

*A GUIDE TO CORPORATE OFFSETTING*

# Get Involved & Avoid the Pitfalls

Sam Hope, Redshaw Advisors  
SENIOR CARBON ADVISOR

# Topics

---

1. What is an offset?
2. Why consider offsetting?
3. Selection criteria for buying
4. Best practice offsetting
5. Different ways to get involved
6. Buying from retailers

# What is an offset?

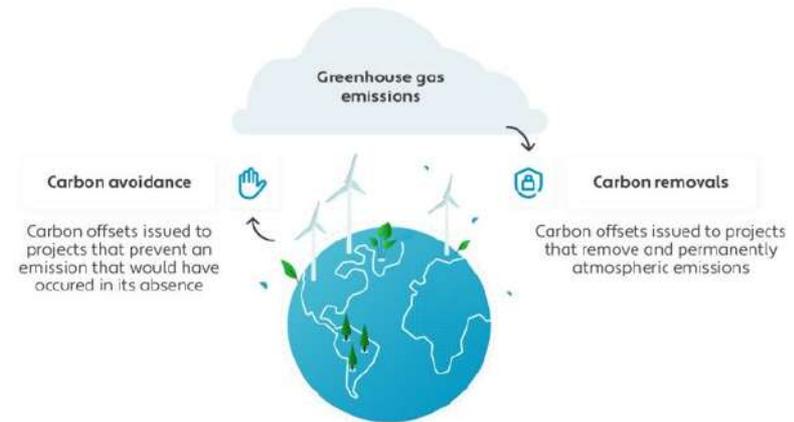
A carbon credit is issued to a project upon the verification that a tonne of greenhouse gas emissions has been **reduced** or **removed** from the atmosphere, additional to baseline scenarios.

Carbon credits are measured in tonnes of carbon dioxide-equivalent (tCO<sub>2</sub>e).

Carbon credits can be used by organisations and individuals to compensate for the residual and unavoidable emissions related to their activity to demonstrate environmental responsibility

It is this use of credits to compensate for emissions that is defined as 'offsetting'

**1 carbon credit** = 1 metric tonne of carbon dioxide equivalent (tCO<sub>2</sub>e)



# Why consider offsetting?

Through high-integrity offsetting organisations can signal climate action and net zero leadership with the following benefits.

## Why?

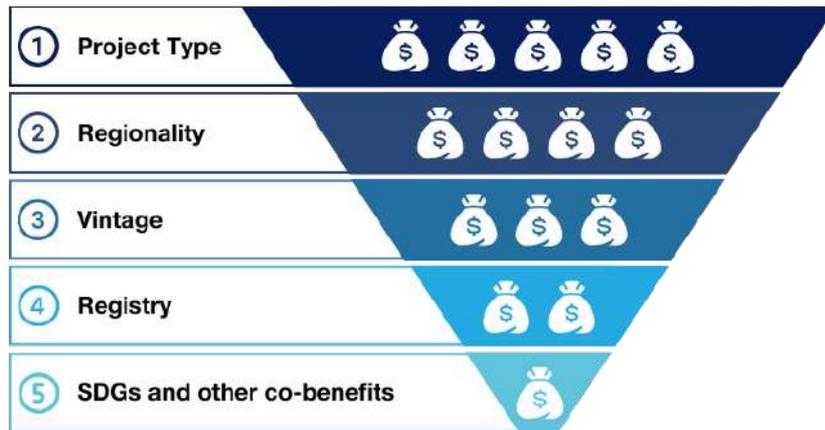
- **Climate action claims**
- Consumer loyalty
- Competitive advantage
- Stakeholder confidence
- Employee satisfaction
- Value chain signalling
- Increased marketing potential
- Identify reduction priorities
- Futureproof for carbon legislation



# Selection criteria for buying

Choice is endless, where to start? Budgets typically restrict the appetite for co-benefit layering and often leads to portfolio blending. Follow the below selection framework to minimise cost and maximise preferences:

