



Australian
Competition &
Consumer
Commission

Carbon offset claims: trade practices issues and other key concerns

**Concerns identified in submissions to the ACCC's issues paper *The Trade
Practices Act and carbon offset claims***

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1 Purpose

This paper outlines the issues surrounding the emerging market in carbon offsets and the accompanying marketing claims. Its purpose is to provide a summary of the issues arising from the series of industry consultation meetings held by the Australian Competition and Consumer Commission (ACCC) and the subsequent written and oral submissions to the paper *The Trade Practices Act and carbon offset claims*.

With the emergence of the voluntary carbon offset market and the associated marketing claims, both consumers and those in the industry are concerned that some potentially misleading and deceptive claims are being made.

The ACCC is concerned about the welfare of consumers and aims to prevent the exploitation of consumers willing to pay a premium on goods they believe are beneficial for the environment. While consumers are increasingly demanding products addressing their concerns about climate change, they may be particularly vulnerable in this area as they are not well informed about the issues which affect it.

The ACCC aims to prevent unscrupulous traders disadvantaging ethical traders by engaging in misleading and deceptive behaviour and damaging consumer confidence in the emerging market.

It is important to note that this paper is not an exhaustive analysis of the issues surrounding carbon offsetting and climate change. It is intended to discuss the trade practices implications of the various concerns raised by consultation and submissions.

2 Background

In response to the growing concern among consumers and carbon offset industry participants regarding carbon offset and neutrality claims, the ACCC released the issues paper *The Trade Practices Act and carbon offset claims* in January 2008. The paper outlined the initial issues of concern as identified by the ACCC and was distributed to key stakeholders and made available to the public via the ACCC website.

The paper contained a summary of the ACCC's preliminary concerns about the fledgling carbon offset market in Australia and sought input and comment from stakeholders and interested parties on:

- examples of misleading conduct in the carbon offset market
- methodologies for assessing carbon offset claims
- examples of good practice in the market
- the most effective role for the ACCC to assist and guide the industry
- issues of concern.

Consultation

The ACCC also held a series of consultation meetings with stakeholders including:

- a consumer reference group
- an industry reference group
- carbon offset providers and brokers
- a green standards reference group.

In addition to these consultation meetings, the ACCC has met with standards bodies, industry associations, and various government departments including the Department of Climate Change, the Office of the Renewable Energy Regulator and the New South Wales Department of Water and Energy (as GreenPower administrator), the Australian Securities and Investments Commission, the Department of Prime Minister and Cabinet and the Treasury.

The ACCC has also liaised with counterpart agencies in the United States of America and New Zealand, which are working toward similar goals.

Submissions

The ACCC received over 100 written and oral submissions in response to the issues paper. The submissions were carefully considered and the concerns they raised are discussed in this paper.

Submissions were received from a wide variety of stakeholders including environmental groups, consumer groups, business and industry representatives as well as residents and community groups and individuals with environmental concerns about various projects and development in their local area.

Guidance

Through the process of consultation and the submissions received on its issues paper, the ACCC has identified demand from both business and consumers for some guidance on the application of the Act to carbon offset claims. The ACCC has therefore developed specific guidance for both audiences in this area.

The guidance for consumers provides information on various claims that they may encounter and assists consumers in both assessing the reliability of claims, and making comparisons between various offset providers and the quality of their offsets.

The business guidance aims to educate businesses (both carbon offset providers and businesses seeking to promote their green credentials using purchased carbon offsets) about their obligations under the Act, and to alert them to potentially problematic areas of carbon offset claims.

2.1 The role of the ACCC

The ACCC is a statutory body responsible for administering the *Trade Practices Act 1974* (the Act) and other competition related law. The ACCC's role is to ensure compliance with the Act, through education, compliance activities and, where necessary, enforcement and litigation.

The Act aims to promote fair trading and discourage anti-competitive conduct through a set of competition and consumer protection rules. It contains broad prohibitions against misleading and deceptive conduct as well as a series of prohibitions against specific misrepresentations. Claims about carbon offsets need to be assessed against the requirements of the Act.

