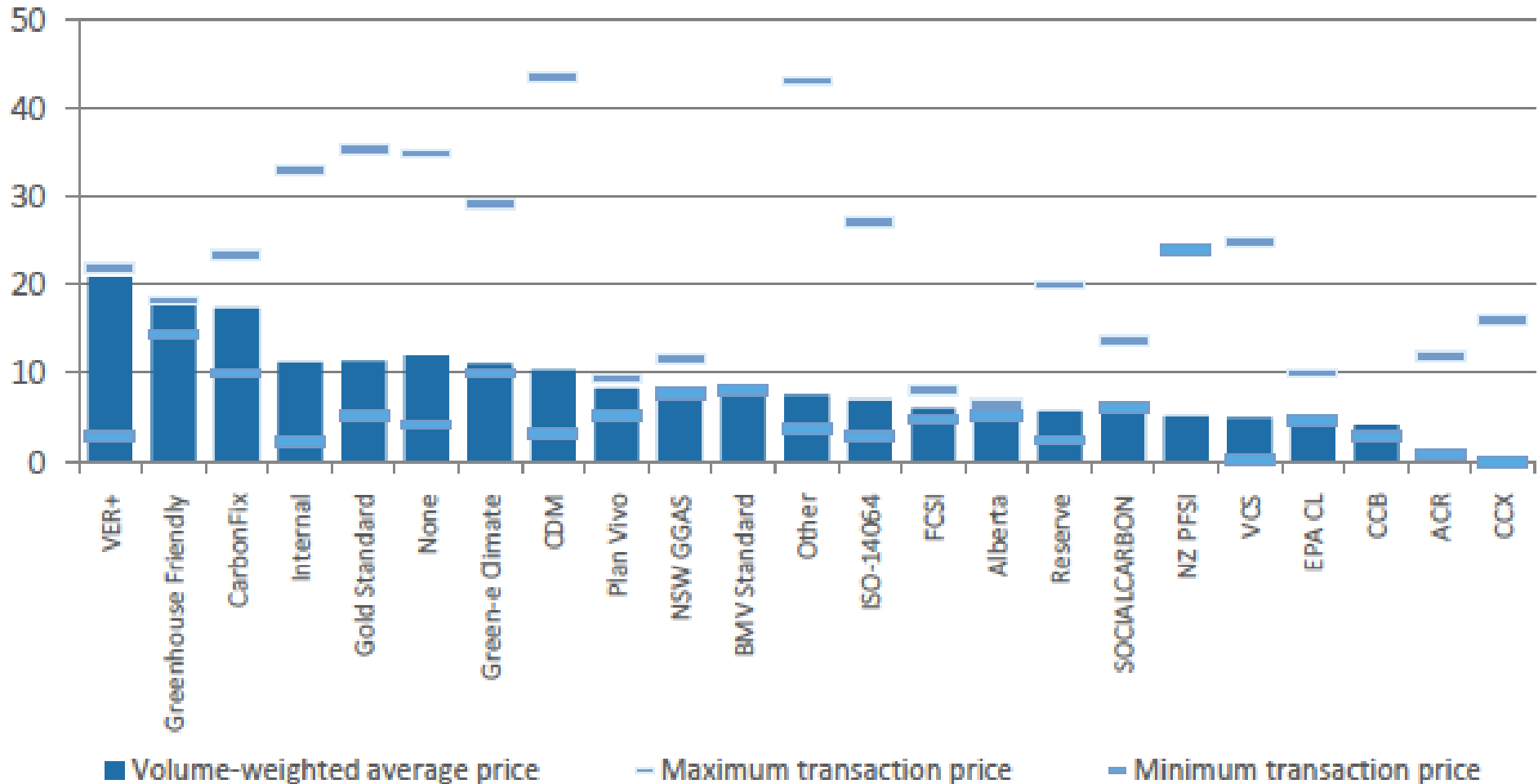
Why are quality and rigor important?

