



Environmental Defenders Office

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Climate Active trademarks- carbon neutral claims

1. We act for the Australia Institute. The Australia Institute is one of the country's most influential non-partisan public policy think tanks that focuses on high impact research to drive public debate and secure policy outcomes that are better for Australia. In October 2022 they published a report on "State sponsored greenwashing" exploring misleading claims about net zero and emissions reduction.¹
2. We are writing on their behalf to ask that you investigate whether the Climate Active trademark program and its carbon neutral claims including its use by companies involved in the program, is misleading or deceptive under the Australian Consumer Law. We are highlighting this given the ACCC Compliance and Enforcement Priorities for 2022-2023 include "consumer and fair-trading issues in relation to environmental claims and sustainability". We note the ACCC Chair Gina Cass-Gottlieb recently in her speech to the National Consumer Congress stated: "This priority is aimed at addressing concerns that businesses are falsely promoting environmental or green credentials to unfairly capitalise on increasing consumer demand for products or services with these benefits" and "Businesses making false or misleading claims betrays consumer trust and creates an unfair advantage for those businesses doing the wrong thing."²
3. We also understand that the ACCC has a role in certifying trademarks. We do not believe that the Climate Active trademark has been certified at all, and this situation should be reviewed as we believe it is a certifying mark.

Summary of concerns

4. The Australia Institute is particularly concerned that the Climate Active trademark in many cases provides potentially misleading or deceptive representations about a company's carbon

¹ <https://australiainstitute.org.au/wp-content/uploads/2022/10/State-sponsored-Greenwash-WEB.pdf>

² <https://www.accc.gov.au/speech/accc-product-safety-priorities-announced-at-national-consumer-congress>

neutral status. In particular, the Climate Active website makes a series of representations about its program (**Annexure A**):

- (i) “Climate active is a unique Government backed program that enables businesses, government and the community to reduce carbon emissions³;
- (ii) “Climate Active certification sends a clear signal that your business is serious about addressing climate change and is committed to sustainability, innovation and industry leadership”.⁴
- (iii) “The [Climate Active trade mark provides at a glance proof to clients and stakeholders that a business is committed to credible, low emissions operations”⁵ and “helps the community take action by making it easier to identify and choose brands that are making a real difference”;⁶
- (iv) “Climate Active certifies businesses and organisations that have proven that they are measuring, reducing and offsetting their emissions, with a net result of zero emissions. By supporting these organisations you are casting your vote for a better environment”.⁷
- (v) Climate Active endorses businesses who “have offset their emissions as being “climate active” and having gone beyond standard practice and set themselves apart as climate champions”. “Our carbon neutral certification is one of the most rigorous in the world”.⁸
- (vi) At one point Climate Active was endorsing the program as having been “recognised by the European Union Commission and the World Bank as a mature and effective model to help businesses and incentivise emission reductions.” Climate Active has been unable to verify this claim and subsequently removed it from the website, but it was on the website at launch.⁹

5. These representations convey the imputation that the Climate Action program endorsement means a company:

- (i) has certified its organisation or product by Climate Active as reducing its carbon emissions as far as possible and is more than just carbon neutral;
- (ii) is a credible low emissions operation from whom the public should purchase products or services; and

³ See website at <https://www.climateactive.org.au/what-climate-active>

⁴ See website at <https://www.climateactive.org.au/be-climate-active/why-be-climate-active>

⁵ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-carbon-neutral-standard-organisations.pdf>

⁶ <https://www.climateactive.org.au/what-climate-active/about-us>

⁷ <https://www.climateactive.org.au/whos-climate-active>

⁸ <https://www.climateactive.org.au/what-climate-active/about-us>

⁹ <https://web.archive.org/web/20200229083633/https://www.climateactive.org.au/what-climate-active/about-us>

(iii) is going beyond standard practice for reducing emissions and is setting itself apart from other companies.

6. The above representations are potentially misleading for the following reasons:

- (i) The trademarks used in relation to “carbon neutral organisations” do not always require a company to significantly reduce its emissions, and in fact allow it to offset the emissions generated in its operations instead, in most cases by using offsets that may not in fact reduce emissions (**Claim 1**)
- (ii) “Carbon neutral organisations” can be contributing to emissions in their operations or through their products or services, which is confusing and unclear to consumers who would assume the trademarks certifies that the entire business (including products, services, and investments) is reducing emissions (**Claim 2**).
- (iii) “Carbon neutral products” are often not reducing a company’s emissions but merely paying for offsets for its emissions. The process for certification under Climate Active is therefore not best practice and in accordance with best available science, the Paris Agreement or recent UN guidance on greenwashing and net zero (**Claim 3**).
- (iv) The Climate Active trademarks themselves do not make clear the details of how the program works or disclaimers in relation to the claims made. For example, “carbon neutral products” allow an organisation to claim carbon neutrality for a small proportion of their emissions and represent themselves as 'climate active', but may in fact be significantly increasing the emissions across other areas of operations and product development, or not including scope 3 emissions (**Claim 4**).

Law on Misleading and deceptive conduct

7. Section 18 of the *Australian Consumer Law* states:

A person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

8. The representations are likely to also raise concerns about potential breaches of s29 and 33 of the ACL. Section 29 states:

(1) A person must not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services:

(b) make a false or misleading representation that services are of a particular standard, quality, value or grade;

(h) make a false or misleading representation that the person making the representation has a sponsorship, approval or affiliation.

9. Section 33 of the ACL may also be relevant in that:

A person must not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of any goods.”