The science and methodology associated with carbon reduction, neutrality and assessing footprints is still the subject of some discussion. Which carbon offsets legitimately reduce carbon dioxide or other greenhouse gases and how to measure the amount of such reductions are questions both subject to debate. As the scientific research in this area is still developing, debate may also continue about investment in various practices, the ultimate climate outcomes and Australia's approach to these issues.

Until these questions are settled and the industry and its framework are firmly established, it is essential that consumers are provided with accurate and complete information in order to make informed decisions.

It is important to note that the ACCC does not have a role in the scientific debate regarding carbon offsets, nor is it involved in developing the policy framework for the regulation of carbon emissions.

The ACCC is not a policy body; rather, it is a regulator charged with administering and enforcing the Act. Therefore, while the ACCC may be able to provide input into broad questions of government policy, it is not in the position to either create or enact such policy.

The Department of Climate Change

The *Department of Climate Change* (DCC) is the primary agency responsible for climate change adaptation and policy. The DCC falls under the Prime Minister and Cabinet portfolio and was created to centralise work on climate change and emission trading.

The Greenhouse Friendly™, certification and labelling program is administered by DCC.

3 Issues surrounding carbon offset claims

The preliminary concerns identified in the original issues paper have not changed significantly throughout the consultation process, although many important issues have been highlighted and variations on the core concerns have been identified.

3.1 Standardised definition for carbon neutrality

Several submissions raised concerns about the lack of a standardised definition of the term ‘carbon neutral’. Many identified that, without such a definition, the term is used indiscriminately and consumer understanding of the term varies considerably. For this reason, many felt that there is potential for widespread consumer detriment.

Several submissions contended that without a definition and an agreed standard by which to have reference, *all* claims of carbon neutrality are misleading.

The government has committed to developing a national carbon offset standard by the end of 2008. This commitment includes setting minimum standards for the generation, verification and retirement of offset credits.

Misuse by unethical traders

There are concerns that the lack of a standard definition disadvantages businesses that use the term only after a rigorous carbon accounting and auditing process or follow one of the internationally recognised voluntary standards. It has been argued that the liberal use of the term by some traders without such care and thoroughness, or without reference to any established standard or guideline, significantly disadvantages those who do.

Submissions noted that businesses that use the term without such reference to established standards save themselves the time, cost and effort expended by other businesses. It was argued that it also damages consumer perception of the term and encourages scepticism, thereby damaging the claims of those businesses attempting to use the term ethically and legitimately.

Lack of clarification

Submissions also argued that the use of the term without any explanation, further information or substantiation put consumers at risk of being misled.

For these reasons, many called for a legislated definition for carbon neutrality, arguing that it would be fairer to ethical traders and would prevent further damage to the industry and its consumer perception. It was also argued this would be advantageous to consumers as they would be able to purchase ‘carbon neutral’ products confident that they reach a set standard and were legitimate.

As previously mentioned, the government has committed to developing a national carbon offset standard, which the ACCC supports. It is also the ACCC’s view that claims of carbon neutrality must still be assessed against the requirements of the Act and therefore must not mislead or deceive. The overall impression created by the term must be taken into account when making carbon neutral claims.

‘Carbon neutral’ as an absolute term

‘Carbon neutral’ may be taken by consumers as an absolute term. The majority of submissions by consumer groups contended that, when applied to a product, the term may create an impression that the entire life cycle of the product has been taken into account when making the claim—or when applied to an organisation as a whole, that the business’s entire CO₂-e producing activities have been completely offset. Therefore, using the term ‘carbon neutral’ where this is not the case could potentially be misleading under the Act.

Although there is no mandatory standard, the term should not be used indiscriminately. In its publication *Making carbon claims and the Trade Practices Act*, the ACCC advises businesses to consider the overall impression created in the minds of consumers and to accompany any claims with an explanation of the scope of the claim, to help alleviate the risk of misleading the target audience.

3.2 Methodologies and the issue of scopes

Many submissions discussed the various methodologies used by businesses in calculating their carbon footprint and expressed concern about the discrepancies that resulted.