## Selection criteria ranking based on influence on credit pricing



Over 170 different project types

Different implementation costs and scales

Discounts available for older vintages

Variability due to reputation and project type bias

Levels of community and biodiversity impact

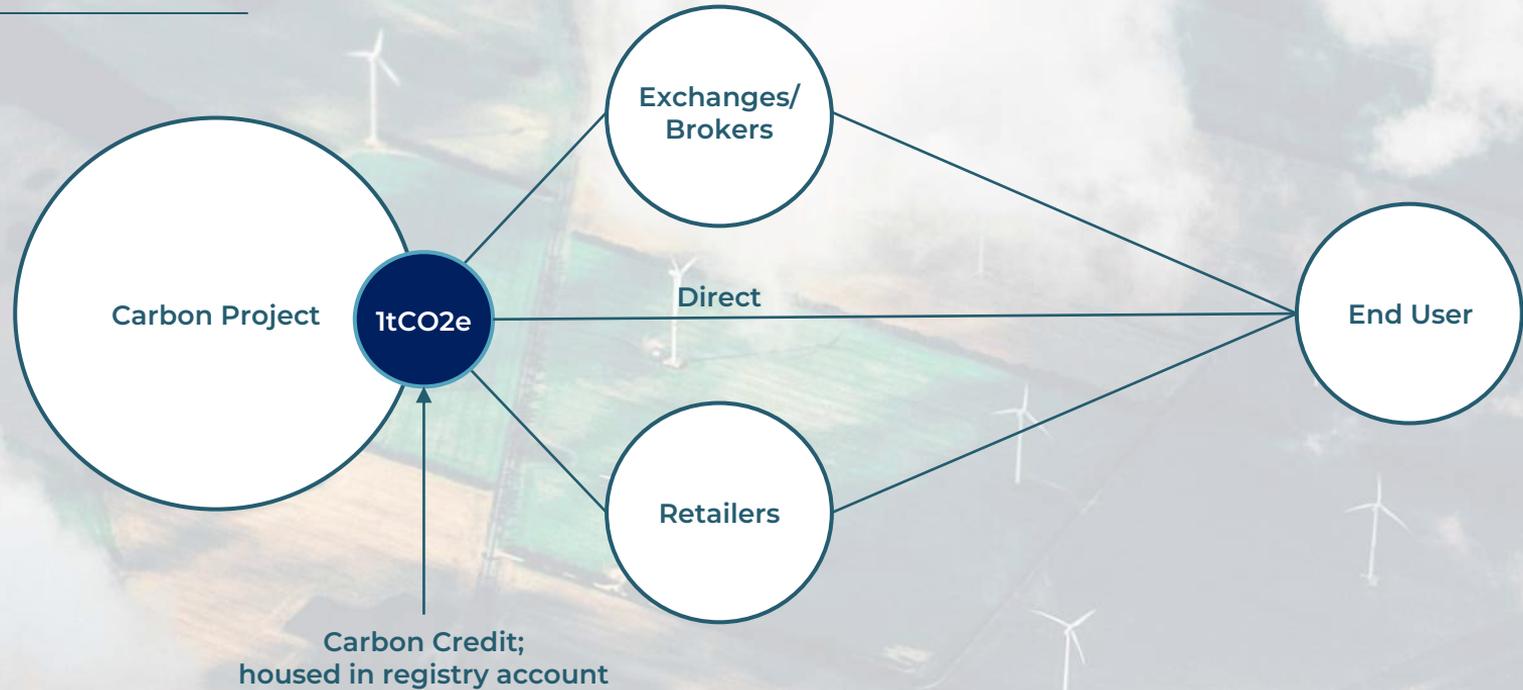
# Best practice offsetting

---

1. **Have a plan** – Offsetting is only part of a wider strategy
2. **Seek third-party assistance** – select reputable players to help the procurement process
3. **Know your projects** – Request good information on the projects you wish to support
4. **Spread your risk** – Blend various project types and regions within your offset basket
5. **Understand your claim** – Make sure your offsets fit the claim you are wishing to make
6. **Communicate with full transparency** – Strong leadership signalling, avoid greenwash

