Carbon offsets:

A Just Path Toward Climate Action or Sustainability Illusion?

Presented by Isabella Morgante, Lucy Binfield & Peter McCartney at the 2025 Institute for Society and Natural Resources Conference, Vancouver, Canada

Land Acknowledgement

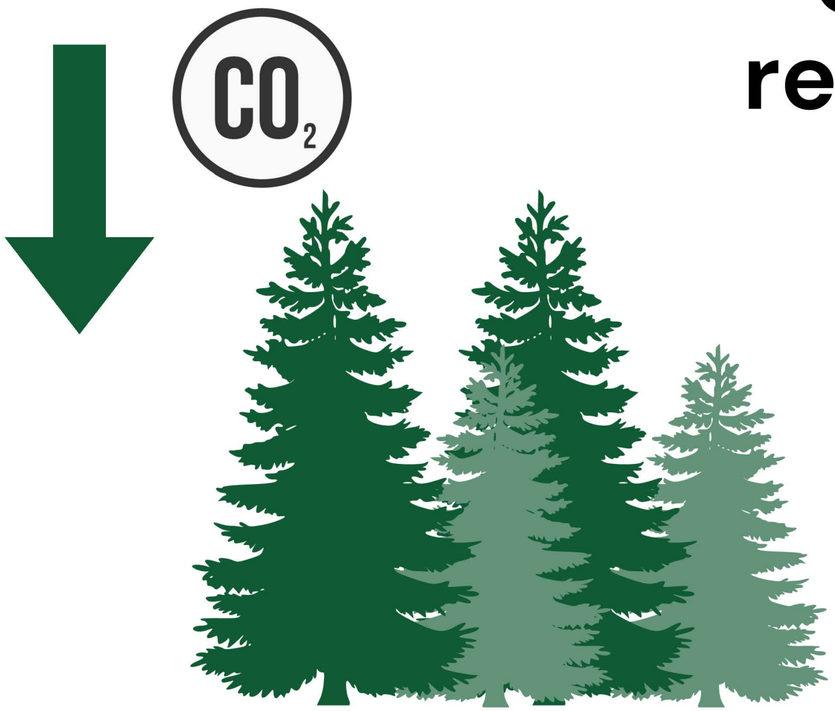
We would like to begin by acknowledging that the UBC Point Grey Campus sits on the traditional, ancestral, and unceded territory of the xwməθkwəy̓əm (Musqueam) People and the surrounding lands of the Coast Salish Peoples, including the territories of the Skwxwú7mesh (Squamish) and səlilwətaɬ (Tsleil-Waututh) Nations.

