



Emissions



Scope 1



Scope 2



Scope 3



BUYING IN:

TAKING STOCK OF THE ROLE OF OFFSETS
IN CORPORATE CARBON STRATEGIES

Emissions
Reductions
(Accounted in 100)



Webinar Presentation
August 2, 2016



WEBINAR | August 2, 2016

Webinar Hosts

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Forest Trends' Ecosystem Marketplace



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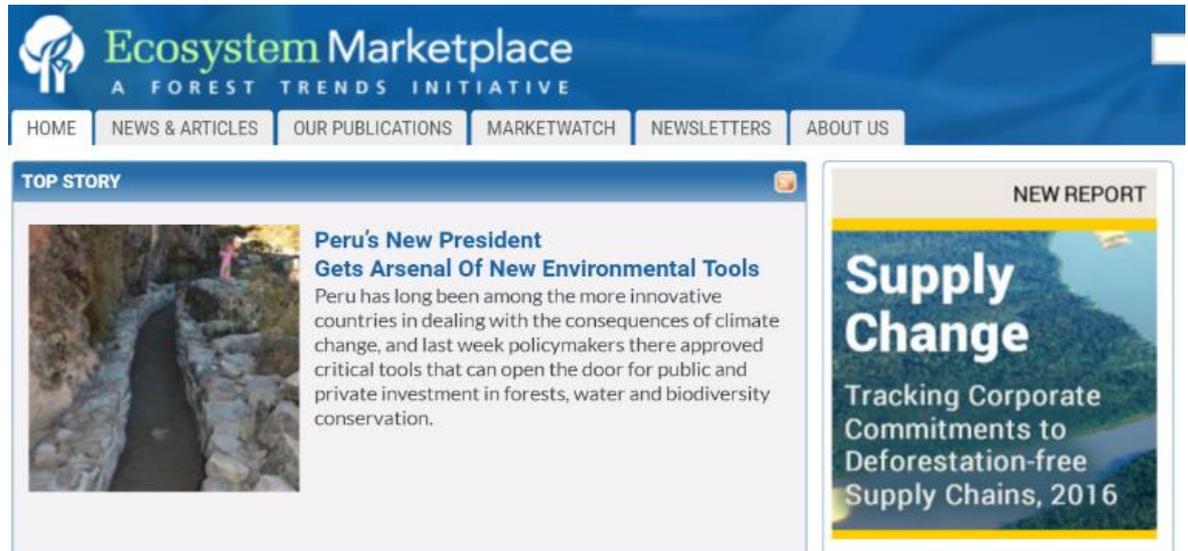
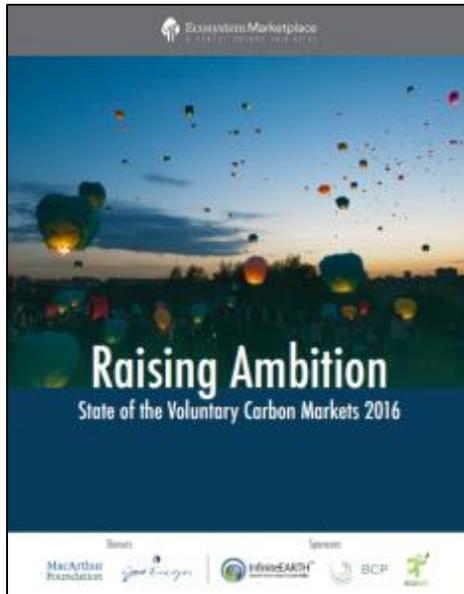




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IMPETUS AND METHODOLOGY: *Buying In* uses CDP data to get a rare glimpse of demand for carbon offsets – from the buyers themselves

What the CDP data is...

- More than 1,800 companies disclosing scope 1, 2, and 3 emissions
- Disclosures on emissions reductions targets and strategies – and the money invested to achieve them
- Annual reporting on carbon offset purchases including:
 - number of tonnes purchased;
 - project type;
 - carbon standard used;
 - whether the purchase was motivated by regulation;
 - and (in some cases) the offset project name
- EM analysis is on data from 2013, 2014, and 2015 disclosures (on the previous year's activities)