# How to get involved

---



# Buying from retailers

## Retailers

### Pros

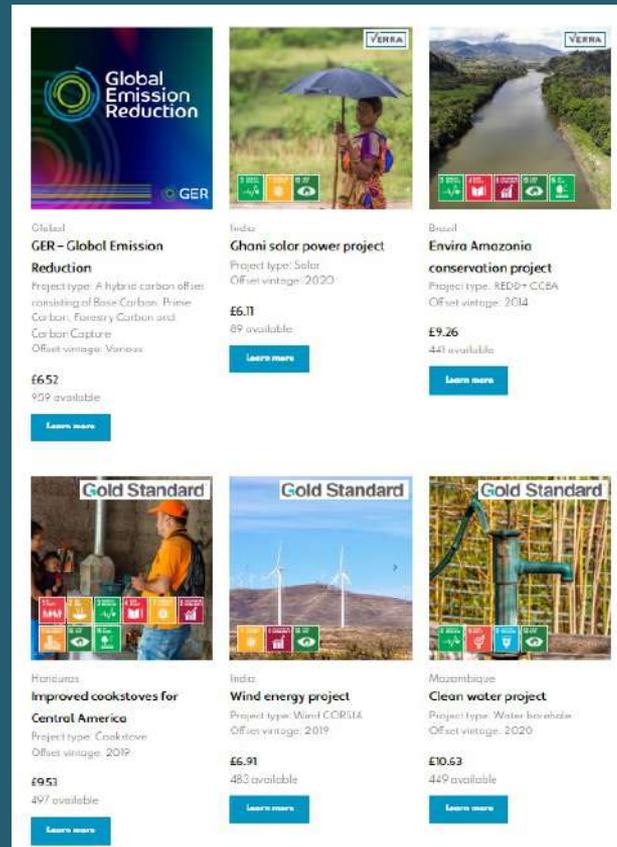
- Non standard volumes (<1,000tCO2e, mixed baskets etc)
- Good level of project information
- Retirement certification and marketing material

### Cons

- Variety of credit pricing and margins
- Complex offering, onus on the buyer to be educated on products and value
- Large number of participants, unproven track records/reputation

## Best practice

- Shop around, identify credible sellers
- Understand the flow of funds
- Ask for registry, vintage, co-benefit details
- Provide a registry retirement comment for the retailer to identify your transaction



Project Name	Location	Project Type	Offset Vintage	Price (tCO2e)	Availability
GER - Global Emission Reduction	Global	Reduction	Various	£6.52	959 available
Ghani solar power project	Brazil	Solar	2020	£6.11	89 available
Envira Amazonia conservation project	Brazil	conservation	2014	£9.26	441 available
Improved cookstoves for Central America	Honduras	Cook-stove	2019	£9.51	497 available
Wind energy project	India	Wind	2019	£6.91	483 available
Clean water project	Mozambique	Water	2020	£10.63	449 available

# Q&A

# Contact

---

## Redshaw Advisors

279-283 Greenwich High Rd  
Greenwich, London SE10 8NB

**Tel +44 20 3637 1055**

[info@redshawadvisors.com](mailto:info@redshawadvisors.com)

[www.redshawadvisors.com](http://www.redshawadvisors.com)

# Disclaimer

---

No part of this document may be copied, duplicated or redistributed without the written consent of Redshaw Advisors Limited. This document has been prepared by Redshaw Advisors Limited for informational purposes only and shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any products or securities described herein. The views and information expressed in this document do not constitute and may not be relied upon as constituting any form of investment advice, inducement to invest or recommendation in relation to transactions and / or any related products or securities described herein and prospective investors or clients must obtain appropriate independent professional advice before making investment decisions. The information in this document has been compiled in good faith, but no representation or warranty, express or implied, is made as to the accuracy, completeness or correctness of the information provided. Redshaw Advisors Limited, its officers, employees, representatives and agents accept no liability whatsoever for any loss or damage, whether direct, indirect, consequential or otherwise however arising (whether in negligence or otherwise) from the use of this document or reliance on the information or views contained herein.