- Creates trust in end-buyers - and their customers
- Promotes adoption and change
- Serves as steering tool for policy makers
- Stabilises and builds markets
- Attracts capital
- Promotes linking between schemes

But.. Quality costs



Average price by standard 2010 (USD/tCO₂e)



Source: "State of the Voluntary Carbon Markets 2011", Ecosystem Marketplace and Bloomberg New Energy Finance

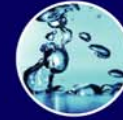
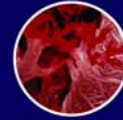


GS652: Efficient Biomass Stoves in South Africa





The Gold Standard
Premium quality carbon credits



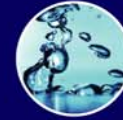
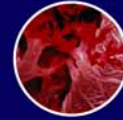
“The Gold Standard continues to be recognized as the flagship for demonstrating real carbon reductions plus additional sustainability benefits.”

ENDS Report 2010

- NGO category winner in Climate Change Business Journal’s Business Achievement Awards 2011
- Non-profit category runner-up in the Association for Climate Change Officers’ Climate Leadership Awards 2010 (winner is GS project developer)
- Ranked “most desirable standard for corporate buyers when purchasing carbon credits”, Carbon Management and Offsetting Trends Survey 2009
- Stockholm Environmental Institute commended Gold Standard as ‘the most fully-developed and rigorous standard in the voluntary market’ March 2008



The Gold Standard
Premium quality carbon credits

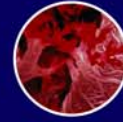


Why do people buy Gold Standard credits?

- Reduced reputational risk
- Confidence and peace of mind in credit robustness
- The only standard to measure, monitor and verify sustainable development criteria in all projects throughout the crediting lifetime of the project
- Widely viewed as *the* quality carbon credit in the marketplace
- Chosen to demonstrate broader CSR commitment
- Measurable co-benefits can enable a strong organizational fit
- Endorsed by 80 NGOs worldwide
- Credits more likely to be eligible in future compliance regimes



The Gold Standard
Premium quality carbon credits



Ask..

Your broker / retailer:

- What standard are these credits certified to?
- What project methodology was used?
- What are the serial numbers and which registry is being used?
- How can you provide assurance that the 'story' is sound?
- What other projects do you have available at what price?

Yourself:

- How will I market this effectively without overselling it?
- How will I justify the choice to my internal stakeholders and NGOs?



The Gold Standard[®]
Premium quality carbon credits

www.cdmgoldstandard.org

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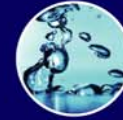
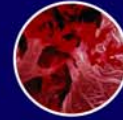
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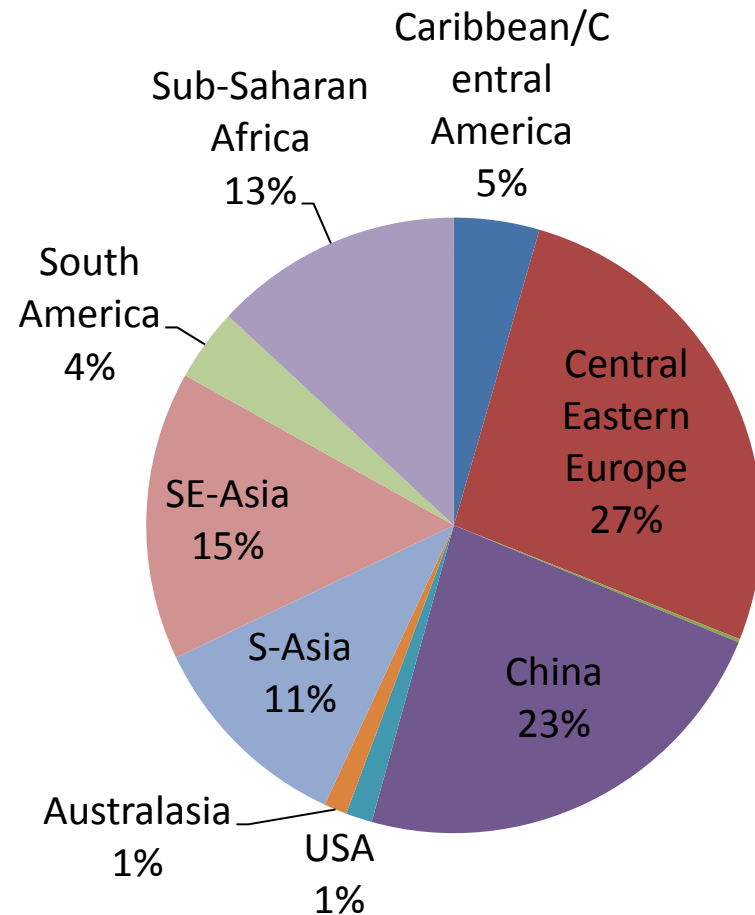


Why do people trust and value Gold Standard?

