

## Energy Systems Catapult: Call for Evidence Response

### Carbon Offsetting in Transport

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Dear Environmental Strategy Team,

#### About Energy Systems Catapult

Energy Systems Catapult was set up to accelerate the transformation of the UK's energy system and ensure UK businesses and consumers capture the opportunities of clean growth. The Catapult is an independent, not-for-profit centre of excellence that bridges the gap between industry, government, academia and research. We take a whole systems view of the energy sector, helping us to identify and address innovation priorities and market barriers, in order to decarbonise the energy system at the lowest cost.

#### Our Position on Carbon Offsetting

Reaching net zero emissions for transport by 2050 will be challenging, with predicted residual emissions remaining for all ticketed forms of transport (i.e. buses, rail, and aviation).<sup>1</sup> Therefore, we welcome the Department for Transport's call for evidence on carbon offsetting in transport.

However, while we recognise carbon offsetting will be required to achieve net zero, it is essential that it is not a replacement for rapid decarbonisation across the sector and economy. Where used, offsets should be domestically sourced, truly additional in nature, complement existing/future carbon policies, and meet defined standards for verification. There is a case for consolidating and streamlining existing arrangements for measurement, monitoring, and verification of emissions and related incentives, potentially within a carbon regulatory body.

#### Key Points

- **Carbon offsetting is not a replacement for decarbonisation** – It is crucial that carbon offsetting is not used as a replacement for the rapid decarbonisation of the transport sector and investment in zero carbon public transport.
- **Carbon offsets used should be domestically sourced** – The Committee on Climate Change recommends that the UK should aim to achieve its net zero emissions target without international offsets. There is therefore a strong case for using carbon offsetting in transport to stimulate the domestic production and sourcing of carbon offsets, as part of a wider strategy for delivering net zero emissions. For example, creation of a market for offsets could be integrated with support payments as part the implementation of new agriculture policies after leaving the EU (and the Common Agriculture Policy), rewarding the delivery of key public goods, e.g. carbon sequestration.<sup>2</sup> Whereby the transport sector contributes to the total agriculture budget, receiving abatement credit in return.
- **Where offsets are required, they must be truly additional** – The additionality of carbon offsets used internationally to date has been rightfully scrutinised (e.g. the Clean Development

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<sup>1</sup> See Table 5.1. in CCC (2019). Net Zero Technical Report [online]. Available from: <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf>

<sup>2</sup> IEEP (2018). Sectoral Assessment for Agriculture, Forestry and Other Land Use Infographic [online]. Available from: [https://es.catapult.org.uk/wp-content/uploads/2019/02/Catapult\\_RDI\\_AFOLU.pdf](https://es.catapult.org.uk/wp-content/uploads/2019/02/Catapult_RDI_AFOLU.pdf)

Mechanism<sup>3</sup>), and it is likely that a large majority of projects are not providing real, measurable, and additional emission reductions. Therefore, where offsets are used, they must be truly additional, permanent and, in particular, avoid double counting/selling.

- **Where introduced, the use of carbon offsets must complement existing and future carbon policies** – Carbon policy (i.e. pricing, regulation, subsidies, and standards) already exist and, in many cases, results in a positive effective carbon price. However, it varies widely across different sectors and activities (see Figure 1).<sup>4</sup> Therefore, the use of carbon offsets must complement these policies appropriately to avoid consumers paying for the carbon externality more than once. For example, if an effective carbon price exists as a result of fuel duty and the full cost is passed through to the consumer, then if that fuel is used for a bus journey and a customer pays for a carbon offset, they would be double paying for their emissions.
- **Consider the case for creating a 'Carbon Regulator' to ensure accurate and consistent measurement, monitoring, and verification of greenhouse gas emissions** – Offsets will be sourced from sectors outside of transport (e.g. carbon sequestration from newly planted trees). Therefore, it is crucial that the measurement, monitoring, and verification of emissions are consolidated and streamlined across all sectors and related carbon policies.<sup>5</sup> This could be done by creating a 'Carbon Regulator', a new body responsible for the verification of emissions, ensuring measurement and monitoring is robust, transparent, consistent, and accurate across the economy. Ensuring that these functions are carried out consistently and to a high standard is likely to become increasingly important as we move towards net zero, and in underpinning confidence in the reliability of instruments like offsets.

