

## ABSTRACT / SUMMARY

### **Report: Special issues related to voluntary carbon compensation**

Voluntary compensation of greenhouse gas emissions has recently become increasingly popular, both in Finland and internationally, and the growth is expected to continue and become even stronger. The purpose of voluntary compensation is to counterbalance the negative impact of greenhouse gas emissions by an equivalent amount of emission reductions or removals elsewhere such that the combined impact of the emissions and voluntary compensation on global net emissions is zero. This study examines special issues related to voluntary compensation, with a focus on two main themes:

- The conceptual, technical and legal aspects related to double counting between national climate targets and voluntary compensation, i.e. double claiming.
- The relationship of the means used in voluntary information steering to mandatory regulation applicable to voluntary compensation.

The study analyses these themes to serve as the basis for discussions within the Government and dialogue with stakeholders concerning ways to promote the means for regulation and for information steering. The study was commissioned by the Ministry of the Environment. The study is based on the relevant legal sources concerning voluntary compensation of emissions in Finland, in the EU and internationally. Selected interviews with experts were used as supporting material.

Part 1 of the report points out that it is important to avoid double claiming to ensure the credibility of the claims related to voluntary compensation. In principle, the risk of double claiming is related to emission reductions or removals (mitigation outcomes) that are within the scope of Finland's climate targets and are reflected in the national greenhouse gas inventory. In practice, this assessment is not always straightforward.

Double claiming can be avoided either through making contribution claims (by the user of the compensation) or corresponding adjustments (by the host country). Compensation associated with contribution claims is based on mitigation outcomes that are counted towards the host country's climate target. Corresponding adjustments, in turn, mean that the mitigation outcome used for voluntary compensation is not counted towards the target of the host country. The implementing rules of the Paris Agreement include provisions for making corresponding adjustments and, in principle, these can also be used for voluntary compensation. However, the current EU legislation does not enable Finland or other EU Member States to apply corresponding adjustments. Revisions of the EU regulation are currently under discussion. In the EU context, the challenges primarily arise from the fact that the EU's target under the Paris Agreement is set collectively and has not been fully allocated among individual Member States. Besides the EU regulation, avoiding double claiming requires national arrangements to be developed. The study stresses, in particular, the need to ensure that the minimum criteria for good compensation projects are fulfilled.

In Part 2 of the report it is stated that voluntary information steering should focus on providing guidance to different operators on the quality criteria related to compensation. Where information steering is likely to produce special added value is in the guidance and supervision of consumer marketing. The steering can also be utilised in the procurements of compensation services other than those between consumers and operators and in compensation produced by philanthropic organisations.

The study recommends that Finland should develop a framework for contribution claims related to domestic mitigation outcomes. The framework should be further developed over time and, in the longer term, it may be possible to also include a process to implement corresponding adjustments in this framework.