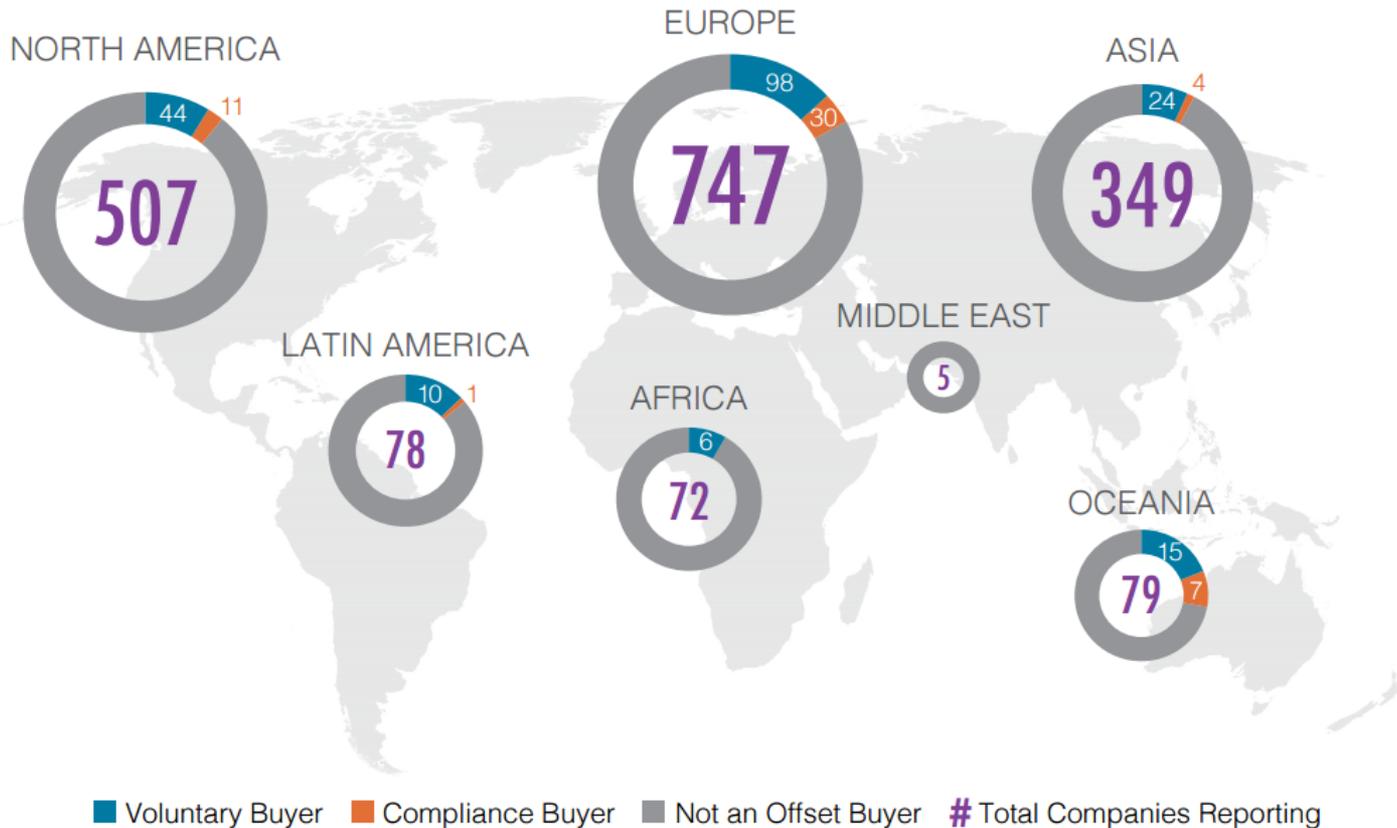
And what it isn't...

- Only public CDP disclosures are included in this dataset
- Data on 2015 emissions and offset purchases is not available yet
- No information available through CDP on offset prices
- No write-in for the motivation for offset purchases beyond voluntary versus compliance
- Not a comprehensive picture of voluntary or compliance offset demand

CDP data is collected on behalf of 822 institutional investors with \$95 trillion in assets

OFFSETING AROUND THE WORLD: 248 companies reporting to CDP offset a portion of their emissions

