

**UK Government  
Quality Assurance Scheme  
for Carbon Offsetting**

**Approval requirements and procedures  
for offset providers**

**March 2011**

AEA has been selected by Government to be the Approval Body for their Quality Assurance Scheme which sets standards for how offsets are sold to consumers.

Queries about the Scheme and the approval process should be sent to:

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## **VERSION CONTROL**

This is Version 1.4

This version was published March 2011.

The changes from the previous version are:

- Information on the cancellation period and the alignment with UK Carbon Budgets and the Carbon Accounting regulations 2009
- Inclusion for offsets for green energy tariffs
- Clarification on what can be offset using quality assured offsets (also including extension of coverage to indirect emissions, e.g. from fuel production and distribution)
- Clarification on offset provider and reseller terminologies
- New approval fees for the 2010/11 and 2011/12 financial years
- Offsetting emissions from overseas (i.e. non-UK) activities/offices
- Inclusion of Assigned Amount Units (AAUs) as good quality offsets
- Requirement for offset providers and core resellers to provide a summary of the emissions calculation methodology used to calculate emissions to be offset with their approval application and also should be clearly signposted on the offset provider's website

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# 1. Introduction

- 1.1 This document sets out the Government's Quality Assurance Scheme for Carbon Offsetting (previously referred to as the Code of best practice). Offsets that meet the requirements of the Scheme can be submitted for approval and awarded the Scheme's Quality Mark (right) so that individual or business consumers can easily recognise them.



[direct.gov.uk/offsetting](http://direct.gov.uk/offsetting)

- 1.2 This Scheme has been initiated and its development funded by Government. It is managed by the Approval Body.
- 1.3 This Scheme has been developed following a statutory consultation launched in January 2007 and a second period in February 2008 for comment on the approval requirements and procedures. Responses to the consultation can be obtained on request from the Defra library on 0207 238 6575 (e-mail: [defra.library@defra.gov.uk](mailto:defra.library@defra.gov.uk)).

## What is offsetting?

- 1.4 Climate change is one of the biggest threats we face. Everyday actions like driving a car and flying consume energy and produce emissions of greenhouse gases - such as carbon dioxide - which contribute to climate change. Government, businesses and individuals are all responsible for reducing the carbon emissions they create. You can compensate for your unavoidable emissions by paying someone to make an equivalent greenhouse gas saving. This is called 'carbon offsetting'. More and more individuals and businesses are volunteering to offset their emissions. Offsetting is not a 'cure' for climate change; the most effective way to combat climate change is to reduce our emissions. However, if done in the right way, offsetting can reduce the impact of our actions and help raise awareness of the issue.

## Purpose of the Quality Assurance Scheme

- 1.5 The Scheme provides consumers with a "shortcut" to purchasing high-quality offsets. It aims to:
- i. increase consumers' confidence when purchasing offsets by endorsing established mechanisms that produce credits in a clear and verifiable way;
  - ii. enable consumers to identify offsets that accurately calculate emissions and cancel a specified amount of carbon credits;
  - iii. give consumers assurance that if they buy one tonne of carbon, that is what they receive;
  - iv. require providers of approved offsets to supply clear information and transparent prices;

- v. increase consumer understanding about the role offsetting can play in tackling climate change (i.e. what role it plays within the broader context of actions a consumer can take); and
  - vi. signal to the market the quality of offsets to be expected by Government in particular with regard to the additionality<sup>1</sup> of carbon credits used within offsets – and the level of transparency available concerning that additionality.
- 1.6 Approval of offsets under this Scheme is voluntary. Offset providers choose whether or not to seek approval for the offsets they sell.

### **Role of the Approval Body**

- 1.7 The Approval Body manages the Scheme. This involves maintaining the approval website, awarding offset approval, and licensing use of the Quality Mark. The Approval Body also monitors and ensures compliance with the requirements of the Scheme and use of the Scheme's associated Quality Mark.
- 1.8 The process of approval is self-financing, i.e. companies wishing to have offsets approved are required to pay for this service. This recognises the commercial value attached to using the Quality Mark (see section 8).

### **Government's role**

- 1.9 Government funded the set-up costs of the Scheme and continues to regularly review the operation of the approval process and the requirements of the Scheme. For example, Voluntary Emissions Reduction credits (VERs) may also be allowed at a future point, subject to a satisfactory level of assurance becoming available about their quality, and especially additionality.

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<sup>1</sup> **Additionality** refers to the reduction in emissions brought about over and above the general trend or 'Business as usual scenario' that is additional to any that would occur in the absence of a Joint Implementation (JI) or a Clean Development Mechanism (CDM) project activity as defined in the Kyoto Protocol Articles on JI and CDM.

## 2. How does the Scheme operate?

- 2.1 The Scheme sets standards for best practice in offsetting. Approved offsets have to demonstrate the following criteria:
- i. accurate calculation of emissions to be offset;
  - ii. use of good quality carbon credits i.e. initially those that are Kyoto compliant;
  - iii. cancellation of carbon credits within a year of the consumer's purchase of the offset or at the consumer's request, transfer into the UK carbon Budgets Credit Account ( the "credit account") in the UK registry(created by the Carbon accounting Regulations 2009) for eligible credits within one year<sup>2</sup>;
  - iv. clear and transparent pricing of the offset;
  - v. provision of information about the role of offsetting in tackling climate change and advice on how a consumer can reduce his or her carbon footprint.

### What is being approved?

- 2.2 Offsets that meet the definition outlined below are eligible for approval under this Scheme. An approved offset has to meet all of the Scheme's requirements including environmental integrity, calculation methodology and appropriate marketing and consumer information.
- 2.3 Offsets for green energy tariffs - for the purposes of the scheme these should be meet the minimum threshold currently set at 1.8 tonne of CO<sub>2</sub>e emissions abated per tariff per annum.

#### **Definition of an offset**

For the purposes of the scheme a carbon offset is defined as the use of carbon credits to balance the total emissions that result from a defined activity measured in carbon dioxide equivalent (CO<sub>2</sub>e). Defined activities are limited to those activities which can be converted into CO<sub>2</sub>e using the conversion factors in the 'Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting'<sup>3</sup> Carbon credits used to offset must represent a genuine, additional carbon saving.

- 2.4 Offset providers may use the Scheme's Quality Mark, for example on their website or marketing materials, to identify approved offsets and distinguish them from an offset that is not approved under this Scheme. This, in turn, enables consumers to make an informed choice when purchasing an offset.

<sup>2</sup> This will ensure that the unit may be counted towards the UK's carbon budgets under the Climate Change Act 2008. For further details please see Annex 2.

<sup>3</sup> In this context eligible credits are Kyoto-compliant credit units purchased to offset domestic UK emissions from sources in the UK since 1 January 2008.

<sup>3</sup> <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>

- 2.5 A single fee is charged each time an application for offset approval is made (offset providers can put forward one or more offsets for approval within this application). For further information relating to approval fees see section 4.
- 2.6 The following other than those mentioned above *do not* constitute a carbon offset under this Scheme:
- The buying or purchasing and then cancelling of a volume of carbon credits in the absence of accurate calculation of emissions relating to a defined activity
  - Selling carbon credits to a third-party that has already calculated the tonnage of emissions it wishes to offset. In essence this is the sale of carbon credits as outlined in the case above
  - Buying and/or cancelling carbon credits associated with a product or service where calculated emissions associated with a specific activity are absent. For example, an organisation may offer to cancel a nominal amount of carbon for transaction or product or service sold, such as a financial product or flight. However, as the volume of carbon credits cancelled bears no relation to the emissions associated with the transaction, product or service it is not considered a carbon offset under this Scheme.

### **Who can participate in the Scheme?**

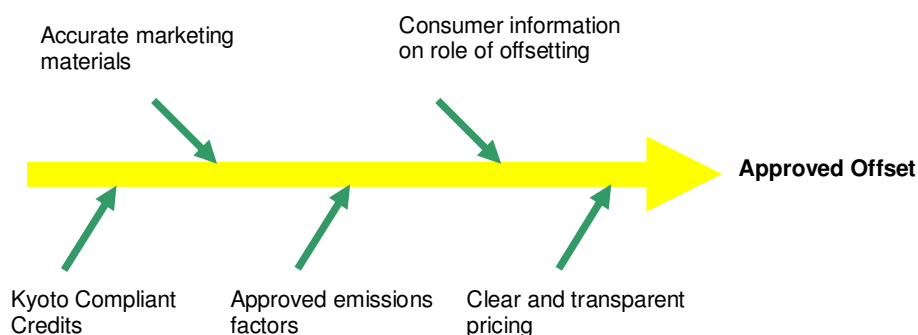
- 2.7 Offset providers: any offset provider can seek approval for the offsetting that they sell.

#### **Definition of an offset provider**

An 'offset provider' is defined as a company/organisation that sells offsets to the end consumer (either individual or business consumers) and who actively provides offsets, whether as a single offering, or together with other goods and services.

- 2.8 Offset providers may sell both approved offsets and offsets that do not meet the requirements of the Scheme. However, only approved offsets may display the Quality Mark, in accordance with the Scheme's Quality Mark usage guidelines, available via the Approval body's website: [www.decc.gov.uk/offsetting](http://www.decc.gov.uk/offsetting). These offsets must be distinguished from unapproved offsets to avoid consumer confusion.
- 2.9 It is the offset provider's responsibility to ensure that all of the criteria required to qualify for approval of an offset under this Scheme are met (see Figure 1).

