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Exclusive Environment Climate change Investigations

One hundred 'carbon-neutral' corporates quit government scheme over integrity concerns

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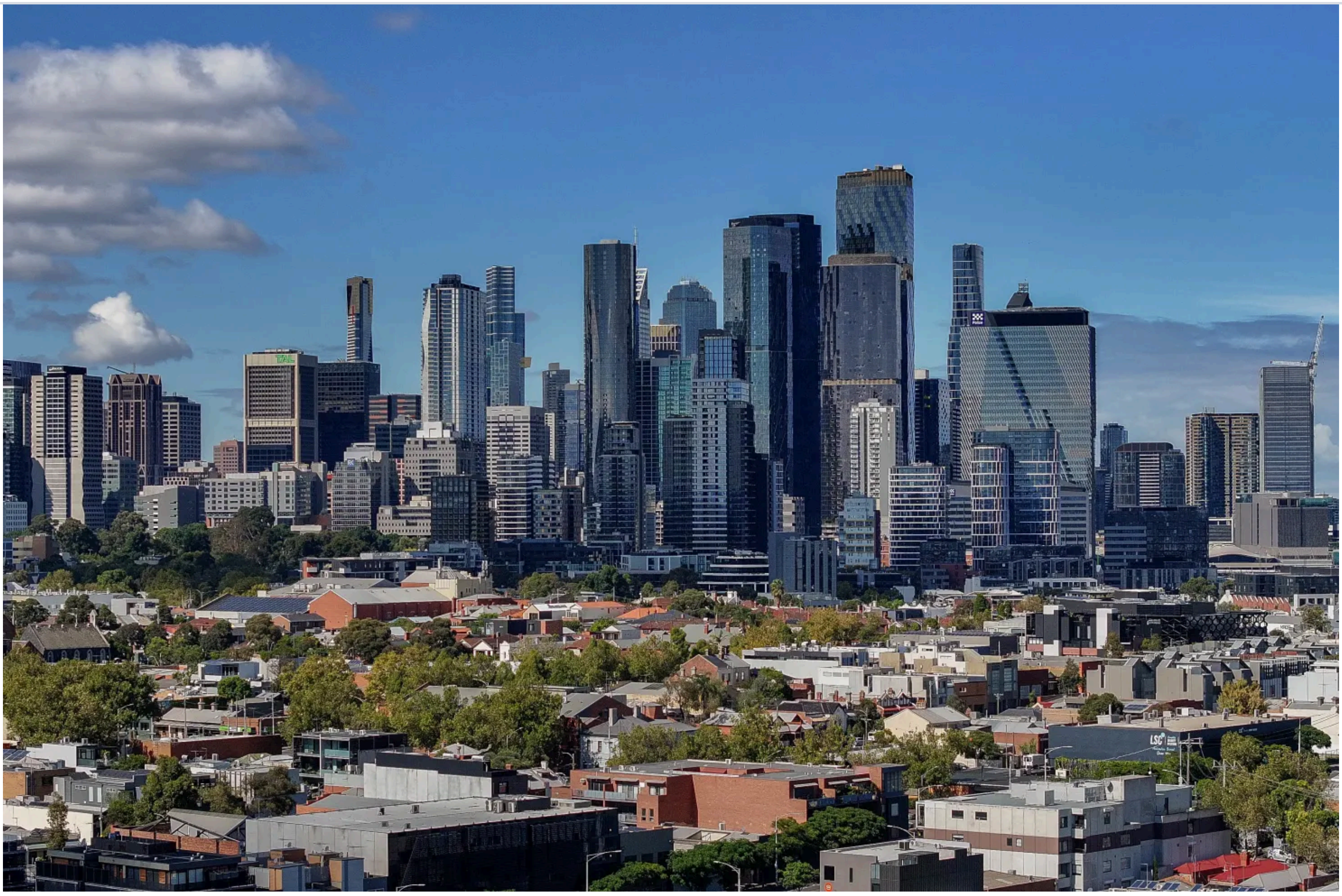
Some of Australia's biggest companies including Australia Post, Canva, Telstra and PwC have quit the federal scheme that allows them to claim net-zero carbon emissions amid mounting integrity concerns.

Australian corporations have spent hundreds of millions of dollars in the past decade buying offsets in the voluntary market to reduce their climate footprint, but there are rising doubts about whether the projects generating those offsets reduce greenhouse gases.



The industry group representing property owners has expressed concern about the integrity of the carbon offset market. JOE ARMAO

More than 100 companies have left the Climate Active scheme in the past two years, with the damaging corporate departures prompting the federal government to consider radically reshaping or shutting down the so-called "voluntary market" in carbon credits.

Climate Active is a federal government-run voluntary register which companies join to report their carbon emissions and the offsets they are buying so they can then claim to their customers they are carbon-neutral.
Companies to have walked away include Australia Post, the Cbus superannuation fund, Telstra, NRMA, Canva and PwC. Even the Clean Energy Finance Corporation, the federal government's $30 billion "green bank", pulled out of Climate Active last October.

