

Carbon credit buyers in the UK

Current types of buyers, motivations & requirements

Why are companies purchasing carbon credits?

Companies are purchasing carbon credits to offset their emissions and achieve net zero, net zero is where a company reduces emissions to as low a level as currently possible and then purchases carbon credits that are then retired to offset their emissions. The hierarchy of achieving net zero eliminate, reduce, substitute, and compensate. This means that companies should try to not emit at all where possible, next step is to reduce necessary emissions, substitute for lower carbon alternatives (fossil fuels to renewable energy) and the very last step should be to compensate for residual emissions, this final step can be achieved through investing in high quality carbon offsets . Although this is the most desired approach it is unfortunately not always the approach taken, as consumers, NGOs and governments become more aware and companies are forced to disclose information on sustainability, these deviations from the hierarchy are being called out as greenwashing. Despite this, it is still clear that there is an increasing need for funding towards projects that deliver positive climate outcomes, carbon markets when used appropriately funnel private finance into these projects, reducing the burden on the tax payer. As such companies that do not abide by the hierarchy should rightly be called out but likewise companies should be lauded for investing in emissions reductions and high quality carbon credits that achieve these outcomes where offsetting emissions coincides with robust emissions reduction targets and plans. There are multiple emerging standards that guide companies as to how to appropriately achieve net zero following the hierarchy outlined above, some of these standards are The Science Based Targets Initiatives [Corporate Net Zero Standard](#), [The Oxford Principles for Net Zero Aligned Carbon Offsetting](#) and [ISO Net Zero Guidelines](#).

Who is purchasing Woodland and Peatland Carbon code units?

In the UK there are two main, robust mechanisms for purchasing voluntary carbon credits for offsetting backed by UK government are the Woodland Carbon Code and the Peatland Carbon Code. The Table below shows the top 3 companies that purchased carbon credits in the UK in 2022 under both codes, this data was gathered from the IHS Markit Registry. The Peatland Carbon Code has yet to verify projects as it takes 5 years for projects to mature and the code is just 5 years old. This means the sale of Pending Issuance Units is all that has occurred so far, these units cannot be retired until they are verified but have been assigned to companies.

2022			
Peatland Code Assigned Units		Woodland Code Retired Units	
Company	Quantity	Company	Quantity
Creag Dhu Whisky	465	Allstar Ecopoint	436
Olivia von Halle	308	Premier Milton	300
Halliday Fraser Munro	110	Calfordseaden	112

The quantity of units is equivalent to the tonnes of carbon dioxide equivalent that has been avoided or removed from the respective projects. Only one of these 6 companies, Premier Miton Group, has a published an easily available environmental policy that highlights emissions reduction as a key approach to their net zero strategy. There is currently no obligation for companies to publish such a report so internal emissions reduction plans may be in place for each company. A key element of the standards highlighted in the previous paragraph is transparency, this will mean that companies will need to show they are actively trying to reduce emissions (amongst other things) before they can use offsets to claim net zero.

What does this mean for UK carbon markets?

There must be a distinction drawn between the robustness of the framework that delivers carbon credits and how those carbon credits are used. The Peatland and Woodland carbon codes are extremely robust and scientifically credible methods of issuing carbon credits for sale. The codes are continually reviewed to keep up with the best available science and international standards. The majority of projects funded through the woodland and peatland carbon codes will be achieving emissions reduction and carbon sequestration respectively. It is the use of these carbon credit once sold which is where the focus must go. Consumers and investors must continue to demand the highest scrutiny to net zero claims to ensure that transparency becomes embedded in any companies approach to net zero in the future.

What questions farmers should ask when thinking of selling carbon credits?

- The quality of credits:**

Farmers should ensure that the project, project developer and carbon credits/certificates being issued are credible. In the UK carbon credits issued under the peatland carbon code and the woodland carbon code follow international standards for ensuring integrity and quality carbon credits. This ensures confidence in you the landowner and the buyer that the project will be delivered to a high standard with all the necessary checks and balances. There are emerging codes in the UK that will deliver a similar confidence level, however many of these are still under development or in pilot phase at the time of writing. Alternatively getting a project verified by internationally recognised organisations such as VERRA, Gold Standard or Plan Vivo would come with a similar confidence level, however this is expensive. Many schemes/projects claim to follow the methodologies of the many VERRA, Gold Standard and Plan Vivo standards yet without the expensive step

of registering the projects there is no guarantee the projects will follow the relevant standards.

Question to ask: What standard will the project follow and be registered too?

- ***Will I need my carbon in the future?***

Many Farmers are concerned by climate change and the net zero targets that are being set. At the moment no individual farm is being asked to achieve net zero, as an industry and country there are targets but it is unlikely that a farmer will need to use carbon offsets. This may change in the future although at the time of writing seems unlikely. However, there is still a risk to these project and better understanding that risk will help make better decisions

Question to ask: What are the risks and liabilities?

- ***What about the small print?***

Farmers should carefully review the terms and conditions of any contract before signing, there is variation between what is being offered at the moment. Farmers can use a blend of public and private finance to get Woodland and Peatland carbon codes off the ground themselves through the sale of PIUs under the Woodland and Peatland Codes, however it is becoming increasingly common that project developers link landowners to buyers. These project developers can help to ease the burden of the project development and management and guarantee sale and prices.

Questions to ask: What is the duration of the contract? How many carbon credits are being sold? Are there any penalties or fees associated with the contract?

- ***How much will I get and how will I get it?***

Standard market research should be carried out so that a farmer understands what the current market rate is, this will be crucial for ensuring a fair price. However, there is always uncertainty surrounding market fluctuations etc. Additionally, it is important to understand how and when a farmer will be paid and also in the event of project or company failure what safeguards are in place.

Questions to ask: What is the going rate for a high-quality carbon credit in the UK? How is the market trending?

- ***Who to ask these questions?***

All of these questions should be asked of project developers, they should be happy to run through any questions or queries with regard to any projects they are proposing. It is also strongly advised that farmers seek out an independent third party to answer these questions and review any documents to make sure that all the answers match up.

Don't be afraid to ask for help and support when needed!

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