Yours faithfully,

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<sup>3</sup> Oko-Institut e.V. (2016). How additional is the Clean Development Mechanism? [online]. Available from: [https://ec.europa.eu/clima/sites/clima/files/ets/docs/clean\\_dev\\_mechanism\\_en.pdf](https://ec.europa.eu/clima/sites/clima/files/ets/docs/clean_dev_mechanism_en.pdf)

<sup>4</sup> ESC (2019). Rethinking Decarbonisation Incentives: Future Carbon Policy for Clean Growth [online]. Available from: <https://es.catapult.org.uk/wp-content/uploads/2019/07/Rethinking-Decarbonisation-Incentives-Future-Carbon-Policy-for-Clean-Growth.pdf>

<sup>5</sup> Ibid.

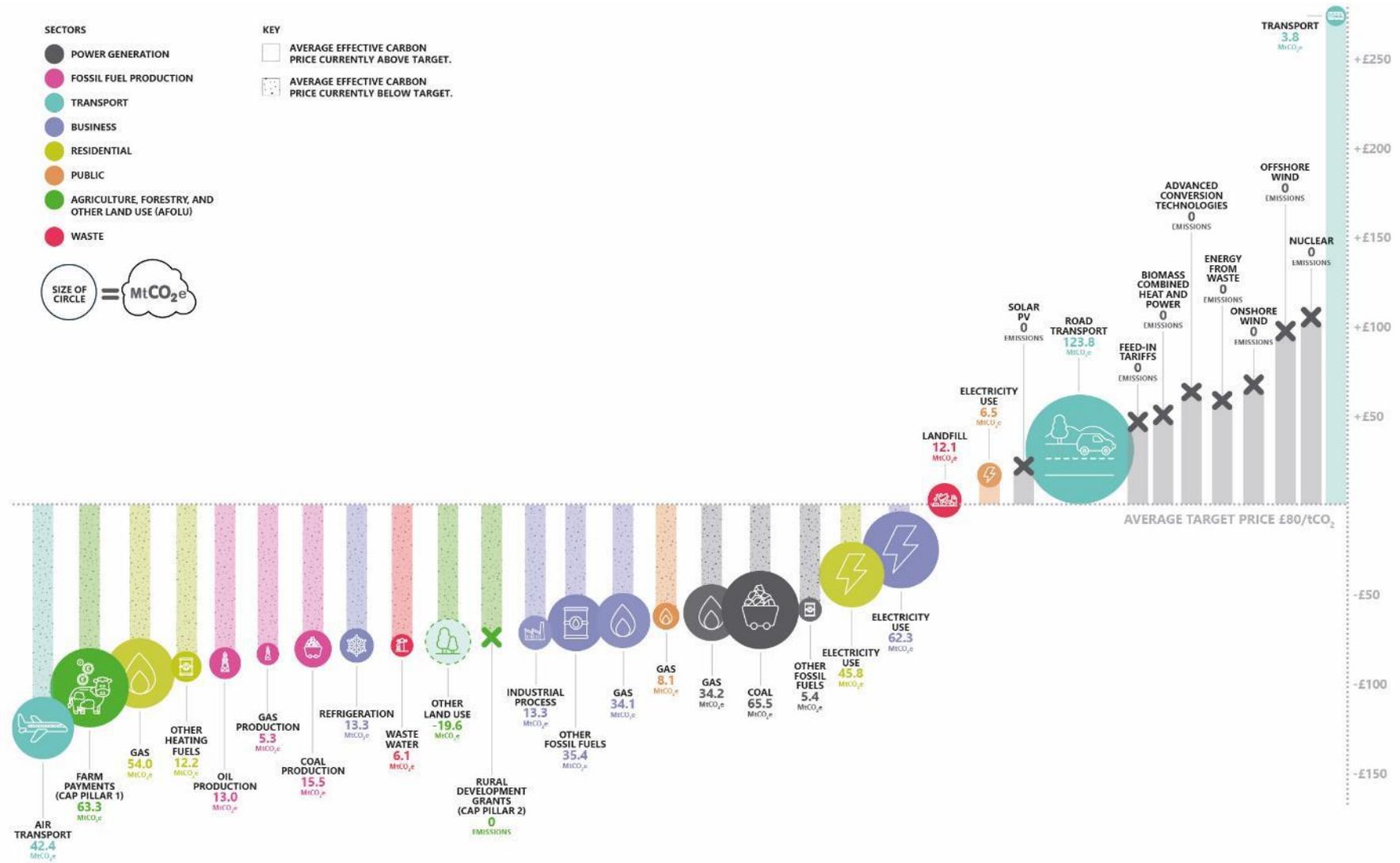


Figure 1 Effective carbon prices and emissions in the UK by sector.