10. The ACCC in its guide “Green marketing and the Australian Consumer Law” (2011) discussed the term “carbon neutral”. In particular it highlighted the need to consider the whole life of a product when making a claim about carbon neutrality. It stated: “Claiming that your product is carbon neutral if it only applies to the carbon produced in the manufacture of the product- and not its actual use and operation- may risk misleading consumers that the product is carbon neutral for its entire lifecycle”.¹⁰ We have set out below, where the Climate Active program allows for partial assessment rather than whole of life cycle analysis. The guide also highlighted issues with use of carbon offsets, and whether trees had already been planted or pledged to be planted. This has also been the subject of enforcement action by the ACCC.¹¹
11. The advertisements are misleading because in some cases they provide the general impression that the companies involved are carbon neutral without considering their whole operation because the product may only have a partial assessment or only consider its operations and not the other products they sell. It also provides the impression the companies involved are reducing their emissions and complying with best practice in terms of carbon reductions. In fact the term “Climate Active” itself suggests this and something more than carbon neutral. In our view best practice should be considering reductions in emissions necessary to comply with the Paris Agreement, which we’ve expanded on below. There are not sufficient qualifications in any of the materials used by the companies certified under the mark, and a consumer would have to understand the details of the Climate Active process through examining in detail their manual to understand its limitations.

Is Climate Active covered by ACL and within trade or commerce?

12. Commonwealth governments (the Crown) are immune from prosecution under the ACL, per the Commonwealth Constitution. However, the Commonwealth government is not necessarily immune if they are ‘carrying on a business’ either directly or by authority.¹² “Carrying on a business” has been interpreted by the Courts as where it involves profit, repetition in purchases, business transactions such as contracts, advertising and promotion.¹³
13. In order to establish a breach of the relevant sections of the ACL, it is also necessary to show the conduct was in trade or commerce. The legal test as to whether something is in trade or commerce is:

¹⁰ <https://www.accc.gov.au/system/files/Green%20marketing%20and%20the%20ACL.pdf> p. 14.

¹¹ <https://www.accc.gov.au/media-release/accc-takes-action-against-gm-holden-ltd-over-saab-green-claims>, <https://www.accc.gov.au/public-registers/undertakings-registers/section-87b-undertakings-register/v8-supercars-australia-pty-ltd-s87b-undertaking>

¹² Section 2A of the *Competition and Consumer Act 2010* (Cth)

¹³ *On Call Interpreters & Translators Agency Pty Ltd v Commissioner of Taxation (No 3)* (2011) FCA 336, Ian Ramsay and Mihika Upadhyia ‘Carrying on a Business in Australia’: A Study of Court Judgement’ *Australian Business Law Review* (2021) p.3-4

*the conduct of a corporation towards persons, be they consumers or not, with whom it ... has or may have dealings in the course of those activities or transactions which, of their nature, bear a trading or commercial character. Such conduct includes, of course, promotional activities in relation to, or for the purposes of, the supply of goods or services to actual or potential customers be they identified persons or merely an unidentifiable section of the public ...*¹⁴

14. Climate Active is carrying on a business and within trade or commerce. Climate Active is the Australian Government's carbon neutral certification scheme. It is administered by the Department of Climate Change, Energy, the Environment and Water. While the program is run by Government, it is done on a commercial basis, with dedicated staff and runs on a cost recovery basis within Government. Certified businesses pay a licence fee through a licensing agreement to use the Climate Active trademark and to become a member of the Climate Active network.¹⁵ The program competes with other non-government carbon neutral certification schemes such as "Make it carbon neutral".¹⁶

Examples of how Climate Active carbon neutral claims are misleading

Tokyo gas



15. At the top of the page on the Tokyo Gas website as at August 2022 it states:¹⁷

¹⁴ *Concrete Constructions (NSW) Pty Ltd v Nelson* (1990) 169 CLR 594 (**Concrete Constructions**), 602 (Mason CJ, Deane, Dawson and Gaudron JJ).

¹⁵ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-licence-agreement.pdf>

¹⁶ <https://noco2.com.au/noco2-businesscertification/make-it-carbon-neutral-certification/>,
<https://www.southpole.com/sustainability-solutions/climate-neutrality-and-renewable-electricity-labels>,
<https://carbonneutral.com.au/carbon-footprint-assessment/>

¹⁷ <https://www.tokyo-gas.com.au/> (as at August 2022)

Tokyo Gas Australia has become the first Japanese company in Australia to receive carbon neutral certification for...[click here](#).

If you click on the link, the following page outlines the relevant details/disclaimer that the carbon neutral certification is not for its products but only its offices.¹⁸

Tokyo Gas Australia has become the first Japanese company in Australia to receive carbon neutral certification for its Australian offices

Tokyo Gas is a gas company with investment and participation in a number of fossil fuel projects in Australia, including the Darwin LNG Project, the Pluto LNG Project, the Gorgon LNG Project, the Ichthys LNG Project. In direct emissions Ichthys and Gorgon alone emit around 7 million and 9 million tonnes of CO₂-e a year. Pluto currently emits 1.9 million tonnes per year (a figure that will increase to 4.4 million tonnes with the Scarborough development), while the LNG gas plant emits 2.05 million tonnes of CO₂ per annum.¹⁹ Tokyo Gas' share of these direct emissions is approximately 380,000 tonnes of CO₂-e. To be certified a carbon neutral organisation, Tokyo Gas offset the emissions from running its offices only: 235.7 tonnes of CO₂-e per year.

Cooper Energy

16. Cooper Energy is another oil and gas company claiming to be a carbon neutral organisation using the trademark. This is the front page of their website, although it relates again to its use of offsets rather than reduction in emissions from their products.

¹⁸ <https://www.tokyo-gas.com.au/carbonneutral.html>

¹⁹ NT Environmental Protection Authority (2022) *Ichthys Gas Field Development (INPEX)*, <https://ntepa.nt.gov.au/your-business/public-registers/environmental-impact-assessments-register/completed-assessments/register/ichthys-gas-field-development-inpex>, Swann (2018) *Gorgon-tuan Problem*, <https://australiainstitute.org.au/report/gorgon-tuan-problem/>, Conservation Council of Western Australia, The Australia Institute (2021) *Why the Scarborough LNG development cannot proceed*, <https://australiainstitute.org.au/report/why-the-scarborough-lng-development-cannot-proceed/> Robert (2021) *Should Santos' Proposed Barossa Gas 'Backfill' for the Darwin LNG Facility Proceed to Development?* <https://ieefa.org/resources/should-santos-proposed-barossa-gas-backfill-darwin-lng-facility-proceed-development>



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NET ZERO

Australia's First Carbon Neutral Domestic Gas Producer

17. In 2020 gas company Cooper Energy announced that it was “Australia’s first carbon-neutral domestic gas producer by fully offsetting its FY20 emissions”.²⁰ In practice, this meant offsetting 10,000 tonnes of CO₂-e of operational emissions. For context the company’s scope 3 emissions for its equity share for the same year were around 537,000 tonnes.²¹
18. Cooper Energy has since certified its gas product (but not its oil product) as carbon neutral under Climate Active on an ‘opt-in’ basis. This means that the customer chooses whether or not to make the gas they are buying ‘carbon neutral’ in a similar way to passengers can opt to offset their emissions when booking air travel. Cooper Energy’s scope 3 emissions in 2021, including gas and oil, were over 900,000 tonnes of CO₂-e. To date the company has not provided any evidence that it has purchased any offsets for its product.