The issue of ‘scopes’—originating from the Greenhouse Gas Protocol—was also raised in many submissions. Under the concept of scopes, emissions types are categorised into three groups for reporting purposes. Many submissions advocated different methods of carbon accounting and suggested various ways to approach the concept of scopes.

Submissions referred to a number of international and Australian standards and guidelines on the calculation of carbon neutrality, and many urged the ACCC to advocate a particular methodology or instruct businesses about the level of scopes to be taken into account in carbon footprint accounting.

The ACCC is not a policy agency—it is not able to create and enact standards for methodology or determine the level of scopes to be included in a calculation of a carbon footprint.

In the ACCC’s view, as discussed above, the overall impression created by any claims is a significant factor in determining if conduct is misleading. The ACCC’s business guidance advises that whatever a business decides to include in a claim of neutrality should be explained clearly to end users, including an explanation of the limits or scope of the claim.

Given that the overall impression created by the term may be more than what has actually been done by the business—thereby risking misleading consumers—alternatives should be considered. For instance, if a product has had the emissions from its manufacture offset but not those that will be produced with the use of the product, then it may be more accurate and potentially less misleading to advertise this fact rather than claim it is ‘carbon neutral’.

3.3 Footprint calculators

A number of submissions raised concerns about footprint calculators. These are tools that enable consumers to calculate their emissions from a particular activity, such as flights, drives or the electricity used in their home, and then offset their emissions on that basis.

Submissions argued that the calculators contain a range of assumptions that are not disclosed to the consumer. For example, when calculating the emissions from a certain driving distance, assumptions may be made about the speed at which that car may be travelling without revealing that different speeds would lead to different emissions levels. Emissions would also depend on the size, weight and type of the car, as well as the number of passengers it was carrying which may be averaged out in an online calculator and this may not be disclosed to consumers. Several submissions provided the data produced by calculating the emissions from a particular activity on several different website calculators and demonstrated the inconsistencies.

Several submissions also drew attention to the use of calculators by the airline industry and the discrepancy between the emissions calculated by the airlines and those by various offset providers.

For air transport, CO₂ is not the only greenhouse emission to be considered. At high altitudes, other gases may be significant contributors to greenhouse emissions. For this reason, a radiative forcing index (RFI) is sometimes applied to the CO₂ emissions to account for the non-CO₂ emissions, although debate continues as to the value this factor should take.

There were concerns that some airlines' travel emissions calculators did not include the RFI and for this reason significantly underestimated the greenhouse impact of individual air travel. It was argued that consumers paying for their flights to be offset may be misled about the greenhouse impact of their flight. They may believe that the greenhouse impact is neutralised by paying the amount calculated by the airline when the impact on the environment is much larger.

Offset providers contended that this also put them at a commercial disadvantage as their calculations for the emissions from air travel were consistently higher because they applied the RFI. There was concern that this discrepancy would mean that consumers would not look favourably upon them as a competitive option.

A second concern with the methodology of the airlines was that freight carried on passenger flights was not included in the estimate. Offset providers generally estimated the total emissions of a particular flight and then apportioned this between passengers (often allocating in proportion to the space used by each passenger so that economy seats would be apportioned less than those of business class passengers).

Concerns were raised that the airlines subtracted the portion attributable to the freight carried on board passenger flights. One submission contended that consumers may be misled to believe that if all passengers on board paid for their portion, then the entire flight would be offset, when this is not actually the case. Similarly, concerns were raised about the commercial disadvantage resulting from the inconsistency in methodology.

Some airline submissions also addressed the issue of the RFI and contended that there was scientific uncertainty about the degree to which non-CO₂ gases emitted at high altitude contributed to atmospheric warming. Some stated that including such an unconfirmed multiplier in the calculation of flight offsetting could be misleading to consumers and result in them paying more than necessary to offset the emissions associated with their air travel.

Some airline submissions stated that in developing their methodology and offsetting framework they had acquired endorsement from independent accreditation schemes, the requirements of which they adhered to. It was reasoned that this demonstrated their commitment to undertake due diligence and to substantiate any associated marketing claims.

The science relating to the RFI is not yet settled and therefore different views on the issue remain. Best practice in the area is to be open and clear about the calculations behind a footprint calculator.

