

Creating carbon credits from agriculture

Carbon credit creation, use and integrity standards

Carbon markets and farming

There is increasing concern among farmers as to the impact that emerging voluntary carbon markets are beginning to have on agriculture. Much of this concern stems from the idea that companies will claim net zero by purchasing carbon credits while continuing to emit greenhouse gases, all of this while agriculture continues to be labelled as a 'bad guy' in terms of its contribution to climate change with little or no benefit to the wider agricultural industry for its role in the markets.

How are carbon credits created in the UK

There are many mechanisms to obtain carbon credits in the UK, the most robust voluntary carbon markets are the Woodland Carbon Code and the Peatland Carbon Code. Projects developed under these codes will produce credible carbon credits, in the first instance pending issuance Units are delivered from a project, these are effectively a carbon unit that has yet to be fully verified, they can be used to support cashflow at the beginning of a project. PIUs cannot be used to offset emissions until they have been verified and turn into a woodland carbon unit or a Peatland carbon unit, in the woodland carbon code the verification process takes 10 year and for the peatland carbon code it initially takes 5 years and then 10 from that point on. There is also other companies and frameworks at play in the UK that issue carbon credits or certificates, it is likely that these projects require a lower level of scientific scrutiny and thus should be approached with cation. There are however international standards that can be followed that require a similar scrutiny as the woodland and peatland codes however, these standards (VERRA, Gold Standard, Plan Vivo etc) are expensive and UK projects under these are uncommon.

How are credits used?

There is currently no requirement for companies purchasing carbon credits for offsetting to prove they have robust emissions reduction plans in place. In short companies can and do purchase carbon credits without any intention of reducing emissions. However, many credible developers of these projects encourage companies to ensure they have emissions reduction strategies in place before purchasing carbon credits, although it is not a necessity. There is currently no regulation in the UK that requires companies to reduce emissions however some companies are required by law to measure and report their annual emissions and large companies that are included in the UK Emissions Trading Scheme are strongly incentivised to reduce emissions or pay penalties. The lack of legislation forcing companies to reduce emissions in the UK alongside the open voluntary carbon market show that it is probable that companies have been using voluntary carbon markets as a means of offsetting emissions while continuing business as usual. There have been many instances where environmental claims have been

brought to court and found to be misleading as companies have indicated products are 'low carbon' or 'environmentally friendly' because the company has offset its emissions rather than taken steps to reduce emissions. Although there is no doubt that some companies take this approach it is becoming more common for companies to sign up to agreements such as the Science Based targets Initiative that ensures companies have set credible targets to reduce emissions.

What is being done to improve the integrity of carbon markets?

Despite the uncertainty surrounding some companies claims it is the end use of carbon credits rather than the markets themselves that are the main issue. There is an increased need for projects that provide climate and biodiversity benefits to tackle the dual crisis of climate and biodiversity. This growing need alongside the just scrutiny of companies environmental claims has led to a rapid increase in interest in how carbon credits should be used and how companies should market their use. The Voluntary Carbon Markets Integrity Initiative (VCMI) is leading the way with the production of a code of standards that will likely feed into legislation at a national and international level. The code, which is still under development, states that companies must:

- Make credible science-based claims for achieving emissions reduction, including publicising their emissions inventory and strategies for emissions reduction.
- Ensure all claims are credible and verified by a third-party organisation.
- Purchase high quality carbon credits from a credible standard for offsetting, where the type, number, methodology used and more is publicly available and open for scrutiny.

The VCMI is a key partner in the Taskforce for Scaling Voluntary Carbon Markets which is an industry led group with ambitions to develop a governance body for voluntary carbon markets that will likely ensure the integrity of carbon credits and the wider markets.

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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