²⁰ Cooper Energy (2020) ASX Announcement / Media Release: Cooper Energy to be carbon neutral in 2020, <https://www.cooperenergy.com.au/investor-information/asx-announcements>, Cooper Energy (2020) ASX Announcement / Media Release: Cooper Energy to be carbon neutral in 2020, <https://www.cooperenergy.com.au/investor-information/asx-announcements>

²¹ Ibid

Ampol

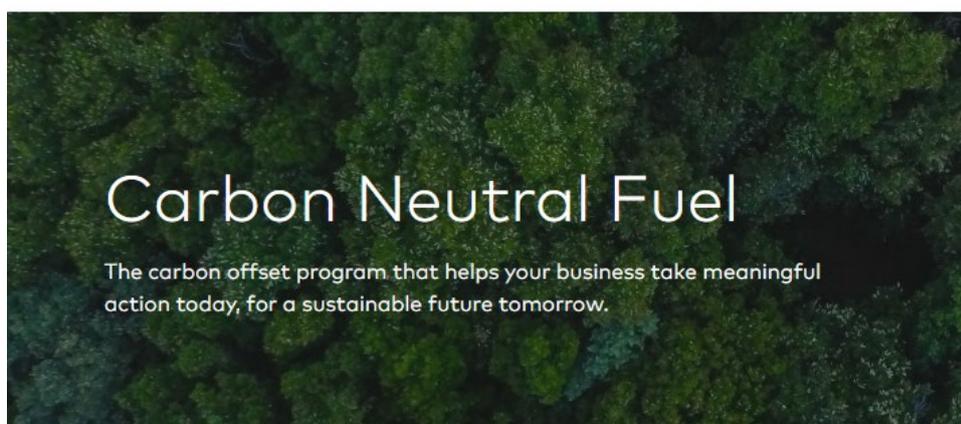
19. Ampol has recently released “Carbon Neutral fuel”, as part of the carbon neutral product range by Climate Active. Its website below states: “investing in accredited projects that have a positive environmental and sustainable outcome, we can help neutralise the emissions associated with the lifestyle of our product”. The carbon neutral status is not through reductions in the way that Ampol produces its fuel but through offsets alone. Unlike Cooper Energy, Ampol does not refer to 100% use of Australian offsets in its headline claims on its website. For the reasons set out below there are significant issues with the use of offsets to support any carbon neutral claim. As a company Ampol leans heavily on its ‘net zero’ target and ‘carbon neutral’ claims but provides no evidence on how the vast majority of its emissions will be managed.



FUEL CARDS

SERVICE STATIONS

Home / Business Services / Carbon Neutral Fuel



20. Ampol has a net zero target across its operations by 2040 and targets to reduce operational emissions in the interim. This will be done by reducing the intensity of emissions for 2025 and 2030, via reducing emissions intensity in the fuels and infrastructure division and reducing absolute emissions in the convenience retail division. Ampol claims to have started taking action to reduce operational emissions with the installation of solar and batteries at retail outlets.²²
21. In 2021 Ampol’s operational emissions were around 1 million tonnes CO₂-e: two per cent of the company's total emissions. This means the net zero target does not cover 98 per cent of its

²² Carbon Market Institute (2022) *Webinar: Corporate Transition – Drivers, Strategies, carbon market & renewable energy approaches*, <https://carbonmarketinstitute.org/2022/09/02/september-2-webinar-corporate-transition-drivers-strategies-carbon-market-renewable-energy-approaches/>

emissions. Ampol's total emissions in 2021—including operational emissions, emissions from fuel distribution and combustion of its products—were 54 MT CO₂e.²³

22. Despite the vast majority of Ampol's emissions coming from the combustion of its fossil fuel products, Ampol has no climate target for its scope 3 emissions beyond its 'opt-in' carbon neutral petrol. The Climate Active certification includes Ampol in its claims that its members "are serious about addressing climate change" and "committed to sustainability, innovation and industry leadership."

Claim 1: The Climate Active trademark does not require companies to reduce emissions

23. The trademarks used in the program in relation to carbon neutral organisations do not require a company to reduce its emissions, and in fact allow it to offset the emissions generated in its operations. For example, the Climate Active website states that certification is based on making a "defensible claim of carbon neutrality by calculating your carbon account or footprint, reducing emissions where possible and offsetting any residual emissions". The website goes on to say:

Certified organisations are not penalised if they do not achieve absolute emission reductions every year, but it is expected that reductions are made where it is practical and cost effective to do so. All reductions and planned reductions must be included in a public report and uploaded onto your organisation's website.²⁴

24. Many companies have increased their emissions despite continuing to be Climate Active certified. Telstra for example is a carbon neutral certified organisation but has recently become an energy retailer meaning that its gross emissions have increased.
25. One of the difficulties is the lack of particular standards around what constitutes "carbon neutrality" and what constitutes consistency with the latest science from the Intergovernmental Panel on Climate Change (IPCC). The UN High-Level Expert Group on Net Zero Emissions Commitments of Non-State Entities (**UN Expert Group**) has developed clear standards for net-zero emissions pledges by non-State entities – including businesses, investors, cities and regions – and speed up their implementation.²⁵ The UN Expert Group is very clear on the need to reduce emissions rather than using offsets. This is in recognition of the importance of urgent action, with the earth around 1.1 °C warmer now than it was in the late 1800s as a result of climate change and the highest concentration of greenhouse gases in 2 million years.²⁶