**Fig 1: The main criteria for an approved offset**



2.10 Offset providers need not be based in the United Kingdom to apply for approval of offsets or use the Quality Mark. Offset providers based in the United Kingdom must cancel credits – or transfer them to the credit account – via the UK Registry. This requires the opening of an account at [www.emissionsregistry.gov.uk](http://www.emissionsregistry.gov.uk). Offset providers based outside the United Kingdom without a UK registry account are required either:

- i) to open an account with their respective national registry to cancel credits and to nominate the approval body as a third party representative to enable access to check credit cancellations; or
- ii) to provide clear confirmation of the cancellation of the appropriate quantity of credits from a registry connected to the UNFCCC international transaction log.

In this case the units would not be eligible to count towards the UK's carbon budgets as they have not been transferred to the credit account.

2.11 It is recognised that an offset provider may wish to arrange for a third party to fulfil one or more of the above mentioned criteria (for example, carbon credits may be supplied by a broker). Where this is the case it remains the responsibility of the offset provider to demonstrate to the Approval Body that the requirements of the Scheme are met.

### **Resellers of offsets**

2.12 Any offset reseller can seek approval for the offset(s) product(s) that they sell.

#### **Definition of a reseller**

A reseller is defined as a company/organisation that sells offsets to the end consumer (either individual or business consumers) together with other goods and services but who does not actively provide offsets. A reseller also delegates emissions calculations and the sourcing and cancelling of carbon credits to a third-party offset provider.

2.13 There are three categories of resellers in the Scheme: core, large and small:

### **Core resellers**

2.14 A core reseller is defined by the scheme as a company/organisation that can apply to have the offsets that they sell approved under this Scheme in the same way that offset providers can. A core reseller would be responsible for its own emission calculations and the sourcing and cancelling of carbon credits.

### **Large resellers**

2.15 A large reseller is defined by the scheme as a company/organisation that:

- Only sells approved carbon offsets that are sold together with other goods and services; and
- Delegates emission calculations and the sourcing and cancelling of carbon credits to a third party offset provider/core reseller.
- Has an annual turnover or balance sheet total that is greater than £8 million; and
- Does not sell carbon offsets as its primary business.

### **Small resellers**

2.16 A small reseller is defined by this Scheme as a company/organisation that:

- Only sells approved carbon offsets that are sold together with other goods and services; and
- Delegates emission calculations and the sourcing and cancelling of carbon credits to a third party offset provider/core reseller.
- Has an annual turnover or balance sheet total that is equal to or less than £8 million; and
- Does not sell carbon offsets as its primary business.

2.17 Small and large resellers should consult their provider of approved offsets on the appropriate arrangements for using the quality mark with approved offsets. Further information is available in section 4.

2.18 Where approved offsets are resold by small and large resellers it is the offset provider's or core reseller's responsibility to ensure that all of the Scheme's requirements are met, including the calculation of emissions, environmental integrity and the supply of consumer information.

### **Information for consumers**

2.19 Ultimately this Scheme aims to provide confidence and clarity to consumers when offsetting. If a consumer, whether an individual or a business, wishes to learn more about offsetting, information is available from [www.direct.gov.uk/offsetting](http://www.direct.gov.uk/offsetting) or [www.businesslink.co.uk/offsetting](http://www.businesslink.co.uk/offsetting).

## **Contents of this document**

2.20 The remaining sections detail the different requirements and components of the approval process and the role of the Approval Body. The sections are:

- Approval process (section 4)
- Calculation of emissions (section 5)
- Environmental integrity (section 6)
- Consumer information (section 7)
- Quality Mark (section 8)
- Role of the Approval Body (section 9)

### 3. The Requirements of the Scheme

3.1 The following boxes set out the requirements of the Scheme. To be approved an offset must meet all of the requirements set out in this document and summarised below.

<b>Approval process</b>	<ol style="list-style-type: none"> <li>1. Offset providers and resellers must pay a fee to have offsets approved by the Approval Body under the Scheme.</li> <li>2. A signed declaration will be required from the applicant stating the intention to abide by the Scheme.</li> <li>3. Approved offsets must continue to meet the requirements of the Scheme throughout the approval period (12 months from the granting of approved status) unless the Approval Body is informed in writing that approval is no longer wanted.</li> </ol>
<b>Calculating emissions</b>	<ol style="list-style-type: none"> <li>4. Offset providers and core resellers must accurately calculate emissions to be offset, using the factors provided by the Scheme or Defra's Voluntary Reporting Guidelines.<sup>4</sup></li> <li>5. The emissions factors to be used shall be included in the application for approval of an offset.</li> <li>6. Offsets will only be approved if they calculate emissions from a particular activity or over a defined period of time.</li> <li>7. Offset providers must provide clear summary information on their methodological approach to the calculation of emissions and the emissions factors employed to the Approval Body.</li> <li>8. Where applicable, offset providers may make an application to the Approval Body if they wish to propose a specific emission factor that is not provided for by the Scheme or Defra/DECC's Voluntary Reporting Guidelines. These factors must be agreed by the Approval Body before they can be used.</li> <li>9. Only defined activities (limited to those activities which can be converted into CO<sub>2</sub>e using the conversion factors in the 'Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting'<sup>5</sup>) can be balanced as part of an approved offset. Where there is more than one method of calculating emissions, the offset provider should use the most accurate figures for each defined activity. For example emissions calculated on the basis £ spent (i.e. Annex 13) should <b>only</b> be used where it is not possible to calculate emissions using information in the other Annexes of the 'Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting'. Additional information on the hierarchy of emission calculation methodologies to use for transport emissions is provided in Annex 1.</li> </ol>

<sup>4</sup> <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>

<sup>5</sup> <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>

<b>Environmental integrity</b>	<p>10. Approved offsets must use good quality carbon credits. For this scheme these are currently: CERs, ERUs, AAUs and phase 2 EUAs.</p> <p>11. If an approved offset includes credits from forestry (tCERs and ICERs) the offset provider must guarantee that the credits will be renewed or replaced once they expire and demonstrate a method of guarantee to the Approval Body.</p> <p>12. Carbon credits to fulfil a consumer's purchase of an approved offset must be cancelled to a registry connected to the UNFCCC international transaction log within one year from the date of that transaction or for eligible credits, at the consumer's request, be transferred to the UK credit account created under the Carbon Accounting Regulation 2009 (they may then be counted towards the UK's carbon budgets and will be cancelled by the UK Government) within one year from the date of that transaction (details of the credit account can be obtained from AEA). Offset providers must be able to provide evidence to the Approval Body that the credit has either been cancelled, or transferred to the credit account.</p>
<b>Consumer information</b>	<p>13. Offset providers and resellers must make clear and truthful any marketing and advertising associated with approved offsets.</p> <p>14. Marketing materials must accurately reflect the nature of the offsets being sold.</p> <p>15. Offset providers and resellers must provide general information about climate change and the importance of reducing one's carbon footprint.</p> <p>16. Offset providers must provide information on how to reduce one's carbon footprint; alternatively, clear signposting to a suitable information source should be made available to the consumer.</p> <p>17. Offset providers must and resellers provide explanatory information about the role of offsetting in contributing to tackling climate change.</p> <p>18. Offset providers and resellers must make available the total price and price per tonne purchased by the end consumer as a minimum at the point of sale and before the consumer is committed to purchasing an offset.</p> <p>19. Customer facing staff should be made aware of the basics of this Scheme and know where to direct further queries.</p>
<b>The Quality Mark</b>	<p>20. Only approved offsets may be associated with the Quality Mark.</p> <p>21. The Quality Mark is a registered mark and only those offset providers licensed to use it can do so.</p> <p>22. An approved offset must follow the terms and conditions in the Licence Agreement which obliges offset providers to adhere to the Scheme's Quality Mark usage guidelines.</p> <p>23. An offset provider will distinguish the approved offsets from any offsets it may sell that are not approved.</p>

3.2 In addition to the requirements for applicants to the approval scheme, this Scheme document sets out the role of the Approval Body, which will:

<b>Role of the Approval Body</b>	<ul style="list-style-type: none"><li>24. Manage a web-based application process and make approval decisions.</li><li>25. Answer queries about the Scheme and the approval process.</li><li>26. Monitor and take action where the requirements have been breached by participants of the Scheme.</li><li>27. Respond to complaints against an offset provider who sells an approved offset.</li><li>28. Respond to complaints regarding an approval decision.</li><li>29. Liaise with the Advisory Forum.</li><li>30. Refer to DECC as the final arbiter of complaints and appeals.</li><li>31. Report to DECC on the Scheme's activity.</li></ul>
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## **4. Approval Process**

### **Requirements**

- 4.1 Offset providers and resellers must pay a fee to have offsets approved by the Approval Body under the Scheme.
- 4.2 A signed declaration will be required from the applicant stating an intention to abide by the Scheme.
- 4.3 Approved offsets must continue to meet the requirements of the Scheme throughout the approval period (12 months from the granting of approved status) unless the Approval Body is informed in writing that approval is no longer wanted.

### **Explanation**

- 4.4 Any offset provider and resellers wishing to sell offsets that display the Quality Mark must apply to the Approval Body.
- 4.5 The Approval Body is responsible for determining whether an offset meets all of the necessary criteria for approval and for conferring use of the Quality Mark. Applications for approval of an offset will only be accepted from offset providers and core resellers i.e. companies/organisations selling offsets to the end consumer, whether as a single offering or together with other goods and services. Special arrangements have been made for large and small resellers of offsets as outlined in section 2.

### **Application process**

- 4.6 Offset providers and core resellers seeking approval for offsets must complete an online application form and pay a fee. Once all information is provided, via the Approval Body's website, the application will be logged and an acknowledgement e-mail sent to the primary contact (and a specified Director).
- 4.7 The Approval Body will determine new approval applications within 30 working days of receipt of application and cleared fees. The Approval Body will determine renewals of approval within 20 working days. Within this time the Approval Body will confirm approval of an offset by e-mail and send two hard copies of a Licence Agreement for signature and return to the Approval Body. The Licence Agreement, signed by a nominated Director of the offset provider, includes a declaration that approved offsets will meet the requirements of the Scheme and obliges the offset provider to adhere to usage guidelines associated with the Scheme's Quality Mark.
- 4.8 The granting of approval status will be made once two hard copies of the Scheme's Licence Agreement, signed by an offset provider's Director, have been received by the Approval Body. The Approval Body will make the Quality Mark available to the offset provider on approval of an offset to the Scheme.