*A GUIDE TO CORPORATE OFFSETTING*

# Get Involved & Avoid the Pitfalls

Claire Dorrian, London Stock Exchange Group  
HEAD OF SUSTAINABLE FINANCE,  
CAPITAL MARKETS & POST TRADE

# The London Stock Exchange's Voluntary Carbon Market

---

# LSEG VCM

*Supporting the transition to a low carbon economy*

---

The **London Stock Exchange's Voluntary Carbon Market (VCM)** is a designation that recognises companies and funds that have a focus on carbon reduction and/or removal projects.

At **COP26** Nov 2021

The London Stock Exchange announced the intention to build the foundations for its Voluntary Carbon Market.

To deliver **2** key outcomes

**1.**

Increase the flow of financing into activities that can reduce greenhouse gases in our atmosphere and increase the supply of carbon credits

**2.**

Provide market access for investors and corporates seeking exposure to carbon credits

# LSEG VCM

## *Supporting the transition to a low carbon economy*

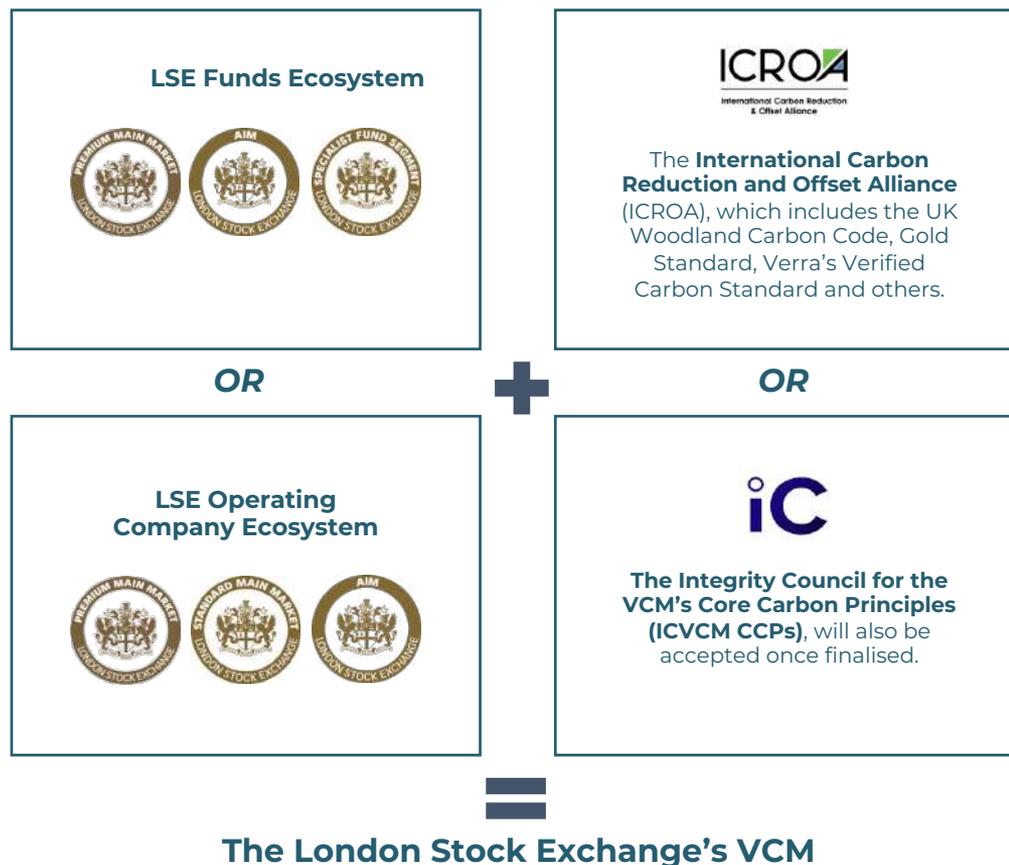
---

- The designation enables investors to identify funds and operating companies which have a focus on carbon reduction/removal projects, which are expected to yield carbon credits. In the case of
  - funds, this will be through the investments of its funds and cash equivalents.
  - operating companies, it will be through the financing of projects, either directly or indirectly.
- Funds or Operating Companies have a choice: issue carbon credits as a dividend in specie or offer a cash dividend.
- Can provide a solution for investors seeking a long term supply of carbon credits to augment their decarbonisation strategies. Investors may receive carbon credits as a dividend in specie or have the credits retired on their behalf.
- The relevant eligibility criteria and disclosure requirements were published in October 2022 and can be found in Schedule 8 of the Admission and Disclosure Standards.

# Creating the London Stock Exchange's Voluntary Carbon Market

Our Voluntary Carbon Market is a designation for a fund or operating company that is admitted to certain markets on the London Stock Exchange.

The issuer is also subject to existing public markets regulatory requirements and disclosure obligations.



# How the VCM designation supports the scaling of voluntary carbon markets

---

## Transparency

- All issuers are subject to market disclosure obligations under MAR. In addition to these obligations, the VCM designation requires disclosure specific to the voluntary carbon markets– relating to projects and progression at admission and on an annual basis

## Oversight

- Issuer approved via Main Market/AIM admission processes
- Recognised voluntary carbon market qualifying bodies – to support quality of carbon credits from projects

## Investor Choice

Specific carbon credit disclosure requirements enabling investors to make decisions based on their needs. For example:

- The issuer will be required to set out its policy on whether it sell, retire or distribute carbon credits.
- The issuer will need to disclose the percentage of investment made into qualifying projects.

## Sustainability Approach

- Funds/revenues not invested into climate mitigation projects must be mapped to the FTSE Green Revenues Classification System (Tier 1 and Tier 2 micro sectors)
- The issuer must invest in at least one climate mitigation project within two years of receiving the designation and maintain at least one project thereafter.