NUMBER OF COMPANIES PUBLICLY DISCLOSING TO CDP IN 2015, BY REGION AND ENGAGEMENT WITH OFFSETTING



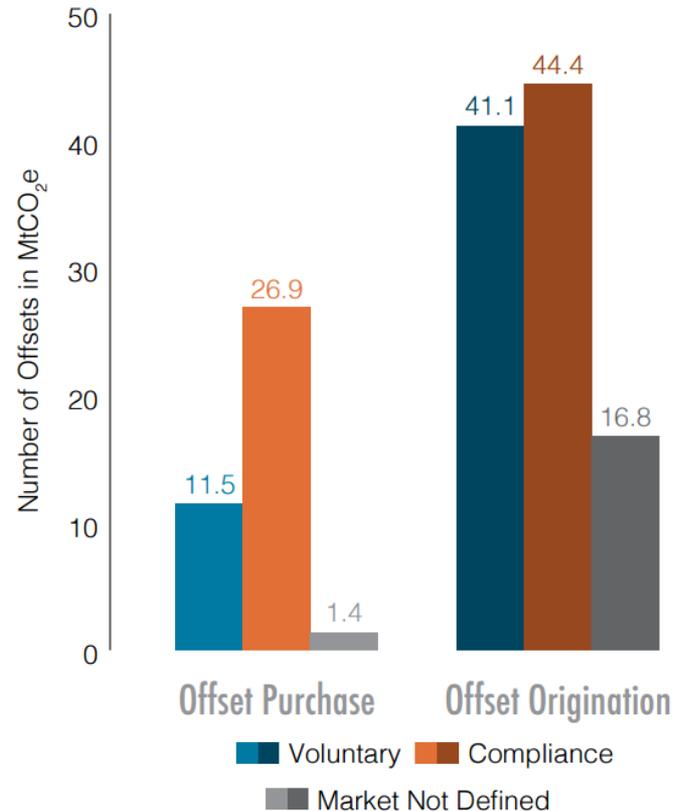
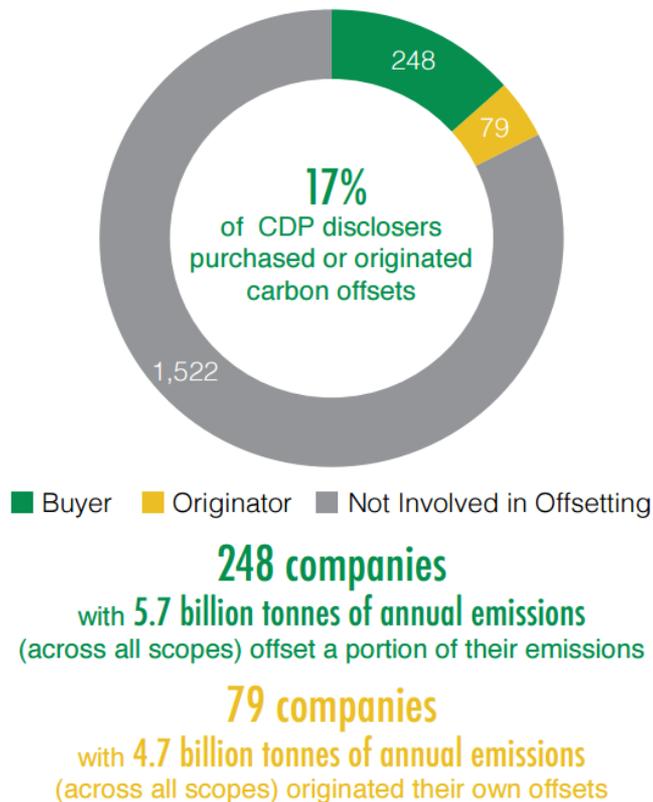
Notes: Based on 1,836 companies' public disclosures to CDP in 2015. Companies were reporting on 2014 data; 1,896 companies total publicly disclosed to CDP in 2015 but 60 companies whose reporting periods fell mostly outside of 2014 were excluded from this report's analysis.

Data source: CDP public disclosure, reporting year 2015.



OFFSETTING IS COMMON: Collectively, companies reporting to CDP purchased 39.8 MtCO₂e and originated another 102.4 MtCO₂e

MARKET SNAPSHOT: NUMBER AND PERCENTAGE OF REPORTING COMPANIES THAT ENGAGE IN OFFSETTING AND NUMBER OF OFFSETS THEY PURCHASE OR ORIGINATE