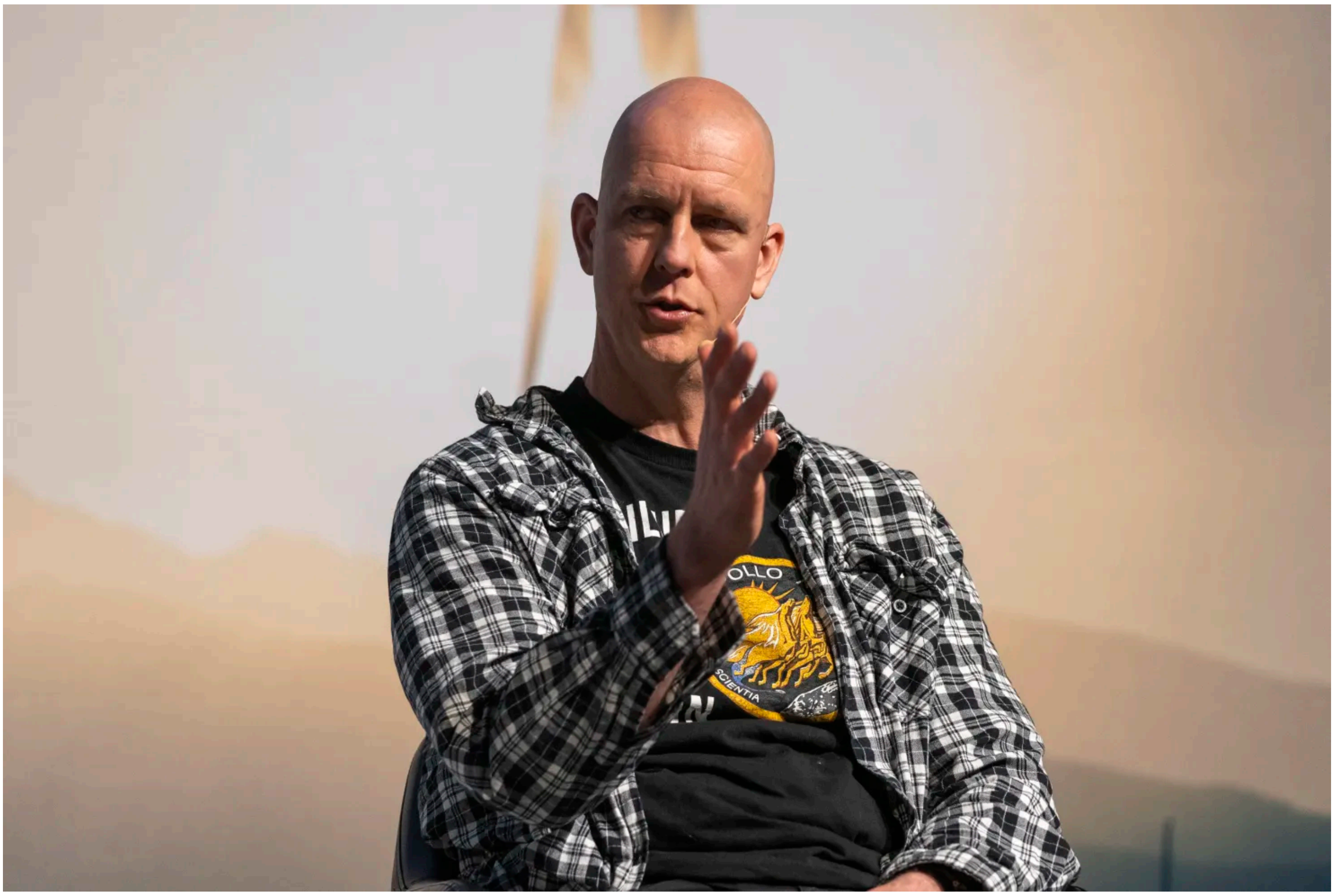
The Property Council of Australia, in a climate position paper, flagged concerns that establishing the "origin, credibility and environmental integrity [of carbon credits] can be challenging", and that poor quality credits present "a reputational risk to those relying on them".

Frankie Muskovic, national policy director at the Property Council, which represents the nation's largest building and shopping centre owners, said Climate Active needed reform but could leave a significant "gap" if it were dismantled.

"We don't want the baby thrown out with the bath water, but we want an overhaul to make sure Climate Active only accepts the highest integrity offsets … we'd like to see that built into the scheme design," she said.

Some departing companies cite growing global scepticism over the quality of Australian and international carbon abatement certificates. Others say they now prefer to focus on directly reducing their own emissions rather than buying offsets.

Telstra's former head of energy and climate Ben Burge, who left the company in September, said buying carbon credits was no longer a sound investment partly due to public scepticism about greenwashing.



Telstra's former head of energy Ben Burge. EAMON GALLAGHER

"Too many own goals in this sector [dodgy projects and methods] has increased the degree of difficulty on trust," he said.

