

# Submission: Climate Active Program Direction

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## CLIMATE ACTIVE: AUSTRALIA'S COLLECTIVE INACTION

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*Headline question: What value is provided to businesses and organisations, consumers and the climate by the Australian Government operating a program to certify voluntary climate action?*

There is no evidence that self-regulation and/or voluntary environmental certification schemes result in better outcomes for the environment or consumers. In fact, the opposite is often true, with these initiatives facilitating misleading claims by the private sector.<sup>1 2</sup>

There is also the risk that voluntary schemes weaken the argument for government regulation and mandatory standards for emissions disclosure and management. This is particularly worrying when voluntary commitments are being encouraged by the government itself, as is the case in Australia. Climate Active appears to be an attempt by the Australian Government to avoid holding the private sector to account, rather than a complementary measure to robust regulation.

To date, Climate Active has played a significant role facilitating greenwash in Australia by promoting fossil fuel companies and large polluters as 'climate active' and neglecting to ensure the veracity of carbon offsets being bought by its members. This is even after numerous independent investigations have found them to be fraudulent.<sup>3</sup> Climate Active has undermined the credibility of its own brand and undermined consumer confidence. The scheme has diminished the credibility of its members who have acted in good faith, both by failing to ensure robust claims, and a willingness to certify businesses who clearly are not 'climate active'.

The Climate Active 'Carbon Neutral' trademark does not appear to have ever been registered. This brings the historical carbon neutral claims of all its members into question, even before the legitimacy of individual claims are examined.<sup>4</sup> It is theoretically welcome that Climate Active has proposed to no longer

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<sup>1</sup> Changing Markets Foundation (2022) *Licence to Greenwash*, <http://changingmarkets.org/wp-content/uploads/2022/03/LICENCE-TO-GREENWASH-FULL-REPORT.pdf>

<sup>2</sup> Changing Markets Foundation (2018) *The false promise of certification*, [https://changingmarkets.org/wp-content/uploads/2018/05/False-promise\\_full-report-ENG.pdf](https://changingmarkets.org/wp-content/uploads/2018/05/False-promise_full-report-ENG.pdf)

<sup>3</sup> Australia Institute (2023), *Here are 22 times carbon offsets were found to be dodgy*, <https://australiainstitute.org.au/post/here-are-22-times-carbon-offsets-were-found-to-be-dodgy/>

<sup>4</sup> IP Australia (2023), *Trade mark 2042153*, <https://search.ipaustralia.gov.au/trademarks/search/view/2042153?q=climate+active>

allow a ‘carbon neutral’ claim to be made by its members, but this could be taken as an indirect acknowledgement that carbon neutrality was never achieved in the first place.

While it is unclear whether Climate Active’s members are aware or concerned that they are using an apparently unregistered trademark, this oversight raises broader questions about the scheme’s governance and administration. For example, the Department of Climate Change, Energy, the Environment and Water (DCCEEW) is paying Ernst and Young (EY) almost one million dollars to carry out Climate Active member verification.<sup>5</sup> A number of Climate Active members are EY Australia Public Interest Entity audit clients, and the Climate Active website lists several EY employees as ‘registered consultants’.<sup>6</sup> EY was also tasked by the Climate Change Authority to review the frameworks certifying international offsets used by Climate Active members. EY’s review gave the largest voluntary offset frameworks in the world a tick of approval, despite the Clean Development Mechanism and Verra both being clouded in scandal.<sup>7</sup>

The Australia Institute makes no allegations of impropriety, nor even suggests that these functions actively intersect. The point is, it is unclear whether Climate Active’s governance is robust, or why businesses and consumers should have confidence going forward now.

Despite the manifest issues with the scheme, Climate Active appears to have served some of Australia’s largest emitters very well, by allowing fossil fuel companies to claim they are taking action on climate even as their emissions rise. However, under the proposed reforms to the scheme – even those that may improve its credibility – it is difficult to see the benefit to consumers or the return on investment for members.

Specifically, there is no suggestion in the consultation paper that Climate Active will be carrying out due diligence to ensure that its members are ‘climate active’, despite the intention to retain the scheme’s current name.

Carbon offsets are a fundamental element of the Climate Active certification (as its previous name the ‘National Carbon Offset Standard’ suggests), and will remain so even under the proposed reforms. Climate Active claims that over “38 million tonnes of carbon have been offset” by the scheme’s participants but it does not actually provide the evidence for this.<sup>8</sup> At best, Climate Active can claim that 38 million carbon offsets have been bought by its members.

The consultation paper claims that Climate Active’s “stakeholders” believe “high-quality carbon offsets have a role to play, especially in hard-to-abate sectors” without disclosing who these stakeholders are or whether they are qualified to say *scientifically* that offsets have a role to play in decarbonisation. Gas and coal companies have made it clear that they think fossil fuels have a role to play in a 1.5-degree future. Unfortunately for them the science is unequivocal that this is not the case. Climate Active should be relying on independent experts to determine whether carbon offsets have a role to play, not the opinions of businesses or individuals paying for, or profiting from, the scheme.