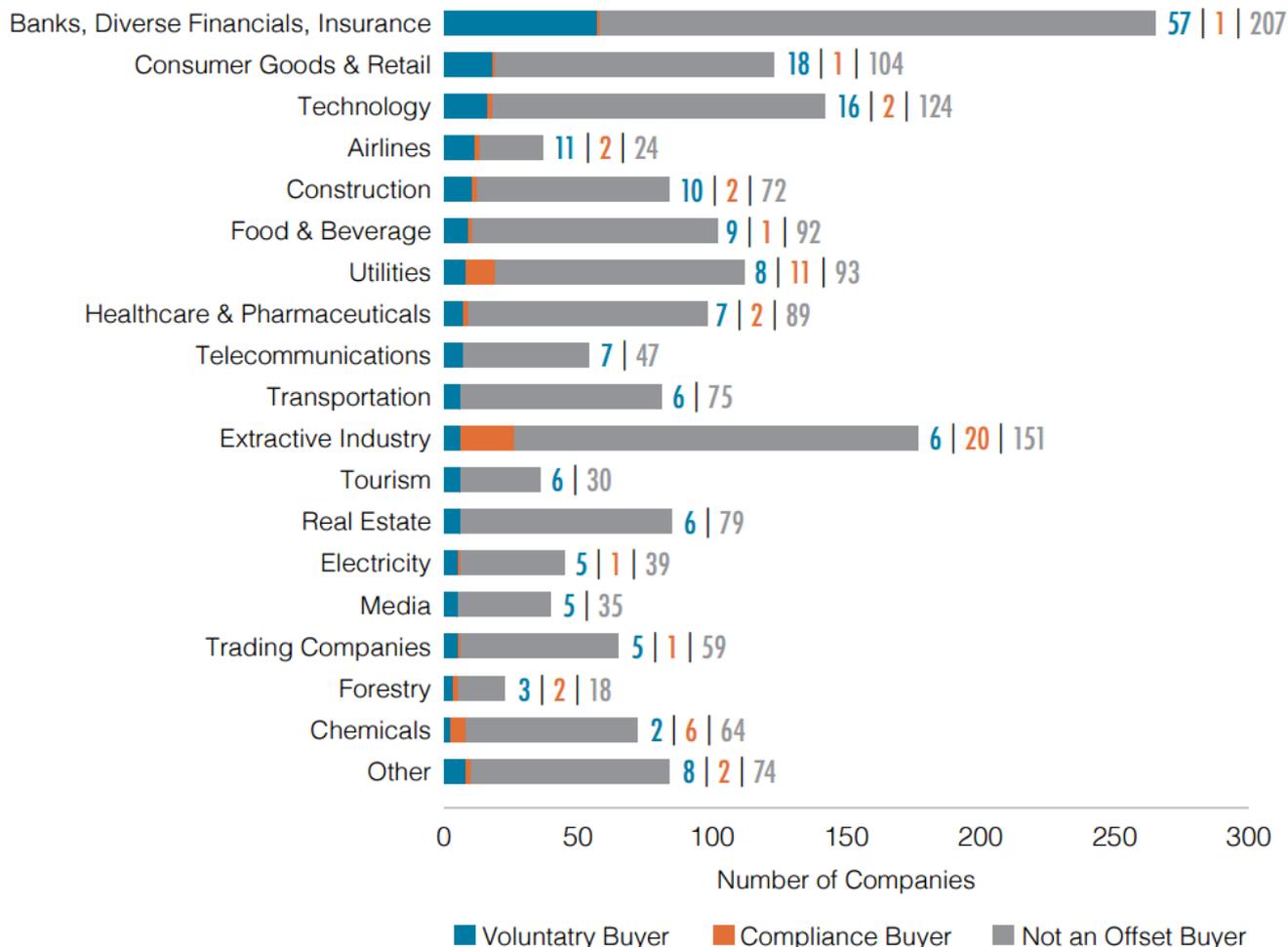
Notes: Based on 39.8 MtCO₂e in offset purchases by 248 unique buyers in 2014 as well as 102.3 MtCO₂e in offset origination by 79 unique companies. "All scopes" refers to emissions in Scopes 1, 2, and 3. See Figure 7 on p. 15 for more detail.

Data source: CDP public disclosure, reporting year 2015.



WHY BUY?: Voluntary offsetters come from sectors that rely on a positive relationship with consumers – or see high climate risks on the horizon

NUMBER OF REPORTING COMPANIES BY BUSINESS SECTOR AND ENGAGEMENT WITH OFFSETTING



Notes: Based on 1,724 disclosures associated with a business sector. The sectors listed are a slightly consolidated version of the “industry group” reported to CDP, with combinations made at the discretion of the author.