"When I buy a pound of coffee beans or a barrel of oil, I know what I'm getting … By contrast, a carbon credit represents a certified belief that some 'thing' has been done successfully to abate emissions. Neither the cause nor the effect can be readily understood. The whole equation collapses without trust that the 'thing' occurred."
A recent article in industry magazine *Carbon Pulse* cited multiple industry sources saying the federal government is planning to shut down Climate Active over concerns the government could be sued for endorsing carbon-neutral claims that turn out to be ill-founded.

The federal environment department confirmed the government was "carefully considering the future direction" of the scheme. Fear of legal action escalated when Australian Parents for Climate Action in 2023 lodged a Federal Court lawsuit against EnergyAustralia.

The plaintiffs claimed the power giant was guilty of misleading or deceptive conduct by promoting electricity plans as "Go Neutral" and "PureEnergy", when the bulk of its energy comes from coal and gas. The neutrality claim was underpinned by carbon offsets bought on the voluntary market.

The Climate Active website shows most of EnergyAustralia's credits were bought from international projects including African wind and solar projects and an Indonesian geothermal plant. One Australian project was part of the mix.

After the Federal Court action began, EnergyAustralia dropped the carbon-neutral products from its website. It remains part of Climate Active.
About 80 per cent of the carbon offsets used on the voluntary market are bought from global projects. The integrity of some international carbon offset schemes, particularly "nature-based" schemes such as forest carbon capture, have come under serious question, sending the price of some credits plummeting to well under $1 per tonne.

The other 20 per cent are Australian Carbon Credit Units (ACCU), and soon about half will come from projects claiming to suck carbon dioxide out of the atmosphere through the growth of new forests.

In Australia, the single-largest Australian abatement method, Human Induced Regeneration of forest, or HIR, has also run up against significant scientific questioning about whether it genuinely sequesters carbon. Despite this, ACCUs have maintained their value at about $35 per tonne.

Telstra head of environment Tom Penny said, "concerns over the use of carbon credits" was a "consideration" in the company's withdrawal last year from Climate Active.

When it was a member, Telstra largely used credits from solar and wind power plants in India as well as a factory in India making concrete out of fly ash from a coal power station.

Penny said Telstra was redirecting its climate action towards decreasing its direct emissions.

Australia Post withdrew from Climate Active in June, having been with the program since 2018 and a spokesperson said its own decarbonisation initiatives would be "more effective" than buying offsets.

Its 2022 report to Climate Active showed Australia Post relied on several Australian HIR schemes for their carbon credits. A spokesperson did not say if there was specific concern about those offsets.

The Clean Energy Finance Corporation said in a statement it had pulled out of Climate Active because it was moving, one year early, to the Australian Public Service Net Zero 2030 accounting method.

The withdrawal of private equity firm Adamantem Capital from Climate Active in October 2023 is particularly noteworthy because it owns the biggest single share of Climate Friendly, one of the biggest HIR companies. An Adamantem representative chairs the Climate Friendly board.

An Adamantem spokesperson said "in 2023, we decided to focus the firm's efforts and resources on decarbonisation within our portfolio companies".

The *Australian Financial Review* has reported that Adamantem is looking for a buyer for Climate Friendly which is said to be valued at about $800 million.

Consultancy firm PwC likewise pulled out of Climate Active, saying it too would focus on reducing its own carbon footprint and would only buy "high-quality carbon credits in limited circumstances". It has removed references to carbon-neutral, or carbon neutrality, from its website.

Climate Change Minister Chris Bowen did not answer a question about whether Climate Active had the government's full support.

The environment department said in a statement the government was "carefully considering the future direction of the program", including how to "provide consumers with confidence about business' climate claims".

Earlier announcements said a decision on "reform" would be made by the end of 2024. Asked last month, the department said: "A decision about the future direction of the Climate Active program has not yet been made."

Mining and energy giant Fortescue has been vocal that companies should reduce their own emissions and not rely on offsets. In its annual report, it announced it would no longer buy carbon offsets on the voluntary market, run by Climate Active, "as offsets have been shown to be troubled by extensive concerns about quality, lack of additionality and an inability to deliver real reductions in emissions".

It still buys offsets that are compulsory for Australia's biggest emitters on what's known as the "compliance market" under the government's Safeguard Mechanism.

Fortescue Energy chief executive Mark Hutchinson told this masthead buying large volumes of carbon offsets to meet voluntary targets was "a dangerous distraction from the scientific necessity [of getting out of fossil fuels]".

"It misdirects money and effort into solutions that don't work and don't drive real reductions in emissions," he said.

A spokesperson for the Clean Energy Regulator, the government body that administers the Australian carbon market, said it was "highly regarded globally, compared to other carbon markets including those in Europe and the United States".

"Over time, businesses in both the voluntary and compliance markets will transition away from carbon offsets as they implement decarbonisation strategies and technologies," they said.

Read more on our investigation into the carbon offset market this weekend.

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Michael Bachelard is a senior writer and former deputy editor and investigations editor of The Age. He has worked in Canberra, Melbourne and Jakarta, has written two books and won multiple awards for journalism, including the Gold Walkley. Connect via Twitter.