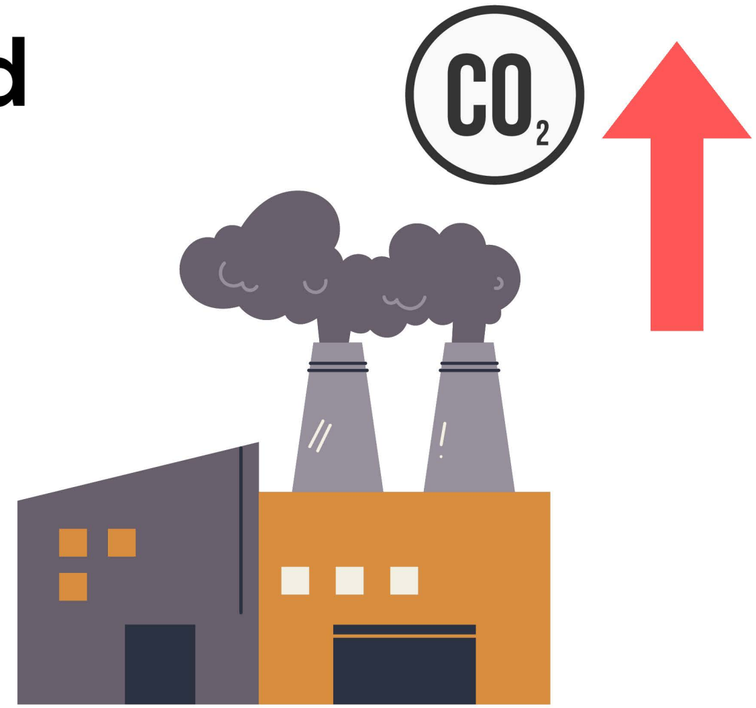
Session Structure

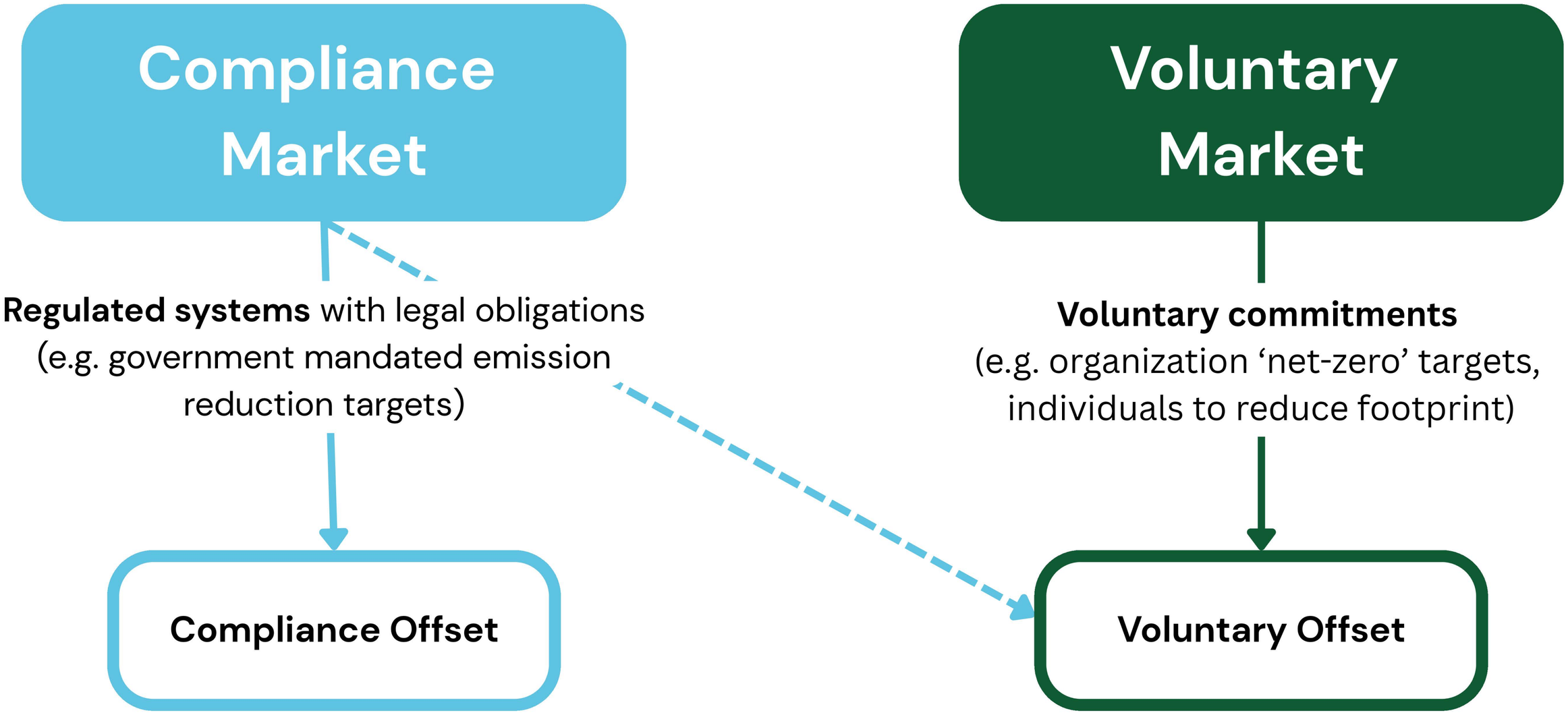
- 3 presentations on different aspects of offsets (30 mins)
  - Counting Carbon
  - Governance in Canada
  - Co-benefits & the bigger picture
- Questions
- Breakout discussions

Part 1 - Counting Carbon:
Offsets and the Credibility Crisis

One Carbon Offset Unit
=
One tonne CO_2 removed/avoided






Compliance Market
Voluntary Market
Regulated systems with legal obligations (e.g. government mandated emission reduction targets)
Voluntary commitments (e.g. organization 'net-zero' targets, individuals to reduce footprint)
Compliance Offset
Voluntary Offset