²³ Ampol (2021) *Future Energy and Decarbonisation Strategy*, <https://www.ampol.com.au/about-ampol/sustainability/future-energy>

²⁴ <https://www.climateactive.org.au/be-climate-active/faqs>

²⁵ https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

²⁶ <https://www.un.org/en/climatechange/what-is-climate-change>

26. The Glasgow Climate Pact expressed alarm that human activities have caused 1.1 °C of global warming to date and that impacts are already being felt in every region. It reaffirmed the resolve to pursue efforts to limit the temperature increase to 1.5 °C, recognising that this would significantly reduce the risks and impacts of climate change. Based on current national climate plans, global warming is projected to reach around 3.2 °C by the end of the century, hence the importance of credible net zero/carbon neutral plans.²⁷ There are less-clear standards for the term “carbon neutral” than “net zero”, although Climate Active claims to be going further than just certifying carbon neutrality by also providing trademarks for a company’s reduction in emissions and best practice on climate through its certification program (refer to representations at 4(i) to (v) above).
27. The Science-Based Targets Initiative (SBTi) is a collaboration between the Carbon Disclosure Project, World Resources Institute, WWF and the United Nations Global Compact. The SBTi’s goal is to define and promote best practice in “science based” emissions reduction target setting. The SBTi also independently assesses and approves companies’ targets as being “in line” with the global emissions reduction targets required to hold temperature increases to 1.5 °C, well below 2 °C, or 2 °C (above pre-industrial levels). The SBTi clearly acknowledges that only 1.5 °C or well below 2 °C targets are “in line” with the aim of the Paris Agreement.²⁸
28. To be in line with the aims of the Paris Agreement, SBTi requires emissions reduction targets to be:

Anchored in climate science and 1.5°C pathways, the Standard requires companies to make rapid and deep emission cuts, through both near- and long-term science-based targets.

A typical SBTi-approved company has been even more ambitious than the 1.5°C trajectory, with a linear rate of 6.4% scope 1+2 reductions a year during the period with approved targets²⁹

In relation to offsets SBTi states that:

Offsets are only considered to be an option for companies wanting to finance additional emission reductions beyond their science-based targets or net zero target.¹³⁰

29. In relation to Climate Active, it is clear from its website that offsets are a key part of its acceptance of carbon neutrality, and there is no mention of science in their emissions reduction process. It states:

²⁷ <https://www.un.org/en/climatechange/what-is-climate-change>

²⁸ SBTi “What are “science-based targets”?” <https://sciencebasedtargets.org/how-it-works>

²⁹ SBTi, Are science based targets advancing corporate climate action? <https://sciencebasedtargets.org/news/understand-science-based-targets-methods-climate-action#:~:text=A%20new%20progress%20report%20from,pathways%20derived%20from%20climate%20scenarios>.

³⁰ SBTi, Does SBTi accept all approaches to reducing emissions? <https://sciencebasedtargets.org/faqs#does-the-sbti-accept-all-approaches-to-reducing-emissions>

Offset units are used to compensate for emissions a business produces and to bring their carbon footprint down to net zero. Offset units are generated by projects that reduce, remove or capture emissions from the atmosphere such as reforestation, renewable energy or energy efficiency.

30. Another concern is the lack of ongoing and rigorous assessment of programs that form the basis of a company's certification. A company is certified through third party assessment prior to using the trademark, and there is an assessment of programs that are the basis of the certification every three years.³¹ The website acknowledges reductions should be practical and where cost effective to do so, giving participants significant leeway. Businesses can also choose their emission boundaries within their operational emissions, potentially leaving out things they don't feel are material to their carbon footprint or excluding matters like scope 3 emissions. All of this suggests the use of the trademark is more of a marketing exercise than a regularly audited program with defined rules consistent with the latest climate science.

Claim 2: “Carbon neutral organisations” may contribute to emissions in their operations, products or services

31. “Carbon neutral organisations” can be contributing to emissions in their operations or through their products or services. This is confusing to consumers. Most would assume that carbon neutrality applies to a company's whole organisation including its products. This is the most popular type of certification by Climate Active. In reality most of the emissions reductions are achieved through companies purchasing green energy and making some minor changes to their offices, with offsets being used for the remaining emissions.

32. This is contrast to the latest science which suggests that offsets should only be used for emissions you cannot abate using renewables. In the case of most certified companies, their emissions come from the manufacturing of their product rather than their buildings/office block. Examples of carbon neutral organisations include HESTA, Aesop, Swisse vitamins and Telstra, but none of their corresponding products are certified as carbon neutral products or services. Telstra, meanwhile, was certified as a carbon neutral organisation in 2020, having offset around 2 million tonnes of operational emissions. Again, the certification excludes some of Telstra's products, despite the company acknowledging that scope 3 emissions account for around 70 per cent of its total emissions.³² Telstra is also now providing energy retailing services on a “certified carbon neutral basis” which would be adding to that total of scope 3 emissions.³³

33. Carbon neutral organisations are particularly misleading in relation to the fossil fuel industry and electricity companies. To date, no certified fossil fuel company has credibly demonstrated

³¹ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-licence-agreement.pdf>, See Validation Schedule

³² Carbon Disclosure Project (n.d.) *Telstra: Building smart modems and a sustainable supply chain*, <https://www.cdp.net/en/articles/companies/telstra-building-smart-modems-and-a-sustainable-supply-chain>

³³ <https://www.telstra.com.au/energy>

alignment with the pathways to limit global warming to 1.5°C, as set out in the Paris Agreement, and in keeping with the global carbon budget.³⁴

