

consumer protection

in the voluntary carbon market

As arguments rage in the voluntary carbon market about how best to regulate carbon offsetting, Robert Rabinowitz examines the parallels with other forms of consumer protection.

OVER 100 YEARS ago, the publication of Upton Sinclair's classic novel *The Jungle* led to the first federal food safety law in the United States. He had written that rotting meat was included in sausages and that milk was adulterated with formaldehyde. Food standards and labelling continues to be a hot topic today with exposés about food misleadingly labelled as organic and, in the UK, a fight between the Food Standards Agency and leading food retailers over how best to inform consumers about the fat, sugar and salt content of food. Companies that oppose the Food Standards Agency's "traffic light" labelling scheme for nutritional information face the inevitable accusation that their opposition is because they fear losing customers once the truth about their products is revealed.

The case for consumer protection in relation to carbon offsetting is urgent. Carbon offsetting depends largely on the goodwill of consumers wishing to make a voluntary commitment to compensate the environment for the greenhouse gas emissions for which they are responsible. It is imperative to protect and not to squander that goodwill. Consumers are being told that certain companies are "carbon neutral" and a whole host of carbon offset products are being offered, including energy products, car insurance, flights, food, cosmetics and even

iPod accessories. Yet, consumers are not in a position to evaluate the quality of the emission reductions achieved by the offset linked to each product.

The integrity of carbon offsetting is also important for public policy reasons. Public distrust of carbon offsetting will erode public support for the Kyoto process, global emissions markets and the future regulations necessary to reduce emissions across all sectors of the global economy, including households and personal transportation.

With these considerations in mind, the UK Government proposed a Code of Best Practice for Carbon Offsetting on January 18th 2007. The public consultation period closed on April 13th and a final version of the Code is due by the summer. The goal is to have the accreditation system in place for January 1st 2008. As with the traffic light labelling scheme, the proposed Code is voluntary. Nevertheless, given the authority of Government endorsement, even a voluntary standard is a powerful tool - recent research by the ethical consulting organisation, Corporate Culture, found that, next to word of mouth, consumers most trust the views of consumer and watchdog organisations.

Just as with the traffic light labelling scheme, the response from organisations to be regulated has been

mixed, with loud protests from organisations that believe they will be disadvantaged under the Code as currently formulated. The voluntary carbon market knows that developments in the UK are of particular significance given its international leadership role on the issue of climate change and as a centre of the global carbon markets. The way the proposed Code develops in the UK may be a pointer for future European and international developments.

The proposed Code only applies to retail offsetting, i.e. retail products that have an offsetting component or stand-alone offsets offered directly to individuals. It has two main components:

- a) Quality of offsets** – only carbon credits from Kyoto-compliant markets will be recognised. These are European Union Allowances (EUAs), Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs).
- b) Transparency** – the creation of an accreditation process for offset providers to cover transparent disclosure of issues such as expense ratios, timescales for delivery and cancellation of carbon credits.

