EU's CRCF proposal would allow profiteers to make millions from selling **dodgy carbon credits**

REAL ZERO EUROPE


TEXAS HOLD'EM POKER CHIP
100
1000
TEXAS HOLD'EM POKER CHIP
100
TEXAS HOLD'EM POKER CHIP
25
GELD-
KOFFER

Carbon Offsetting:

EU Carbon Removal Certification Framework proposal lends legitimacy to a discredited approach

In November 2022, the European Commission presented a proposal for a Carbon Removal Certification Framework (CRCF). The proposal paves the way to generate carbon credits both through activities that increase storage of carbon in agricultural soils, forests and wood products, as well as by facilities using risky and unproven technological approaches, Direct Air Capture with Carbon Capture and Storage (DACCS) and Bioenergy with Carbon Capture and Storage (BECCS). Those credits can then be used to offset polluters' greenhouse gas emissions, thus justifying the release of yet more fossil carbon into the atmosphere.

Once burned, this fossil carbon will interfere with the climate for thousands of years – much longer than carbon can be stored in soil or contained in potentially leaky underground reservoirs.

This RZE Briefing covers carbon offsetting. The European Commission refuses to rule out the use of carbon credits generated under the proposed CRCF for this discredited approach, which has produced millions of phantom credits.

Many studies have shown that existing offset credits are not backed by actual emission reductions or carbon removal from the atmosphere.

What is carbon offsetting?

Carbon offsetting is based on the false assumption that the climate impact of greenhouse gases released into the atmosphere in one place can be compensated by someone elsewhere claiming either to emit less or store more carbon than they would have without the prospect of selling those savings or the extra carbon storage as an offset.

For example, an oil company in the EU can claim that its fossil energy production produces "net-zero" emissions because the actual fossil carbon emissions released at the refinery or gas storage facility have been "cancelled out" by someone elsewhere implementing, for instance, a carbon offset project that temporarily stores more carbon in soils than would have been the case without the offset project.

Using methodologies such as those being endorsed (and in some cases, still to be developed) by the proposed CRCF, the company (or individual farmers and foresters) wanting to certify the carbon removal activities demonstrates why the storage is additional to any that would have happened anyway. It then explains the assumptions and (default) values used to calculate how much additional carbon has been stored in the soil or trees (or how many methane, nitrous oxide or carbon dioxide emissions have been avoided) and calls in auditors to verify these calculations. After the auditor signs off on the assumptions and quantities, the company/farmer can sell its carbon credits as offsets. The oil and gas company buys the carbon credits from the company/farmer (or some intermediary) as "proof" that its own fossil fuel emissions have been cancelled out.

One would assume a Carbon Removals Certification Framework would rule out carbon credits for activities that reduce emissions (rather than remove them). The European Commission proposal, however, includes both activities that claim to remove additional carbon from the atmosphere, as well as activities that allegedly reduce emissions. The framework risks conflating emission reductions with carbon removals, despite their fundamentally different climate impacts.

What's wrong with carbon offsetting?

Carbon offsetting is an accounting approach whereby real greenhouse gas emissions are "cancelled out" by alleged additional removal of carbon dioxide (CO_2) from the atmosphere, or by the avoidance of emissions that allegedly would have been released without the carbon offset project.

If the volume of emissions that allegedly would have been released is inflated, or the project underestimates the carbon that would have been removed even without the credit-generating activity, the project generates "phantom credits": they do not represent a real emission reduction or carbon removal because the "savings" would have happened anyway. Many such examples have been documented.

Flaws and greenwashing potential inherent to the concept include:

- trading of such phantom credits that exist on the accounting balance sheet only;
- an irreconcilable timescale mismatch (the climate impact of permanent releases of fossil carbon will interfere with the climate for thousands of years is deemed to be offset by increasing temporary parking spaces for carbon in above-ground vegetation and soils, or potentially leaky underground storage); and
- corporate use of offsetting to greenwash the impact of their greenhouse gas emissions, while pollution and environmental harm continue.

Offsetting is being used by the largest polluters in the EU, including TotalEnergies, Shell and Eni, to keep profiting from fossil fuel burning and extraction.