- 4.9 Applicants considered not to have met the Scheme's requirements will be given feedback as to what actions need to be made for an offset to be approved. The application may be resubmitted once within 12 months from the date of feedback being provided. No further fees will be required for the resubmitted application. Fees for withdrawn applications will not be refunded.
- 4.10 Details of individual applications will not be published although a list of successful applications will be maintained on the Approval Body website. Approval will be valid for a 12-month period from the date of approval and is defined as an 'approval period'. Offset providers can apply to renew an approved offset after the initial 12-month approval period. An application to renew the approval status of an offset must be made 20 working days before its approval period ends.
- 4.11 The approval process is a paper exercise that does not require the Approval Body to visit an offset provider's premises. Instead a signed declaration from a Director is necessary to prove the information provided is correct and remote audits will be conducted by the Approval Body (see section 9).

#### **Arrangements for large and small resellers**

- 4.12 Offset providers and core resellers that have an approved offset under this Scheme may supply offsets to large and small resellers as part of their Licence Agreement. The Scheme allows for these resellers to use the Quality Mark with any resold approved offsets. To arrange for the Quality mark to be supplied to these resellers, the offset provider or core reseller should notify the Approval Body, via <http://www.decc.gov.uk/offsetting> of the large or small reseller to whom they are to supply approved offsets, along with the information outlined in paragraphs 4.27 to 4.29.
- 4.13 This information will be assessed by the Approval Body in 20 working days. If approval is granted a Licence Agreement covering appropriate use of the Quality Mark will be set up directly between the Approval Body and the reseller. Upon receipt of a signed hardcopy the Approval Body will supply the Quality Mark directly to these resellers.
- 4.14 Ensuring that emissions calculations and environmental integrity meet the Scheme's requirements is the responsibility of the offset provider or core resellers. Large and small resellers are required to meet the consumer information requirements of this Scheme.
- 4.15 In addition to the audit process for offset providers (see section 9) the Approval Body will also check that resellers are meeting the Scheme's consumer information requirements. Five percent of resellers will be audited on an annual basis, with a minimum of one large or small reseller checked per offset provider or core reseller.

#### **Cost of Approval**

- 4.16 The approval scheme cost of assessment is self-funding with fees charged for the following activities:
- Initial application to have an offset(s) approved under the Scheme;

- Application to have a non-standard emission factor approved for use as part of an approved offset;
  - Audits;
  - Renewal of approval.
- 4.17 Fees received will be used by the Approval Body to review and assess applications.
- 4.18 DECC subsidises the cost of managing the scheme. Funds received are used by the Approval Body to:
- maintain the approval website;
  - monitor the market to ensure the requirements are being met and the Quality Mark is being used correctly;
  - complete audits;
  - ensure compliance with Scheme;
  - respond to queries and complaints;
  - provide an annual report to DECC on the scheme and state of the offsetting industry.
- 4.19 Initial fees for application to have an offset approved by the Scheme are stratified based on the offset provider's turnover or balance sheet total relating to the highest parent company or organisation. Reduced fees are offered to organisations defined as; small, charities, micro and sub-micro (see Table 1).
- 4.20 Up to ten offsets that adhere to the Scheme can be approved as part of the initial application. A single fee is charged each time an application for offset approval is made. Offset providers may wish to put forward one or more offsets for approval within each application. All supporting information relating to the offsets submitted as part of an application for approval must be provided simultaneously. Any further offsets submitted for approval will carry an additional approval fee as outlined in Table 1.
- 4.21 The fees associated with the annual renewal of an approved offset are outlined in Table 2.

### **Fees for resellers**

- 4.22 Fees are charged for resellers of approved offsets where the reseller wishes to use the Quality Mark. This fee covers the administration, issuance of the Quality Mark.
- 4.23 Fees for core reseller(s) will be same as those of the offset providers where the charge is stratified based on the offset provider's turnover or balance sheet total relating to the highest parent company.
- 4.24 Fees for Large and Small resellers are levied via the offset provider supplying the approved offset.
- 4.25 The use of the Quality Mark by large and small resellers is valid for a 12 month period from the date that the Quality Mark is delivered to the reseller by the Approval Body. For these resellers this can be extended in 12 month

blocks upon notification from the offset provider or core reseller and receipt of the relevant fees.

**Table 1: Fees structure for initial offset approval<sup>6</sup>**

<b>Company/organisation category</b>	<b>Initial fee for application to the approval scheme</b>	<b>Turnover</b>	<b>Balance sheet total</b>
<b>Large</b>	£10,000	> £40 million	> £ 34.4 million
<b>Medium</b>	£7,500	≤ £40 million	≤ £ 34.4 million
<b>Small</b>	£2,250	≤ £8 million	≤ £8 million
<b>Micro</b>	£1,800	≤ £1.6 million	≤ £1.6 million
<b>Sub-Micro</b>	£750	≤£1 million	≤£ 1 million
<b>Charities</b>	£400	N/A	N/A
<b>Large Reseller</b>	£2,500	≥ £8 million	≥ £8 million
<b>Small Reseller</b>	£750	< £8 million	N/A

**Table 2 Fees structure for approved offset renewal**

<b>Company/organisation category</b>	<b>Renewal fee for approved offsets</b>	<b>Turnover</b>	<b>Balance sheet total</b>
<b>Large</b>	£4,444	> £40 million	> £ 34.4 million
<b>Medium</b>	£3,333	≤ £40 million	≤ £ 34.4 million
<b>Small</b>	£1,000	≤ £8 million	≤ £8 million
<b>Micro</b>	£800	≤ £1.6 million	≤ £1.6 million
<b>Sub-Micro</b>	£375	≤£1 million	≤£ 1 million
<b>Charities</b>	£200	N/A	N/A
<b>Large Reseller</b>	£1,111	≥ £8 million	≥ £8 million
<b>Small Reseller</b>	£375	< £8 million	N/A

All prices exclude VAT

### **Non-standard emission factors**

4.26 A fee will be charged by the Approval Body in relation to the checking and approval of methodologies associated with non-standard emission factors that are submitted either as part of an initial application, renewal or modification to an already approved offset. The Approval Body will provide the offset provider with an estimated fee related to making associated checks based on the volume and complexity of the methodology(ies) submitted. The assessment will only be made once the assessment fee has been agreed by the offset provider and received by the Approval Body.

<sup>6</sup>Company turnovers or balance sheet totals for Large, Medium, Small and Micro businesses reflect the European Commission's definition of an SME adopted in Recommendation 2003/361/EC on January 1<sup>st</sup> 2005. Further details can be found at [http://ec.europa.eu/enterprise/enterprise\\_policy/sme\\_definition/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm). Sub-Micro has been added and the turnover and balance sheet totals only applies to this Scheme

## **Evidence required for initial application to the approval scheme**

4.27 The initial application will be made through the Approval Body's website ([www.decc.gov.uk/offsetting](http://www.decc.gov.uk/offsetting)). Information required to complete the application includes:

- Company name, status (i.e. ltd, plc,), registration number at Companies House or national equivalent, and address;
- Primary contact name, telephone number and e-mail address;
- Secondary contact name, telephone number and e-mail address (if Primary contact is not a Director of the organisation);
- The most recent Profit and Loss sheet or Income Statement;
- Information to demonstrate how the Scheme's consumer information requirements, outlined in section 7, will be met (this may include company/organisation branded documents, mock-up website or marketing material designs, website screenshots (or the address to your website)).
- Details of emissions factors to be used with an offset;
- Where a non-standard emissions factor, specific to a service or activity, is proposed to be used, the factors and supporting evidence base should be supplied to the Approval Body for review. The Approval Body will review the calculation methodology and sanction (or not) its use as appropriate. This can be made as part of an initial application, at renewal or at any point during an approval period.

## **Evidence required for initial application for resellers**

4.28 The information required for core resellers will be same as those of an offset provider as detailed in section 4.27. Where an offset provider or a core reseller has an arrangement to supply approved offsets to a reseller i.e. Large and Small resellers, the offset provider must provide the following reseller information via the Approval Body's website:

- Reseller company name;
- Reseller Primary contact name, telephone number e-mail address;
- Evidence that a signed contract to supply approved offsets is in place between the offset provider and the reseller;
- The reseller's most recent Profit and Loss sheet or Income Statement;
- The resellers website address;
- The reference name of the approved offset to be resold (specified during the offset's initial application for approval) to be provided;
- Information to demonstrate how the Scheme's consumer information requirements, outlined in section 7, will be met (this may include company/organisation branded documents, mock-up website or marketing material designs, website screenshots (or the address to your website)).

Note: The use of the Quality Mark by small resellers is restricted to electronic media

4.29 The offset provider must notify the Approval Body of any Large or Small reseller that stops offering the quality mark approved offsets within 10 working

days of their ceasing in order that they have their licence revoked and are removed from the list of those offering approved offsets.

- 4.30 Assessment for approval will be undertaken once cleared application fees have been received by the Approval Body.

### **Additional activities**

- 4.31 The Approval Body will also carry out the following activities on behalf of Government:

### **Annual Reporting**

- 4.32 The Approval Body will produce a publicly-available annual report each year, to be published on the DECC website, setting out the following information:
- i. Who has been granted approval;
  - ii. Any misuse of the Quality Mark;
  - iii. The volume of credits sold to consumers as part of approved offsets / the volume of carbon credits cancelled or transferred to the credit account by these offset providers;
  - iv. Any issues regarding compliance, including which offsets were audited in the previous reporting period;
  - v. Steps taken to review, streamline and improve the approval process;
  - vi. Trends in consumer take-up of offsetting;
  - vii. The development of the offsetting market over that year;
  - viii. Complaints received and how they have been addressed.