Offset Credits =

Baseline Emissions

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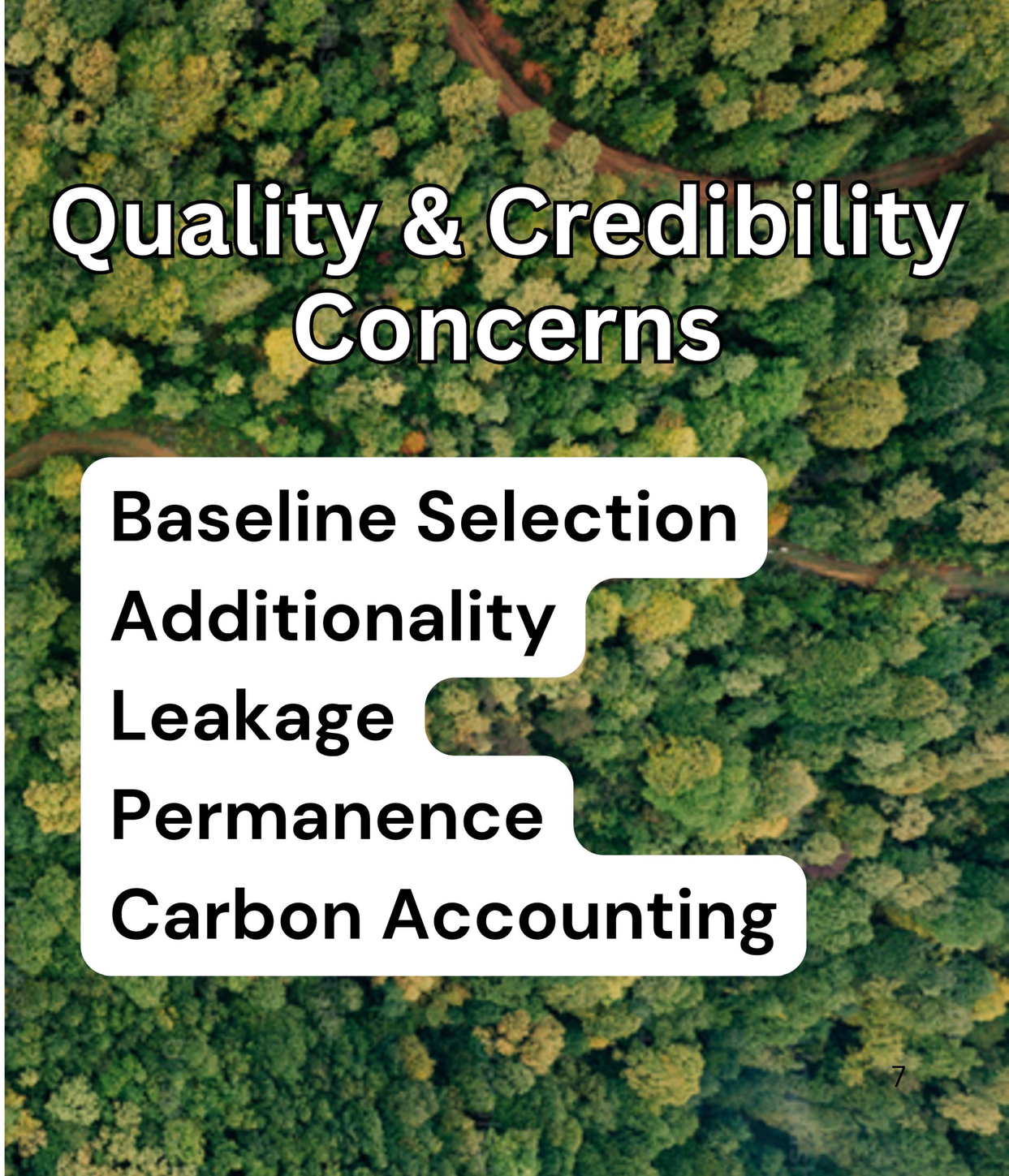
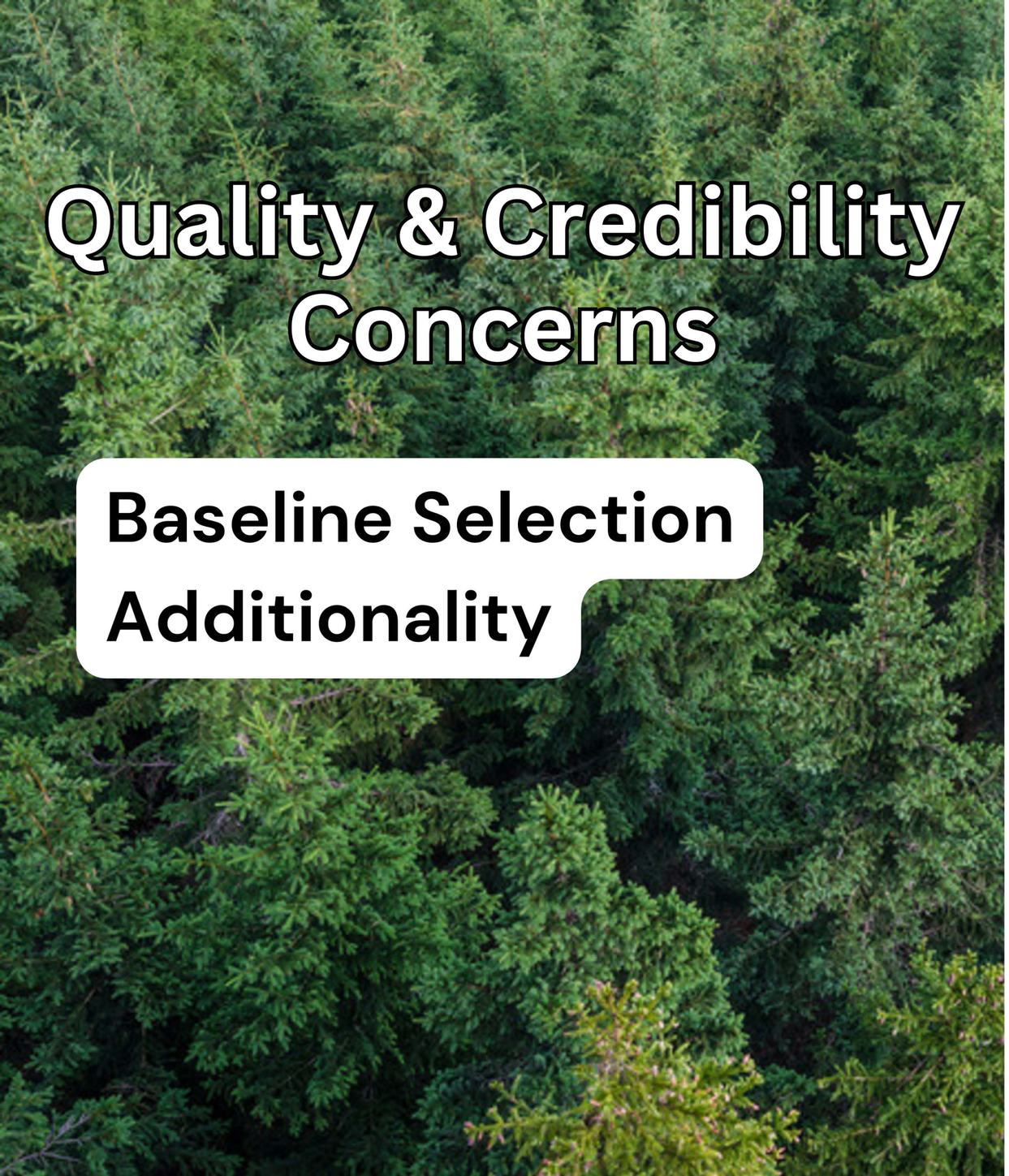
Project Emissions