A history of failures

Such accounting trickery has happened systematically in the Voluntary Carbon Market. Millions of offset credits have been shown to be "unsuitable for offsetting claims." When a credit is used for compliance purposes, it legalises an increase in greenhouse gas concentrations in the atmosphere because the corporate or national carbon balance shows no emissions (also known as "net-zero" emissions), although for the large majority of credits, the actual emission has not been balanced out.

These "phantom credits" do not actually represent any removal of carbon from the atmosphere.

A publication from the U.S.-based Penn Center for Science, Sustainability and the Media concludes that carbon offsets undermine the U.N. Paris Agreement: "Today, every major offset program still has the same problems researchers and investigative reports have been identifying for two decades. That suggests the core problems are inherent to offsets and intractable – the impossibility of ensuring additionality or of counting them accurately or of solving the double counting problem in a just way. […C]arbon offsets are unscalable, unjust, and unfixable – and a threat to the Paris Agreement."

A nine-month investigation by respected global newspapers also found that around 90% of the credits generated by the projects investigated were "worthless." Further investigations have revealed that projects, in addition to trading phantom credits, violated Indigenous Peoples' rights and harmed the local population. In one case, a European provider raked in 18 million euros by selling credits from a forest offset project in Zimbabwe with a significant markup; evidence that the communities received the benefits advertised by the offset provider is lacking, however.

Research by the former offset provider Compensate suggests that credits from the majority of the more than 170 screened "nature-based" offset projects that are sold on lucrative offsets markets are "unsuitable for offset use." Based on their own analysis, the offset rating agency BeZero noted that, while "[T]he theory of carbon markets assumes that all credits represent emissions avoidance or removal equal to 1 [tonne of CO_2-equivalent] … evidence increasingly shows that this is not the case."

What does the European Commission proposal say about offsetting?

The European Commission is seemingly impervious to such findings, and to negative public perceptions. Its EU Carbon Removal Certification Framework proposal sets up a regulatory process to quantify temporary carbon storage in agricultural soils, forests and wood products, as well as in underground stores linked to technological approaches, such as Direct Air Capture and Bioenergy combustion (see RZE Briefings 1 and 2). The result of this quantification process are carbon removal certificates ("carbon credits") that can be used for different purposes listed in the proposal. One carbon credit is supposed to represent one tonne of CO_2 that has been removed from the atmosphere (carbon removal), or the release of which has been avoided (emission reduction or emission avoidance). Thus, correct quantification is critical.

The Commission claims that it is "appropriate that carbon removal certificates underpin different end-use(s)." This could include the use of carbon removal credits in national and corporate greenhouse gas inventories or as offset credits in the Voluntary Carbon Market. The proposal even leaves the door open for carbon offsetting to be reintroduced into the EU Emission Trading Scheme (EU ETS), which regulates the emissions of large polluting facilities in the EU. Offset credits from international markets were excluded from the EU ETS following a series of scandals about phantom credits undermining EU ETS' functioning, and about the facilities it covered profiteering from differences in offset credit and EU ETS permit prices (selling or keeping the higher-priced permits and retiring cheaper offset credits instead). Notably, the use of forest and tree planting offsets was not permitted in the EU ETS; the mismatch in timescales and quantification flaws were key reasons for this exclusion.

The assumption that it is appropriate to use carbon credits for purposes as different as national greenhouse gas inventories and carbon offset markets appears far-fetched. As a carbon analyst report points out, the "use cases for the certificates and the use of the units that will be generated by this framework remain extremely unclear and because of that it is quite difficult to understand what should or should not be in the methodology."

Questions of liability for ensuring long-term storage, accuracy of the quantification, demands on baseline setting, etc. would appear to be addressed in accordance with the specific end-use for which the carbon credit is intended. But the process outlined in the CRCF proposal does not require such specificity of methodologies.

Even worse, the proposed law lays the ground for methodologies that repeat or ignore methodological flaws that led to systematic huge over-crediting of emission savings and carbon removals traded as carbon offsets in the Voluntary Carbon Market.

For example, the European Commission suggests that it is sufficient for activities claiming carbon credits to "periodically" update the baseline used to calculate the amount of extra carbon removed (Article 4). By contrast, standards bodies in the Voluntary Carbon Market are now requiring constant updating of baseline assumptions because static baselines updated only every five years allowed projects to overstate alleged emission reductions and thus receive phantom credits even when their calculations used obviously inflated baselines.