- Detailed, robust engagement and monitoring procedures
- All projects must host and document a two-step interactive ‘Local Stakeholder Consultation’ in both the design phase & feedback rounds
- Sustainable Development Matrix including social, economic and environmental benefits for local communities
- “Do no harm” assessment - UNDP safeguarding principles derived from international conventions for environmental, social, economic impact
- Measurement, Reporting and Verification of sustainable development indicators and other environmental co-benefits
- Active engagement of independent technical experts & NGOs
- UN accredited auditors, supplemented by GS in-house experts
- Constant innovation in all areas e.g. appeals process

Robust carbon mitigation worldwide

- Focus on Renewable Energy and Energy Efficiency projects
- 100+ project types (methodologies)
- 160+ project developers
- 600+ projects in over 50 countries
- 40m+ GS tonnes CO₂e issued and pending
- Approx 40:60 ratio of compliance to voluntary market projects



Geographic location of GS projects

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Path of Emissions Reductions in the Retail Market

1. Project



2. Reduction



3. Credit



4 . Offset Product



5. End-use Consumer

Quality Criteria

Additional

Permanent

Verified

Real

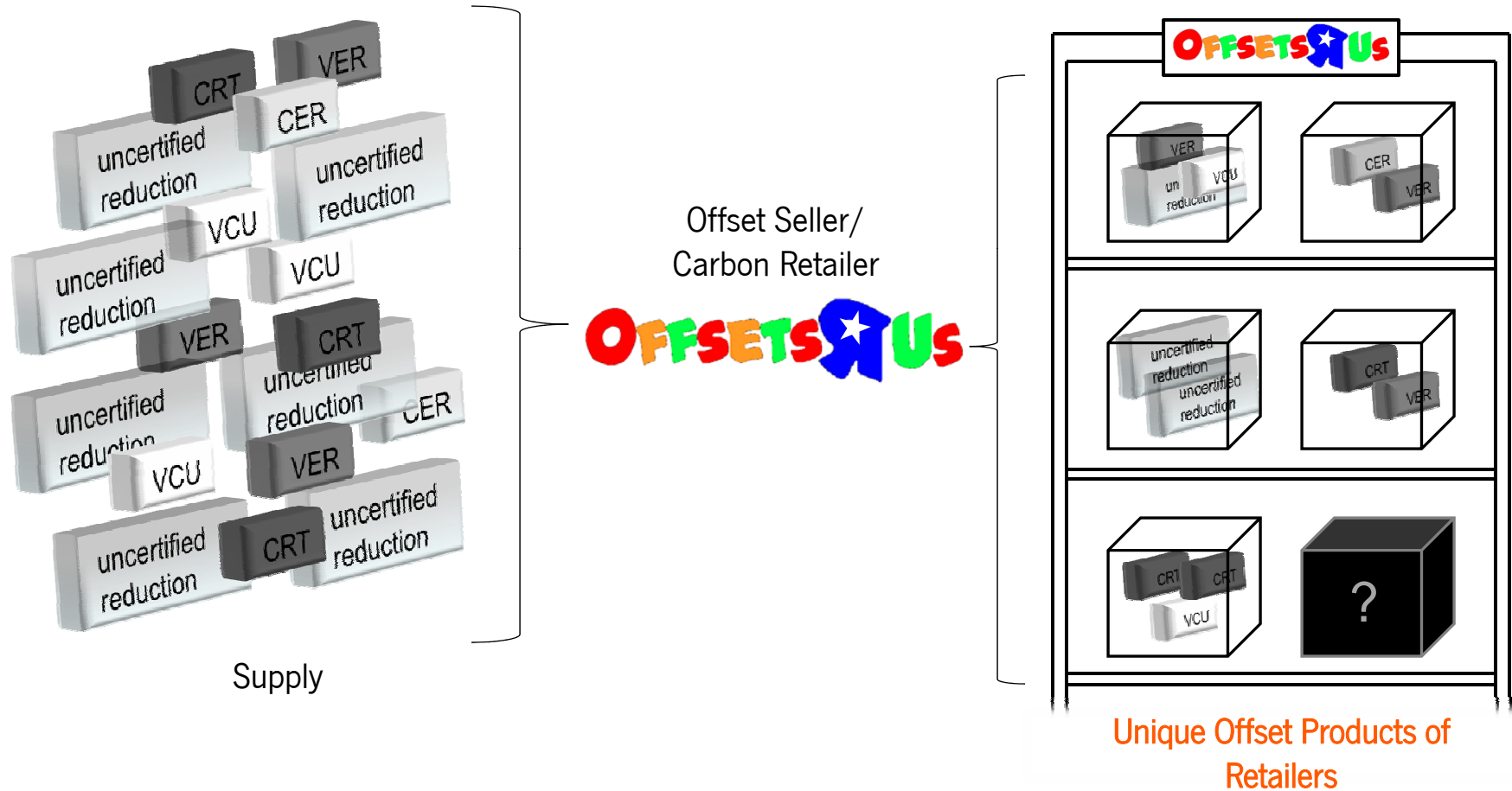
Enforceable

Quality = P.A.V.E.R.

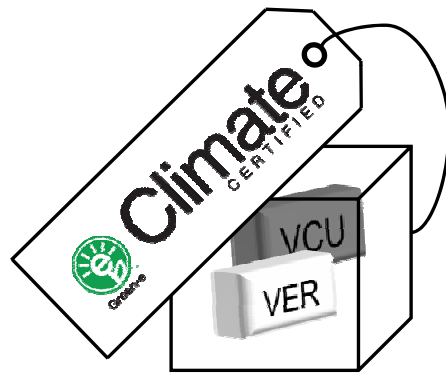
3. Credits



4. Offset Products



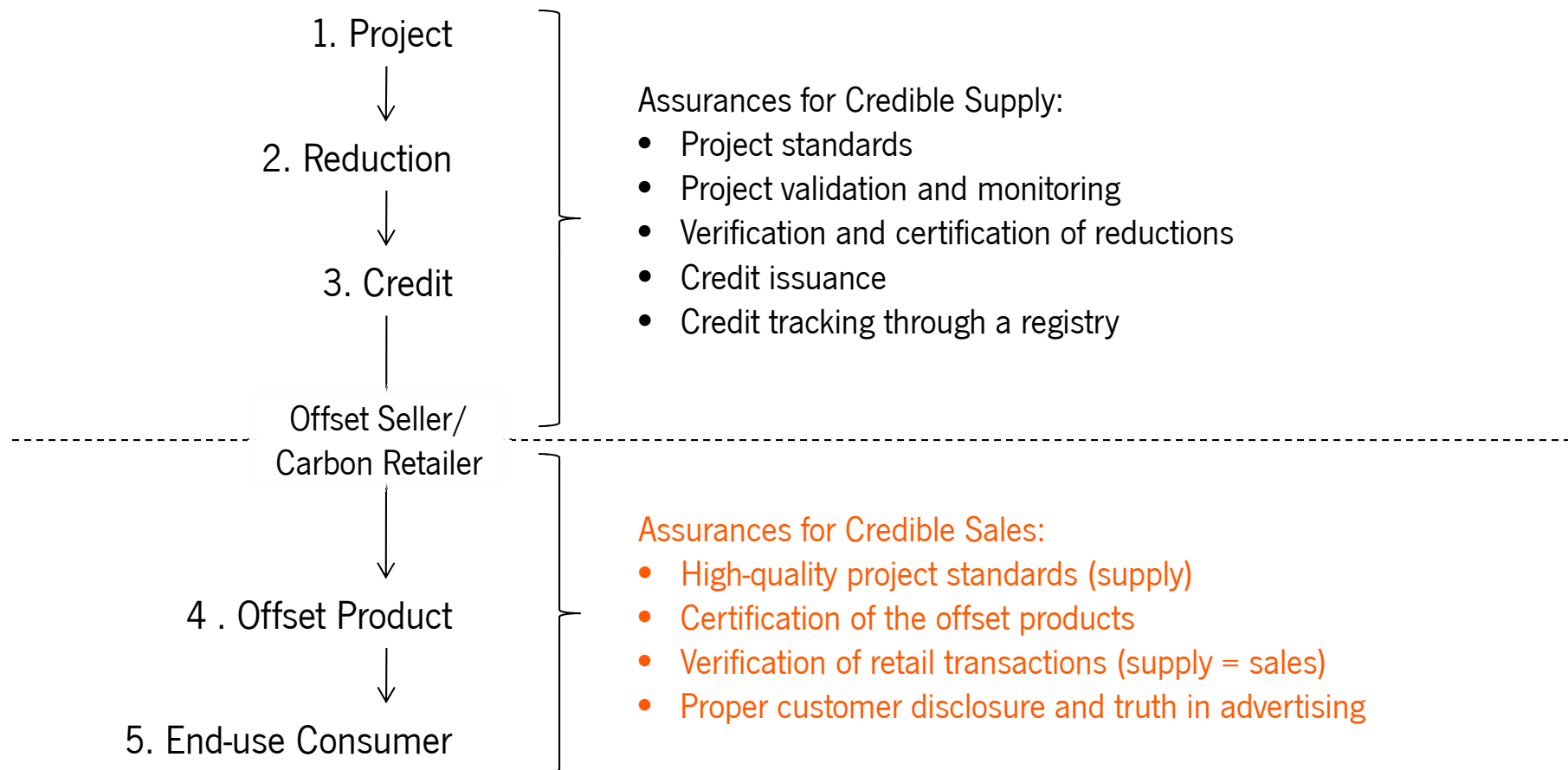
Product Certification – Consumer Protection