### **Review of the Scheme's requirements**

- 4.33 The requirements and approval process of the Scheme requirements, including emission factors, will be reviewed by Government (drawing on the findings of the Approval Body's annual report and other information) on an annual basis.
- 4.34 If changes are made to the Scheme's requirements, existing offsets will remain approved. However, offset providers will need to meet the new requirements before submission for approval of new offsets or on renewal of an approved offset. Offset providers that sell approved offsets will be notified directly of changes to the Scheme's requirements within five working days of any changes coming into effect. Details will also be published on the Approval Body's website.
- 4.35 The Government reserves the right to review and modify the Scheme from time to time as it sees fit. Any major changes will be consulted upon and the offsetting industry will be given appropriate advance notification of any significant modifications made to the Scheme.

## **QAS Advisory Forum**

- 4.36 The Advisory Forum plays an important role in formulating advice to Government and the Approval Body on the operation of the Scheme.
- 4.37 The role of the QAS Advisory Forum, comprising members of the offsetting industry and other key/interested stakeholders, is to advise and make recommendations to the Approval Body (and DECC) to:
- Improve the operation of the approval process;
  - Offer guidance to help resolve complaints and disputes relating to offset approval decisions;
  - Contribute to the annual review and revision of the Scheme's requirements.

## **Structure of the QAS Advisory Forum**

- 4.38 The Forum consists of no more than 18 members including a Chairman. The members include:
- Relevant industry associations;
  - Offset providers;
  - Consumer groups;
  - Representatives from the public sector and/or academia;
  - Non Governmental Organisations.
- 4.39 The Forum is chaired by a Government representative. The Chair agrees agenda items and presides over meetings. Other Government representatives also sit on the Forum. Meetings are currently held quarterly at DECC's offices and minutes of each meeting are published online at <http://offsetting.decc.gov.uk>.
- 4.40 It is expected that the Forum's Chairperson to rotate on an annual basis.

## 5. Calculating Emissions

### Requirements

- 5.1 When calculating a consumer's emissions to be offset:
- i. Offset providers must accurately calculate emissions to be offset accurately using the factors provided for in the accompanying Defra/DECC Greenhouse Gas Conversion Factors for Company Reporting.<sup>7</sup>
  - ii. The emissions factors to be used shall be included in the initial application for approval of an offset.
  - iii. Offsets will only be approved if they calculate emissions from a particular activity or over a defined period of time.
  - iv. Offset providers must provide to the Approval Body clear summary information on their methodological approach to the calculation of emissions and the emissions factors employed.
  - v. Where applicable, an offset provider may make an application to the Approval Body if they wish to propose a specific emission factor that is not provided for by the Scheme or Defra's Voluntary Reporting Guidelines. These factors must be agreed by the Approval Body before they can be used.
  - vi. Only defined activities (limited to those activities which can be converted into CO<sub>2</sub>e using the conversion factors in the 'Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting' <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>) can be balanced as part of an approved offset.

### Explanation

#### Methodological approach

- 5.2 The Scheme demands accurate calculations but does not require a consumer to offset the emissions associated with the whole of their business/lifestyle or for all of a defined activity. It is for the consumer to decide the scope of emissions that they wish to offset. For example a consumer may wish to decide to offset domestic but not international flights or just one month's electricity consumption. When offsetting emissions from a particular activity or over a period of time, it is important that the emissions are calculated accurately using a consistent agreed dataset and methodological approach.
- 5.3 Acceptable methodological approaches include:
- Defra's Voluntary Reporting Guidelines<sup>8</sup>
  - WRI Greenhouse Gas Protocol<sup>9</sup>
  - ISO standards such as ISO14064

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<sup>7</sup> <http://www.defra.gov.uk/environment/business/reporting>

<sup>8</sup> <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>

<sup>9</sup> <http://www.ghgprotocol.org/>

- 5.4 The results of emissions calculations should be presented in either tonnes (to a minimum of two decimal places), or in kilograms.

### **Emissions factors**

- 5.5 As well as following the methodological approaches above, approved offsets must also use the set of emissions factors indicated by the Scheme for applications made during 20010/11. Information on these factors (from the 'Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting') are attached at Annex 1.

- 5.6 It is intended that in future these conversion factors will continue to be updated annually (in the spring) to take account of any changes to the UK UNFCCC Greenhouse Gas Emissions Inventory as well as other methodological improvements or updated information. Further details of this process are available from Defra's website at:

<http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>.

Applicants will be required to use the factors current at the time of application and update their calculators should newer versions become available in the duration of that approval period, or to reflect subsequent changes to the Voluntary Reporting Guidelines. The Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting are usually updated annually. It is recognised that it may take some time for offset providers to update their conversion factors to the latest factors once they become available, but this should be done at the offset providers' earliest convenience. Further information on the requirements regarding emission factors is provided in Annex 1.

### **Emissions covered**

- 5.7 Only defined activities (limited to those activities which can be converted into CO<sub>2</sub>e using the conversion factors in the 'Guidelines to Defra / DECC's Greenhouse Gas Conversion Factors for Company Reporting' <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>) can be balanced as part of an approved offset. In addition, the factors should be used accurately and not misrepresented to consumers. For example, where emissions from fuel or transport activity are calculated, it should be clear whether these cover only emissions directly resulting from the use of fuel or also include indirect emissions resulting from the fuel's production and distribution etc). It must also be clear whether they are providing calculations based upon CO<sub>2</sub> emissions only, or total emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O (in CO<sub>2</sub>e).
- 5.8 The appropriate Global Warming Potential (GWP) factors that can be used to calculate the CO<sub>2</sub> equivalent emission for the major non-CO<sub>2</sub> greenhouse gases are included in Annex 5 of the Defra/DECC GHG Conversion Factors for Company Reporting. Non-standard emissions factors can be used to calculate emissions, but must be assessed by the Approval Body prior to their use.

## Offsetting electricity

- 5.9 Individuals or organisations may wish to offset emissions relating to electricity use. If providers wish to offer offsets for such purposes, the quality assurance scheme requires the use of the emissions factor relating to the UK grid average fuel mix factor (see Annex 1) reflecting Defra's/DECC voluntary reporting guidelines.
- 5.10 There is no different factor for electricity purchased on a renewable energy tariff. This is because electricity suppliers already have a legal obligation to supply a certain amount of electricity from renewable sources – contributing to the UK grid average factor – and existing evidence suggests that we cannot quantify any additional carbon savings from renewable energy tariffs. This would also cover the purchase of electricity from low carbon sources such as CHP.

## Offsetting flights

- 5.11 Unlike most other sectors the large majority of non-CO<sub>2</sub> effects of aviation are not major greenhouse gases. These effects include soot, contrails, water vapour, NO<sub>x</sub> etc. The science evidence base on these effects continues to develop. However, there has been a body of research suggesting that, despite remaining uncertainties, these non-CO<sub>2</sub> effects are significant.
- 5.12 To account indicatively for the total radiative forcing impacts of aviation, a factor, or multiplier, could be used to uprate carbon dioxide emissions. It is for the offset provider to decide whether or not to include such a multiplier when calculating emissions from flights. In line with best scientific evidence 1.9 should be used<sup>10</sup> where it is decided to apply a multiplier. To ensure consistency alternative factors **should not be used**. This will be kept under review as new evidence comes to light. Further information is provided in Annex 1.
- 5.13 If the provider does apply a factor to take into account radiative forcing, they should make it clear if they are applying one. In addition, the consumer should also be referred to the approval website, where further information about radiative forcing will be available. If an offset provider chooses not to account for the total radiative forcing impacts of aviation, it should be clear that the product is only offsetting CO<sub>2</sub> and that there are wider impacts arising from aviation.
- 5.14 The Government wishes to see full transparency in the way that emissions from flights are calculated in terms of the distance travelled and any uplift factors applied to account for circling and delay. It is acknowledged that a number of methods are currently used. The relevant factors in Annex 1 should be used if distance travelled and any uplift factors applied to account for circling and delay are used in flight emissions calculations.

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<sup>10</sup> Aviation radiative forcing in 2000: An update on IPCC (1999) Meteorologische Zeitschrift 14: 555-561

## **Offsetting emissions from overseas (i.e. non-UK) activities/offices**

- 5.15 Some UK businesses may have overseas operations that use energy sources or equipment with (potentially significantly) different GHG emissions performance. Equally, some offset providers may cater for non-UK markets (either exclusively or in addition to the UK). In such cases it is appropriate to allow flexibility for the use of equivalent robust local (i.e. non-UK) emission factor datasets where available as alternatives to the UK focused default – i.e. Defra/DECC GHG Conversion Factors for Company Reporting.
- 5.16 Acceptable alternatives to the default emission factors in such cases include (up to date) official emission factors from national governments (or their agencies), or emission factors utilised by the GHG Protocol (<http://www.ghgprotocol.org>). For example, for activities occurring within the US, emissions factors from the US EPA may be used; or for activities within New Zealand, emissions factors published by New Zealand’s Ministry for the Environment may be used, etc.
- 5.17 As part of the approval process the offset provider must confirm/highlight to the approval body where they intend to use emission factors other than the defaults (or any validated specific emission factors, see below) for activities outside the UK and provide information on their basis and source. This information will need to be reviewed /approved by the approval body prior to any permission being granted for certification under the scheme. This provision excludes flights and shipping to/from the UK, for which the default factors (i.e. from Defra/DECC GHG Conversion Factors for Company Reporting) should be used.
- 5.18 In some cases it may also be appropriate to allow alternate methodologies and emission factors. For example in some overseas (non-UK) territories fuel/energy consumption data (e.g. gas or electricity use for office buildings) may not be typically available/obtainable in units of energy (or volume or mass), unlike in Europe or the US. In such cases, alternate metrics (such as office floor area) might be used to estimate GHG emissions instead. Such methodologies and accompanying emission factors would need to be confirmed/agreed with the approval body and may be subject to additional cost via the process for validating specific emission factors.
- 5.19 In all cases where non-UK emission factors are bespoke/calculated by the offsetter they will need to be verified as part of the non-standard /specific emission factor process at additional cost.

