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Environment
Manatu Mo Te Taiao

Guidance for voluntary emissions offsetting until 31 December 2020

New Zealand Government

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Executive summary

This document provides good practice guidelines on what a voluntary emissions offset is, the requirements of what constitutes a voluntary offset and examples of how voluntary emissions offsetting can be applied in the New Zealand context.

Voluntary emissions offsetting should take place after the measurement of emissions and subsequent reductions of emissions have occurred. Offsetting enables an organisation to reduce emissions to the atmosphere outside the boundary of their organisation where further internal emissions reductions cannot be achieved. For the voluntary emissions offset to be considered credible, it must be:

1. transparent
2. real, measurable and verified
3. additional
4. not double counted
5. address leakage
6. permanent.

Voluntary emissions offsets can be achieved using both international and domestic emissions reductions, and removals. Voluntary offsetting using New Zealand Units (NZUs) should follow a Kyoto cancellation workflow process to avoid double counting (ie, counted both against a national target and as a voluntary offset). This is a two-step process whereby a privately held NZU is permanently removed from circulation and a Crown-held emissions unit that can be used to meet the national emissions reduction target (Crown held AAU) is also cancelled.

Introduction

There is growing interest in voluntary emissions offsetting among New Zealand organisations wanting to claim carbon neutrality or meet self-imposed targets to reduce their carbon footprint. We have written this guide to assist New Zealand organisations who want to participate in voluntary offsetting. It outlines the principles we recommend that need to be met for an emissions offset to be considered a credible, voluntary offset.

This guide also clarifies the implications of cancelling New Zealand Units (NZUs) in relation to offsetting.

The principles of voluntary offsetting described in this guidance should be applied by New Zealand organisations to voluntary offsetting mechanisms that they are using, or intend to use.

It does not provide information or guidance on offsetting through specific international agencies or programmes. Furthermore, this guidance is only valid until 31 December 2020. After that, how we account for our national emissions target will change as a result of the Paris Agreement. Work is currently underway to provide guidance for voluntary offsetting post-2020.

The Ministry for the Environment (the Ministry) does not regulate or administer the voluntary offsetting market. However, claims of carbon neutrality or offsetting should be checked for compliance with the requirements under the Fair Trading Act.¹

There are multiple pathways for credible voluntary offsetting, which do not necessarily involve the New Zealand Emissions Trading Scheme (NZ ETS) or NZUs. However, for a voluntary offset to be considered credible it should comply with the principles outlined below, and it should be clear how these principles are being met.

Compliance and voluntary carbon markets

The NZ ETS is a tool designed to reduce New Zealand's net greenhouse gas (GHG) emissions and help New Zealand meet its emissions reduction targets. The forestry, stationary energy, industrial processes, liquid fossil fuels, waste and agriculture sectors of the New Zealand economy must by law report their emissions and, except for agriculture, must surrender eligible NZ ETS units² (NZUs or NZ AAUs) for every tonne of carbon dioxide or equivalent emitted.

In the NZ ETS, emissions obligations are usually high up the supply chain, meaning a relatively small number of regulated entities actually surrender³ units and these then pass an emission price to their customers. In the case of fuel producers or importers, the regulated entities are

¹ <http://www.legislation.govt.nz/act/public/1986/0121/latest/DLM96439.html>.

² These NZUs can be acquired for surrender via the NZ ETS market, or by paying the fixed price amount per tonne to the Crown.

³ In the NZ ETS 'surrender' means transferring a unit (usually an NZU) from a participant's account to a Crown surrender account to meet ETS surrender obligations. NZ ETS participants are required to surrender units to meet their ETS obligations.

not actually the direct emitters. A proportion of units are freely allocated for emissions-intensive, trade-exposed activities.

The New Zealand Government does not operate or govern a voluntary emissions offsetting market. However, claims associated with this market do fall under the Fair Trading Act. As the name suggests, participating in a voluntary carbon offsetting market is voluntary. It is an action that goes over and above the legislative (such as the NZ ETS) requirements.