Data source: CDP public disclosure, reporting year 2015



WHO'S WHO?: 197 companies – many of them household names – reported voluntary offset purchases (another 53 bought for compliance)

Top 15 voluntary buyers by volume, 2012-2014:

1. General Motors
2. Barclays
3. Delta Air Lines
4. PG&E
5. Marks & Spencer
6. Microsoft
7. Allianz SE
8. Australia and New Zealand Banking Group
9. Deutsche Bank
10. Interface
11. National Australia Bank
12. Credit Suisse
13. Qantas Airways
14. Bank of Montreal
15. Deutsche Post AG

General Motors pioneered new methodologies for carbon offsets on college campuses – and bought the tonnes



Photo source: *Detroit Free Press*

SCOPING IT OUT

How does offsetting fit into companies' overall emissions reductions strategies?



5,218 MtCO₂e



Scope 1



1,190 MtCO₂e



Scope 2

Scope 3

18,118 MtCO₂e

- 115 MtCO₂e Other
- 32 MtCO₂e Business travel
- 33 MtCO₂e Waste generated in operations
- 56 MtCO₂e Downstream leased assets
- 104 MtCO₂e Capital goods
- 199 MtCO₂e Upstream transportation and distribution
- 261 MtCO₂e End of life treatment of sold products
- 439 MtCO₂e Downstream transportation and distribution
- 453 MtCO₂e Investments

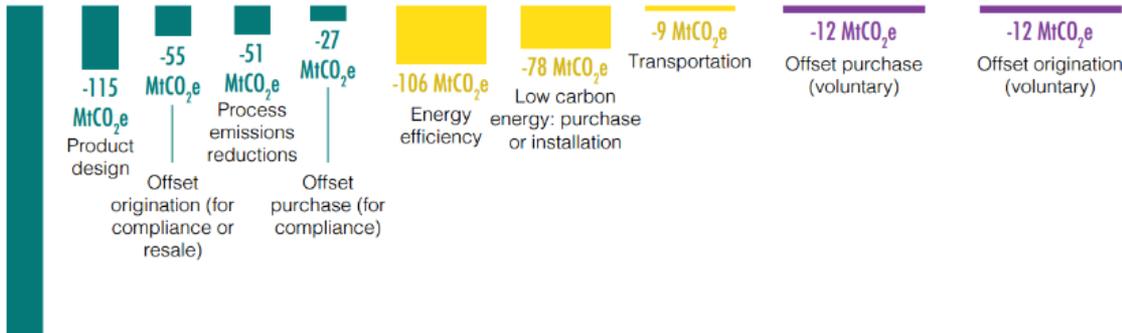


TOTAL SCOPE 1, 2, AND 3 EMISSIONS AND TOTAL EMISSIONS REDUCTIONS IN 2014, FROM COMPANIES REPORTING TO CDP

Scope 3 = the emissions "elephant in the room"



-597 MtCO₂e
Fugitive emissions reductions



Notes: Based on 5.2 billion tonnes of scope 1 emissions reported by 1,718 companies; 1.2 billion tonnes of scope 2 emissions reported by 1,729 companies, and 18.2 billion tonnes of scope 3 emissions reported by 1,426 companies (not all companies reported emissions across all scopes).

Data source: CDP public disclosure, reporting year 2015.

Emissions



5,218 MtCO₂e



1,190 MtCO₂e



Zooming in...
Offsetting is buying
into the problem,
not out of it.

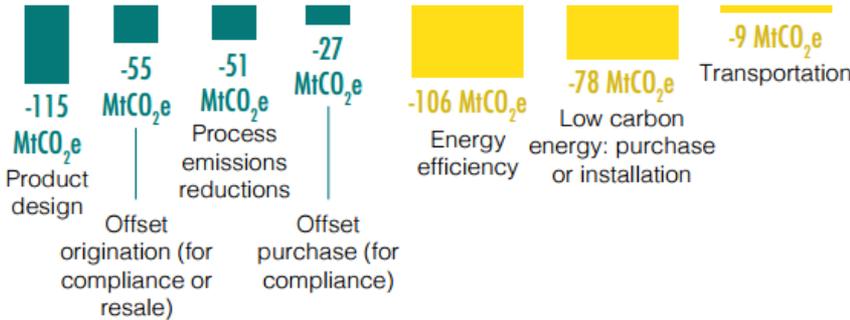
Scope 1

Scope 2

Emissions
Reductions
(zoomed in 10x)