## **Specific Emissions Factors**

- 5.20 If an offset provider is selling an offset with other services it may be appropriate to allow the use emissions factors specific to that service. For example, if an airline sells offsets for their own fleet of planes they may have more accurate fleet-specific data. If an offset provider wishes to use a specific set of emissions factors they must request this in their application. The Approval Body will confirm whether it is appropriate to use data specific to that offset provider and what they offset. The factors and the supporting evidence

base must be sent to the Approval Body who will review the calculation methodology.

### **Approval process for specific emission factors**

5.21 The offset provider will provide:

- Justification for using specific data;
- The emission factors: An indication of their proposed application together with the data sources, methodology and techniques used in the calculation of the emission factors;
- The necessary fee as outlined in section 4.

5.22 The Approval Body will check the emission factors against the evidence provided and the methodology proposed and decide whether to approve them for use by that offset provider.

5.23 The Approval Body will check compliance against the agreed factors. The approved factors will be kept confidential.

## 6. Environmental Integrity

### Requirements

- 6.1 To ensure environmental integrity the Scheme requires that offsets meet the requirements listed below:
- i. Approved offsets must use good quality carbon credits. For this Scheme these are currently: CERs, ERUs, AAUs and phase 2 EUAs;
  - ii. If an approved offset includes credits from forestry (tCERs and ICERs) the offset provider must guarantee that the credits will be renewed or replaced once they expire and demonstrate a method of guarantee to the Approval Body;
  - iii. Carbon credits to fulfil a consumer's purchase of an approved offset must be cancelled to the UK's Registry (or equivalent other national Registry) within one year from the date of that transaction or for eligible credits, at the consumer's request, be transferred to the UK credit account created under the Carbon Accounting Regulation 2009 (they may then be counted towards the UK's carbon budgets and will be cancelled by the UK Government)<sup>11</sup> within one year from the date of that transaction (details of the credit account can be obtained from AEA). Offset providers and Core resellers must be able to provide evidence to the Approval Body that the credit has either been cancelled, or transferred to the credit account.

### Explanation

- 6.2 The primary aim of offsetting is to deliver a measured amount of carbon saving. It is important that offsets offer genuine and verifiable carbon abatement. This Scheme does not set standards for the actual projects or technologies used to offset but identifies and endorses the mechanisms that currently demonstrate best practice. Only offsets comprising Kyoto compliant credits from the regulated market can be sold through the Scheme, i.e.:
- Certified Emission Reductions (CERs);
  - Emission Reduction Units (ERUs);
  - Phase 2 European Union Allowances (EUAs);
  - Assigned Amount Units (AAUs).
- 6.3 The DECC website carries further information about each of these carbon credits. Consumers can be referred to this site for more information.<sup>12</sup>
- 6.4 Kyoto compliant credits were developed as a route for Government and business to demonstrate compliance against targets. By cancelling these credits from the UK's Registry the emissions reduction can be claimed by a

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<sup>11</sup> This is explained further in Annex 2

<sup>12</sup> See

[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/change\\_energy/tackling\\_clima/intl\\_strat/mechanisms/clean\\_developm/clean\\_developm.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/intl_strat/mechanisms/clean_developm/clean_developm.aspx) for the Clean Development Mechanism (which produces Certified Emissions Reductions - CERs)

See

[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/change\\_energy/tackling\\_clima/intl\\_strat/mechanisms/joint\\_implemen/joint\\_implemen.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/intl_strat/mechanisms/joint_implemen/joint_implemen.aspx) for Joint Implementation (which produces Emission Reduction Units - ERUs)

See [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/change\\_energy/tackling\\_clima/emissions/eu\\_ets/eu\\_ets.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/emissions/eu_ets/eu_ets.aspx) for the EU Emissions Trading System (EU ETS) (which produces European Union Allowances - EUAs)

consumer as a voluntary offset rather than by Government or business to demonstrate compliance.

### **Forestry: tCERs and ICERs**

- 6.5 There is clear evidence that the permanent creation of new woodland removes carbon from the atmosphere. There are some concerns that offsetting through forestry will not remove carbon permanently if the woodland subsequently dies or is lost through land clearance and is not replanted. Two types of CER have been developed to cover such potentially non-permanent projects. Under the CDM, forestry projects are awarded temporary credits to take into account the nature of carbon sequestration in trees. A Temporary CER (tCER) expires at the end of the five-year commitment period following the year of issue. Long-term CERs (ICERs) expire at the end of the crediting period of the project; this can be either 20 or 30 years.
- 6.6 To support best practice in forestry, tCERs and ICERs can be used as part of this Scheme. However, as these carbon credits have expiry dates, the Scheme requires offset providers to supply evidence to satisfy the Approval Body that they have procedures in place to renew or replace the credits under circumstances where carbon is lost.
- 6.7 Offset providers that use tCERs or ICERs are also required to draw up a contract with the consumer that obliges them to guarantee that carbon credits will be bought and cancelled within one year of purchase to cover offsets purchase in the event of project failure.
- 6.8 The offset provider must guarantee that the credits will be renewed or replaced once they expire and demonstrate a method of guarantee to the Approval Body.

### **Cancelling credits**

#### **Guidance**

- 6.9 A consumer's activities will only be offset once sufficient credits from a carbon reduction project have been cancelled or transferred to the UK credit account. Once credits have been cancelled or transferred in this way they can no longer be bought, traded or used for compliance. To ensure the integrity of this Scheme the following terms apply:
- Offset providers will provide a statement of account to the Approval Body on an annual basis from the date of approval or from the offset provider's financial year end;
  - The statement of account will specify the total volume of credits sold through approved offsets and details of the credits cancelled or transferred to the credit account. For cancellation this means the date of cancellation and CITL/ITL identification number in the relevant registry during the preceding 12 month approval period. For offset providers based in the United Kingdom this will be UKs Registry. For offset providers based

outside the United Kingdom this will be a national registry connected to the UNFCCC international transaction log;

- The necessary volume of credits should be cancelled from the relevant registry as specified above or transferred to the UK credit account within a maximum of one year from the date that the offset was purchased by the consumer;
- Offset providers may choose to own and operate their own registry account or allow a third party to purchase and cancel credits – or transfer them to the credit account - on their behalf. In all cases, the offset provider must be able to demonstrate to the Approval Body that cancellations or transfers to the credit Account have occurred within the timescales prescribed;
- For resellers, the point of purchase shall be the day on which the offset sale is reported by the reseller to the offset provider, this date being no longer than three calendar months after the date on which the consumer purchased the offset from the reseller.

6.10 Were there to be a delay in forwarding CERs to EU registries for any reason outside of the control of offset providers, providers would be asked to provide to the Approval Body evidence of either:

- sufficient forward contracts for credits to cover offsets sold;
- evidence that they have cancelled a sufficient quantity of credits on a registry connected to the UNFCCC international transaction log.

#### **Evidence required of applicants**

6.11 A statement of account for each offset that has been approved by the Approval Body must be provided on an annual basis. The statement of account should include details covering the 12 month period following the date at which approval of the offset was granted by the Approval Body or from the offset provider's financial year end. The statement of account should be submitted to the Approval Body within three months of the end of this 12 month period.

6.12 The statement of account should include the following information:

- The total volume of credits sold through approved offsets during the approval period, including those sold direct to the end-consumer or via resellers (preferred evidence should be provided by an appropriate independent third party, such as an accountant or verifier, confirming that the volume of approved offsets sold in the preceding 12 month approval period is correct).
- The date of cancellation and CITL / ITL Identification numbers for all credits cancelled or date transferred to the credit account in the preceding 12 month approval period.
- Where necessary, evidence to demonstrate that tCERs have been renewed or permanent Kyoto compliant credits bought to replace tCERs that have expired during the approval period.
- For ICERs, a current verification report of the registered CDM project should be provided to the Approval Body to confirm the validity of the

ICERs and/or evidence to demonstrate that permanent credits have been bought to replace ICERs in case of project failure.

# 7. Consumer Information

## Requirements

- 7.1 Offset providers and resellers selling approved offsets shall:
- i. Ensure that any marketing and advertising associated with approved offsets is clear and truthful.
  - ii. Ensure marketing materials accurately reflect the nature of the offsets being sold.
  - iii. Provide general information about climate change and the importance of reducing one's carbon footprint.
  - iv. Provide information on how to reduce one's carbon footprint, or a clear signposting to a suitable information source should be made available to the consumer.
  - v. Provide explanatory information about the role of offsetting in contributing to tackling climate change.
  - vi. Make available the total price and price per tonne purchased by the end consumer should be provided as a minimum at the point of sale and before the consumer is committed to purchasing an offset.
  - vii. Ensure that customer facing staff are aware of the basics of this Scheme and know where to direct further queries.
  - viii. Provide a summary of the emissions calculation methodology, including details of any key assumptions, the emissions factors used and a short summary of the rationale and basis for any non-standard emission factors.

## Explanation

- 7.2 It is important that the consumer can make an informed choice when purchasing an offset. The association of the Quality Mark with approved offsets helps to provide a shortcut to identify good-quality, approved offsets. However, to ensure that informed decisions can be made in relation to offset purchases, the Scheme requires offset providers selling approved offsets to meet the following requirements.