Quality & Credibility Concerns

Baseline Selection

Additionality

- What would have happened without the offset project? (business as usual scenario)
- Would the project activities have occurred without the offset income?
- Can inflate baseline to generate the most credits rather than reflect reality

Quality & Credibility Concerns

Leakage

Permanence

- Does the project cause increased emissions outside of project boundary?
- How durable is the carbon benefit? Is there a risk of reversal?

Closing Loopholes

- Dynamic Baselines
- Higher leakage rates*
- Calls for increased transparency

- Huge number of standards, protocols and frameworks

- Questionable offsets still available for purchase
- Still need to address fundamental issues

Closing Loopholes

- Dynamic Baselines
- Still need to address fundamental issues

Only 3% of offset protocols passed quality assessment by standards watchdog

*26% of methods still under assessment (ICVCM)

Takeaways

- Significant quality concerns in forest offsets
- Highly complex, opaque system
- More frameworks ≠ better outcomes
- Structural reforms are needed
- Concerns about voluntary protocols for compliance

Part 2 - The Policy Maze:

Compliance offsets in Canada

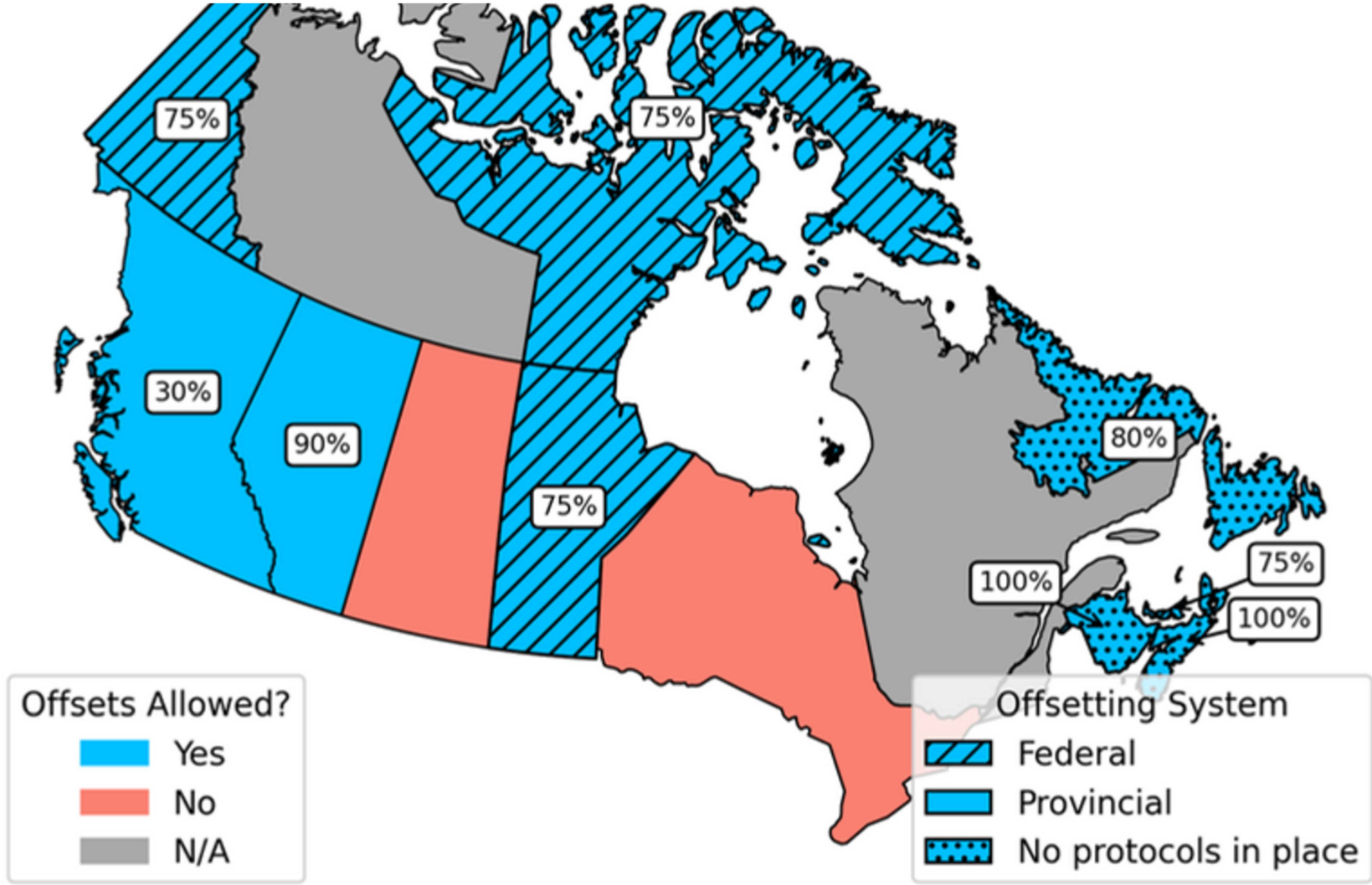
Compliance Offsets

- No longer only voluntary, now used in policy
- How does reliance on offsets impact climate policy?
- Complexity of policy magnifies that of offsets

Output-Based Pricing Systems

- **Carbon pricing without competitiveness concerns**
- **Charged on pollution above a decreasing benchmark**
- **Benchmarks are set per unit of production**

Canada's Industrial Carbon Price



Research Methods

- **Policy analysis spreadsheet**
- **Public comments review**
- **Timeline of each system**
- **Expert interviews (in progress)**

Hypothesis: Industry Lobbying

"During the review, ENV heard **a strong preference from industry** for the Province to move to a made-in-B.C. OBPS … as well as an interest in **allowing the use of market-based compliance mechanisms such as offsets.**"

"Shell encourages the Ministry **to enable the use of approved emission offsets …** As seen with other jurisdictions, **the use of carbon offsets** for compliance within regulations **can reduce compliance costs…"**

The usage of offset credits, whether provincially or federally sourced, **should not be restricted to a maximum quantity or percentage** and the obligated party should have the full flexibility in using offsets earned or purchased to cover its obligation after the 25% excess emissions charge is met.