A note on compliance and voluntary carbon markets

Surrendering units as part of a legal requirement under the NZ ETS is not a voluntary offset. Nor should an organisation claim carbon neutrality for simply surrendering units that are part of its compliance requirements under the NZ ETS.

What does ‘carbon neutral’ actually mean?

The term ‘carbon neutral’ is used when an activity, process, organisation, event or building has zero net GHG emissions.

Before claiming to be carbon neutral, entities should:

- calculate their emissions and disclose the scope for their measurement
- take as much action as practicable to reduce these emissions, and then
- cancel⁴ or retire⁵ credible units (this should meet all the principles outlined in the following section) equivalent to the remaining emissions. This process results in emissions being offset or being carbon neutral.

⁴ In the NZ ETS ‘cancel’ means voluntarily transferring a unit from any user account to a cancellation account, so that it is permanently taken out of circulation.

⁵ In the NZ ETS ‘retire’ means transferring a Kyoto unit from a Crown account to a Crown retirement account, which also takes the unit out of circulation permanently. The Government retires units to meet its international obligations under the Kyoto Protocol. NZUs or AAUs held in private accounts cannot be retired. The term ‘retire’ may take on other meanings when applied to units in international registries.

What does voluntary carbon offsetting actually mean?

Voluntary carbon offsetting means the measurement, reduction and offsetting of carbon emissions by the retirement or cancellation of units (also known as carbon credits) that meet the requirements outlined below. A unit represents a tonne of carbon dioxide or equivalent GHG emissions emitted and is issued in a publicly accessible registry authorised by the body that has issued the units. When the unit is retired or cancelled, it is removed from circulation in that registry and cannot be used again by another buyer. This is the final stage of the offset process.

The following principles have been applied internationally to identify genuine and credible units to be used for offsetting. The Ministry considers that **all** of the following principles should be fulfilled for voluntary offsets to be credible:

1. **Transparent:** The details of a voluntary offset and how the offset meets all the principles of voluntary emissions offsetting should be clearly stated and publicly available.

‘Publicly available’, in this context, means that the information is easily found and accessible by any member of the public. This may mean:

- The business or organisation has published the details of how the principles of voluntary offsetting have been met or
- The business or organisation has published the name of a third party organisation or broker who has conducted the voluntary offset on their behalf. This third party organisation or broker has published the details of how their organisation meets all the principles of voluntary offsetting.

In either of the above cases, these details could, for example, be published on their website, in a public disclosure statement or in their annual report.

It is also recommended that your unit cancellation or retirement used for voluntary offsetting is transparently reported in a public registry authorised by the body that issued the units.

2. **Real, measurable and verified:** The units used for the offset represents a tonne of carbon dioxide (CO₂) (or equivalent) emissions reduced or removed from the atmosphere, from tangible activities that have actually been implemented. The reduction or removal is supported by evidence from credible monitoring and reporting and should be verified by a third party.

Important notes on verification

- It is the responsibility of the organisation to voluntarily offset its carbon emissions to ensure the reduction or removal is valid.
- When calculating an organisation's emissions, verified emissions factors should be used. For example, those published or recommended in the [New Zealand measuring emissions guide](#), or by a professionally verified unique emissions factor.
- A valid unit is a real, measurable and verified emissions reduction or removal of one tonne of CO₂ or equivalent GHG.
- It is also recommended that the unit can be tracked in a registry from issuance to retirement or cancellation, allowing for a clear and transparent chain of custody.

Self-check questions

Do the units that you purchased represent the right to 1 tonne of CO₂ (or equivalent) of carbon reduction with a unique serial number and have they been issued by a body with the authority to issue units into a registry?

If the units are associated with a project, can you obtain reassurance that the project is functioning the way it should, including evidence that emissions have been reduced or sequestered?

3. **Additional:** The GHG emissions reductions or removals are due to a specific intervention and would not have occurred under business-as-usual. It cannot be something that was going to happen anyway.