## Provide clear and truthful marketing and advertising

- 7.3 Any marketing and advertising associated with approved offsets must be clear and truthful. To avoid misleading the consumer, offset providers need to clearly distinguish between approved and unapproved offsets, as outlined in the Scheme's Quality Mark style guidance (available at [www.decc.gov.uk/offsetting](http://www.decc.gov.uk/offsetting)). Marketing materials must also reflect the nature of the offset. For example, where carbon credits used as part of an approved offset are generated from renewable energy projects, marketing materials should reflect these projects. Furthermore, offset providers will be required to comply with the following legislation:

- The Consumer Protection from Unfair Trading Regulations:  
[www.offt.gov.uk/shared\\_offt/business\\_leaflets/cpregs/oft979.pdf/](http://www.offt.gov.uk/shared_offt/business_leaflets/cpregs/oft979.pdf/)

- Unfair Terms in Consumer Contract Regulations - [www.offt.gov.uk/advice\\_and\\_resources/resource\\_base/legal/unfair-terms/](http://www.offt.gov.uk/advice_and_resources/resource_base/legal/unfair-terms/)

## Use key messages

- 7.4 Clear, jargon-free and appropriate information should be made available for consumers with regard to offsetting their emissions so that they understand what it entails and how it contributes to tackling climate change. Information provided on this may be sector specific. For example, if an energy supplier is selling an offset to individuals they may wish to focus their advice on domestic energy efficiency or direct the consumer to the Energy Saving Trust.
- 7.5 Offset providers and resellers should also make available information on the basic contents of the Quality Assurance Scheme and how it benefits the consumer prior to point of sale. Furthermore, consumers should be directed to the Government's Quality Assurance Scheme for Carbon Offsetting requirements and procedures for offset providers document, available at [www.decc.gov.uk/offsetting](http://www.decc.gov.uk/offsetting).
- 7.6 The Scheme does not specify the exact text that should be used to communicate this information to consumers nor the level of detail, but those seeking approval of an offset should include (or signpost to appropriate sources of information) the following key messages:
- 7.7 Key messages about climate change:
- Climate change is one of the most urgent issues of our time.
  - Climate change is likely to impact on all of us, in the UK and the rest of the world.
- 7.8 Key messages about footprints and offsetting:
- We – government, business and individuals – are all responsible for reducing our carbon footprints.
  - We are all responsible for producing carbon emissions in our daily lives.
  - We should identify the emissions we produce and ways to reduce them.
  - We can then offset unavoidable emissions.
- 7.9 Key messages about offsetting:
- Offsetting involves paying someone else to reduce emissions, elsewhere, on our behalf.
  - Offsetting won't reverse the effects already caused by emitting greenhouse gases. However, by saving an equivalent amount of greenhouse gas elsewhere, we can help to reduce the impact of our actions.
  - Carbon credits used as part of an approved offset are cancelled within a year of your offset purchase.<sup>13</sup> This ensures that emissions are balanced within a defined period of time and prevents the credits from being used again.

<sup>13</sup> Unless the consumer requests that they are transferred to the credit account, in which case they will be cancelled following the end of the first (2008-2012) carbon budget period.

- 7.10 Offset providers may also wish to provide links to further appropriate sources of information on how consumers can reduce their emissions including but not restricted to:

**For business consumers:**

[www.decc.gov.uk](http://www.decc.gov.uk)  
[www.carbontrust.co.uk](http://www.carbontrust.co.uk)  
[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

**For individual consumers:**

[www.direct.gov.uk/offsetting](http://www.direct.gov.uk/offsetting)  
[actonCO<sub>2</sub>.direct.gov.uk/index.html](http://actonCO2.direct.gov.uk/index.html)  
[www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk)

### **Ensure customer-facing staff are knowledgeable about the Scheme**

- 7.11 Offset providers and resellers should ensure that customer-facing staff know about and meet the terms of the Scheme as well as their legal responsibilities. They should also know where to direct further queries. Signposting options should include organisations including:

- DECC
- Carbon Trust
- Energy Saving Trust
- Business Link
- The Scheme's Approval Body

### **Present pricing in a clear and transparent way**

- 7.12 Clear and transparent pricing enables consumers to make informed decisions when purchasing an offset. To make this easier for the consumer the following information shall be clearly available at the point of sale for approved offsets.

- 7.13 As a minimum the pricing information to be shown at point of sale should include:

- Price to the consumer per credit being purchased (in £/tCO<sub>2</sub> or a relevant national currency);
- Total price of offsets being purchased (in £ or a relevant national currency);
- Volume of calculated emissions that are to be offset (in tonnes of CO<sub>2</sub>)
- Cancellation rights and methods of cancellation should be made available to the customer.

- 7.14 All prices should be shown in pounds sterling or a relevant national currency. It should also be clear to the consumer if VAT is included or excluded. Providers may also wish to provide a breakdown of what proportion of the offset cost goes towards purchase of credits, administrations costs etc, although this is not a requirement.

## **Additional information which may be provided**

7.15 Offset providers or resellers may wish to provide consumers with a choice of projects from which to buy credits. If this occurs the provider will ensure, and be able to demonstrate to the Approval Body, that the volume of Kyoto compliant credits cancelled to the UK's Registry of a particular offset is equivalent to the volume of its sales or the amount of units transferred to the UK credit account. In addition, marketing materials, of any form, should represent the nature of the credits being sold.

## **After the transaction**

7.16 Written or e-mailed confirmation of the offsets purchased should be sent or e-mailed to the consumer at the point of sale. Further details relating to when credits are cancelled or transferred to the credit account may also be sent after the sale at the discretion of the offset provider.

## **Evidence required of applicants**

7.17 Marketing material must be provided with the approval application to demonstrate that the following information is being provided during the sale:

- A clear and simple explanation of offsetting and how it can help to tackle climate change.
- Information on the importance of avoiding and reducing energy consumption before considering whether to offset emissions.
- Pricing information as described above in paragraphs 7.12 to 7.14.

## **Provide a summary of the emissions calculation methodology**

7.18 Offset providers must provide with the approval application a summary of the methodology used to calculate emissions to be offset, which will also be made available to the consumer.

7.19 This summary should be clearly signposted on the offset provider's website and should contain the following information:

- An overview of the different areas covered (e.g. emissions from household heating, lighting and electrical appliances, transport emissions, etc);
- Separate sections for each distinct offsetting area, providing details on:
  - any key calculation assumptions (e.g. whether any uplifts have been used – such as for radiative forcing, for great circle flight distances, for real-world driving vs type approval emissions for cars, etc);
  - the emissions factors used, including coverage (e.g. direct CO<sub>2</sub> only, or all direct CO<sub>2</sub>e emissions, or inclusion of indirect CO<sub>2</sub>e emissions), level of aggregation (e.g. emission factors for average flights, or emission factors by seating class); and
  - a short summary of the rationale and basis for any non-standard emission factors used.
- Full references for any key information, assumptions or data (including emissions factors).

## 8. The Quality Mark

### Requirements

*These requirements are currently being reviewed by DECC.*

- 8.1 Only approved offsets can display the Quality Mark.
- 8.2 The Quality Mark is registered and only those licensed to use it can do so.
- 8.3 An approved offset must follow the terms and conditions in the Licence Agreement which obliges offset providers and resellers to adhere the Scheme's Quality Mark usage guidelines.
- 8.4 An offset provider and a reseller will distinguish the approved offsets from any offsets it may sell that are not approved.

### Explanation

- 8.5 The Quality Mark will be used to identify approved offsets to consumers. This mark can be used by offset providers and resellers on websites, brochures and other promotional material<sup>14</sup>. It can be used to distinguish approved offsets from other offsets in the market. Usage guidance in relation to the Scheme's Quality Mark can be found on the Approval Body's website at [www.decc.gov.uk/offsetting](http://www.decc.gov.uk/offsetting).
- 8.6 The Quality Mark reflects the branding of the UK Government's Act on CO<sub>2</sub> climate change awareness campaign.
- 8.7 If an offset provider or a reseller offers a range of offsets, then approved offsets must be distinguished from those that are not approved. The Quality Mark must be clearly associated with approved offsets and, to avoid confusion, separated from offsets that are not approved by the Scheme.
- 8.8 Should an offset provider or a reseller wish to make amendments to its existing online or print materials subsequent to application, it should notify the Approval Body. In addition, should an offset provider or a reseller receive any queries from outside organisations interested in using the Quality Mark – for example, a periodical wishing to use the Quality Mark to illustrate an article about the Scheme – then they should refer the enquiry to the Approval Body. Where necessary, the Approval Body will liaise with DECC in deciding whether such requests should be granted.
- 8.9 The Approval Body will conduct random checks of approved offsets for correct use of the Quality Mark. As far as is reasonably possible, the Approval Body will also carry out monitoring to ensure that no one is using the Quality Mark without being licensed to do so. Offset providers and resellers are encouraged to notify the approval body if they suspect any examples of the mark being used without authorisation.

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<sup>14</sup> The use of the Quality Mark by small resellers is restricted to electronic media.

- 8.10 The Quality Mark will be registered. Where an unlicensed organisation uses the Quality Mark it will be invited to apply for approval and ordered to cease use of the Quality Mark immediately until the offset is approved. In the event of continuing misuse legal proceedings may be initiated.

**Evidence required of applicants**

- 8.11 Offset providers and resellers wishing to demonstrate their intended use of the Quality Mark may satisfy the Approval Body by providing mock ups of marketing materials (websites, brochures etc) that incorporate the Quality Mark. A sample Quality Mark image will be made available for this purpose on the Approval Body's website.
- 8.12 Two signed copies of the Licence Agreement will need to be received by the Approval Body before approval is granted.