# The London Stock Exchange's Voluntary Carbon Market

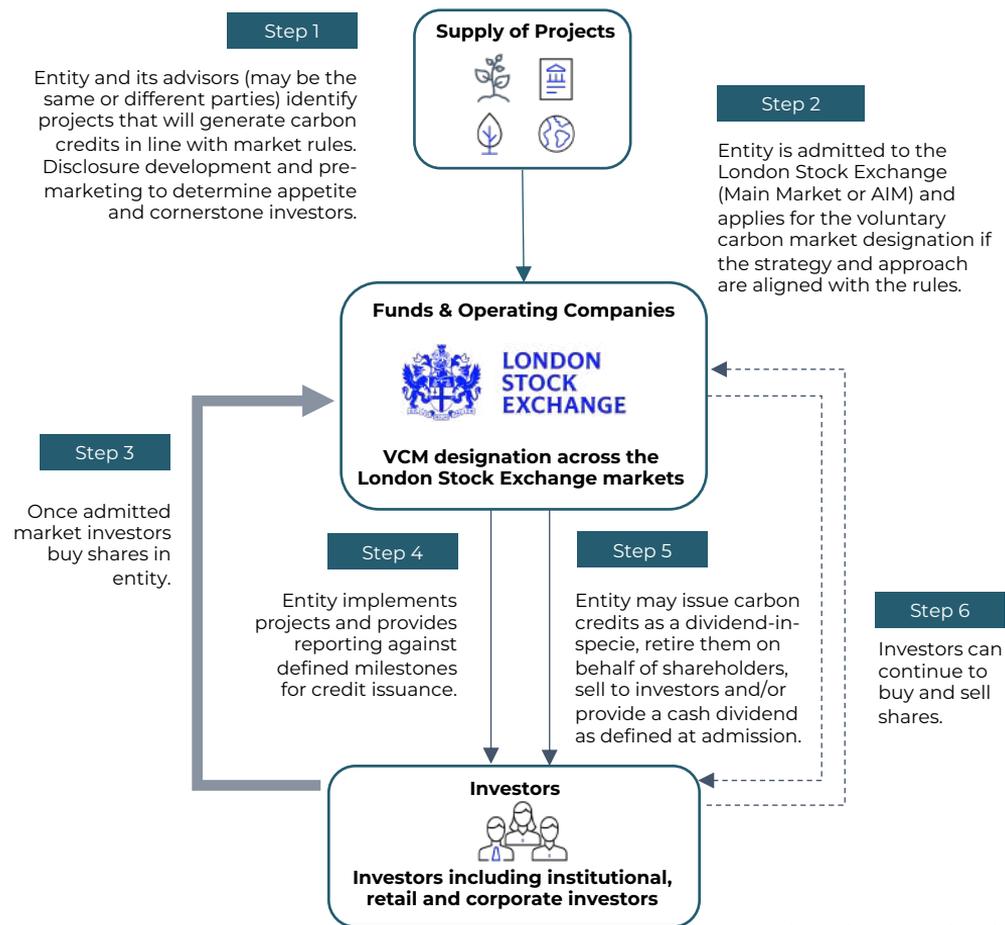
## Benefits

### Fund managers/project developers

- Potential to scale projects with new sources of funding
- New and diverse pools of capital from institutional and corporate investors

### To Investors

- Additional procurement option for carbon credits
- Transparency on project progress and performance
- Where carbon credits are received, investors have 3 options:
  1. Retire against residual carbon footprint (i.e. after operational reductions)
  2. Sell through traditional OTC methods or carbon exchanges
  3. Hold to sell or retire at a later date



# Key benefits for corporates investing into funds or operating companies that dividend out carbon credits

## Current challenge for carbon credit buyers

## Benefit of the LSE's Voluntary Carbon Market

Market access

Existing voluntary carbon market is fragmented, hard to navigate, costly, and largely OTC. This makes it hard for corporates to procure carbon credits with confidence. Enabling procurement via a listed entity could help to address this.

Opaque markets

Disclosure around project development & performance: Issuers will also be admitted to market under the existing public market framework with MAR disclosure and VCM designation specific disclosure.

Cost

Early stage investment can enable lower – and known – cost, closer to the cost of production.

Procurement, hedging  
and disclosure

Simplify the procurement process for offsets for corporates. Previously companies have relied on brokers to help procure offsets which are largely traded OTC, and the procurement decisions often sit within marketing or sustainability or procurement functions, but buying shares in an entity with the VCM designation shifts the responsibility to the finance function. The investment will sit on the corporate balance sheet making it more visible as a financial material aspect of climate risk management and net zero alignment, relevant to TCFD reporting.