Fulfilling compliance obligations is something that was going to happen anyway.

Self-check question

Can you obtain or provide reassurance that the units are representative of carbon sequestered or reduced and are due to practices that are additional to business-as-usual?

4. **Not double counted:** Only one entity (country, company or person) can use the reduction or removal for achievement of their emission reduction or carbon neutrality goals. This means the reduction or removal cannot be:
- **Double claimed:** Where two or more parties claim the same emission reduction. For example, an organisation claims an emissions reduction in New Zealand to use to offset their emissions (eg, by cancelling a unit) and that same emissions reduction is

used to meet New Zealand's national emissions reduction target (as part of accounting for the target⁶).

To manage concerns about double claiming **using valid NZ ETS units**, organisations should follow the Kyoto Voluntary Cancellation workflow provisions (described below).

- **Double used:** Where one issued unit representing an emissions reduction is used twice to achieve emissions reduction targets or compliance targets, eg, where a unit is used for offsetting but not cancelled or retired. That same unit is then subsequently used to meet a compliance requirement.

To manage concerns about **double using**, organisations should follow the guidance above regarding the use of registries (the retirement or cancellation of the units used for offsetting must be transparently reported in a public registry authorised by the body that issued the units).

5. **Address leakage:** The activity of reducing or removing emissions within the boundary of the credited activity does not result in increases to emissions elsewhere.

Example of addressing leakage

A waste disposal facility installs a methane capture plant on a site to reduce methane emissions. If the installation of this methane capture plant does not result in waste being diverted to another site, then no leakage has occurred. However, if the cap results in waste being diverted to another site, then some leakage has occurred because those methane emissions will occur elsewhere.

Self-check question

Do you have a guarantee that the emissions reduction achieved to generate the unit has not resulted in an increase, either directly or indirectly, in emissions elsewhere?

⁶ This may occur, for example, where a unit for forestry activity is cancelled. However, that forestry unit, which was used for offsetting is not recognised by the way in which New Zealand accounts for its national emissions. Therefore the forestry unit used for offsetting will be claimed by both the organisation who cancelled the unit and by the government in the national accounts.

6. **Permanent:** Reductions or removals must be maintained over time and be unlikely to be reversed.

An organisation will need to consider how their voluntary offset demonstrates permanence.

For any demonstration of permanence it is recommended that the organisation also states how the offset will be managed if, for unforeseen circumstances, the offset is reversed. For example, if a permanent forest is used for offsetting and a natural disaster, such as fire burns the forest down, the organisation⁷ is obligated to offset the emissions that were released during the fire somewhere else.

Self-check question

Are there provisions for replacement of the units if the emissions reductions are reversed?

Will my offset cause any net harm?

In addition to the six offsetting principles outlined above, organisations should also ensure their offset does no net harm. For example, if an offsetting action is undertaken overseas, the offset provider should ensure foreign labour laws and standards are adhered to.

⁷ If you are purchasing units through a provider or landowner it is suggested that there is a contract provision to specify who is responsible for any emissions reversals. If it is the unit supplier or landowner who has this responsibility, the buyer of the units should be aware of this mitigation plan before purchasing the units.

Offsetting in relation to New Zealand's emissions and the NZ ETS

Is the way we measure GHG emissions aligned with the ETS?

Currently, there is no direct link between NZUs provided to NZ ETS participants and New Zealand's international emissions reduction target for 2020. The NZ ETS is a domestic policy with its own rules and regulations. It operates domestically, separate from international reporting rules, and is implemented by the Ministry for the Environment, the Environmental Protection Authority and the Ministry for Primary Industries.

New Zealand is required to report GHG emissions at the national scale to the United Nations every year. How these emissions are accounted and reported for internationally differs to the way emissions are accounted for in the NZ ETS. At the national scale, emissions and removals of GHGs through forestry are measured using satellite imagery combined with national datasets and field-based measurements. Forestry unit creation, surrender or cancellation is not taken into account when reporting national forestry emissions or sequestration⁸.