## 9. Role of the Approval Body

- 9.1 The role of the Approval Body is to
- i. Manage a web-based application process and take approval decisions;
  - ii. Answer queries about the Scheme and the approval process;
  - iii. Monitor and enforce compliance of participants to the Scheme;
  - iv. Respond to complaints against an offset provider who sells an approved offset;
  - v. Respond to complaints regarding an approval decision;
  - vi. Liaise with the Advisory Forum.
- 9.2 The Approval Body maintains a list of offset providers and resellers approved to use the Scheme's Quality Mark. This list is publicly available on the Approval Body website.
- 9.3 The Approval Body reviews the operation of the Scheme and the development of the offsetting market. The Scheme is reviewed and updated each year, as appropriate. The Government and the Approval Body reserve the right to change the requirements of the Scheme. If changes are made to the Scheme, existing offsets will remain approved; however offset providers will need to meet the new requirements before submission for approval or on renewal of an offset.

### Confidentiality

- 9.4 AEA have been selected by DECC through a competitive tendering process to act as the Scheme's Approval Body (Contract ref number RMP 4578). Selection criteria for the contractor included:
- Independence:* The contractor should not provide its own offsetting service to consumers or have project staff that work for or on behalf of businesses that provide offset products.
- Impartiality:* The contractor should be recognised and trusted by applicant organisations and consumers to operate the function credibly, impartially and transparently.
- 9.5 AEA as the Approval Body treats any information submitted by offset providers with absolute confidence and does not use this information for commercial gain or any other purpose.
- 9.6 The contract is reviewed on an annual basis by the UK Government. The UK Government also reserves the right to audit the Approval Body and has access to records on an open book basis relating to the running of the Approval Scheme.

## **Breaches of the Scheme's requirements**

- 9.7 Where an approved offset no longer meets the criteria that led to its approval and the offset provider and reseller continues to use the Quality Mark in relation to it, both will be in breach of the Scheme's requirements. Similarly if it is discovered that approval was gained through false or misleading statements, approval will be suspended.
- 9.8 The Licence Agreement sets out the requirements with which the approved offset must continue to comply. Where an approved offset fails to comply with any of the requirements of the Scheme, the offset provider (and reseller) will be informed and offered the chance to correct the error within 10 working days.
- 9.9 In the event that no or insufficient corrective action is taken the right to use the Quality Mark will be withdrawn. A breach of the Licence Agreement will be considered a breach of contract and the offset provider may be taken to court. The Approval Body will perform reviews to check for breaches of the Scheme every two months, including incorrect use of the Quality Mark.
- 9.10 Where an offset provider makes changes to an approved offset they should inform the Approval Body before they are made. The Approval Body will then assess the change and will determine if the offset still meets the requirements of this Scheme or if a new application for the offset has to be submitted. The Approval Body will do this within five working days. For example, if the offset provider's website is completely redesigned the Approval Body may need to check that the Quality Mark is still being used correctly and that the right consumer information is provided in the right place.
- 9.11 Any organisation or individual that has information on any suspected breaches of the Scheme's requirements should pass this information to the Approval Body. Organisations deemed to be in breach of the Scheme's requirements but persisting in using the Quality Mark as well as any organisations using the Quality Mark without having applied for approval may also be named publicly on both the Approval Body's and DECC's website.

## **Complaints Process**

- 9.12 If an offset provider has a complaint regarding the application or audit process it should contact the Approval Body. The complaint will be considered independently of the application and audit process. Offset providers making a complaint must explain the issues in writing, within 20 working days of the matter arising, to the Approval Body. A response will be sent within a further 15 working days. DECC will be made aware of complaints made against the Approval Body and decisions relating to application or audit decisions. This information will be formally reported on an annual basis by the Approval Body.
- 9.13 An Advisory Forum as described in section 4 (paragraphs 4.35 to 4.40) meet at least quarterly with DECC and the Approval Body. The Advisory Forum may advise the Approval Body on how to resolve outstanding complaints against

approval or audit decisions. DECC will act as the final arbiter of complaints that are not resolved by the Approval Body.

- 9.14 If a consumer or stakeholder has a complaint against approved offset, consumers should first direct their complaint to the offset provider. It is expected that the offset provider has in place an effective complaints handling mechanism and should be able to resolve the majority of complaints relating to an approved offset within 28 days of complaint. Where complaints remain unresolved, consumers should contact the Approval Body.

## **Audits**

- 9.15 The approval body conducts surveillance of the market and approved offsets. Compliance is also be checked through auditing, as follows:

- The Approval Body audits approved offsets (and resellers) representing at least 5% in any 12-month period of the total approved offsets to evaluate compliance with all the requirements of the Scheme. The Approval Body reserves the right to conduct further audits if complaints are received (or to carry out on-site audits);
- The selection of those approved offsets to be audited is targeted or random;
- The following is taken into account when determining which approved offsets to audit:
  - Previously identified non-compliances associated with an approved offset.
  - The number and nature of upheld complaints received by the Approval Body by stakeholders in relation to an approved offset.
- Offset providers are given notice of 10 working days that they will be audited. It is expected that the audit exercise to be completed within 10 weeks of notice being given. On completion the offset provider is provided with an audit report detailing any corrective actions that are required.
- Where serious non-compliance with the Scheme is discovered, the UK Government may take legal action against the offending offset provider.

- 9.16 The Approval Body also make checks of resellers' websites, representing at least 5% in any 12-month period of the total and at least one Large or Small reseller per offset provider or core reseller to ensure:

- Compliance with the Scheme's consumer information requirements;
- Use of the Quality Mark is appropriate.

- 9.17 To pass the audit, offset providers must be able to provide the following information to prove that they meet the requirements of the Scheme.

### **Evidence required during auditing of approved offsets**

The offset provider will be required to provide the following information for each audit:

- The total volume of credits sold through approved offsets during the approval period (Evidence should be provided by an appropriate independent third party confirming that the volume of approved offsets sold in the preceding 12-month approval period is correct).
- The date of cancellation and CITL / ITL Identification numbers for all credits cancelled in the preceding 12-month approval period or the date of transfer and the CITL / ITL Identification numbers for all credits transferred to the UK credit account in the preceding 12-month approval period.
- Where necessary, evidence to demonstrate that tCERs have been renewed or permanent Kyoto compliant credits bought to replace tCERS that have expired during the approval period.
- For ICERs a verification report should be provided to the Approval Body to confirm the validity of the ICERs and/or evidence to demonstrate that permanent credits have been bought to replace ICERs in case of project failure.
- Evidence that offset emissions were calculated correctly using the emission factors published by the Government or other approved factors. This may require inspection of data provided and how emissions factors have been applied for business consumers. Where this is the case, the offset provider may wish to anonymise this data.
- Evidence that the consumer information requirements outlined in section 7 are met.
- Evidence that the Quality Mark has been used correctly.

# Annex 1: Emission Factors

## *Background*

Offset providers calculate emissions using data from different sources. Most providers use a CO<sub>2</sub> or carbon calculator, where a distance travelled or energy bill is inputted and a value for the associated emissions is calculated.

The factors acceptable under the Scheme are available in the 'Guidelines to Defra / DECC's Greenhouse Gases Conversion Factors for Company Reporting' at <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm>.

These factors are usually updated annually and the latest factors should be used. It is recognised that it may take some time for offset providers to update their conversion factors to the latest factors once they become available, but this should be done at the offset providers' earliest convenience. The month and date of the factors should be stated on the offset providers website in the following or similar format 'Defra / DECC September 2009' so this is clear to consumers.

## *Scope*

The footnotes and explanations in the 'Guidelines to Defra / DECC's Greenhouse Gases Conversion Factors for Company Reporting' at <http://www.defra.gov.uk/environment/business/reporting/conversion-factors.htm> should be read carefully so that the factors are used accurately and are not misrepresented to consumers. For example, where emissions from fuel or transport activity are calculated, it should be clear whether this cover only emissions directly resulting from the use of fuel or also include indirect emissions resulting from the fuel's production and distribution etc). It must also be clear whether they are providing calculations based upon CO<sub>2</sub> emissions only, or total emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O (in CO<sub>2</sub>e).

## *Specific Note on Calculating Emissions from Transport*

The following methods of calculation of CO<sub>2</sub> equivalent emissions from transport are recommended in order of their accuracy:

1. It is recommended that where possible CO<sub>2</sub>e emissions are calculated from the actual quantities of fuel used (i.e. in litres, tonnes, or energy units) using the factors in Annex 1 of the 'Guidelines to Defra / DECC's Greenhouse Gases Conversion Factors for Company Reporting' (DCF).
2. In the absence of data on actual quantities of fuel, this may be estimated from the observed average fuel consumption of the vehicle (e.g. in miles per gallon or similar units) and the distance travelled (in miles or km) and again using the emission factors in DCF Annex 1.
3. In the observed fuel consumption is not available, manufacturer data on CO<sub>2</sub> emissions per km may be available for cars or vans – based on the standard European test cycle. These factors must be uplifted by 15% to take into account 'real-world' driving conditions. To include estimates of emissions of CH<sub>4</sub> and N<sub>2</sub>O the appropriate emission factors by engine size or market segment from DCF Annex 6 or 7 should be used.

4. In the absence of manufacturer data on the CO<sub>2</sub> emission factors, the average emission factors provided in DCF Annex 6 or 7 should be used. It is recommended that the highest level of detail is used where possible, for example the specific vehicle type, engine size, weight category and % loading as appropriate. This will be more accurate than using the simple overall averages for a particular mode or fuel type. For cars, the emission factors by size category are preferred over the alternative of market segmentation based factors.
5. If the actual distance travelled is unavailable, UK average values are provided for cars, motorcycles and flights in Table A1.