# Disclaimer

---

This document has been compiled by the London Stock Exchange plc (the “Exchange”). The Exchange has attempted to ensure that the information in this document is accurate, however the information is provided “AS IS” and on an “AS AVAILABLE” basis and may not be accurate or up to date.

The Exchange does not guarantee the accuracy, timeliness, completeness, performance or fitness for a particular purpose of the document or any of the information in it. The Exchange is not responsible for any third party content which is set out in this document. No responsibility is accepted by or on behalf of the Exchange for any errors, omissions, or inaccurate information in the document. No action should be taken or omitted to be taken in reliance upon information in this document. The Exchange accepts no liability for the results of any action taken on the basis of the information in this document.

All implied warranties, including but not limited to the implied warranties of satisfactory quality, fitness for a particular purpose, non-infringement, compatibility, security and accuracy are excluded by the Exchange to the extent that they may be excluded as a matter of law. Further, the Exchange does not warrant that the document is error free or that any defects will be corrected.

To the extent permitted by applicable law, the Exchange expressly disclaims all liability howsoever arising whether in contract, tort (or deceit) or otherwise (including, but not limited to, liability for any negligent act or omissions) to any person in respect of any claims or losses of any nature, arising directly or indirectly from: (i) anything done or the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this document, and (ii) the use of any data or materials in this document.