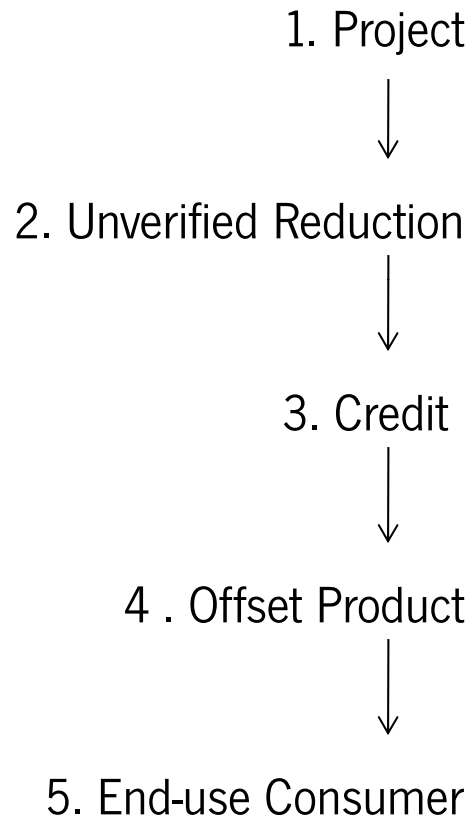
Certification of the unique offset products sold by offset sellers/retailers in the market

1. Products contain verified reductions from good project certification programs that ensure **P.A.V.E.R.**
2. Exclusive **Ownership** – correct type and quantity of reductions are actually and fully delivered and no double selling
3. **Disclosure** – full disclosure to the customer and no misleading information

Path of Emissions Reductions in the Retail Market



Path of Emissions Reductions in the Retail Market



Quality Criteria

Additional

Permanent

Verified

Real

Enforceable

Ownership

Disclosure

Quality = P.A.V.E.R. + D.O.

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Think Energy

Think Energy's Purchase Experience with Carbon Offsets

Elyse Rhodin
Project Director
Think Energy, Inc.