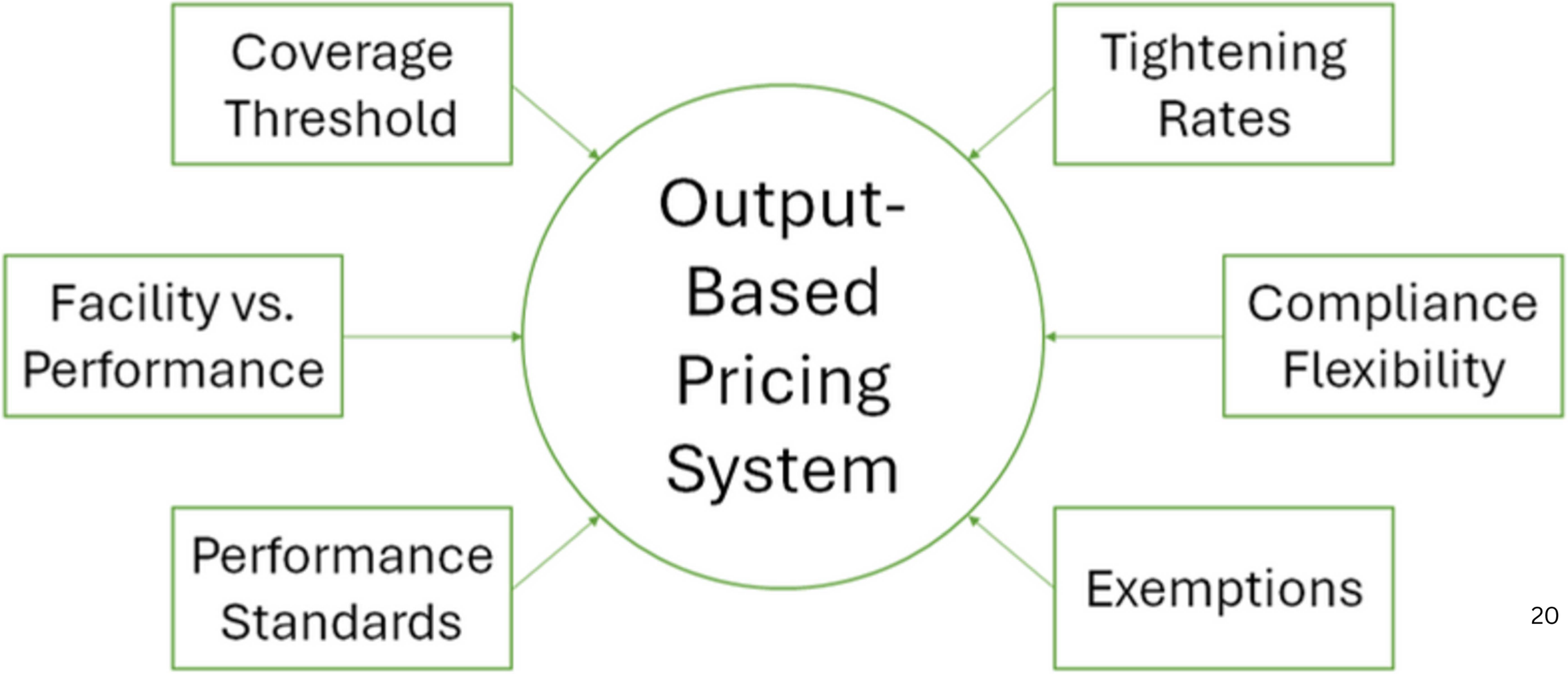
Findings: Federal Pushback

"An OBPS with a relatively **low price for compliance units would not be consistent** with the updated federal benchmark that specifically requires provincial and territorial output-based pricing systems to be designed **to maintain a marginal price signal equivalent to the minimum national price on carbon** pollution for explicit price-based systems across all covered emissions."

Saskatchewan

"An option to meet the 2023-2030 federal benchmark is to remove offset credits as a compliance option within the provincial OBPS program. **Keeping offset credits as a compliance option would result in higher stringencies for performance standards."**