For air transport, it is up to Offset providers or Core resellers to decide whether or not to include a radiative forcing factor in calculating emissions from flights. In line with current best scientific evidence a figure of 1.9 should be used if included, as provided in Table A1. If used, this factor would be applied to the emissions factors set out in DCF Annexes 6 and 7. To ensure consistency alternative factors **should not be used**.

If the provider does apply a factor to take into account radiative forcing, they should make it clear if they are applying one. In addition, the consumer should also be referred to the approval website, where further information about radiative forcing will be available.

If an offset provider chooses not to include a radiative forcing factor, they should be clear that the product is only offsetting CO<sub>2</sub> and that in some areas there are wider impacts.

**Table A1 Average passenger transport activity and other factors**

Average transport activity factors				
Mode	Category 1	Category 2	Units	Factor
Car	UK Average	Average annual distance	Kilometers	14,484
Car	UK Average	Average annual distance	Miles	9,000
Car	Uplift to be applied to car test cycle emission factors to convert to 'real-world' <sup>1</sup> emission factor values		%	15%
Motorcycle	UK Average	Average annual distance	Kilometers	5,955
Motorcycle	UK Average	Average annual distance	Miles	3,700
Flight	Domestic	Average flight length <sup>2</sup>	Kilometers	425
Flight	Short-haul	Average flight length <sup>2</sup>	Kilometers	1,200
Flight	Long-haul	Average flight length <sup>2</sup>	Kilometers	7,000
Flight	Uplift to be applied to average flight distance or actual Great Circle flight distances to take into account indirect routing/delays		%	9%
Flight	Recommended Radiative Forcing factor to be used for aviation			1.9

*Notes:*

1. Real world effects not covered in regular test cycles include use of accessories (air con, lights, heaters, etc), vehicle payload (only driver +25kg is considered in tests, no passengers or further luggage), poor maintenance (tyre under inflation, maladjusted tracking, etc), gradients (tests effectively assume a level road), weather, harsher driving style, etc. Whilst these factors might be applicable to individual cars, they will differ to those from dividing the total carbon emitted from all cars (total car fuel sales) by total car kilometres driven; that is, the emission factor for the average car kilometre driven. This is because lower CO<sub>2</sub> emitting cars, for example, newer cars and diesel cars, are on average driven more than higher CO<sub>2</sub> emitting cars such as older cars and sports cars. Thus, a use or traffic weighted average car emission factor will be significantly lower than these factors published here and hence these factors do not correlate to national emissions.
2. Only to be used in the absence of specific Great Circle Distances for flights between origin and destination airports.

## **Annex 2: The UK Carbon Budgets Credit Account**

The Climate Change Act 2008 allows the Government to use carbon units that have been purchased to offset emissions arising from sources in the UK (i.e. not units which offset emissions from international flights or international shipping) since 1 January 2008, to help meet the UK's carbon budgets established under the Act. These may either be units bought by Government for this purpose or those purchased by others.

The Carbon Accounting Regulations 2009 established the mechanism by which such carbon units may be counted towards the carbon budgets. This involves a Government-managed "credit account" in the UK Registry which has been created specifically for holding carbon units which may be counted towards carbon budgets. Anyone may transfer carbon units into the credit account but they will not automatically be counted towards the carbon budgets; this will also require a UK Minister to expressly declare the units as credits. Regardless of whether units are declared as credits, they may only be transferred out of the credit account to be cancelled (unless they were originally transferred into the credit account in error).

This mechanism means that if an individual or organisation specifically wishes any offset credits they have purchased to contribute to meeting carbon budgets, either they or a third party acting on their behalf would be required to transfer the units to the credit account. Note, however, that a Minister would also have to declare that the units were being credited before they could count.

The Act also requires Government to set a limit on the amount of carbon units which may be counted in this way towards each budget. For the first budgetary period (2008-2012) the Government has set the limit at zero (with the exception of units purchased by UK participants of the EU Emissions Trading System). This means that any units transferred to the credit account in this period would be cancelled without being counted towards the budget.

The limit for the second budget (2013-2017) must be set by 30 June 2011. While our intention is to meet the first three carbon budgets through emission reductions delivered in the UK, it is possible that the terms of the limit for the second budget may differ from the current limit. This may have implications for decisions taken by offset providers, individuals or organisations regarding whether carbon units they have bought to offset emissions should be transferred to the credit account or simply cancelled.

## Annex 3: Glossary of terms used in the Scheme

**Additionality** - Reduction in emissions by sources or enhancement of removals by sinks that is additional to any that would occur in the absence of a Joint Implementation (JI) or a Clean Development Mechanism (CDM) project activity as defined in the Kyoto Protocol Articles on JI and CDM. This definition may be further broadened to include financial, investment, technology, and environmental additionality.

**Approval period** – The 12 month period from which an offset is granted approval status.

**Approved offset** – An offset that meets the requirements of the Scheme document in terms of environmental integrity, emissions calculation methodology, clear and transparent pricing, accurate marketing materials and consumer information.

**Assigned Amount Units (AAUs)** – the basic Kyoto currency units; tracking performance of Annex 1 parties against targets.

**Carbon offset** – A carbon offset is defined by this Scheme as sufficient good quality carbon credits i.e. those that are Kyoto compliant<sup>15</sup> that are sold to, and used by, an individual or organisation to reduce their calculated carbon dioxide or equivalent carbon dioxide emissions<sup>16</sup> relating to a defined activity.

**Certified Emissions Reductions (CERs)** – These are tradable units generated by projects in developing countries (non-Annex 1 Parties) under the Clean Development Mechanism (CDM). They may be counted by Annex 1 Parties towards compliance with their UN and EU emissions target and are equal to one tonne of carbon dioxide equivalent gases. To deal with the issue of non permanence associated with afforestation *temporary CERs* (tCERs), which expire five years after their issue and *long-term CERs* (lCERs), which expire at the end of the crediting period of the project activity, are used. Both should be replaced after their expiry date.

**Clean Development Mechanism (CDM)** – One of the so-called “flexible mechanisms” under the Kyoto Protocol. The Protocol provides for a CDM in Article 12 as a means for companies to undertake projects in countries without a Kyoto target (non-Annex I Parties, i.e. developing countries) which reduce their emissions of greenhouse gases and contribute to sustainable development. Such projects are then credited with “Certified Emissions Reductions” (CERs).

**CO<sub>2</sub>** – Carbon Dioxide.

**Credit account** – The account established in the UK Registry under the Carbon Accounting Regulations 2009. This account is designed to hold credits eligible which may be for counted towards the UK Carbon Budget. Any person may transfer carbon

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<sup>15</sup> Compliance credits defined as those recognised by Her Majesty’s Government as eligible for use in complying with mandatory trading schemes in the UK - which would include Kyoto credits, EU Allowances, and any credits that meet the standard that the UK would recognise as suitable for compliance.

<sup>16</sup> Using factors provided for in this document (or otherwise approved by the Approval Body).

units to the credit account but they will only be counted as credits towards the net UK carbon account if a UK Minister makes a declaration to that effect.

**Double Counting** – When a carbon reduction is counted twice. This can either happen at a project level where credits are sold two or more times and/or at a national level where voluntary reductions are counted against national mandatory targets.

**Emission Reduction Units (ERUs)** – These are tradable units generated by projects in developed countries (Annex 1 Parties) (Joint Implementation). Emissions Reduction Units are converted from AAUs and Annex 1 Parties may count them towards compliance with their UN and EU emissions target. Each ERU is equal to one tonne of carbon dioxide equivalent gases.

**EU Allowance (EUA)** – These units are specific to the EU Emission Trading Scheme, (EU ETS) which started in 2005, and are equal to one tonne of carbon dioxide equivalent gases. They are valid for use within the Community scheme and wherever there is an agreement to link the EUETS with another greenhouse gas emissions trading scheme in accordance with Article 25 of the Emissions Trading Directive).

**European Union Emission Trading System (EU ETS)** – A trading system across Europe to reduce emissions of carbon dioxide and combat the serious threat of climate change. Phase I of the Scheme began on 1 January 2005 and finished on 31 December 2007. Phase II began on 1 January 2008 and will finish on 31 December 2012 to coincide with the first Kyoto Protocol commitment period.

[www.defra.gov.uk/environment/climatechange/trading/eu/index.htm](http://www.defra.gov.uk/environment/climatechange/trading/eu/index.htm)

**Kyoto compliant credits** – Compliance credits are defined as those recognised by Her Majesty's Government as eligible for use in complying with mandatory trading schemes in the UK - which would include Kyoto credits, EU Allowances, and any credits that meet the standard that the UK would recognise as suitable for compliance.

**Kyoto Protocol** – The Kyoto Protocol to the United Nations Framework Convention on Climate Change strengthens the international response to climate change. Adopted by consensus at the third session of the Conference of the Parties (COP3) in December 1997, it contains legally binding emissions targets for Annex I (developed) countries for the post-2000 period.

**Offset provider** – A company/organisation that sells offsets to the end consumer (either individual or business consumers), whether as a single offering, or together with other goods and services.

**Regulated market** (also known as the Compliance Market) – This is the carbon market for demonstrating compliance against the Kyoto Protocol or the EU Emissions Trading Scheme and includes the use of CERs, EUAs, AAUs and ERUs.

**UK Registry** – the computerised registry system set up in the UK to administer the carbon accounting system under the existing EU and UN frameworks, recording the issuance, transfer, cancellation, retirement and banking of carbon units. This is

managed for the Government by the Environment Agency at [www.emissionsregistry.gov.uk](http://www.emissionsregistry.gov.uk) with accounts allocated to Government and organisations and individuals to manage their holding of carbon units. Other countries have their own equivalent registries.

**Verified Emissions Reduction Credits (VERs)** – Differ from all the other carbon credits in that they are not recognised by, and do not form part of, the Kyoto protocol or EU ETS. They are not verifiable in the same way as other carbon credits but they can often be linked to small, non-industrial projects.