Another extremely thorny offset issue, which the Commission proposal simply ignores, is "additionality." A project owner must demonstrate that the carbon would not have been removed without the offset project, and that the carbon removal goes beyond what would have happened anyway due to (other) laws, finance or future practices. Providing such proof has shown to be an impossible task.

Offsetting rests on verification of a future that did not happen. In the case of the CRCF, a central issue with additionality is also that the EU has a legal obligation to increase carbon storage in the land sink, which should be achieved through national programs and finance.

How does the European Commission proposal address this conundrum? It defines it away by declaring that anything that goes beyond "standard performance of comparable activities in similar social, economic, environmental and technological circumstances and geographical locations" will be considered "additional."

This is particularly problematic for another offset issue: double counting. If a country has a national obligation to achieve a land sink target, but an oil company can simultaneously claim that credit to cancel out their emissions, then the potential impact of one activity is counted twice, overstating the climate benefit (if there is any positive impact at all).

Not only companies seek to avoid genuine efforts to reduce emissions by purchasing carbon offsets. Governments also consider carbon offsetting a way to claim that emission reduction commitments under the U.N. Paris Agreement have been met.

Currently no direct connection exists between the EU's carbon removals certification methodologies and the negotiations about the scope and extent of carbon offsetting under the Paris Agreement Article 6 (on carbon trading). This connection, however, will be established if companies with government-mandated emission targets are able to use credits generated under the EU CRCF – or if governments use those credits to claim compliance with net-zero emission commitments.

The resulting government and company net-zero carbon balances would hide emissions offset by phantom credits, while increasing greenhouse gas concentrations in the atmosphere.

Irredeemable CRCF proposal must be scrapped

Carbon offsetting has been thoroughly discredited; academic research and media and civil society investigations exposing the systematic overestimation of allegedly avoided emissions and carbon removed from the atmosphere. While research has focused on avoiding emissions from deforestation, similar methodological flaws have also been documented for carbon removal through forest management, tree planting and grassland management.

The European Commission's direction of travel thus completely ignores the well-documented, systemic failures of carbon offsetting to contribute to either reduce emissions or to provide meaningful funding to those obliged to achieve the emission reductions – where these have taken place.

In fact, the proposal also ignores the Commission's own actions in other domains. Carbon offsetting has given rise to a burgeoning industry of climate chaos profiteers: Carbon offset project developers, standards bodies, auditors and credit providers have pocketed millions from churning out the carbon credits that allow the world's largest polluters to advertise their products misleadingly as "carbon neutral."

In October 2023, the EU announced a ban on claims "based on emissions offsetting schemes that a product has neutral, reduced or positive impact on the environment." In light of this EU ban, and mounting evidence of fraud and profiteering from the trade of phantom offsets, the European Commission proposal for a Carbon Removal Certification Framework that will generate offset credits is irredeemable.

It must be scrapped before it wastes more time and energy that could be better applied to genuine emission reduction efforts.

REAL ZERO EUROPE

Scrap the European Union's carbon removal certification proposal!

Real solutions, not "Net Zero"!

Further reading

Friends of the Earth International. Fossil futures built on a house of cards. Report on the voluntary carbon market. June 2022.
https://foei.org/publication/fossil-futures-built-on-a-house-of-cards

Lisa Song / ProPublica. The Climate Solution Actually Adding Millions of Tons of CO2 Into the Atmosphere. April 2021.
https://www.propublica.org/article/the-climate-solution-actually-adding-millions-of-tons-of-co2-into-the-atmosphere

ETH Zürich / Benedict Probst et al. Systematic review of the actual emissions reductions of carbon offset projects across all major sectors. June 2023.
https://www.research-collection.ethz.ch/handle/20.500.11850/620307

Hoodwinked in the Hothouse. Resist false solutions to the climate crisis.
https://climatefalsesolutions.org/wp-content/uploads/HOODWINKED_ThirdEdition_On-Screen_version.pdf

More in the Carbon Removal Certification Framework series

1 **Carbon Capture & Storage**
The proposed EU Carbon Removal Certification Framework promotes risky, unproven technofixes

2 **Carbon Farming**
A dangerous gamble: Carbon farming in the proposed EU Carbon Removal Certification Framework

Find out more at
RealZeroEurope.org