Output-Based Pricing Systems



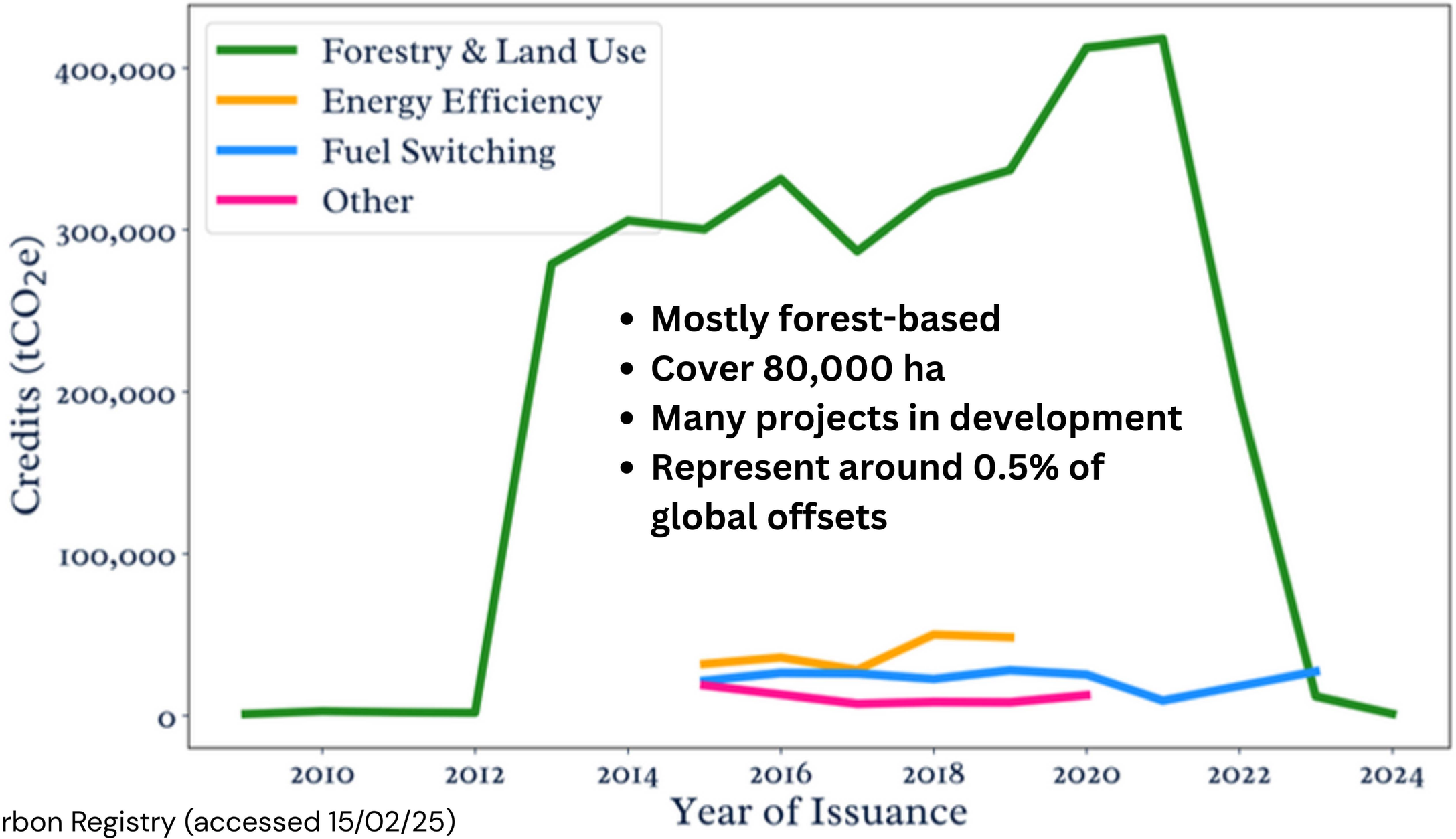
Industry vs. Government

- **Industry wants offsets to reduce costs**
- **Government allows offsets for flexibility**
- **Not enough transparency to know**
- **Canadian Climate Institute report**

Final Questions

- **Expert interviews to confirm findings**
- **Are carbon offsets weakening price signal?**
- **Should compliance offsets be allowed at all?**