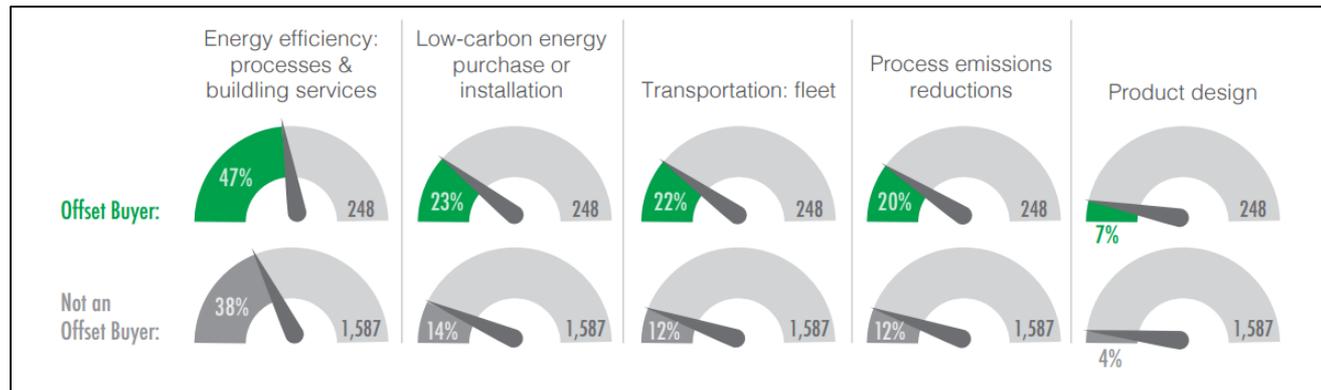


-597 MtCO₂e
Fugitive emissions
reductions

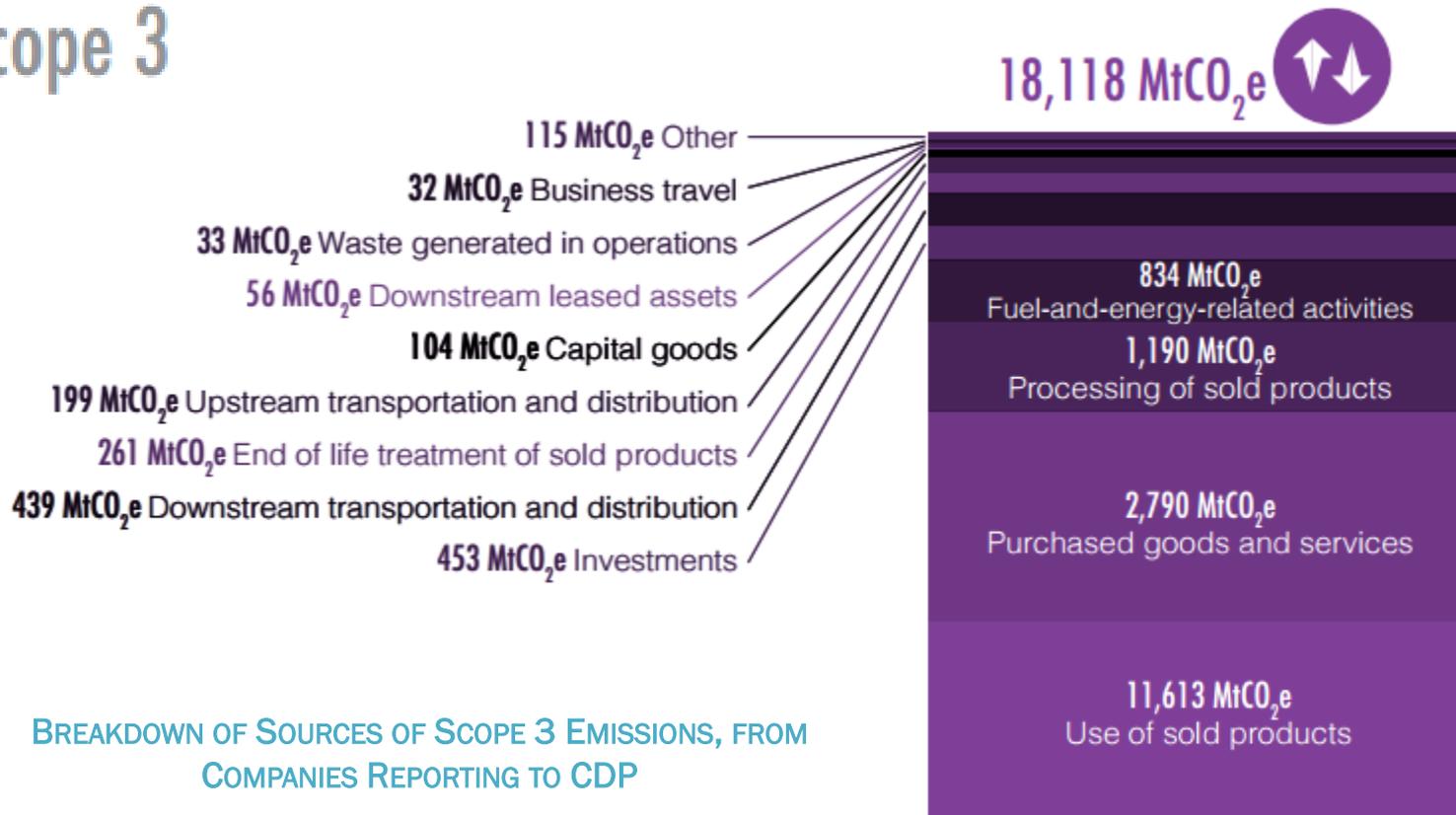


*Offset buyers
implemented these
direct emissions
reduction strategies
at a higher rate than
other companies*

PERCENTAGE OF REPORTING
COMPANIES ENGAGING IN
EMISSIONS REDUCTIONS
ACTIVITIES >>



Scope 3



BREAKDOWN OF SOURCES OF SCOPE 3 EMISSIONS, FROM COMPANIES REPORTING TO CDP

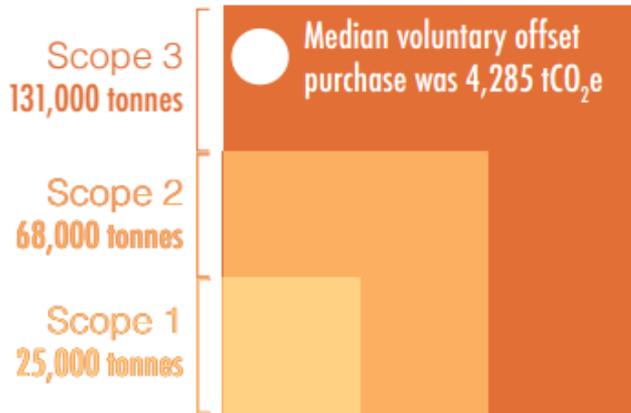
CDP disclosers reported an emissions liability of nearly 25 billion tonnes in 2014 – about three-quarters of which (18 billion tonnes) were attributed to Scope 3 emissions.

