London Borough of Enfield

Cabinet Report

Meeting Date 6 July 2022

Subject:	**Enfield Carbon Offsetting Scheme**
Cabinet Member:	**Cllr Tim Leaver – Cabinet Member for Finance & Procurement**
Executive Director:	**Sarah Cary- Executive Director Place**
Key Decision:	**KD 5457**

Purpose of Report

1. In March 2022, an initial options assessment to create a carbon offset platform was undertaken. The option assessment concluded that there is potential to create a locally based offsetting platform for both residents and businesses. The platform would deliver an accessible carbon offsetting option, which would support residents and businesses move towards carbon neutrality, whilst delivering environmental benefits locally.

2. Enfield's Climate Action Plan 2020 (CAP) includes a longer-term vision statement about 'a robust council-led borough-wide carbon offsetting programme for local businesses". This report proposes to extend the programme to include local residents.

3. This report sets out potential options available to the Council and the next steps required to develop a full business case and seeks endorsement of the concept, approach and identified next steps.

Proposal(s)

4. To note and endorse this report, including a budget of up to £100k, to enable the engagement of specialists in this field to undertake a feasibility study and due diligence, focused on carbon offsetting within the borough, the formal (verified) and informal (unverified) carbon offset market and local customer demand, ahead of the development of a full business case.

5. As detailed in paragraph 33, a provisional timeline assumes a feasibility study will be concluded in October 2022, and subject to the outcome of that study a full business case will be developed and approved by January 2023.

Reason for Proposal(s)

6. A carbon offset is a reduction or removal of emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere. Offsets are measured in tonnes of carbon dioxide-equivalent.

7. Many corporations are seeking to reduce their carbon footprints through energy efficiency and other measures, with at least one-fifth of the world's largest 2,000 public companies having committed to meeting carbon net-zero targets by mid-century or sooner. Carbon reduction efforts are not exclusive to larger corporations. Individuals and local businesses are becoming more aware of the environmental impact of their behaviours which they are seeking to mitigate more accurately.

8. It is often not possible for carbon footprints to be entirely eliminated with internal reductions and behavioural changes alone. A flexible mechanism will be required to achieve these aspirational goals, which could be achieved by carbon offsetting. Carbon offsetting can be formal offsetting, which requires projects to undertake a verification process or informal offsetting, which is similar to supporting charitable funding for environmental improvements.

9. Awareness of carbon offsetting for individuals is increasing, as it is becoming more commonly offered to offset specific behaviours, e.g. offsetting the impact of air travel during the travel booking process. However, it is currently far less accessible for an individual to audit and offset their total carbon impact.

10. Carbon offsetting involves paying someone, somewhere else, to save emissions equivalent to those an individual or company have produced. Emissions savings can come from a variety of projects, in a number of different countries, with the majority currently based in developing countries. However, there are some traded carbon offsetting projects based more locally. Offsetting projects will either be carbon reducing or carbon removal, with future focus expected to be given to removal. Examples of offsetting projects include:

    <u>Removal</u>
    - Tree planting
    - Creation of organic community gardens
    - Direct air capture & storage

    <u>Reduction</u>
    - Installation of domestic insulation
    - Installation of solar PV for communities, local schools, or collectives
    - Creation of a community ‘Library of Things’.

11. According to a report published by Ecosystem Marketplace, a leading global source of information on environmental finance, markets, and payments for ecosystem services, the global voluntary carbon market (VCM) reached a new market value record of over one billion US Dollars for the first time in

2021, with a projection to reach 50 billion US Dollars in 2030. However, the market remains fragmented and opaque, which affects confidence and as a result has limited the level of participation. There is growing support and expectancy for formal industry standards and transparency.

12. The Council would therefore like to fully understand the potential of a locally based carbon offset platform. As part of this, it is critical that all avenues of potential investment are identified, including individuals, businesses, and organisations from outside of the borough.

13. The concept has three core areas that would be key to delivery:

- Develop infrastructure systems for residents, organisations or local companies to calculate their CO2 emissions created by such activities as car journeys, holiday flights etc.
- Identify projects with corresponding carbon reduction opportunities within Enfield, and provide a means for them to access offsetting (potentially including verification)
- Establish a means for payment and administration of the credit received from the individual, organisation or company.

