



\*\*\*\*\*Press Release\*\*\*\*\*

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## **Massive surge in offsetting as European companies rush to use banned credits**

Offsetting by European companies grew by a staggering 85% last year, according to new research by the environmental campaign group Sandbag [1]. The companies policed by the EU's Emissions Trading Scheme (ETS) submitted a total of 254 million credits to offset 13% of their carbon emissions. But Sandbag observes that the vast majority of these offset credits were due to be banned from the scheme in 2013[2].

The EU ETS has been overwhelmed with spare European allowances since 2009 when emissions plummeted below the level of the cap, and this has led to very low carbon prices. In 2011, emissions were still 9% [3] below the cap and yet a further 13% of emissions were unnecessarily offset, releasing yet more spare allowances into an already long market.

On the 14<sup>th</sup> November the European Commission published a report [4] containing six potential options to fix the broken trading scheme. These include proposals to further restrict access to international offsets and to increase the overall ambition of the scheme. Sandbag supports moves to further limit the quantity, project type and list of host countries that can provide offsets to the EU, and also supports measures to redress the current imbalance between domestic and offshore carbon abatement.

Commenting on the data, Policy Officer, Rob Elsworth, said,

“Offsetting was supposed to be a price containment measure to ensure carbon prices didn't rise too high, but carbon prices has remained low due to excess supply in the market. Offsets are contributing significantly to this oversupply and are now depressing prices so low that the EU ETS almost ceases to have a function. Europe can afford to be much more selective in the offsets it allows and must now increase its climate ambition.”

Sandbag's offsetting report is launched in the House of Lords today, and looks in detail at how offsetting is being used in the EU ETS. It is accompanied by an interactive online map [5] which allows you to see exactly where offset credits originated and who is using them.

\*\*\*ENDS\*\*\*

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*The Sandbag Climate Campaign is the NGO leading in research-led campaigning for effective emissions trading. Through expert analysis, hard hitting reports and targeted advocacy we aim to shine a light on what's working and what's not and campaign for changes that could save billions of tonnes of carbon emissions.*

Notes for Editors

1. Sandbag pioneered the joining together of two databases to reveal where offsets in the EU originate from and issues an annual report detailing how offsetting is being used in the ETS. Copies of the report are available here: [http://www.sandbag.org.uk/site\\_media/uploads/Help\\_or\\_Hindrance\\_Offsetting\\_2012..pdf](http://www.sandbag.org.uk/site_media/uploads/Help_or_Hindrance_Offsetting_2012..pdf)
2. The EU has introduced a ban on credits from industrial gas projects (HFC and N2O) which will begin on May 1st 2013 on the grounds that they are poor value for money and create perverse incentives including preventing cost effective regulations to prevent the emissions. As these credits make up the bulk of the international offsetting market, and Europe is the biggest buyer, there is now a strong incentive to surrender them ahead of the ban. These offsets are also chiefly produced in emerging economies like China, India and South Korea rather than less developed countries.
3. Data taken from European Environment Agency's data viewer. The 2011 cap is here defined as all free allocations plus all allowances auctioned or sold.
4. The EU report outlining six potential structural changes to the ETS can be found here: [http://www.sandbag.org.uk/site\\_media/uploads/EC\\_Draft\\_ETS\\_report.pdf](http://www.sandbag.org.uk/site_media/uploads/EC_Draft_ETS_report.pdf)
5. The interactive map can be found here: <http://www.sandbag.org.uk/maps/offsetmap/>