Offsets are a way to address Scope 3 emissions today.

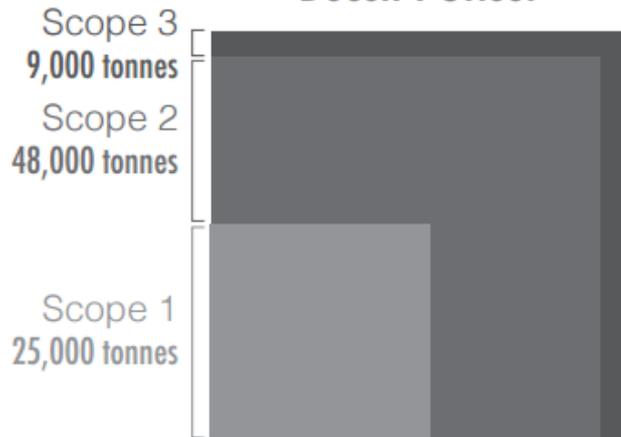
TONNE BY TONNE

Does offsetting make a dent?

Typical Voluntary Buyer



Typical Company That Doesn't Offset



Typical Compliance Buyer



Notes: Based on median emissions and emissions reductions to get an idea of the typical voluntary and compliance offset buyer. Numbers are rounded to the nearest 1,000.

Data source: CDP public disclosure, reporting year 2015.



