

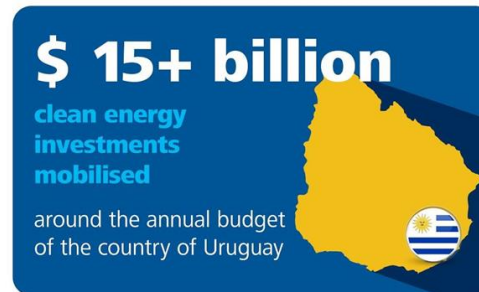
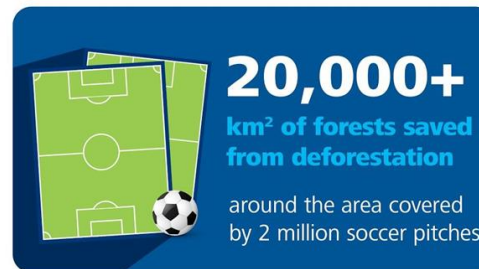
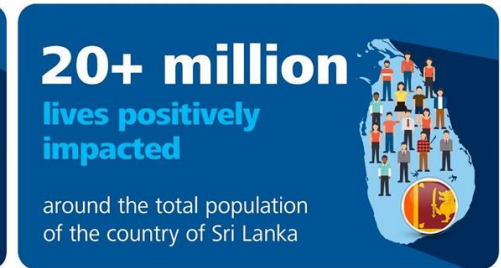
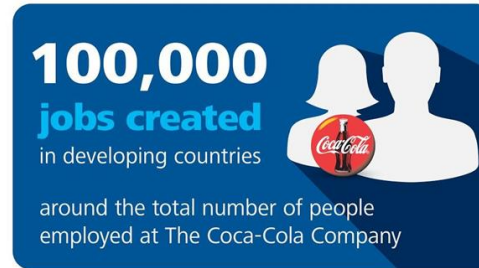
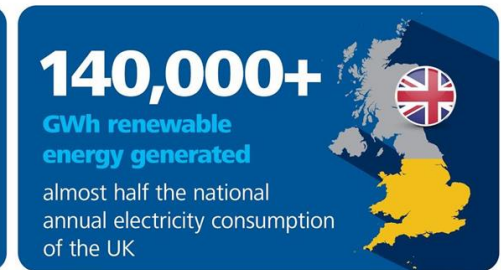
Voluntary Carbon Offsets in Compliance Markets

September 2019

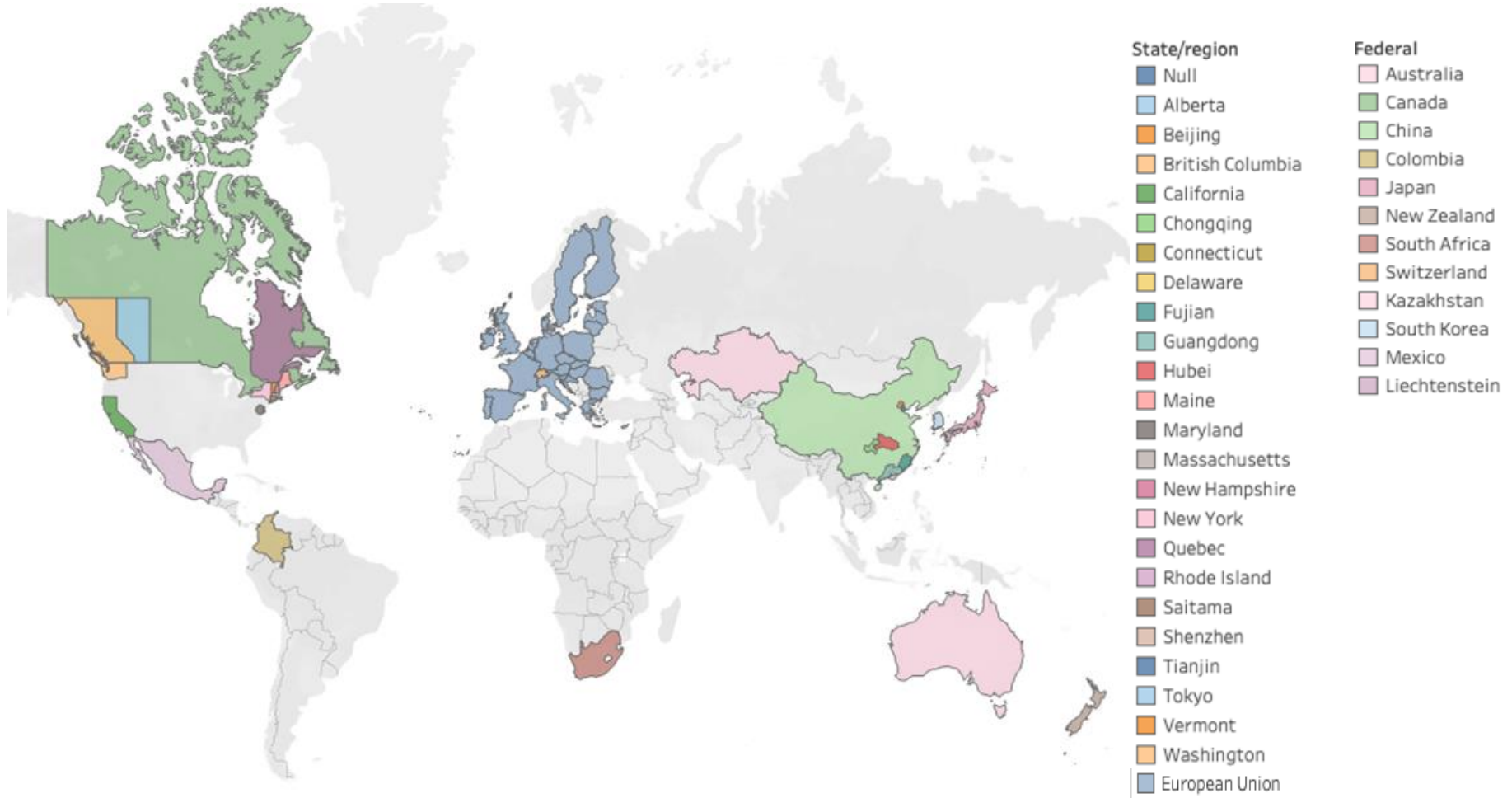
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OVER 13 YEARS OF CREATING GLOBAL IMPACT