Overview

- Reasons for purchasing
- How offsets are used
- The role offsets play at Think Energy
- Choosing the products: RECs and Green-e Climate Offsets
- Identifying the right retailer



Think Energy

Reasons for Purchasing

- Think Energy, Inc. is a renewable energy consulting firm
- Important to the company and its members, from the owners down to the interns, to behave in a socially responsible fashion
- Believe all businesses should offset their carbon footprints
- Feel it is important to lead by example; how can we ask prospective clients to be “green” if we are not?
- Engaging in green practices lends us credibility in the sustainability industry



How Offsets are Used

- Think Energy considers two sectors that contribute to its carbon footprint:
 - ❖ Electricity used in our Silver Spring, MD office
 - ❖ Travel: Commuting for all employees and all business travel (including traveling to sites to perform site assessments or construction oversight, traveling to conferences, traveling to in-person meetings, etc.)
- To offset the electricity usage, Think Energy purchases renewable energy certificates (RECs)
- To offset other sources of carbon output, Think Energy uses carbon offsets
- As a firm focused on sustainability, we offset 200% of our annual carbon footprint
- The only claim that we make is that we offset our carbon footprint
 - ❖ We do not claim to consume renewable energy, though with the purchase of RECs we could rightfully make that assertion
 - ❖ We do not advertise ourselves as carbon neutral, though clearly we are



The Role of Offsets at Think Energy

- Think Energy keeps environmental stewardship at the forefront of our decision making
- As energy usage and transportation are the biggest sources of waste and pollution at Think Energy, offsets are a large part of our sustainability efforts
- Not the only component of Think Energy's overall environmental strategy, which also includes
 - ❖ Subsidizing public transportation and encourage employees to commute responsibly
 - ❖ Allowing employees to telecommute to eliminate transportation-related pollution
 - ❖ Using electronic filing when possible, reducing the amount of paper consumed
 - Typically use only two cases of paper annually
 - ❖ Using recycled products
 - ❖ Recycling materials (paper, plastic, metal, ink cartridges) whenever possible



Choosing the Products

- Think Energy uses RECs to offset our electricity usage as that most closely relates to our industry
- Chose to buy Green-e Climate certified offsets to offset travel for several reasons:
 - ❖ Green-e Climate Certified Carbon Offsets is the only such program for carbon offsets offered by retail sellers in the voluntary market
 - ❖ Certification is important to Think Energy, as it gives us confidence that the reductions are from actual, high-quality projects
 - ❖ Certification also gives us peace of mind that our offsets are not being “double-counted,” but instead are retired appropriately



Identifying the Right Retailer

- To identify the retailer, Think Energy created and distributed a request for proposals (RFP)
- We often manage the RFP process to help our clients acquire renewable energy, whether in the form of an on-site system or an electricity or REC purchase, so this was a natural way for us to move forward
- Our typical procedure involves evaluating the responses and selecting the vendor that most closely meets our needs
- For REC and carbon offset purchases, criteria can include:
 - ❖ Source of the RECs / offsets in terms of generation method, age, and location
 - ❖ Certification of the RECs / offsets
 - ❖ Pricing
- When we were seeking a supplier, Sterling Planet was the only entity offering the Green-e Climate Offsets
- Happy with Sterling Planet's services last year, so engaged them again this year for the carbon offsets



Contact Information

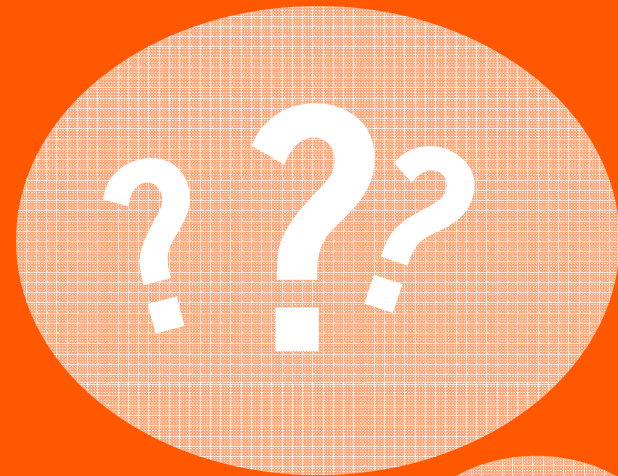
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