Information in this document is not offered as advice on any particular matter and must not be treated as a substitute for specific advice. In particular information in the document does not constitute professional, financial or investment advice and must not be used as a basis for making investment decisions and is in no way intended, directly or indirectly, as an attempt to market or sell any type of financial instrument. Advice from a suitably qualified professional should always be sought in relation to any particular matter or circumstances. The contents of this document do not constitute an invitation to invest in shares of the Exchange, or constitute or form a part of any offer for the sale or subscription of, or any invitation to offer to buy or subscribe for, any securities or other financial instruments, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever. London Stock Exchange and the London Stock Exchange coat of arms device are registered trade marks of London Stock Exchange plc. Other logos, organisations and company names referred to may be the trade marks of their respective owners.

© 2023

**London Stock Exchange plc**  
10 Paternoster Square  
London EC4M 7LS  
Telephone +44 (0)20 7797 1000  
[www.lseg.com](http://www.lseg.com)

*A GUIDE TO CORPORATE OFFSETTING*

# Get Involved & Avoid the Pitfalls

Zeenat Iqbal, AirCarbon Exchange  
SENIOR BUSINESS DEVELOPMENT MANAGER

# Standardisation



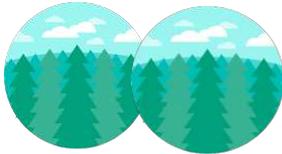
# Structure of Carbon Products

---



## Industry Standard (CORSA)

Industry offsetting standard (aviation)  
Defined by registry, technology, vintage, SDGs



## Technology (nature based, household offsets)

Organized around technology (nature based), registry, vintage. In some cases, additional certifications.



## Co-Benefits

Organized around co-benefits, such as certified SDGs. Can also be technology specific.

# Exchange Traded Carbon Products

---

## Industry Standard (CORSIA)

CORSIA contracts are available on AirCarbon Exchange and CBL, and in time, will also launch on the European Energy Exchange and Nodal Exchange in the United States. These are spot contracts for immediate delivery of credits. Other exchanges, such as CBL, offer futures contracts for CORSIA eligible credits.

**\*Achievable climate goals: Carbon Neutral**

## Technology (nature based, household offsets)

AirCarbon offers two nature-based contracts (GNT Contract and GNT+ Contract); CBL offers the N-GEO contract. The GNT+ and N-GEO require a co-benefit certification for contributions to Community, Climate and BioDiversity. AirCarbon and CBL also offer contracts designed around household offsets (cookstove projects).

**\*Achievable climate goals: Carbon Neutral (emission reduction); Net Zero (removal)**

# Exchange Traded Carbon Products

---

## Co-Benefits

## Portfolio Approach

AirCarbon offers a contract designed around a project's certified SDGs, with a threshold of six SDGs.

NetZero Markets launched the Global Emission Reduction contract, which is designed around corporate offsetting and consists of a combination of offsets achieving different objectives:

- Base Carbon Contract covers the renewables and energy efficiency sector
- Forestry Carbon Contract encompasses the agricultural, forestry and land use sectors
- Prime Carbon Contract for those projects with additional benefits that meet at least three of the United Nations SDGs.
- Carbon Capture Contract which covers projects that provide long-lived removal of carbon emissions, such as biochar projects.

**\*Achievable climate goals: Net Zero by 2050; carbon neutral every year.**

# Exchange Traded Products Snapshot

Venue	Traded Contract	Underlying	
ACX	CET	CORSIA	
	GNT	Global Nature	
	GNT+	Global Nature Plus (Premium)	
	SDGT	Focus on Sustainable Development Goals	
	HOT	Household Offset (Cookstoves)	
	RET	Renewable Energy	
	GER	Global Emission Reduction Contract	
CBL	GEO	Global Emissions Offset / CORSIA	
	N-GEO	Nature Based	
	N-GEO Trailing	Nature Based (older vintages)	
	C-GEO	Tech based	
	C-GEO Trailing	Tech based (older vintages)	
	SD-GEO	Cookstoves	