The ACCC urges businesses to be transparent with the methodology employed in their footprint calculators. To reduce the risk of misleading the target audience, it is recommended that assumptions behind the calculator are made available to purchasers and that consumers are made aware of what is and isn't included in the calculation.

3.4 Low carbon claims

The growing presence of 'low carbon' marketing claims was raised as an issue of concern. 'Low carbon' could be taken by consumers as lower carbon than other products or services, or it could be understood as objectively low in emissions or even virtually carbon free. Without context or comparison, the term appears meaningless and many submissions maintained that it could potentially mislead consumers.

It was also argued that claims about relative performance in a class of products has the potential to mislead consumers into thinking a product or service is beneficial for the environment when the product or service may be inherently harmful to the environment. Without terms of reference, consumer groups contended that the term is too vague and may distract consumers from the other environmental impacts of the product.

The ACCC considers the term 'low carbon' to be broad and ambiguous, conveying little information to the consumer. The guidance for business explains the potential for low carbon claims to potentially mislead consumers, particularly where the term is not qualified—because it has no terms of reference or comparison and is therefore essentially meaningless and it may mislead consumers that a product is a better environmental choice than it actually is.

Low carbon claims are also covered in greater detail in the ACCC's *Carbon claims and the Trade Practices Act*.

3.5 Carbon offset quality

Many submissions addressed the varying degree of quality amongst offsets and the potential impact upon the carbon offset market. Several submissions alleged different levels of effectiveness, reliability and measurability of various offset projects: some offsets are immediate and permanent; others may be slow to produce or temporary.

Many submissions also addressed more 'ethical' traders—conscientious businesses making the effort to acquire high-quality, independently accredited offsets—being disadvantaged by businesses offering and purchasing low-quality offsets. Damage to the public perception of the carbon offset industry by poor offsetting practices was also raised as an area of significant concern.

The ACCC has addressed the quality of offsets in its guidance for business, and considers that poor quality offsets should be avoided as they may not be able to substantiate carbon offsets claims, thus leaving businesses at risk of engaging in misleading conduct.

Poor quality offsets may not be capable of ‘offsetting’ emissions, and therefore offsetting claims based upon them will be misleading. Any claims of carbon neutrality based on offsetting will also be jeopardised by poor quality offsets.

Similarly for offset providers, poor quality offsets may leave the business at risk of misleading people about the nature of the service if it does not achieve the reductions in emissions it claims.

The ACCC has responded to the following concerns raised about carbon offsets:

- *Additionality*—Additionality is a key concept for evaluating whether or not an offset project leads to real and measurable green house gas reductions that are additional to what would have occurred anyway—for example, reductions that a trader is required to undertake by law. There are various tests for additionality, many of which were proposed in submissions as the most appropriate. In the absence of a standard for offsets that encompasses a test for additionality, the ACCC considers additionality to mean demonstrating that the emissions reductions being used as carbon offsets are not ‘business as usual’.

Without additionality, a particular reduction cannot be legitimately tied to another specific emission and so the climate impact is not offset—even though some reduction may have occurred. Such an offset would be problematic when making carbon offset claims.

- *Double counting*—When an offset is not ‘retired’ in some way there is potential for the offset to be counted or claimed by more than one business. This could occur, for example, where an offset provider contracts to plant trees for a customer purchasing an offset but does retire them as offsets and later sells the same carbon sequestered by the trees as an offset to a second customer.

In the ACCC’s view, a double-counted offset risks misleading purchasers of the offset as the environmental outcome being purchased has not occurred—that is, if the specific reduction in emissions being claimed has not occurred, the purchaser will be misled. This also leaves any carbon neutral claims at risk of being unsubstantiated if the claims are based upon these double-counted credits and therefore risks misleading consumers.

- *Risk management*—Many offset projects are not entirely secure and may involve a range of risks. Many submissions highlighted the various challenges faced in the risk management of particular offset projects and many raised concerns about offsets that may become damaged or destroyed, thereby negating the effects of the offset project.