34. As indicated above, fossil fuel companies such as Tokyo Gas have only been certified as carbon neutral organisations, although it is less than clear from its main website that this only applies to their offices, which only emits around 235.7 tonnes of CO₂. By contrast, Tokyo Gas has a 1% interest in the Gorgon LNG gas project whose gas plant alone emits around 6 million tonnes of CO₂ per year.³⁵ Certification of “carbon neutral” through a company offsetting its emissions is also confusing for consumers. Cooper Energy announced that it was “Australia’s first carbon-neutral domestic gas producer” by fully offsetting its scope 1 and 2 FY20 emissions.³⁶ This was around 10,000 tonnes of CO₂. The emissions from Cooper Energy in 2021 were over 900,000 tonnes of CO₂ when including its scope 3 emissions from its gas and oil operations. It has since claimed to offset its gas products (but not oil products) on an “opt in” basis (ie the customer chooses whether to make the gas purchase carbon neutral or not).³⁷ Leigh Creek (now known as NeuRizer) has also been certified based on the offset of its business operations some 8,500 tonnes of CO₂.³⁸ The 1 million tonne of urea produced by their project has a carbon footprint of about 700,000 tonnes of CO₂ emissions.
35. AGL, Energy Australia, and Ampol all claim to have carbon neutral Climate Active products. None of the companies have credible plans to phase out their fossil fuel use and reduce their emissions. In most cases they are merely offsetting their emissions, which the UN expert group has said is not a credible basis for a net zero plan. Another example of Climate Active “carbon neutral” certification is out-of-home advertising. JC Decaux became the first media company to claim to provide carbon neutral advertising on transit products.³⁹ The only difficulty is that the claim regarding transit products is based on offsets and does not include the whole of life cycle impact of the buses it uses for its advertising, that are not yet carbon neutral.

³⁴ Santos Ltd is currently the subject of proceedings brought by Australasian Centre for Corporate Responsibility in Federal Court in relation to its net zero by 2040 claim being misleading and Woodside Petroleum Ltd recently had almost 48% of its shareholders reject its Climate Change Plan.

³⁵ <https://www.smh.com.au/business/companies/gas-giant-s-3-2b-effort-to-bury-carbon-pollution-is-failing-20221113-p5bxtw.html>

³⁶ <https://cooperenergy.com.au/sustainability/carbon-neutral>

³⁷ <https://cooperenergy.com.au/Upload/Documents/AnnouncementsItem/Cooper-Energy-2021-Sustainability-Report.pdf>, pg 27

³⁸ <https://neurizer.com.au/our-responsibility/climate-active/>

³⁹ <https://mumbrella.com.au/jc-decaux-centres-sustainability-with-carbon-neutral-out-of-home-advertising-720493>



Claim 3: “Carbon neutral products” rely on offsets to reduce emissions contrary to best practice

36. “Carbon neutral products” are in most cases not significantly reducing their emissions but merely paying for offsets for their scope 1 and scope 2 emissions. As noted above the Paris Agreement requires immediate action. The IPCC agree that the following immediate steps need to be taken to achieve alignment with the Paris Agreement:

- a. Immediate steps must be taken to decarbonise
- b. Emissions must remain within a carbon budget of holding warming to 1.5 degrees
- c. Cease development of new coal and gas reserves.

The steps being proposed to align organisations and their products with the Climate Active website are not consistent with this science or these steps, as they do not require decarbonisation, merely some form of reduction or in most cases offsets to evidence “carbon neutrality”. In particular, credible transition plans must align with the science and appropriate pathways of how to hold warning to 1.5 degrees.⁴⁰

37. Using offsets also goes against industry guidance, which states that offsets should not be used as an alternative to absolute reductions, but only for residual or unavoidable emissions. This was made clear in the UN Expert Report.⁴¹ As noted above, the Science-based Targets initiative, for instance, under its Net Zero Standard, does not accept the use of offsets to contribute towards near-term emissions reduction targets, with credits only being accepted in relation to the neutralisation of residual emissions or to finance additional climate mitigation beyond

⁴⁰ See https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf, pg 12, 15.

⁴¹ https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf, pg 19.

absolute reduction targets.⁴² Similarly, the IGCC states that “over-reliance on offsets and nature-based solutions potentially delays efforts to abate emissions within a company’s value chain and may not account for the limited land and space available to host additional tree coverage or overestimates carbon storage potential.”⁴³ The Climate Action 100+ Net Zero Company Benchmark states that “the use of offsetting or carbon credits should be avoided and limited if at all applied” in its scoring methodology for the decarbonisation strategy indicator.⁴⁴ A UNEP article summarised this well:

*If we are serious about averting catastrophic planetary changes, we need to reduce emissions by 45 per cent by 2030. Trees planted today can’t grow fast enough to achieve this goal. And carbon offset projects will never be able to curb the emissions growth, while reducing overall emissions, if coal power stations continue to be built and petrol cars continue to be bought, and our growing global population continues to consume as it does today.*⁴⁵

38. The IPCC has specifically said in the Sixth Assessment Report that there are significant risks around use of carbon offset/sinks particularly under scenarios with increasing CO2 emissions:

*While natural land and ocean carbon sinks are projected to take up, in absolute terms, a progressively larger amount of CO2 under higher compared to lower CO2 emissions scenarios, they become less effective, that is, the proportion of emissions taken up by land and ocean decrease with increasing cumulative CO2 emissions. This is projected to result in a higher proportion of emitted CO2 remaining in the atmosphere (high confidence).*⁴⁶

39. Significant integrity issues have recently been raised with carbon offsets under *Carbon Credits (Carbon Farming Initiative) 2011* (Cth) by a number of independent experts. Research by [Professor Andrew Macintosh \(former Chair of the Emissions Reduction Fund Integrity Committee\)](#), [the Australia Institute](#) and a number of other [independent researchers](#) and [academics](#) suggests that at least 75% of carbon credits (from the three biggest methods) do not meet the legislated criteria and are not resulting in real or additional reductions.⁴⁷ The

⁴² SBTi, Does SBTi accept all approaches to reducing emissions? <https://sciencebasedtargets.org/faqs#does-the-sbti-accept-all-approaches-to-reducing-emissions>

⁴³ IGCC, Corporate Climate Transition Plans: A guide to investor expectations. <https://igcc.org.au/wp-content/uploads/2022/03/IGCC-corporate-transition-plan-investor-expectations.pdf>, pg 8

