

# The Sydney Morning Herald

Environment Climate change [Climate policy](#)

## Australians are being misled by 'dodgy' offsets, say Fortescue



**Michael Bachelard**

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Australians are being misled into believing that low-quality carbon offset schemes will lead to a net zero future, despite evidence that only reducing fossil fuels will work, iron ore mining giant Fortescue says.

The federal government's [Safeguard Mechanism](#) forces companies to either begin decarbonising or buy carbon offsets to meet legislated net zero goals.

But Fortescue's chief climate scientist, Dr Shanta Barley, said in a speech in Canberra on Wednesday that many of the offsets they were forced to buy were "dodgy", which had led to a lack of trust in the system. Their use in the Safeguard Mechanism must be capped, she said.



Dr Shanta Barley, Chief Climate Scientist, Fortescue, at the Climate Integrity Summit. ALEX ELLINGHAUSEN

Barley's comments, the strongest ones yet from Fortescue on carbon offsets and climate change, come as [serious questions are being raised](#) by scientists about whether schemes such as [Human Induced Regeneration](#) (HIR) achieve any real carbon reduction in the atmosphere. They also coincide with the publication of two major studies that say a record-hot 2024 suggests the globe has already exceeded the 1.5 degree temperature increase limit laid out in the 2015 Paris climate agreement. Meanwhile, Australia's emissions continue to rise.

Fortescue has a policy of reaching "real zero" by building renewable energy and battery and storage schemes to power its multi-billion dollar Pilbara iron ore operations.

Barley told the Climate Integrity summit, organised by the Australia Institute, that "multiple, independent and peer-reviewed lines of evidence have now come to the same conclusion" about carbon sequestration schemes in Australia and around the world.

"Many offset projects are now known to be low quality and failing to deliver the emissions reductions they promised ... We are, in other words, largely being duped."

Under the Safeguard Mechanism, companies that cannot meet legislated emissions reduction targets – by actually reducing their emissions or shutting down – are legally required to buy Australian offsets, including those generated by [farmers allegedly growing forests](#) on Australia's dry rangeland farms.

These HIR credits now make up about a third of the total Australian Carbon Credit Units available on the market and will grow to be around half in future years.



Fortescue's chief climate scientist says many carbon offsets companies were forced to buy were "dodgy".  
TREVOR COLLENS

As a result of the Safeguard Mechanism policy, big mining companies such as Fortescue are required to spend millions of dollars a year buying these offsets. Fortescue says this is a bridging issue until it can reach “real zero” in 2030.

Barley hinted in her speech that this might, in future, prompt legal action, as companies could explore the legal implications of being required to buy products that “aren’t doing what they say on the tin”.

A community group recently launched legal action in the Federal Court, alleging misleading and deceptive conduct against Energy Australia over its claim its power – generated largely by coal and gas – was carbon-neutral because it had bought offsets on the voluntary market.

No company has yet sued over the offsets they are forced to buy on the compulsory or “compliance” market.

In her speech, Barley drew particular attention to HIR offsets – including questions raised in a series of articles in this masthead over recent days. She also said there were integrity concerns over other government-approved offset methods, including landfill gas, carbon capture and storage and herd management.

Barley said the answer was for the government to cap the number of offsets that companies could use in pursuit of reducing emissions. In Australia, there is no cap on the use of offsets, but in other territories’ carbon reduction schemes, including in California and the European Union, the use of offsets is limited.

“If 90 per cent of our decarbonisation had to be real, a few dodgy offsets wouldn’t matter. We would laugh them off,” Barley said. “The problem lies in the fact that there are currently no limits to using them.”

In answer to questions from this masthead recently, a spokesperson for Environment Minister Chris Bowen said carbon credits such as those derived from HIR – one-third of the total in Australia – were “a critical part of the ‘net’ in net zero”.

According to Barley, with a profit of \$9 billion per year, Fortescue could easily afford a few million for offsets to allow it to claim it has decarbonised.

“At the end of the day, the financial impost placed by offsets on big companies is water off a duck’s back. To force companies to do the right thing, many countries have had to set strict limits on offset use. Australia should consider doing the same.”

Fortescue this week organised an open letter, signed by multiple companies, which now includes \$49 billion technology company Canva, calling for “real zero” policy that would “mandate clear phase-out timelines for fossil fuel use”.

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