Clearly, as with forward credited offsets that do not eventuate, or do not deliver anticipated emission reduction, offset projects that are destroyed leave claims based on those offsets at risk of being unsubstantiated and therefore misleading.

The ACCC recommends in its guidance that purchasers of offsets obtain some form of guarantee that purchased offsets will be maintained and replaced if destroyed or, alternatively, that the prospect of some degree of damage has been

factored into the credit calculation. Again, full disclosure of both the risks and how those are managed is encouraged.

- *Poor quality offsets*—Poor quality offsets or worthless credits that do not yield emissions reductions leave any carbon offset marketing claims at risk of misleading as the environmental outcome being advertised may not have occurred. Carbon neutral claims based upon worthless credits also risk misleading consumers. Submissions also addressed concerns that poor quality or worthless credits were harmful to both the industry and the environment as they do not deliver any reduction in emissions.

The ACCC in its guidance encourages both businesses and consumers to source good quality offsets for their emissions and to substantiate their carbon offsetting claims. Both publications provide further information and resources for comparing various offsets and judging the quality of offsets.

3.6 Accreditation of offsets

A mandatory national standard

The lack of mandatory accreditation for offsets was an issue raised in some submissions. Many held the view that a compulsory national standard is desirable to ensure a robust and credible carbon offset market. Submissions also proposed that the development of a mandatory standard for offsets would increase consumer confidence in carbon offset claims and carbon neutral products and services.

Several submissions discussed the inconsistencies between the requirements of various existing standards and accreditation schemes for carbon offsets and the implications for the quality of the individual schemes.

Some concerns were raised about the credentials of consultants in the industry making carbon emission assessments, questioning the quality of the estimates. The credibility of the approval for ‘carbon neutral’ status awarded by such organisations was also questioned in some submissions.

There are a number of recognised voluntary international and Australian standards and accreditation for carbon offsets in existence, such as:

- the Gold Standard CER
- the Gold Standard VER
- the Voluntary Carbon Standard VCU
- the DCC’s Greenhouse Friendly program
- the NSW/ACT Greenhouse Gas Abatement Scheme.

The ACCC does not promote the superiority of any particular voluntary accreditation program, nor does it endorse any of the standards listed. As discussed, the government has committed to developing a national carbon offset standard by the end of 2008.

The ACCC has brought these issues to the DCC's attention, as the relevant policy agency in this area, for its consideration. For further information, visit their website at www.climatechange.gov.au.

Accreditation status

No formal complaints were made; however, concerns were raised about businesses making representations that they had applied for accreditation to particular standards schemes when in fact no such application had been made—or representing that an application had been made and approval was practically assured and awaiting official confirmation, when no such accreditation had been applied for.

The ACCC advises that any business claiming compliance with a particular standard should ensure that it adheres to that standard. A product or service that does not meet the requirements for the standard or has not been given accreditation will be at risk of misleading consumers, and thereby breaching the Act. Similarly, false representation that accreditation is pending when no such application has been made would be at risk of breaching the Act.

3.7 Retiring offsets

Several submissions raised concerns about the lack of a national registry of offsets to ensure that used credits are retired. Many examples of the potential to double count emissions reductions were raised. The voluntary carbon standards mentioned above also provide registries for the retiring of accredited offsets and many submissions advocated the desirability of this feature to protect consumers of carbon offsets.

As non-retired offsets have the potential to be double counted, the ACCC believes they also have the potential to mislead consumers. The ACCC considers that offset providers should ultimately have some form of framework or mechanism in place to ensure that offset credits, once used, are not resold. As the relevant policy agency in this area, we have brought this issue to the attention of DCC.

3.8 Forward credited offsets

A number of submissions raised concerns about forward credited offsets—that is, credits that are sold to businesses to offset their emissions where the actual reduction in emissions will be produced in the future.

Concerns were raised about offsets being credited that have not eventuated and carry the risk that they may never eventuate, leaving potentially unsubstantiated carbon offset claims.

Carbon offsets generated from tree planting were identified as a concern as the offsets may take decades to realise. Consumer groups argued that, if this aspect of the offset is not fully disclosed, it leaves consumers at risk of being misled.