- Environmental and social impacts
- 1,000+ clients
- Set up in 2006
- Renewables, forestry, agriculture, industry, urban mitigation and adaptation



Map of compliance markets that currently, and historically, use offsets



12 national schemes, and 24 sub-national schemes that use offsets

Why use offsets in compliance schemes?

- Offsets can reduce compliance costs by regulated entities by providing:
 - More cost effective option than paying allowance price
 - Flexibility for buyers
 - Incentives for further emission reduction activities in non-covered sectors
- Offsets can increase political acceptability of introducing a carbon price for policymakers
- Offsets can help raise ambition of a policy goal
- Offsets should never compromise the integrity of the compliance scheme and should not remove an incentive for a regulated entity to reduce its own emissions

Compliance scheme	Carbon standard/Geographic Origin	Offset Use
Colombia's Carbon Tax (2017 – ongoing)	<ul style="list-style-type: none"> 2017: CDM, VCS Offset supply origin: Domestic and International <ul style="list-style-type: none"> 2018: CDM, VCS/Intotec Offset supply origin: Colombia only	100% of tax payments can be met with offsets
South Africa's Carbon Tax (2019 – ongoing)	<ul style="list-style-type: none"> CDM Considering developing local standards Offset supply origin: South Africa only	10% of tax payments can be met with offsets
Australia's Emission Reduction Fund (2016 – ongoing)	<ul style="list-style-type: none"> Protocols by Clean Energy Regulator, producing Australian Carbon Credit Units (ACCU) Offset supply origin: Australia	Fund only buys ACCU's

Colombia's Carbon Tax: Overview

Recap:

- Colombia launched a carbon tax in January, 2017 on fuel providers and users
- Companies can use offsets to meet their tax payments

Offset status:

- In 2017, offsets from anywhere in the world could be used
- From 2018 onwards, only offsets within Colombia can be used
- Market short by 45mm tonnes

Next steps:

- New standard – Icontec – will bring online new projects
- ETS under consideration



Colombia's Carbon Tax: Private sector views

Private sector pro's:

- Can pay less than the \$5/tonne with offsets
- Airline companies and oil/gas firms quite happy with the scheme, but want international credits

Private sector con's:

- ANDI (Industry Association) would like to see burden of NDC reductions placed on LULUCF sector
- Carbon market being pushed by industry over tax
- Large administrative burdens

Private sector takeaways:

- Transport sector positive
- Could see industry more outspoken in favour of tax or trading soon.



Offsets for compliance: 2020 onwards

Compliance scheme	Carbon standard	Offset market demand in 2020 (kt)
South Korea ETS	Korea domestic offsets/International CERs	26,900
Western Climate Initiative	CAR, Quebec, NS protocols	22,000*
Australia ERF	ACCU (NCOS)	20,000
Colombia Carbon Tax	VCS/CDM/Intotec	15,000
Canada Backstop	Provincial protocols	10,000*
Alberta CCIR	Alberta Protocols	6,000*
Switzerland	TBD on Article 6/procurement	2,000
South Africa Carbon Tax	VCS/CDM/Other	250
China National ETS	CCER's	TBD
RGGI	RGGI Offset Protocol	0
Mexico ETS	TBD	TBD
CORSIA	TBD	1,000 (?)
Article 6	TBD	TBD

*Data from WCI, Alberta, and Canada courtesy of ClearBlue Markets

Takeaways

- Carbon tax w/offset model now more 'common' than a few years ago (Colombia, S. Africa, Chile?!)
- There are +10 compliance carbon pricing schemes that will use offsets after 2020
- Offset standards are used flexibly: can be applied at the international or domestic level.
- Offsets can increase political acceptability for adopting carbon pricing
- CORSIA/Article 6/Voluntary markets will find it challenging to source offsets from jurisdictions where offsets are used for compliance (e.g. Colombia)

ICROA/World Bank PMR Project on Compliance Offsets

- PMR granted ICROA to do an analytical exercise for 3 PMR countries which plan to use voluntary carbon markets in their NDC's
- Analysis will be done to better understand how to
 - account for voluntary reductions by corporates in NDC inventories,
 - ensure high environmental integrity for voluntary offsets,
 - build good policy design and governance to run voluntary offset programmes
- ICROA will work with PMR focal points in each country, and will hire a consultant to carry out the work
- Results will be published at PMR meetings in 2020 and I4C 2020



Cáceres and Cravo Norte, Colombia: this pioneering land restoration project contributes to the permanent reforestation and long-term monitoring of land in northern Colombia, with a particular focus on biodiversity. Reforested tropical forest areas provide habitat for local species like the near-threatened jaguar.



Thank you

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