14. The revenue collected from residents, organisations or businesses will be used to invest in climate action and sustainability schemes, as described in paragraph 10, such as an installation programme of domestic insulation in social housing.

Relevance to the Council Plan

15. By creating a platform for residents and local businesses to invest in local carbon projects, it will provide a positive opportunity to address the challenges of climate change and support the Council's target of carbon neutrality by 2040.

16. Successful local carbon projects could improve homes and communities in a number of ways including:

- Provide renewable energy sources for residents, school's or community buildings
- Support the removal of atmospheric carbon dioxide through rewilding
- Provide a community hub by creating community gardens, which could connect communities, provide local food sources and educational opportunities, in addition to the expected carbon reduction benefits.

17. Operating the service will provide employment within the Borough with opportunities for staff development and self-improvement through the Councils training programmes

18. The project therefore directly contributes to all three of the Council objectives:

- Good homes in well-connected neighbourhoods
- Build our Economy to create a thriving place
- Sustain Strong and healthy Communities

Background

19. Following the 2019 Climate Emergency declaration, the Council, in 2020, published its Climate Action Plan, setting out the commitment for the council to becoming carbon neutral by 2030 and for the whole borough to achieve carbon neutrality by 2040. Reducing emissions through direct action will be the main approach to becoming a carbon neutral organisation.

20. However, there will be a certain level of emissions which are currently not practically or financially possible to reduce. This will leave a gap between the emissions produced and the target of zero emissions. Carbon offsetting is one of the methods likely to be used, with the CAP referencing the need to offset between 125,000 – 200,000 tCO_2e on a borough wide basis

Main Considerations for the Council

21. There are a wide variety of carbon offset providers within the market. Many providers have the appearance of a not-for-profit organisation but are owned by larger corporations as commercial ventures. Due to the majority of offset projects based overseas, the environmental benefits are rarely realised locally. There is an opportunity for the Council to provide a platform which will allow investment into locally based projects, which deliver its benefits for the local community.

22. Many carbon offsetting providers offer verified carbon saving schemes, which guarantee carbon savings are real, permanent, additional, and not vulnerable to leakage. They do this through a process of validation and verification. Verified projects must follow a rigorous assessment process for certification. Emission reductions certified by the program are eligible to be issued as Verified Carbon Units (VCU), with one VCU representing one metric tonne of Carbon or GHG reduced or removed from the atmosphere.

23. There is no legal obligation to verify any carbon savings. Verification can be a lengthy governance process, typically including desk and field audits by qualified independent third parties. Verification will increase project costs and could delay project commencement, as verification is required before starting.

24. Enfield's CAP includes a longer-term vision statement about "a robust council-led borough-wide offsetting programme for local businesses". The proposal in this report would expand that to include individuals.

25. This proposal seeks to develop a Council managed platform that would calculate and offset carbon emission via locally delivered carbon reduction projects. This report outlines key requirements of the proposal, to be developed in a future detailed business case, including:

- A function for individuals/business to calculate their annual carbon output.
- A detailed choice of carbon offsetting projects planned in borough, including the expected carbon reduction.
- A platform to facilitate donations for voluntary, unverified carbon offsetting

Develop programme infrastructure

26. The programme would need to be manged via a web-based platform, providing the entire customer journey including:

    - Introduction of the concept.
    - Calculating individual carbon outputs.
    - Detailing identified projects.
    - Facility to purchase or donate.