Concerns were also raised that some offset providers, especially those providing smaller offset amounts for individual consumers and small business, may wait until a 'threshold' is reached before beginning a new offset project, such as new acreage of tree planting or investing in an emission reducing project. Therefore, any benefits will only accrue once this threshold is reached, rather than when the business pays for them.

In its guidance, the ACCC urges businesses to carefully consider the risks and the potential liability associated with forward credited offsets. The ACCC also recommends ensuring a contractual commitment from offset providers to secure replacement credits if a project doesn't deliver anticipated emissions reductions and opting for providers that fully disclose both the risks and how those risks are managed.

The ACCC also urges offset providers selling credits that have not yet occurred and may take time to be realised to disclose this to purchasers of the credits. Similarly, offset providers that accumulate the purchases of several customers and wait until a threshold has been reached before investing or planting are urged to inform consumers that the emissions reductions they are purchasing have not yet occurred and will not occur until the threshold has been reached.

3.9 Images and logos

Concerns were raised about businesses using images of trees in their advertising, thereby potentially giving the overall impression that their carbon credits are derived from accredited forestry projects when in fact their offsets were derived from other abatement projects.

In its guidance, the ACCC alerts businesses that the use of images and pictures can be representations and that particular images can suggest environmental benefits to consumers and will contribute to the overall impression given to consumers. It is recommended that particular care is taken when using such images to avoid the risk of misleading consumers.

The ACCC also advises caution when using images or symbols that might be taken by consumers as official logos and impart the impression of independent third party certification when no such certification exists.

The ACCC also advises providing further information on schemes where consumers may be unfamiliar with it and the logo which represents it.

Further information on images and logos can be found in the ACCC publication *Green marketing and the Trade Practices Act*.

3.10 Statements about the future

Several submissions raised concerns about statements by businesses about the future, including aspirational goals such as ‘going carbon neutral by 2030’. Concerns included that a business making such statements was unlikely to be held accountable by consumers for the representation if that outcome did not eventuate even though they would gain the commercial advantage afforded by the representation in the interim.

Several submissions argued that, to hold businesses accountable for their claims, representations as to the future should be accompanied by clearly stated short-term goals.

Under the Act, any representation made as to a future matter must have reasonable grounds for making it. In the ACCC’s view, businesses making such aspirational statements may place their organisation at risk of engaging in misleading and deceptive behaviour without a robust implementation strategy, especially if the overall impression generated by such claims is that more is being achieved than the actual outcomes reflect.

The ACCC encourages any organisation considering making representations as to the future to think about how they would answer a query about that representation and on what basis they made it. The ACCC suggests a structured implementation strategy including interim goals and periodic reassessment may help substantiate claims of this nature.

3.11 Renewable energy certificates

Several concerns were raised about the use of renewable energy certificates (RECs) as carbon offsets.

Australia has a mandatory renewable energy target administered by the Office of the Renewable Energy Regulator (ORER), under which a Renewable Energy Certificate (REC) represents 1 megawatt hour of electricity generated from a renewable energy source.

Other regulated schemes by which renewable energy is counted, or could be counted as a carbon unit include:

- Greenhouse Abatement Certificates (GACs)—created under the New South Wales Government’s Greenhouse Gas Abatement Scheme
- Greenhouse Friendly Credits (GFCs)—created under the Commonwealth government’s Greenhouse Friendly™ program (including renewable energy projects such as wind farms, landfill and biomass projects).

RECs are primarily used by energy companies to meet government-imposed mandatory renewable energy targets. Some businesses have started trading RECs and using them as a basis to make claims that they are reducing their greenhouse gas emissions or offsetting their carbon footprint.

Submissions

Concerns focused on comparability factors employed when using RECs as carbon offsets, the potential for RECs to be double-counted and consumer confusion surrounding the legitimate use of RECs.

Comparability

Concerns were raised about the conversion of RECs to carbon emission reduction units. Conversion is possible but difficult at this time. RECs were not designed to be directly attributed to greenhouse emissions reduction and are measured differently to conventional carbon credits—RECs are measured in megawatt hours of renewable energy, while carbon credits are measured in tonnes of emissions.