⁴⁴ Climate Action 100 +, How does the Benchmark account for the use of offsets or carbon credits? <https://www.climateaction100.org/net-zero-company-benchmark/questions/>

⁴⁵ <https://www.unep.org/news-and-stories/story/carbon-offsets-are-not-our-get-out-jail-free-card>

⁴⁶ IPCC, Sixth Assessment Report, *Climate Change 2021: The Physical Science Basis*- https://www.ipcc.ch/report/ar6/wq1/downloads/report/IPCC_AR6_WGI_SPM.pdf, pg. 20-8.4.1

⁴⁷ <https://australiainstitute.org.au/report/questionable-integrity-non-additionality-in-the-emissions-reduction-funds-avoided-deforestation-method/>, <https://www.theguardian.com/environment/2015/may/01/greg-hunt-660m-spent-reducing-greenhouse-emissions>; <https://ccep.crawford.anu.edu.au/publication/ccep-working-paper/7618/undermined-adverse-selection-australias-direct-action-abatement>

Australian Academy of science validated these concerns.⁴⁸ The Chubb Review has also indicated there are issues with the systems in place while not going far enough to fix the issues.⁴⁹ Research commissioned by the Clean Energy Regulator itself has revealed significant issues with Human Induced Regeneration – the largest source of carbon offsets in Australia.⁵⁰

40. Internationally there has also been significant scrutiny of the integrity of voluntary offsets markets. Climate Active has a list of offset units that are eligible to be used by climate Active members, including Certified Emissions Reductions (CERs), Voluntary Carbon Standard (VCS – or Verra) and REDD+. Climate Active relies on the self-verification of these frameworks and does not carry out any due diligence itself of these offset programs. The Climate Social Science Network, an international network of scholars undertaking peer reviewed research has also produced some useful guides on carbon offsets. Its position paper on net zero, carbon removal and the limitations of carbon offsetting outlines how offsets might undermine the pursuit of net zero, highlighting mechanisms through which offsetting can delay or even obstruct climate action, in particular the phasing out of fossil fuels.⁵¹ In particular, there is simply not enough land to meet existing climate pledges.⁵²
41. An investigation into the Verra carbon standard used by Disney, Shell and Gucci has been significantly questioned with findings that 90% of rainforests credits are worthless.⁵³ Verra supply a significant amount of credits in the international carbon offsets market and are used to underpin a number of Climate Active carbon neutral claims. An episode of 4 Corners that aired on 13 February 2023 revealed that carbon credits from Papua New Guinea that are being used by Climate Active Members have questionable integrity and may be generated on land that has been unlawfully obtained. Investigations into the Clean Development Mechanism have demonstrated that Certified Emissions Reduction units are also not resulting in real or additional emissions reductions.⁵⁴ These credits are also used by Climate Active members and underpin their carbon neutral status.⁵⁵ Telstra has used these credits to offset over 1 million tonnes of CO₂-e—may actually have *increased* emissions as a whole.⁵⁶ Telstra has also offset its

⁴⁸ <https://www.science.org.au/supporting-science/science-policy-and-analysis/reports-and-publications/review-of-four-methods-for-generating-australian-carbon-credits-units>,

⁴⁹ <https://www.dcceew.gov.au/climate-change/emissions-reduction/independent-review-accus>, <https://reporter.anu.edu.au/all-stories/chubb-review-of-australias-carbon-credit-scheme-falls-short>

⁵⁰ Macintosh et al. (2022) The ERF's Human-induced Regeneration (HIR): What the Beare and Chambers Report Really Found and <https://law.anu.edu.au/research/publications?nid=51424>

⁵¹ <https://cssn.org/cssn-position-paper-net-zero-carbon-removal-and-the-limitations-of-carbon-offsetting/>

⁵² <https://cssn.org/the-land-gap-report/>

⁵³ <https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe>

⁵⁴ Cames, Harthan, Füssler, Lazarus, Lee, Erickson & Spalding-Fecher (2016) *How additional is the Clean Development Mechanism? Analysis of the application of current tools and proposed alternatives*, <https://www.oeko.de/en/publications/p-details/how-additional-is-the-clean-development-mechanism-1>

⁵⁵ <https://www.bloomberg.com/news/articles/2022-11-21/junk-carbon-offsets-allow-companies-to-claim-they-re-carbon-neutral?leadSource=uverify%20wall>, Climate Home News (2022) Data exclusive: The 'junk' carbon offsets revived by the Glasgow Pact, <https://www.climatechangenews.com/2022/06/17/data-exclusive-the-junk-carbon-offsets-revived-by-the-glasgow-pact/>

⁵⁶ Climate Active (2021) *Public Disclosure Statement: Telstra Energy (Retail) Pty Ltd – Product Certifications FY2021-22 (projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/telstra>

fossil gas and electricity product through the purchase of CDM offsets from an Indian windfarm.⁵⁷

42. Regardless of the legitimacy of the practice of offsetting, Climate Active is not ensuring the credibility of the offsets it endorses. Many Climate Active businesses are making claims to consumers or shareholders that may be misleading.
43. Certification of “carbon neutral” through a company offsetting its emissions is also confusing for consumers. Cooper Energy announced that it was “Australia’s first carbon-neutral domestic gas producer” by fully offsetting its scope 1 and 2 FY20 emissions.⁵⁸ This was around 10,000 tonnes of CO₂. The emissions from Cooper Energy in 2021 were over 900,000 tonnes of CO₂ when including its scope 3 emissions from its gas and oil operations⁵⁹. It has since claimed to offset its gas products (but not oil products) on an “opt in” basis (ie the customer chooses whether to make the gas purchase carbon neutral or not).⁶⁰ Leigh Creek (now known as NeuRizer) has also been certified based on the offset of its business operations some 8,500 tonnes of CO₂.⁶¹ The 1 million tonne of urea produced by their project has a carbon footprint of about 700,000 tonnes of CO₂ emissions.