For example, a registered post-1989 forest that has removed 1 tonne of carbon dioxide (or equivalent) from the atmosphere is represented by a unit in the NZ ETS (an NZU). While cancelling this unit recognises this removed carbon can no longer be traded or used for NZ ETS compliance, the forest itself still exists and is still mapped and accounted for in the way we measure and report our national emissions. Cancelling an NZU does not remove a unit from counting against our international emissions reduction target for 2020.

How do we measure and report on meeting our 2020 GHG emissions reduction target?

New Zealand has committed to reducing national emissions to five per cent below our 1990 emissions by the end of the 2013 to 2020 period. To meet this reduction target, net emissions need to reduce to achieve a budget of 509.8 Mt CO₂ equivalent for the 2013 to 2020 period. New Zealand can meet this target through a mixture of emissions reductions, purchasing international units, recognition of surplus Crown-held units (AAUs) from the first commitment period of the Kyoto Protocol ('carry-over'),⁹ and by recognising carbon sequestration by forestry.

⁸ Where carbon dioxide is removed from the atmosphere and stored in a natural form (eg, carbon stored in a tree).

⁹ These were units that were created in the first commitment period of the Kyoto Protocol. They effectively represent an allowance to emit. Countries could use AAUs to meet their emissions reduction targets. If a country had surplus AAUs at the end of the first commitment period (which New Zealand did) then these surplus units could be carried over to meet emissions reductions targets under the second commitment period that ends in 2020. New Zealand decided that at the end of 2015 only Crown-held AAUs could be used to meet our target at the second commitment period. AAUs held in private accounts cannot be used to meet our emissions reduction target in the second commitment period.

What do NZ ETS units actually do in terms of emissions reductions or offsets?

To meet obligations in the NZ ETS, regulated entities surrender units to the Government by transferring them to a Crown account. This does not constitute offsetting. In addition, entities are able to 'cancel' units in the New Zealand Emissions Trading Register (the Register), which removes the unit from trade. This can only constitute offsetting if any associated emissions reduction cannot be double claimed by the Government to help meet its international target.

To understand what impact cancelling a unit has it is important to recognise there are several types of units currently available in the NZ ETS as set out below.

New Zealand Units (NZU)

An NZU represents one tonne of carbon dioxide or equivalent. There are some units freely allocated by the Government that were not earned by undertaking specific emissions reduction or removal activities. These units include:

- emissions-intensive, trade-exposed allocation (NZU_EITE)
- pre-1990 forestry allocation plan (NZU_FA)
- fishing allocation (NZU_Fishing).

These units cannot be used for voluntary carbon offsetting because they do not meet the criteria above.

Other units are 'earned' due to GHG removal or sequestration activities, such as through forestry. Forests planted for harvesting, which are registered in the NZ ETS, receive units for the carbon that the trees sequester during growth, but under current rules, units must be surrendered when the trees are harvested. Likewise, permanent forests, planted without the intent of cutting them down, are awarded NZUs as they grow. These forests will need to surrender units if there is a reduction in carbon stock (eg, due to fire) but are not expected to be harvested because the forests are permanent. Removal units include:

- post-1989 forestry removal activities (NZU_FE)
- permanent forest sink initiative (NZU_PFSI).

Assigned Amount Units (AAU)

An AAU is a type of unit that was issued during the first commitment period of the Kyoto Protocol (2008–2012). Like an NZU, an AAU represents one tonne of carbon dioxide or equivalent. These units represent an allowance to emit and the quantity issued was equal to our target.

AAUs held in private accounts can be traded or cancelled like an NZU. The Crown also holds AAUs, which will be used to count towards meeting our 2020 national emissions reduction target.

Does cancelling an NZU result in an offset of emissions?