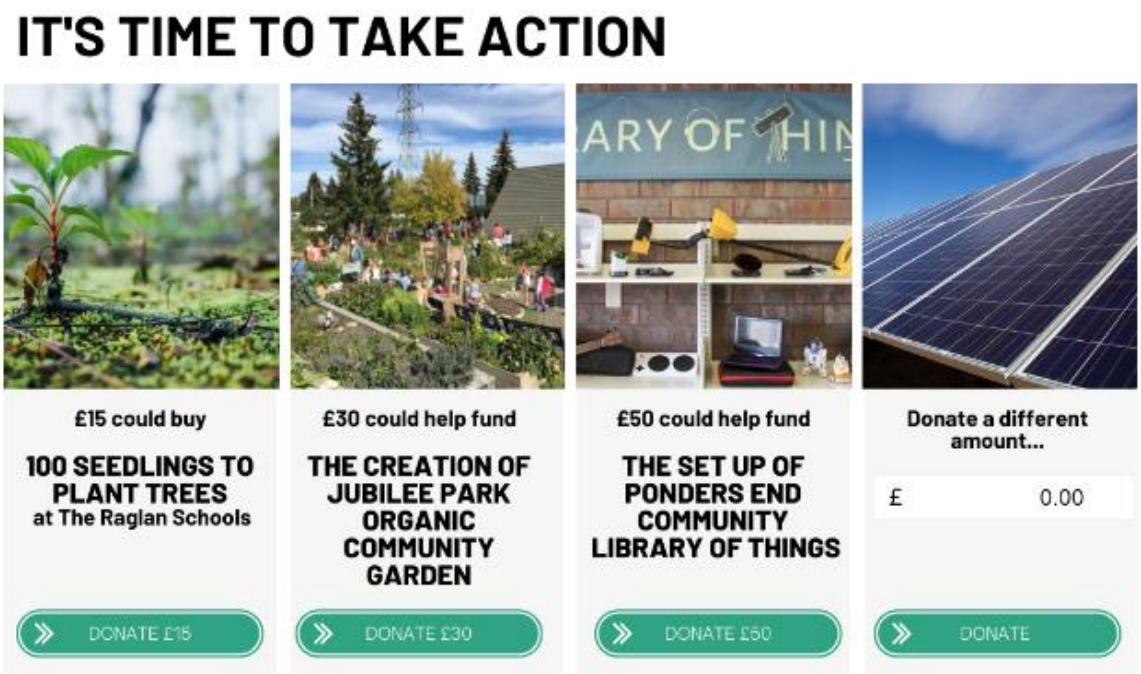
27. Carbon offsetting is still a very new concept to many, and so it is important that the platform clearly sets out:

    - What is carbon offsetting.
    - What the Council are doing by creating the platform.
    - Why the platform been created.
    - How donations will be used.
    - Appeal to individuals, businesses, and organisations to be involved.
    - What are the expected achievements – including any identified additional benefits such as fuel poverty support.

28. The first step on an individual or businesses journey to becoming carbon neutral, is to baseline their current carbon output. Whilst carbon calculators are readily available online to do this, it would create a clunky customer journey, were they diverted to another website. Additionally, if reliant on other organisations resources, we would be unable to verify the accuracy of these calculators.

29. Therefore, it is essential for the platform to have an inbuilt carbon calculator function within any system we develop. Integrating a calculator would provide sufficient control for the Authority to ensure the accuracy of calculations, whilst also supporting a seamless customer journey by directing users to supporting offsetting projects after they have calculated their carbon footprint.

30. The following below shows an example of how the platform could work. The example shows the ability to donate different amounts to a choice of different projects, or to enable the user to donate an amount of their choice. Within the Enfield context, users could potentially be given options such as funding trees for a local school, the creation of an organic community garden, or developing a community focused library of things.



Next Steps

31. The next steps will be undertaking a full due diligence process, ahead of the development of a full business case, which will confirm the preferred business model for the platform.

32. It is critical that a full due diligence process is completed, to ascertain the credibility and feasibility of such a venture. Market research and technical market analysis will be included in this piece, which will seek to understand and provide:

- The target markets current understanding of the Climate Emergency and measures they can take to reduce their carbon footprint, including offsetting.
- The demand of all target markets for both verified and unverified carbon offsetting.
- Which types of offsetting projects would be most likely to be supported by target markets?
- Would users be most likely to voluntarily donate to a project or calculate their carbon footprint and formally offset?
- Analysis and an up-to-date assessment of successes and failures within the offset market
- Implications of future market development – e.g. introduction of market governance and formal standards
- A guide of which model and projects are most locally deliverable
- The appetite of other local organisation and authorities towards partnership or use of the platform

33. It is anticipated that the feasibility study will be concluded in October 2022, allowing for the full business case to be developed and approved by January 2023, as per the following timeline:

