

April 17, 2023

Assembly Member Jesse Gabriel
1021 O Street, Suite 5220
Sacramento, CA 95814

Senator Monique Limón
1021 O Street, Suite 6510
Sacramento, CA 95814

Re: Academic letter in support of AB 1305 and SB 390 (voluntary carbon offsets)

Dear Assembly Member Gabriel and Senator Limón,

We are a group of academic researchers who study carbon offsets and the markets in which these credits are issued, traded, and used to compensate for buyers' greenhouse gas emissions. We write in support of AB 1305 and SB 390, which would establish much-needed disclosure standards and truth-in-advertising requirements in the voluntary carbon market.

As you know, interest in carbon offsets has surged over the last few years as governments and companies around the world have made public climate commitments. More and more businesses are selling products and services directly to consumers that are marketed as "carbon neutral" or aligned with "net zero" climate targets. These claims are typically based on carbon offsets, but companies' offsets-related advertising is largely unregulated and the technical information underlying carbon offsets is not always disclosed.

The lack of standardized public disclosures and inconsistent marketing practices exacerbate serious problems in the voluntary carbon market. The academic literature has identified significant concerns with carbon offsets' climate claims across a wide range of carbon offset project types, including forestry,¹ renewable energy,² and industrial gas destruction³ projects.

¹ B.K. Haya et al. (2023), Comprehensive review of carbon quantification by improved forest management offset protocols, *Frontiers in Forests and Global Change*; T.A.P. West et al. (2020), Overstated carbon emission reductions from voluntary REDD+ projects in the Brazilian Amazon, *Proceedings of the National Academy of Sciences*.

² R. Calel et al. (2021), Do Carbon Offsets Offset Carbon?, CESifo Working Paper 9368; M. Cames et al. (2016), How additional is the Clean Development Mechanism?, Öko-Institut report for the European Commission; G. He and R.K. Morse (2014), Addressing Carbon Offsetters' Paradox: Lessons from Chinese wind CDM, *Energy Policy*; B.K. Haya (2010), Carbon Offsetting: An Efficient Way to Reduce Emissions or to Avoid Reducing Emissions?, PhD Dissertation, University of California, Berkeley.

³ L. Schneider and A. Kollmuss (2015), Perverse effects of carbon markets on HFC-23 and SF₆ abatement projects in Russia, *Nature Climate Change*; M. Wara (2007), Is the global carbon market working?, *Nature*.

As a result of serious quality problems in the voluntary carbon market and limited information about offsets-related claims, substantial due diligence is necessary to identify higher-quality claims.⁴ But even experts find it difficult to identify and evaluate the relevant technical information due to the lack of standardized disclosure rules.

AB 1305 would bring much-needed improvements to the voluntary carbon markets by establishing a mandatory disclosure regime. The bill would require sellers of carbon offsets to provide adequate information for experts and the public to evaluate the reliability of offsets-related claims. It would also require buyers of carbon offsets to provide the information needed to identify any carbon offsets underlying “carbon neutrality” and similar claims.

While both elements would help ensure clarity in the voluntary carbon market, neither presents a difficult compliance obligation. The disclosures called for in the bill are limited to standard industry information that should be available in any voluntary carbon market transaction.

SB 390 would complement AB 1305’s disclosure regime with balanced standards for truth in advertising. Although extensive academic research and investigative reporting⁵ have identified serious problems with carbon offsets, many market participants continue to sell carbon offset credits that are based on flawed technical methodologies or questionable project claims. These false and misleading claims make their way to consumers, who might be offered an opportunity to offset their own greenhouse gas emissions or pay more for a “climate-friendly” product or service. This unfortunate outcome is possible because voluntary carbon market credit quality standards are largely unregulated, with limited accountability for false or misleading statements.

SB 390 would clarify that it is a violation of the state’s false advertising laws to transact in carbon credits if the person “knows or should know” that standard marketing claims made about those credits are unlikely to be true. SB 390 would make violations subject to civil penalties, which would create an important yet measured incentive to encourage voluntary carbon markets to follow the best available science — one that is missing in today’s under-regulated system.

Together, AB 1305 and SB 390 would complement one another and establish California’s global climate leadership in the voluntary carbon markets. And although both bills promise substantial improvements to current market practices, neither would be difficult to implement. Both bills are based on standard industry terminology and common industry practices, which means that good-faith market participants should find it straightforward to comply.

After all, the two bills would only require public disclosure and truth in advertising. We hope California policymakers will adopt the provisions of AB 1305 and SB 390 into law.

⁴ L. Joppa et al. (2021), Microsoft’s million-tonne CO₂-removal purchase — lessons for net zero, *Nature*.

⁵ Patrick Greenfield (2023), Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows, *The Guardian*; Akshat Rathi et al. (2022), Junk Carbon Offsets Are What Make These Big Companies ‘Carbon Neutral’, *Bloomberg Green*; Camilla Hodgson and Billy Nauman (2021), Carbon offsets: a licence to pollute or a path to net zero emissions?, *Financial Times*; Ben Elgin (2020), These Trees Are Not What They Seem, *Bloomberg Green*.

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