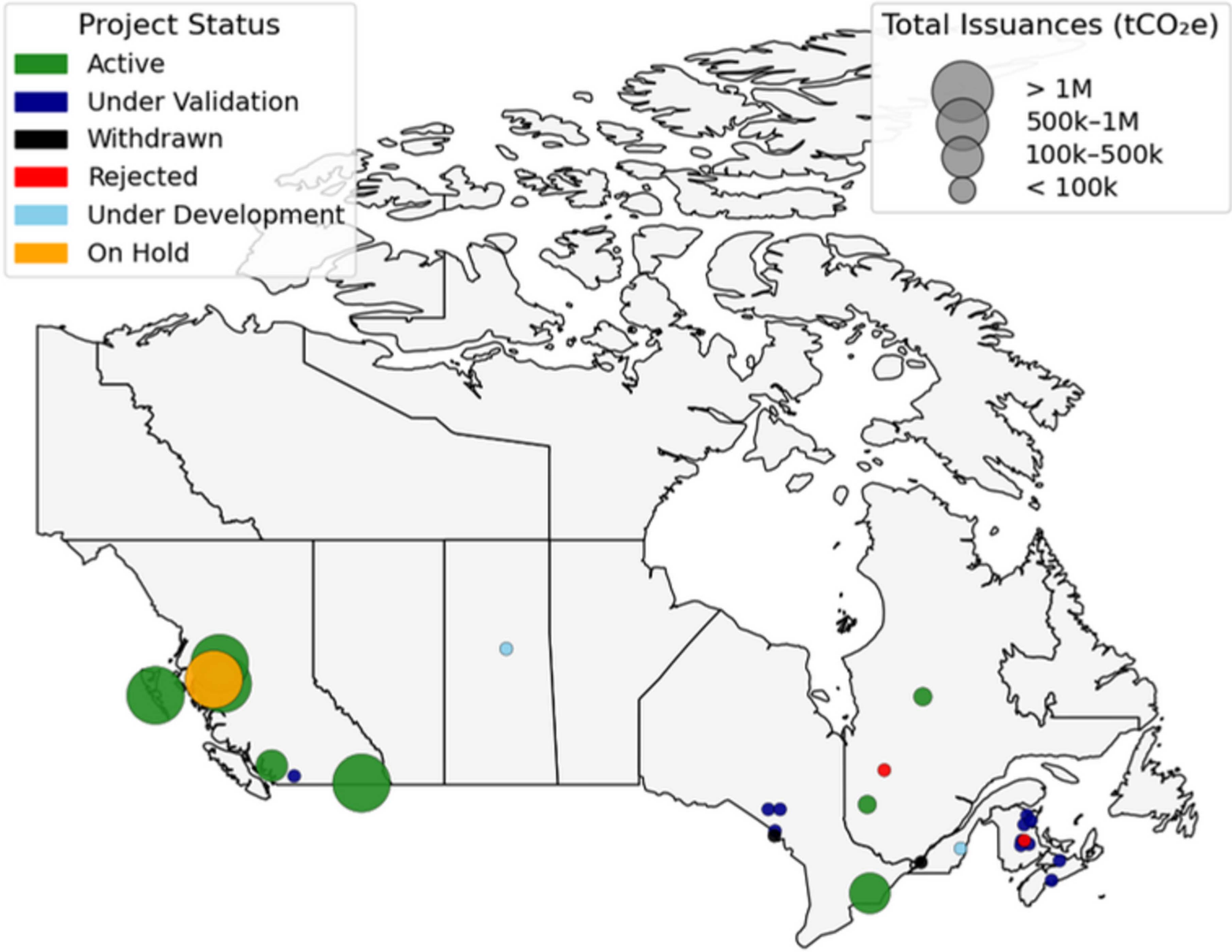
BC's carbon offsets



- **Mostly forest-based**
- **Cover 80,000 ha**
- **Many projects in development**
- **Represent around 0.5% of global offsets**

BC Carbon Registry (accessed 15/02/25)

Canada’s forest offsets



Additional impacts

- **Wide range of claimed benefits for communities, livelihoods and the environment;**
- **Reports of negative impacts, corruption and many unknown unknowns.**
-

What’s wrong with offsets?