Some groups use formulas (including the the New South Wales pool coefficient—a critical value in the operation of New South Wales Greenhouse Gas Reduction Scheme and the National Greenhouse Accounts (NGA) Factors published by the Department of Climate Change) to convert RECs into carbon credits, taking into account factors such as where electricity was generated.

Submissions argued that conversion is not straightforward for a number of reasons. One reason is that while carbon credits take into account the emissions produced during a credit's creation, RECs do not always take these factors into account.

Additionality

One issue raised from a consumer perspective is additionality—whether the energy being purchased at a premium is created in addition to what would have been created under a mandatory target. The ACCC notes that additionality is a fundamental requirement for a legitimate carbon offset.

Most environmental groups advocate using renewable energy as a reduction measure. When used in this way, concerns about additionality do not arise, as one is not offsetting but reducing their carbon emissions.

Double counting

Several submission raised concerns about the potential for RECs to be double counted. Double counting occurs when two or more entities make carbon offsetting claims based on one REC.

This is not a concern under the existing auditing schemes in place nationally via ORER and GreenPower. However, consumers and businesses relying on RECs (however named) operating outside of these structures ought to exercise caution on this point. Further information on advice for and questions to ask electricity retailers can be found at www.greenpower.gov.au

The ACCC's view on claims about RECs as offsets

In formulating its view, the ACCC has consulted with the Australian Energy Regulator (AER), DCC, ORER and GreenPower.

The ACCC recognises there is a potential for consumer confusion regarding these claims, which may be addressed by the standardisation of terms in this sector.

Businesses selling RECs as an offset need to make very clear to consumers the basis of any claims they make—that is, how the RECs neutralise emissions from a particular activity. Consumers are entitled to have any carbon claims substantiated by clear, detailed and accurate information.

As this is a complex and evolving area, the ACCC in its guidance for consumers urges caution and provides information on the complexities of the issue, should they choose to purchase RECs as offsets.

3.12 Renewable energy sources

Several concerns were raised about renewable energy sources, particularly intermittent energy generators such as wind farms and solar energy.

Some submissions argued that the environmental benefits of these technologies and their energy production were exaggerated by the companies promoting them, while some disadvantageous aspects were ignored. Many of these concerns were outside the scope of the original issues paper and several were beyond the remit of the Act.

Capacity and methodology

Some questions were raised about the stated capacity and the methodology used by renewable energy promoters. The ACCC believes any trader wishing to make claims should identify credible frameworks on which to base their claims. In looking at the representations made by renewable energy developers, the ACCC notes that generally, they appear to be based on framework parameters established by government. Questions about current frameworks and methodology are ultimately a matter to be resolved within the policy framework and have been referred to the relevant policy agencies.

The ACCC also notes that in calculating projected energy output from various sources, both a capacity factor and a reliability factor are employed in the calculations. For example, a wind farm capacity factor compares actual energy production over a given period with the amount of power that would have been produced if the wind farm had run at full capacity for the same amount of time.

The reliability factor is used to account for such things as wind turbines requiring maintenance. It represents the percentage of time that a wind farm is ready to generate energy—that is, not out of service for maintenance or repairs.

In the ACCC's view, these factors should ensure that any variability in wind power is accounted for. If, in an individual circumstance, these factors are overestimated or not accurate, this may potentially risk breaching the Act.

Source of green energy

It was also argued that it was not fully disclosed to consumers of renewable energy, that the energy from renewable sources is not separated out from energy from other sources and directed to specific consumers. Some submissions contended this risked misleading consumers.

The ACCC notes that a subscription to renewable energy does not result in a consumer's electricity coming directly from a renewable source to their household. Instead, the equivalent amount of new renewable energy is added to the electricity grid on their behalf every year so they are responsible for a reduction in CO₂-e emissions.

GreenPower's website contains further information for consumers on renewable energy and its sources at www.greenpower.gov.au.

Environmental and other concerns

Some submissions also raised concerns about environmental and other aspects of renewable energy developments, including wind farms. Debate surrounding the establishment of renewable energy generators and their impact on local communities is outside the remit of the Act as are questions about the environmental impact of wind farms.