Claim 4: Climate Active trademarks do not provide information on how carbon neutral certification operates

44. As set out above, the Climate Active trademarks themselves are not clear. The main trademarks are as follows:

⁵⁷ Calel, Colmer, Dechezleprêtre, Glachant (2021) *Do Carbon Offsets Offset Carbon?*

<https://www.cesifo.org/en/publikationen/2021/working-paper/do-carbon-offsets-offset-carbon>

⁵⁸ <https://cooperenergy.com.au/sustainability/carbon-neutral>

⁵⁹ See Annexure B figures in NGER

⁶⁰ <https://cooperenergy.com.au/Upload/Documents/AnnouncementsItem/Cooper-Energy-2021-Sustainability-Report.pdf>, pg 27

⁶¹ <https://neurizer.com.au/our-responsibility/climate-active/>



- **Organisations** (Certification that the operations of an organisation have resulted in net zero emissions)
- **Products** (Certification that a product being created, used and disposed has resulted in net zero emissions)
- **Services** (Certification that the provision of a service has resulted in net zero emissions)
- **Events** (Certification that the activities associated with running an event have resulted in net zero emissions)
- **Buildings *** (Certification that the operations of a building have resulted in net zero emissions)
- **Precincts** (Certification that the operations of a precinct have resulted in net zero emissions)

45. To some extent the use of the term “carbon neutral” or “resulting in net zero emissions” is misleading in itself. For example, Climate Active recommends a full life cycle analysis for its products certification which would include scope 1, scope 2 and scope 3 emissions. However, it enables companies, with justification, to undertake a partial lifecycle assessment so that the company could claim carbon neutrality for only part of its products’ lifecycle. This is misleading and not consistent with the ACCC Green marketing guide because it is unclear from the trademark whether a product has had a full, or only partial lifecycle assessment. Many Court decisions on headline statements or dominant message have found that this type of claim is misleading.⁶² In order to determine the basis for certification it is necessary for the

⁶² ACCC v TPG Internet Pty Ltd [2011] FCA 1254 at [43] cited in *Australian Competition and Consumer Commission v TPG Internet Pty Ltd*(2013) 250 CLR 640

consumer to obtain the details of the assessment from the Climate Active website, which will not be clear in any product advertising.

46. A company can gain the “Carbon neutral products” trademark for reducing only a small portion its emissions, and still represent itself as 'climate active', when in fact, it could be significantly increasing its emissions across other areas of operations and product development. For example, Origin Energy has a some “carbon neutral products” while increasing its emissions across the rest of its business. Even if these individual ‘carbon neutral’ products were legitimately offset, emissions are still increasing from the companies’ broader business operations. In most cases as stated above, the emissions are eliminated by purchasing carbon credits to cancel out the organisation’s emissions. In any event, it is not clear how much of the emissions “reductions” are facilitated through offsets.
47. Climate Active’s website provides assurance that a company has its claim independently verified by an independent third party before certifying an organisation. A member of the public is only likely to see the carbon neutral trademark and not the detail behind the trademark or look up the information on Climate Active’s website, or company’s website. The mark is also not used with any disclaimers.

Impact of the misleading claims by Climate Active-Giving businesses an unfair competitive advantage

48. The Climate Active Guide lists Climate Active certification as a way to “Stand out from competitors”. The Climate Active website states that certification “helps the community take action by making it easier to identify and choose brands that are making a real difference.”⁶³
49. At the House of Representatives, Standing Committee on Economics hearing, the Chair of the ACCC said that consumers were unable to validate the truth of what is being put to them in regard to claims of carbon neutrality or carbon offsets. The ACCC has flagged that it is mindful of the business competition and consumer protection aspect of misleading environmental claims as “large proportions of consumers are making purchasing decisions on the basis of the sustainability of products”.

...where we have businesses genuinely investing what can be substantial investments in order to have a more sustainable production process, or to ensure that the products they're selling do meet the claims that they're making, and where others are being misleading or fraudulent in respect of that, we get an unfair competitive situation. "

We see that it undermines the activities of companies that genuinely and legitimately invest in improving their processes and in making them more sustainable, in making a swifter transition towards commitments in terms of transition to net zero. We see it not only as undermining

⁶³ <https://www.climateactive.org.au/what-climate-active/about-us>

*community and consumer trust but also as undermining the capacity of Australian business to move, as the policy commitments oblige, towards the targets.*⁶⁴

50. The Climate Active certification is promoting carbon neutrality as a superior environmental product to consumers who are looking for low emissions or climate friendly products. Many investors are also requiring companies in whom they invest to demonstrate carbon neutral or net zero pathways.⁶⁵ It is also putting businesses who have opted for legitimate decarbonisation pathways or who offer low emissions alternatives to 'carbon neutral' products by implying carbon offsetting is synonymous with reductions. A start up electric vehicle charging business, for example, may be at a disadvantage because consumers believe that Ampol's "carbon neutral petrol" is a direct replacement for electric vehicles, or that Ampol is having the same impact on the climate as an EV charging business.
51. At the Economics Committee hearing the ACCC was asked whether it would be reviewing the position of "certification" bodies. The ACCC noted the importance of certification bodies having "scientific and rigorous processes behind them". Our client is extremely concerned that there are no scientific or rigorous processes behind the Climate Active certification.
52. If you have any further queries please do not hesitate to contact me by email on kirsty.ruddock@edo.org.au or by phone at (02) 2 7229 0031.