Cancelling an NZU on its own does not result in a credible, voluntary offset of emissions. Cancelling an NZU simply removes the unit from trade, regardless of whether it is a unit representing free allocation or a unit representing actual carbon removal from the atmosphere. If the cancelled NZU is representative of a carbon removal or reduction, then its cancellation reduces one tonne of emissions in the NZ ETS. It does not prevent the Government from counting that emissions reduction toward meeting its international target. This means cancelled NZUs can be double claimed by the Government and the entity claiming the offset.

Does cancelling an AAU result in an offset of emissions?

Cancelling a Crown-held NZ AAU that has been identified as eligible for use in meeting New Zealand's 2020 emissions target does affect our GHG emissions target, and so there is no risk of double claiming. This is because the unit is no longer available to be used to help meet New Zealand's international target.

AAUs that were issued in the first commitment period, and were transferred for PFSI forest removals, were removed from the Crown Accounts. These AAUs were subtracted from the units available to the Crown to meet its first commitment period obligations. Therefore, cancellation of these units does not create risk of double counting.

However, AAUs have been distributed to different industry types. Cancellation of some AAUs on their own may not be representative of an actual, additional or permanent emissions reduction. We recommend you investigate the provenance of your AAUs before using the units for credible voluntary offsetting.

Kyoto voluntary cancellation workflow

There is a process whereby NZUs, that represent a permanent reduction of carbon, can be "converted" into AAUs via transfer of NZUs to the Crown and their replacement with AAUs held by the Crown that are subsequently cancelled. This process, a Kyoto Voluntary Cancellation workflow, can result in a credible offset, if all other principles of credible, voluntary offsetting are met. This is because the unit will be permanently taken out of circulation and will not be capable of being claimed by New Zealand's GHG inventory.

How can I enable real emissions reductions that fulfil the principles of credible offsetting?

The Ministry has no role in endorsing or validating any one method or mechanism for voluntary offsetting. The examples of voluntary offsetting below are designed to assist an organisation in their assessment of their voluntary offsetting actions.

VOLUNTARY OFFSETTING EXAMPLES

Timothy owns a large business advisory practice (Tim's Business Tools). He and his staff often travel long distances in their vehicles to meet with clients. Timothy is conscious of his business's carbon footprint and wishes to become carbon neutral. He has already made some transitions, for example switching to LED light bulbs and buying more fuel-efficient cars. At the end of the 2018 year, Timothy calculates his business's carbon footprint is 1000 tonnes of carbon dioxide. To reach carbon neutrality, Timothy still needs to offset his remaining emissions. Below are a few examples of actions Timothy can take and whether or not these actions fulfil the principles of voluntary offsetting.

Example 1 – a credible voluntary offset

Timothy wants to voluntarily offset his remaining emissions and hires a third party organisation, Conscious Offsets Ltd, to help him. Before hiring Conscious Offsets Ltd, Timothy checks their website. The website clearly discloses how they meet all the principles of voluntary offsetting through the projects they fund.

Timothy then publishes the following on his website:

"Tim's Business Tools is committed to reducing our impact on the environment. We have reduced our emissions by updating our vehicle fleet to be more fuel efficient and by making energy savings in our offices. To mitigate our remaining carbon footprint we have partnered with Conscious Offsets Ltd to offset our emissions from the period of 1 January 2018 to 31 December 2018."

Timothy also publishes a link on his website to Conscious Offsets Ltd to enable the public to view how he and Conscious Offsets Ltd meet the principles of voluntary offsetting.

Example 2 – a credible voluntary offset

Timothy creates an account on the Register and buys some NZUs that come from the permanent forest sink initiative (PFSI). At the end of the year, Timothy transfers 1000 of his PFSI NZUs to a conversion account as part of a Kyoto Voluntary Cancellation workflow where they are replaced with 1000 NZ AAUs, which are then cancelled in the Register.

Timothy then publishes the following on his website.

