THE BOTTOM LINE:
TAKING STOCK OF THE ROLE OF OFFSETS IN CORPORATE CARBON STRATEGIES
ECOSYSTEM MARKETPLACE: A global source for news, data and analytics around environmental markets and payments for ecosystem services
**IMPETUS AND METHODOLOGY:** *The Bottom Line* 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
- Reporting years 2012 & 2013

**And what it isn’t...**
- Only public CDP disclosures are included in this dataset
- Data on 2014 emissions and offset purchases is still being collected by CDP
- No information available on the offset project location or project developer
- No write-in for the motivation for offset purchases beyond voluntary versus compliance

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**CDP data is collected on behalf of 822 institutional investors with $95 trillion in assets**
OFFSETTING IS COMMON: 14% of all companies reporting emissions data to CDP practice offset-inclusive carbon management

Figure 1: Market Snapshot: Offset-Inclusive Carbon Management as Reported to CDP, 2013

14% of CDP disclosers engaged in **offset-inclusive carbon management**

265 companies with **5.8 billion tonnes of annual emissions** offset a portion of their emissions

- **16.5 million** tonnes were voluntarily purchased
- **33.7 million** tonnes were purchased to meet compliance obligations

Notes: Based on 50.3 Mt of offset purchases by 265 unique buyers in 2013.
Data source: CDP public disclosure, reporting year 2014.
CDP DATA IN CONTEXT: The dataset captures about a third of primary market demand among voluntary buyers – 16.5 Mt in 2013
WHO’S WHO?: 214 companies – many of them household names – reported voluntary offset purchases

**Figure 4: Top 20 CDP-Identified Voluntary and Compliance Offset Purchasers by Volume, 2012 & 2013**

<table>
<thead>
<tr>
<th>VOLUNTARY BUYERS</th>
<th>COMPLIANCE BUYERS</th>
</tr>
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<tbody>
<tr>
<td>General Motors Company</td>
<td>4.8 Mt</td>
</tr>
<tr>
<td>Barclays</td>
<td>2.1 Mt</td>
</tr>
<tr>
<td>PG&amp;E Corporation</td>
<td>1.4 Mt</td>
</tr>
<tr>
<td>Natura Cosméticos S.A.</td>
<td>1.6 Mt</td>
</tr>
<tr>
<td>Marks &amp; Spencer Group plc</td>
<td>1.1 Mt</td>
</tr>
<tr>
<td>Bombardier Inc.</td>
<td>0.9 Mt</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>0.8 Mt</td>
</tr>
<tr>
<td>Microsoft Corporation</td>
<td>0.7 Mt</td>
</tr>
<tr>
<td>Australia and New Zealand Banking Group</td>
<td>0.7 Mt</td>
</tr>
<tr>
<td>Qantas Airways</td>
<td>0.6 Mt</td>
</tr>
<tr>
<td>Entergy</td>
<td>0.5 Mt</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>0.4 Mt</td>
</tr>
<tr>
<td>TransAlta Corporation</td>
<td>0.4 Mt</td>
</tr>
</tbody>
</table>

**Top 20 voluntary buyers:**

1. General Motors
2. Barclays
3. PG&E
4. Natura Cosméticos
5. Marks & Spencer
6. Bombardier
7. Delta Air Lines
8. Microsoft
9. Australia and New Zealand Banking Group
10. Allianz SE
11. Qantas Airways
12. Interface
13. Deutsche Bank
14. National Australia Bank
15. Credit Suisse
16. Entergy
17. Bank of Montreal
18. TransAlta Corporation
19. TUI Group
20. British Sky Broadcasting
OFFSETTING IS PEER- AND POLICY-INFLUENCED: Voluntary offsetting is more common in regions with regulatory carbon pricing

Figure 5: CDP-Disclosed Offset Market Size by Buyer Count and Type, Volume Purchased, and Region, 2013
MAKING A DENT: The typical offset buyer has *35 times* the scope 3 (indirect) emissions compared to the typical company that doesn’t purchase offsets.

Figure 6: Scale of CDP-Reporting Companies’ Emissions and Emissions Reductions, All Scopes, 2013

Offset buyers were responsible for **5.8 billion** tonnes of greenhouse gas emissions in 2013. The majority of these were *scope 3 emissions*.

<table>
<thead>
<tr>
<th>SCOPE 1 &amp; 2 EMISSIONS: 1.4 Bt</th>
<th>SCOPE 3 EMISSIONS: 4.4 Bt</th>
</tr>
</thead>
<tbody>
<tr>
<td>7% offset for compliance or directly reduced</td>
<td>&lt;1% voluntarily offset</td>
</tr>
</tbody>
</table>
UPSTREAM AND DOWNSTREAM: The majority of scope 3 emissions come from the use of sold products

Collective mitigation:
Offset buyers purchased about one quarter as many offsets as they reduced directly.
GREENWASHING? THE DATA TELLS A DIFFERENT STORY...

The typical offset buyer slashed almost 17% of their scope 1 emissions while the typical non-offset buyer reduced scope 1 emissions by less than 5%.

Figure 8: Emissions Reductions Activities, Offset Buyers versus Non-Offset Buyers

Offset buyers spent $41 billion on emissions reductions strategies in 2013.
FINANCE FOR REDUCTIONS: 45 offset buyers have an internal price on carbon; others have budgets dedicated to reducing scope 3 emissions

Figure 9: Methods Used to Drive Investment in Emissions Reductions, Offset Buyers versus Non-Offset Buyers
COSTS AND BENEFITS: Companies estimated that emissions reductions activities save them $50 billion per year.
RISKY BUSINESS: Offset-buying companies perceive higher risks than non-offset buyers, particularly when it comes to reputational risks.

Figure 11: Risk Companies Reportedly Face, Offset Buyers versus Non-Offset Buyers
FINAL THOUGHTS

• Far from greenwashing, offsetting represents a deeper climate commitment
• Scope 3 (indirect) emissions make up the lion’s share of many companies’ climate impact – and offsetting is one way to address them
• Internal financing mechanisms allow companies to overcome the upfront costs of emissions reductions activities, most of which save money in the medium-term
• Customers, shareholders, and investors increasingly expect companies to address climate change in a meaningful way
• Could offsetting be connected more explicitly to supply chain emissions?
Contact:
Allie Goldstein
agoldstein
(at)
ecosystemmarketplace.com
(+1) 202-446-1988