

The Road from Paris

– Offsetting as a Positive Step

The Paris Agreement on climate change, forged in December last year and being signed as I write in April 2016, is historic in many ways. Perhaps the most significant is that it represents an end to the big debate about climate change itself. Though the trolls and crazies rage on in the comment sections of online coverage of the issue, it's interesting that hardly anybody showed up to climate change denial events held in Paris during the COP21 talks. To me, that reflects a pragmatic position now taken by a clear majority in professional life. Whatever you may think about climate change personally, everyone from investors to analysts, risk people, marketers and – finally! – politicians are all responding in such a way that the business case for action gets stronger every day.

The question is now not whether action is worthwhile, but what is the best approach, and where does the greatest return lie, from a business perspective. Carbon impacts often lie somewhere else in the value chain than the things a business controls directly – either amongst suppliers or with end users of products. Collaborating and innovating to reduce these impacts is a big part of the future – and there's growing evidence that analysts and investors want to see companies on top of this opportunity agenda as well as their own carbon risk. But it's the sphere that a business controls directly – its operations and manufacturing of products – where most of the tangible costs and savings lie. Here, a carbon 'hierarchy' – starting with avoiding emissions through innovation, then improving efficiency, and fi-

nally mopping up any residual emissions through offsetting – is increasingly common practice for companies taking their approach seriously.

Offsetting, though, has had a mixed reputation in the past, and a range of questionable schemes made it easy to criticise offsetting as just a way of shuffling the problem around. As a result, offsetting is sometimes seen as tactic of last resort rather than a positive strategy in itself. But doubts about process don't undermine the fundamental argument for offsetting: that it gives emitters something positive to do about the emissions that it's not sensible or feasible to deal with any other way. As the credibility and transparency of offset schemes improve, business confidence in it is growing. Whether buying off-the-shelf offsets from existing schemes, getting projects designed to suit their needs, or actually buying up land to plant trees, companies from Avis to Accor to Apple are using offsets as part of their carbon management programs. In the post-COP21 world, when so much is expected of business to address climate change, offsetting is something companies can

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Photo: UNFCCC

start immediately and also helps bring the cost of carbon into the financial equation. Getting a handle on these costs – and discovering that offsetting is the most cost-efficient way to deal with emissions – can help reframe sustainability from a huge and intractable challenge to something more manageable within normal business practice.

So whilst it's true that keeping focus on 'upstream' approaches to carbon management is commercially vital, it's also important to see offsetting as so much more than a necessary evil. Done well, offsetting and innovative approaches to carbon finance can deliver value well beyond the molecules of CO₂ avoided. Increasingly, offsetting schemes are being designed to do the carbon job but also deliver a range of social and financial benefits, which no other form of carbon management can secure. 'Co-benefits' as they are called can include employment, education, women's empowerment, fresh water, clean air, infrastructure development and economic opportunity in places where such things are scarce and badly needed.

For companies such as Elopak these co-benefits align with a long-held ethos and strategy for social and environmental

sustainability. Measurable positive impacts for people – wherever they may be – mean the investment Elopak is making in offsetting may well be just as beneficial as anything they can do to tackle carbon within the business. More than that, the co-benefits humanize carbon management, connecting an invisible threat that many struggle to imagine with real lives and tangible progress.

Above all, by connecting an international packaging company with communities in less developed countries, offsetting reminds us of something true about sustainability – that it must be achieved at the level of a global system which links us all. As companies move on from the limited project of CSR – which ends at the factory gate – to the much bolder pursuit of sustainability, this reconnection to the world through offsets helps remind us of what we are trying to achieve and the true size of the prize.

Ben Tuxworth

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