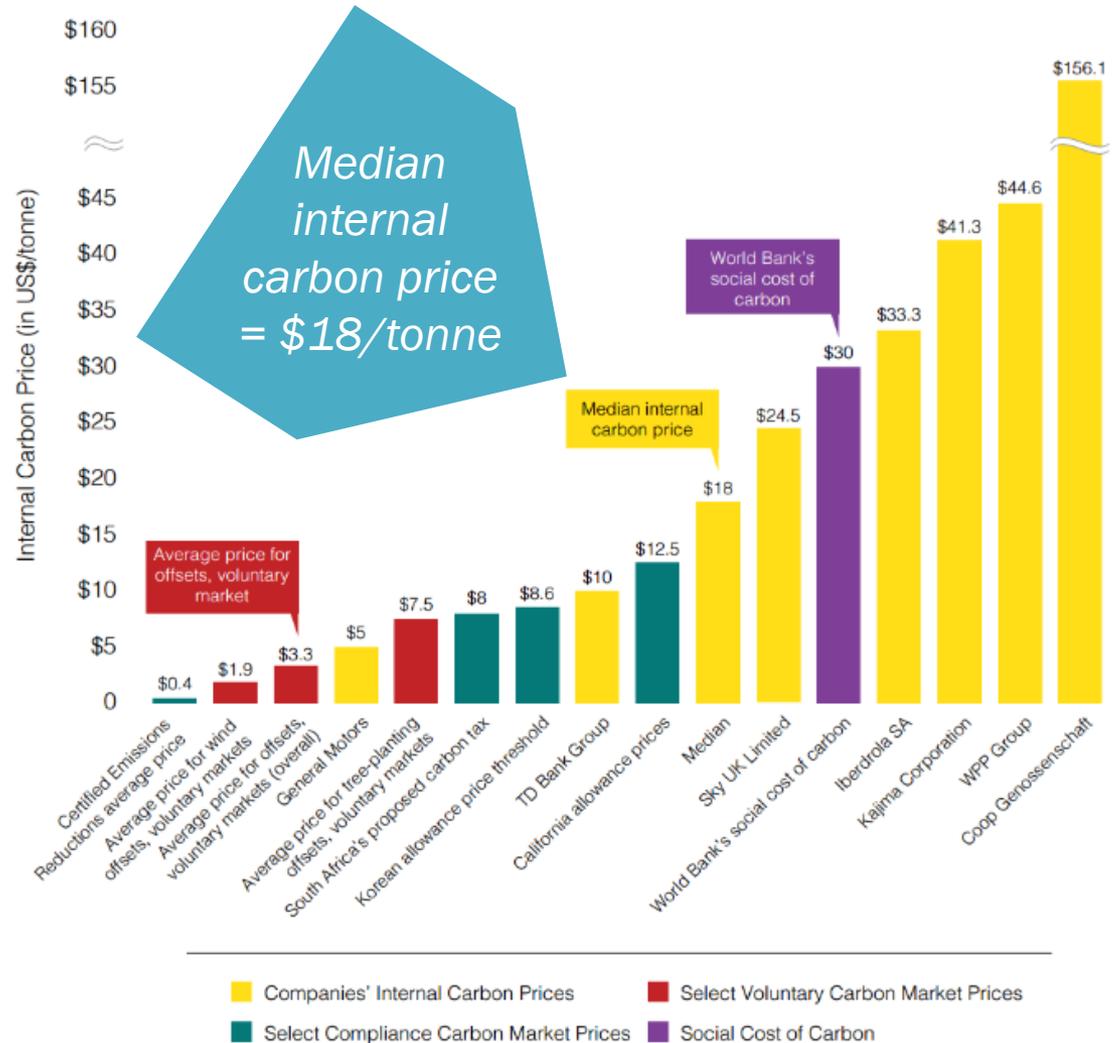
How to Scale Up?

- ❖ Compliance markets
- ❖ Science-based Targets
- ❖ Internal carbon pricing
- ❖ Offset origination / insetting within supply chains



INTERNAL CARBON PRICING: Companies that offset are 5x as likely to have an internal carbon price

SELECT COMPANIES' INTERNAL CARBON PRICES COMPARED TO EXAMPLE OFFSET AND ALLOWANCE PRICES



Notes: Internal carbon prices are based on 120 specific prices companies reported to CDP in 2014. Voluntary carbon offset prices are based on Ecosystem Marketplace's State of the Voluntary Carbon Markets 2016 report.

Data source: CDP public disclosure, reporting year 2015.



Emissions



Scope 1



Scope 2



Scope 3



BUYING IN:

TAKING STOCK OF THE ROLE OF OFFSETS
IN CORPORATE CARBON STRATEGIES

Questions?

Ask on the webinar! Or email:
agoldstein@ecosystemmarketplace.com



Emissions
Reductions
(Accounted in TRC)