Yours faithfully

Environmental Defenders Office Managing Lawyer, Safe Climate - Corporate/Commercial



Kirsty Ruddock
Managing Lawyer
Safe Climate (Corporate and Commercial)

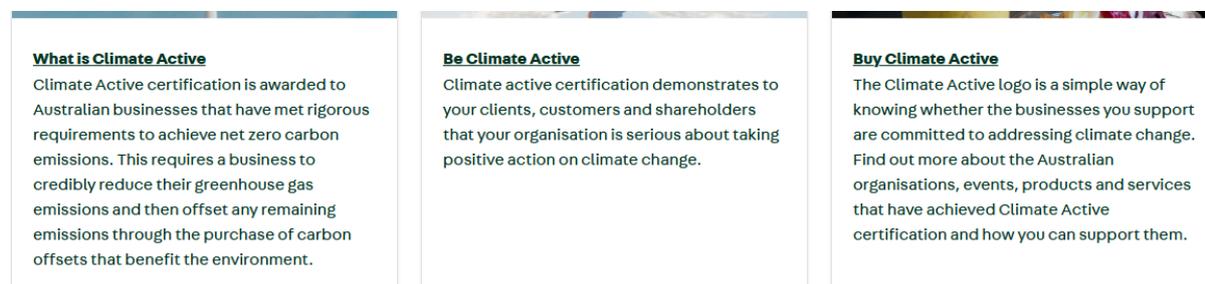
⁶⁴ Hearing on 11 October 2022, https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/ACCCAnnualReport2021/Public_Hearings

⁶⁵ See https://www.unepfi.org/wordpress/wp-content/uploads/2022/03/NZAOA_The-future-of-investor-engagement.pdf

Annexure A – Representations

Climate Active website

- The Climate Active stamp helps the community take action by making it easier to identify and choose brands that are making a real difference. It's about making good decisions today, for a more sustainable tomorrow.
- Our carbon neutral certification is one of the most rigorous in the world.⁶⁶
- Climate Active certification sends a clear signal that your business is serious about addressing climate change and is committed to sustainability, innovation, and industry leadership.
- Importantly it provides an edge over competitors and taps into an increasing number of consumers driving the market for sustainable and ethical products and services. Sustainable product options are outperforming the competition and, for many sectors, a trusted certification scheme is a key to unlocking consumer demand.⁶⁷
- The Climate Active website endorses businesses who have offset their emissions as being 'climate active' and [having gone beyond standard practice and set themselves apart as climate champions.](#)
- The website also encourages consumers to buy from these businesses as they are [taking positive action on climate change.](#)



Climate Active Guide

- The Climate Active trade mark confirms that a carbon neutral claim has met a robust standard and is a legitimate and visible stamp of approval.⁶⁸
- Stand out from competitor-s Environmental performance of an organisation is becoming a valuable source of competitive advantage.⁶⁹
- Carbon neutrality is a genuine and demonstrable contribution to the environment that goes beyond an organisation's corporate social responsibility. Organisations that go carbon neutral can purchase offset units from projects that align with their organisational values and brand purpose, further highlighting their commitment

⁶⁶ <https://www.climateactive.org.au/what-climate-active/about-us>

⁶⁷ <https://www.climateactive.org.au/be-climate-active/why-be-climate-active>

⁶⁸ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-guide.pdf>, page 4

⁶⁹ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-guide.pdf>, page 9

to sustainability

- Many community-facing organisations and businesses enjoy greater recognition and engagement in their community as a result of their carbon neutrality
- A genuine stamp of approval against your carbon neutral claim: Certified organisations can use the Climate Active trade mark to support a genuine claim to be carbon neutral against a robust and authoritative standard.⁷⁰
- Certified organisations join a growing network of carbon neutral leaders that are invited to attend sector insight and networking sessions.⁷¹
- The certification trade mark provides a legitimate and visual stamp of approval. It gives the community confidence that a carbon neutral claim has met all requirements of a robust standard. For many businesses, the Climate Active trade mark helps to promote products and services and is an integral part of their marketing strategy.⁷²

⁷⁰ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-guide.pdf>, page 17

⁷¹ <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-guide.pdf>, page 17

⁷² <https://www.climateactive.org.au/sites/default/files/2022-07/climate-active-guide.pdf>, page 19

Annexure B- Cooper Energy emissions extracts

Emission Source Category	Total Emissions (tonnes CO ₂ -e)
Scope 1	9,090
Fuel Consumed	3,683
Fugitive Emissions	174
Non-Operated Assets Scope 1	5,230
Oil Consumed	4
Scope 2 - Electricity Purchased from Grid	474
Gas plant - processing raw gas to create pipeline quality gas	284
Non-Operated Assets Scope 2	85
Offices	105
Scope 3	923
Business travel	381
Employee commuting	122
Line losses from transmission to site of electricity and natural gas	37
Office fitout	68
Office paper consumption	3
Postage and outbound courier services	8
Refrigerants (from air conditioning units)	23
Rented premises	77
Upstream fuel consumed	188
Waste from offices	14
Water used	2
Total	10,488

Note: total net emissions accounts for rounding.

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Cooper Energy Greenhouse Gas Emissions – Equity Share Basis

Category	FY21	FY20*	FY19	Units
Scope 1 (direct) emissions	3,429	9,090	12,918	tonne CO ₂ -e
Scope 2 (electricity consumed) emissions	407	474	85	tonne CO ₂ -e
Scope 3 (controllable) emissions	504	923		tonne CO ₂ -e
Total Organisational Emissions	4,340	10,488		
Emissions Offset	-4,340	-10,488		tonne CO ₂ -e
Net Organisational Emissions	0	0		tonne CO₂-e
Total Scope 3 (including customer emissions)	962,762	537,212	534,213	tonne CO₂-e
Energy Produced	17,152	9,766	8,036	TJ
Total Emissions Intensity (Scope 1 + 2 + 3) after offsets	56.1	55.0	68.05	tonne CO ₂ -e / TJ
Total Emissions Intensity (Scope 1 + 2 + 3) after offsets	3.3	3.23	3.50	tonne CO ₂ -e / tonne hydrocarbon
Total Emissions Intensity (Scope 1 + 2 + 3)	7,308	7,140		tonne CO ₂ -e / million A\$ revenue

*Minor adjustments have been made to the previously reported Equity Share figures from FY20 to account for adjustments made following the carbon-neutral verification audit and carbon-neutral certification in early 2021. Offsets have been made against the revised figure to ensure net zero.

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⁷³ https://www.climateactive.org.au/sites/default/files/2021-06/Cooper%20Energy%20Initial%20cert%20Year%201%20FY2019-20_PDS.pdf, pg 9

⁷⁴ <https://cooperenergy.com.au/Upload/Documents/AnnouncementsItem/Cooper-Energy-2021-Sustainability-Report.pdf>, pg 28