	04-Jul	11-Jul	18-Jul	25-Jul	01-Aug	08-Aug	15-Aug	22-Aug	29-Aug	05-Sep	12-Sep	19-Sep	26-Sep	03-Oct	10-Oct	17-Oct	24-Oct	31-Oct	07-Nov	14-Nov	21-Nov	28-Nov	05-Dec	12-Dec	19-Dec	26-Dec	02-Jan	09-Jan	16-Jan	23-Jan	30-Jan
Report to Cabinet																															
Feasibility Procurement																															
Feasibility Study																															
Report Feasibility Findings																															
Development of Full BC																															
BC Approval Governance																															

Safeguarding Implications

34. No safeguarding implications identified.

Public Health Implications

35. Climate change is a major threat to the health and wellbeing of our residents. Mitigation and adaptation projects in response can be expected to have co-benefits for public health, such as reduced air pollution, increased physical exercise and increased energy security.

Equalities Impact of the Proposal

36. An Equalities Impact Assessment (EqIA) is not required at this stage. However, an EqIA should be undertaken once the carbon offsetting projects have been chosen, to evaluate whether they will impact residents.

Environmental and Climate Change Considerations

37. Some Environmental and Climate Change considerations are included within the body of this report, which suggest that there could be benefits in terms of both reducing carbon emissions and offsetting residual emissions. However, any approach or platform will need to address key challenges:

    - Any carbon offsets which are traded must be removed from corporate and borough level carbon accounting (they cannot be double counted). This means that, if there are insufficient reductions in carbon emissions, to cover the shortfall there could be a need to buy offsets from other sources at some point in the future.
    - Traded carbon offsets must offer additionality, which means that the projects cannot be things that are happening anyway.

Risks that may arise if the proposed decision and related work is not taken

38. Residents and businesses are becoming more aware of what actions they can take to reduce their impact on climate change. It is likely that both Enfield residents and businesses, as part of their actions will look to offset part of their carbon footprint and so if this platform is not provided, it is more likely that the invested project will be out of this borough.

39. This platform not only supports carbon offsetting, but through voluntary donations could also help communities facing fuel poverty, by way of support through insulation and renewable energy. This opportunity could be missed if further work to develop this platform is not undertaken.

40. Without a visible, local carbon offset option, the Council will need to capture the imagination of residents and businesses to mitigate their carbon impact, or risk the borough wide 2040 net zero target being missed.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

41. The most significant risk of the proposal is that it will undermine work to reduce carbon emissions by making it easier to offset them as compared to taking action to minimise them. The obvious way to address this is for the Council to continue prioritising and delivering a range of actions and projects which provide mitigations and resilience.

42. Unverified schemes could leave the Council open to challenge about the money donated and its carbon reduction impact.

43. Selling carbon offsets now could lead to a requirement to buy them in the future. The mitigation for this is to only sell credits in projects which can clearly demonstrate that they offer additionality.

44. The ability to verify projects could be restricted by the capacity of the verification market. This could delay implementation and marketing of projects until verification has been completed.

45. The verification of the projects could take many months to complete. Verification process should commence when projects are selected for the programme.

46. At present, it is unclear how successful the platform would be, and low usage could be a reputational risk. A full market research exercise is required to enable a full business case to be developed. One mitigation could be developing a platform or organisation which could work at a larger scale, say London-wide.

47. Some projects may never reach the funding total required, leading to challenge from those that have donated. A comprehensive Governance framework and appropriate donation terms and conditions would be required and accounts will need to be audited.

48. Under performance of projects, where expected carbon reductions are not delivered. Each project will require close performance management.

Financial Implications

49. Enfield's CAP 2020 sets the vision for "a robust council-led borough-wide offsetting programme for local businesses" and identifies the need to 'create clear funding streams for climate resilience solutions for residents and businesses across the borough'.

50. By creating a carbon support platform for residents and businesses, the achieved income will ensure the delivery of additional in borough carbon offsetting/reduction projects, strengthening the efforts to meet carbon neutrality targets.

51. The cost of sufficient due diligence, by way of market research and technical support is estimated at up to £100k. This investment will support the development of a full business case which will determine viability and a preferred business model, based on demand and potential success. The investment will be equally split across two phases, with internal review mechanism to review investment ahead of the second phase. Funding will come from reserve, where there is insufficient baseline budget to fund this scheme in-year.