"Tim's Business Tools is committed to reducing our impact on the environment. We have reduced our emissions by updating our vehicle fleet to be more fuel efficient and making energy savings in our offices. To mitigate our remaining carbon footprint for the 2018 period we have offset our emissions. We have done this by partnering with a landowner who has converted some of their pastoral land to native forestry. The landowner had the estimated amount of carbon sequestered by this forest verified by a third party and has received NZUs for this sequestration. We believe this forest will be permanent, which we consider to mean that the native forest will not be removed in the next 100 years. If for an unforeseen reason this forest is removed, the landowner will commit to replanting the native forest elsewhere. We have ensured that these units cannot be used by another party for offsetting, or any other purpose, by cancelling units in a verified register administered by the Crown. The cancellation process we have followed means the Crown cannot also use the same forestry sequestration to meet New Zealand's emissions target."

Timothy's actions meet the principles of voluntary offsetting. In this example, the sequestered carbon represented by the cancelled NZUs associated with a permanent forest is still counted in the national GHG inventory. However, the cancellation of the NZ AAUs effectively removes this sequestration from the national emissions reduction target.

Example 3 – not a credible voluntary offset

Timothy creates an account in the Register and buys some NZUs that have been earned from the growth of a plantation forest on forest land able to generate NZUs. At the end of the year, Timothy calculates that his business's carbon footprint is 1000 tonnes of carbon dioxide a year and voluntarily cancels 1000 of his NZUs in the Register.

Timothy then advertises on his website that his business has offset all of their emissions.

Timothy's claim to have offset his emissions **does not** meet the principles of voluntary offsetting because:

- **Transparent:** Timothy has not clearly stated and made publicly available details of how his offset meets all of the voluntary offsetting principles.
- **Double claimed:** Timothy has cancelled the forestry units. However, because the NZUs and the way we account for emissions (and removals) to meet our national targets are not linked, the sequestration of carbon by the forest will be claimed by both Timothy's business and New Zealand's national GHG inventory.
- **Permanent:** It is not clear how any emissions would be managed if the forest was harvested in the future. If the plantation forest is harvested, then the carbon stored by the trees will be released back into the atmosphere, rendering the offsetting claim to be untrue.

Example 4 – not a credible voluntary offset

Timothy creates an account in the Register and buys some NZ AAUs from a privately held account. At the end of the year, Timothy calculates his business's carbon footprint is 1000 tonnes of carbon dioxide a year and voluntarily cancels 1000 of his AAUs in the Register.

Timothy then advertises on his website that his business has offset all of their emissions.

Timothy's actions **do not** result in a credible voluntary emissions offset. Timothy's claim to have offset his emissions **do not** meet the principles of voluntary offsetting because:

- **Transparent:** Timothy has not clearly stated and made publicly available details of how his offset meets all of the voluntary offsetting principles. The provenance of Timothy's AAUs are also not clear. If the units were originally allocated for PFSI forestry, then the offset may be credible if Timothy were to disclose the provenance of the units.
- **Real, measurable and verified:** Cancelling a privately held NZ AAU on its own may not represent an actual emissions reduction. The provenance of the unit needs to be known in order to confirm this.
- **Additional:** Timothy's actions may not have resulted in any additional reduction in emissions to the atmosphere.

- **Permanent:** Timothy's actions may not have resulted in a permanent reduction or removal of emissions.

Example 5 – not a credible voluntary offset

Timothy creates an account on the New Zealand Emissions Trading Register and buys some NZUs that have been earned from the growth of a plantation forest. At the end of the year, Timothy calculates his business's carbon footprint is 1000 tonnes of carbon dioxide a year. Timothy then transfers 1000 of his NZUs to a conversion account as part of a Kyoto Voluntary Cancellation workflow where they are replaced with 1000 NZ AAUs, which are then cancelled in the Register.

Timothy then advertises on his website that his business has offset all of their emissions.

Timothy's claim to have offset his emissions still **does not** meet the principles of voluntary offsetting because:

- **Transparent:** Timothy has not clearly stated and made publicly available details of how his voluntary offset meets all of the voluntary offsetting principles.
- **Permanent:** It is not clear how any emissions would be managed if the forest was harvested in the future. If the plantation forest is harvested, then most of the carbon stored by the trees will be released back into the atmosphere, rendering the offsetting claim to be insufficient.