- Unintended impacts
- Protocol differences
- Offset quality
- Issue of information asymmetry

Reforming carbon offset mechanisms

- Can it be done?
- Should it?
- How?

Reforming carbon offset mechanisms

Tweak?

- Adjust protocols
- Close loopholes
- Cut red tape

Reforming carbon offset mechanisms

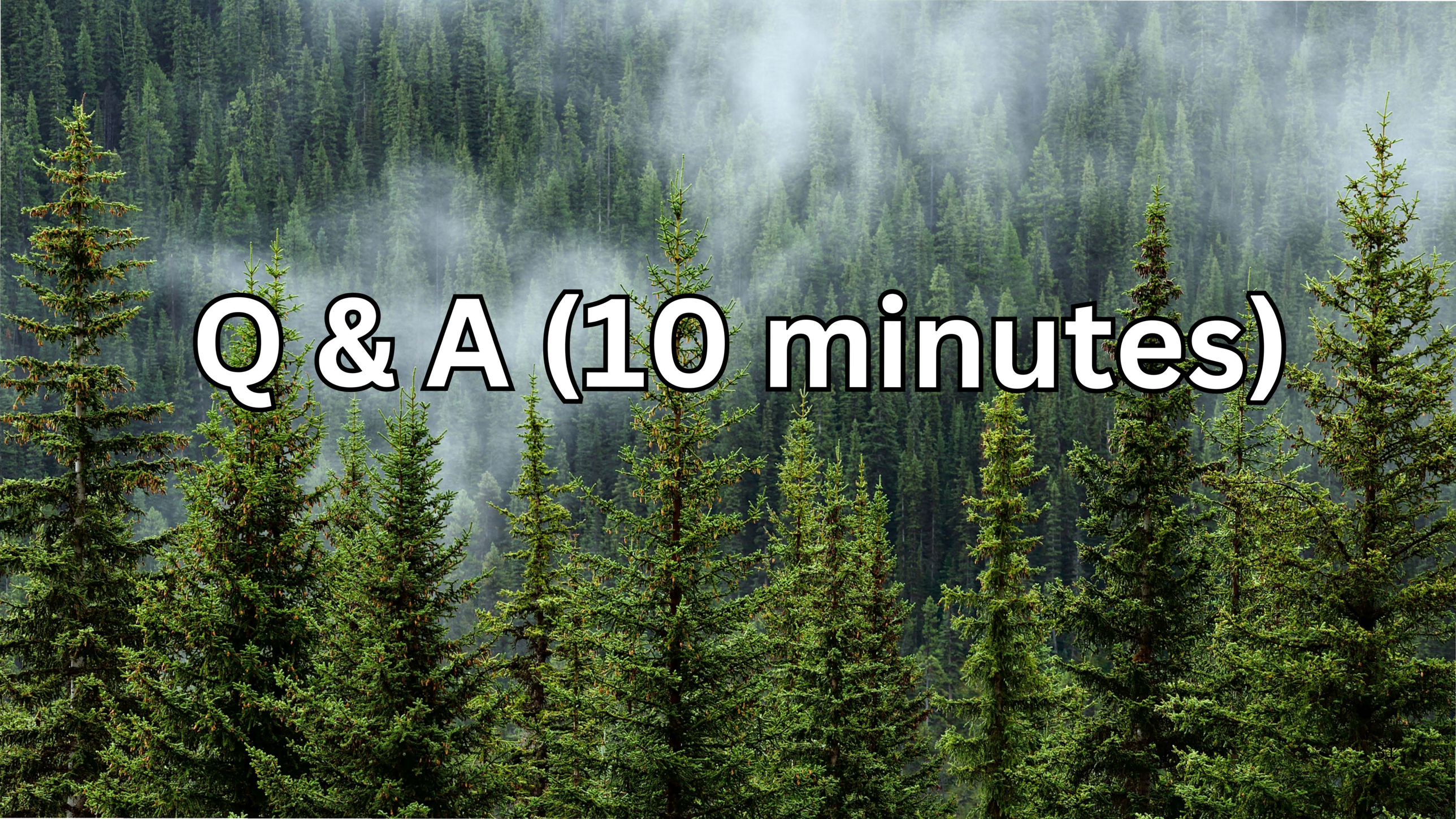
Adjust offset value

- **Discount value of carbon to account for shorter time period**
- **Integrate biodiversity into carbon value**

Reforming carbon offset mechanisms

Remove

- Replace with...?
- Nature-based solutions?
- Something else?


Q & A (10 minutes)

Discussion Question 1 (15 minutes)

- Should Canada’s carbon offsets be reformed, radically redesigned, or replaced?

Discussion 2 (15 minutes)

- What kind of reforms could make it more effective at reducing emissions?

OR

- What could we replace carbon offsets with?