52. The due diligence will include an assessment of the financial viability of the proposal, which will be considered as part of the eventual decision on whether to proceed further. Given the Council's notable financial challenges looking forward, the aim is for this project to become self-financing as soon as is practicable, and this will need to be balanced against potential non-financial benefits. The options outlined in paragraphs 63-67 of this report indicate what can be explored through the feasibility study as means of delivering this scheme in the most efficient and effective way.

Legal Implications

53. The Climate Change Act 2008 provides the main legal framework in the UK for both mitigating and adapting to climate change. In brief, it requires that:

- Specified greenhouse gas emissions (including carbon dioxide) are reduced by a certain amount every five years (known as carbon budgets).
- An overall target of net zero emissions is reached by 2050.
- The Government assesses and prepares for climate change risks and opportunities (such as flooding and impacts on ecosystems and agriculture).

54. The Act also established the Committee on Climate Change as the independent body to provide evidence-based advice to the UK and devolved governments.

55. The Climate Change Act 2008 (2050 Target Amendment) Order 2019 imposes a duty on the Secretary of State as to the level of the "net UK carbon account" (the amount of net UK emissions of targeted greenhouse gases for a period adjusted by the amount of carbon units credited or debited to the account) for the year 2050. The duty is to ensure that the net UK carbon account is lower than the "1990 baseline" (the baseline of net UK emissions of targeted greenhouse gases against which the percentage amount by a minimum percentage amount). This was amended in 2019 so that the target increased from 80% to 100% - net zero.

56. Since passing this legislation, the Government has announced a HM Treasury Net Zero Review. This included a priority to ensure a fair balance of contributions from all those who will benefit, including considering how to reduce costs for low-income households.

57. This report and recommendations support the council's CAP.

Workforce Implications

58. No direct workforce implications have been identified by this report.

59. If a requirement for additional resource is identified to support this project a separate proposal and supporting report will need to be prepared. This will outline the resource required and the reporting structure.

60. HR advice should be sought in relation to the above point if required.

Property Implications

61. There are various proposals in this report that could have property implications, such as the change of land use, regaining control of LBE land that is currently leased, acquiring land, or changing/enhancing the building fabric and mechanical and electrical system on LBE buildings.

62. As any property-related projects come forward, the implications of these will be addressed at that time in accordance with relevant governance.

Options Considered

63. The Council may not offer a carbon offsetting platform. This would not have an immediate impact but could leave an offsetting gap in respect of the 2040 carbon neutrality target.

64. The Council may offer the platform to just business or residents. This could be a reputational risk if a supporter were ruled out of contributing. By restricting those who can use the platform, the Council would not be supporting all that are seeking to reduce their carbon impact. There would also be additional risk of insufficient contributions to support multiple projects

65. The Council may extend the platform to deliver offsetting projects out of borough. However, the positive impacts of those projects would not be felt within borough, could lead to not all benefits identified in a business case being delivered (support residents facing fuel poverty) and could be less appealing to the target market.

66. The platform could be delivered exclusively by the Council, as a joint venture with partners or it could be contracted to a third party. The Council will consider the preferred operating model for the platform as part of a full business case.

67. The Council may issue green bonds. Green bonds work just like any other corporate or government bond. Borrowers issue these securities in order to secure financing for projects that will have a positive environmental impact, such as reforestation. Investors who purchase these bonds can expect to

make a profit as the bond matures and so the Council would need to guarantee repayment of the bond over a certain period of time, along with a fixed or variable rate of return. The governance of bonds is also onerous with the solutions unlikely to achieve an improved impact on carbon reductions.

Conclusions

68. Following the long-term vision statement made in Enfield's CAP, to develop a robust council-led borough-wide offsetting programme for local businesses, an initial options assessment has been undertaken, as set out within this report. The proposed platform would target carbon reductions and carbon removal within the borough, in additions to other benefits, such as tackling fuel poverty.

69. In order to develop a full detailed business case, further due diligence is required by way of market research and technical expert analysis. This will provide a full appraisal of the market, local consumer demand. The analysis should also support the preferred platform model, whilst also setting out the scale of the opportunity, platforms requirements, resource requirements and projected operational costs and potential income.

Report Author: Wesley Pemberton
Commercial Development Manager
Wesley.Pemberton@enfield.gov.uk

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