Example 6 – not a credible voluntary offset

Timothy wants to voluntarily offset his remaining emissions and hires a third party organisation, Offset Minders Ltd, to help him. Before hiring Offset Minders Ltd, Timothy checks their website. The website discloses the following about the projects that Offset Minders Ltd fund:

"Offset Minders Ltd invests in projects in developing nations to reduce GHG emissions. Next year we are investing in upgrading a coal-powered boiler to a more fuel- and energy-efficient natural gas boiler. This will significantly and permanently reduce emissions to the atmosphere."

Timothy then pays Offset Minders Ltd to cancel units from the boiler project to offset his emissions and publishes the following on his website:

"Tim's Business Tools is committed to reducing our impact on the environment. We have reduced our emissions by updating our vehicle fleet to be more fuel efficient and by making energy savings in our offices. To mitigate our remaining carbon footprint we have partnered with Offset Minders Ltd to offset our emissions."

Timothy also publishes a link on his website to Offset Minders Ltd to enable the public to view how Timothy and Offset Minders Ltd meet the principles of voluntary offsetting.

However, despite Timothy's best efforts, his actions **do not** meet the principles of voluntary offsetting because:

- **Real, measured and verified:** The emissions reduction from the boiler conversion has not yet taken place. For an emissions reduction to be real and measurable it must be from a tangible activity that has actually taken place, not simply the promise that an emissions reduction will take place.

Example 7 – not a credible voluntary offset

Timothy is so passionate about offsetting his emissions that he convinces his brother Phil to do the same. Phil owns and operates the local town waste and disposal facility, Land-Phil Ltd. Phil is already a mandatory participant of the NZ ETS. Phil must report the emissions from his business every year and either surrender units to the Crown or pay the fixed price amount per tonne of carbon emitted from his business to the Crown. In March 2019, Phil reports that his emissions from the operation of his waste facility were 5000 tonnes of carbon dioxide or equivalent for the period of 1 January 2018 to 31 December 2018. Phil then purchases 5000 NZUs that have been earned from the growth of a plantation forest on forest land able to generate NZUs. In May, as part of Phil's NZ ETS mandatory obligation, Phil surrenders these 5000 units to the Crown.

Phil then publishes the following on his website:

"Land-Phil Ltd is committed to reducing our impact on the environment. To mitigate our carbon footprint we have offset our emissions by partnering with a local forest owner."

Phil's actions **do not** meet the principles of voluntary offsetting because:

- **Additional:** Phil has a legal obligation to surrender units as a mandatory participant in the NZ ETS. The units Phil surrendered do not offset his emissions; they simply give him the right to emit. It does not matter whether these NZUs were sourced from forestry or as part of an allocation for surrender obligations. By surrendering units as part of a mandatory obligation, Phil was carrying out a business-as-usual activity.
- **Transparent:** Phil has not clearly stated and made publicly available the details of how his voluntary offset meets all of the voluntary offsetting principles. Furthermore, by claiming a mandatory ETS obligation as a voluntary offset, Phil may be at risk of breaching the Fair Trading Act.

Can any organisation carry out voluntary offsetting?

Any organisation has an ability to carry out voluntary offsetting to claim carbon neutrality or meet self-imposed targets to reduce their carbon footprint. A third party can be used to voluntarily offset your emissions on your behalf. However, even if you are paying for the services of a voluntary offset provider, we recommend you conduct your own due diligence.

A note on voluntary offsetting post-2020

As mentioned, this guidance is effective until 31 December 2020. From 1 January 2021, how we account for our national emissions target changes. We are currently working on guidance for credible, voluntary offsetting post-2020.

International units for voluntary offsetting

Some organisations may choose to voluntarily offset their emissions through international organisations or use international units. These transactions will take place in different public registries and not in the New Zealand Register. Not all units or programmes are equal in their standards or integrity. We strongly recommend thorough due diligence.