If DCCEEW cannot guarantee the credibility and permanence of the offsets Climate Active members are buying — especially in light of the increasing number of independent investigations exposing fraudulent

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<sup>5</sup> AusTender (2023) *Contract Notice View - CN3843704*, <https://www.tenders.gov.au/Cn/Show/3491a482-9a2c-4db1-87ea-b709ff228572>

<sup>6</sup> Climate Active (2023) *Register of consultants for Climate Active certification*, <https://www.climateactive.org.au/be-climate-active/register-consultants-climate-active-certification>

<sup>7</sup> Australia Institute (2023), *Here are 22 times carbon offsets were found to be dodgy*, <https://australiainstitute.org.au/post/here-are-22-times-carbon-offsets-were-found-to-be-dodgy/>

<sup>8</sup> <https://www.climateactive.org.au/>

and exploitative carbon projects, including those being purchased by current Climate Active members — then offsets cannot credibly be part of the scheme.

Similarly, Climate Active has made no suggestion that it will be carrying out due diligence on whether its members are ‘climate active’ outside their self-imposed Climate Active emissions boundaries. It appears that fossil fuel companies and their products will still be eligible for some kind of climate action recognition through Climate Active. This is currently one of the most problematic and misleading aspects of the scheme given that the fossil fuel industry is driving the climate crisis and no fossil fuel company has demonstrated a reduction in absolute emissions.<sup>9</sup>

Climate Active was forced to terminate British American Tobacco’s (BAT) certification because it breached the World Health Organisation’s (WHO) Framework Convention on Tobacco Control. It is alarming that, even after carrying out a risk assessment, DCCEEW found it appropriate to certify BAT. While there is no international treaty governing the promotion of fossil fuels, the WHO has repeatedly linked fossil fuels and climate change with poor health outcomes. At COP28 the WHO Director General, Dr Tedros Adhanom Ghebreyesus, said *"Addiction to fossil fuels is not just an act of environmental vandalism. From the health perspective, it is an act of self-sabotage."*<sup>10</sup> If Climate Active was genuinely committed to demonstrating “integrity and credibility” as it claims in its brand objectives, it would treat fossil fuel companies the same way it treats tobacco companies and refuse to certify them.

The value of the Climate Active scheme and the ambition of its members is entirely dependent on its context within the broader climate policy landscape in Australia.

Consumers would be far better served by mandatory emissions disclosures than a voluntary ‘climate action’ certification. However, in the absence of regulation, a voluntary scheme that assesses the true performance of an organisation in its entirety (not ‘emissions boundaries’ as per **Proposal 3**) would be a genuinely useful and much-needed tool. Such a scheme would include emissions inventory, policy positions and lobbying, credibility of climate targets and credibility of emissions reduction claims. While **Proposal 1** and **Proposal 2** of the consultation paper are welcome preliminary additions to the Climate Active scheme, existing voluntary initiatives such as the ISO Net Zero Guidelines (IWA 42:2022) or the UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities should be drawn from to set the minimum benchmark for Climate Active going forward. Climate Active should also refer to the Australian Competition & Consumer Commission’s (ACCC) ‘Eight principles for trustworthy environmental claims’ to ensure that it is making and facilitating credible claims.<sup>11</sup>

Australia’s emissions are rising, yet the Australian Government continues to subsidise fossil fuels. With the exception of announcements aimed at increasing renewable electricity in the grid, there are no meaningful policies that will see manufacturing, construction or transport emissions decline in absolute terms. Australian Government projections suggest the Safeguard Mechanism will unlock a clean tech and energy efficiency rollout across the economy (both in and outside of the scheme). However, the Safeguard Mechanism allows big emitters (predominantly gas and coal facilities) to purchase unlimited offsets with a capped price (which is set lower than the internal carbon price that most big polluters have set for

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<sup>9</sup> Hemming (2022) ‘How the government supports greenwashing’, *Saturday Paper*, <https://www.thesaturdaypaper.com.au/environment/life/2022/10/29/how-the-government-supports-greenwashing>

<sup>10</sup> Huet (2022) ‘WHO joins global call for a binding treaty to end ‘self-sabotage’ of addiction to fossil fuels’, *Euronews*, <https://www.euronews.com/next/2022/09/14/who-joins-global-call-for-a-binding-treaty-to-end-self-sabotage-of-addiction-to-fossil-fue>

<sup>11</sup> ACCC (2023) *Eight principles for trustworthy environmental claims*, <https://www.accc.gov.au/system/files/greenwashing-guidelines.pdf>

themselves in evaluating long term projects). Analysis by consultants Reputex estimates that direct cuts in emissions covered under the Safeguard Mechanism are unlikely to be seen until the end of the decade due to the oversupply of offsets and the long lead times for decarbonisation infrastructure roll out.<sup>12</sup> Effectively, there are no policies in Australia to compel or incentivise decarbonisation across the economy. This makes the prospects of scalable and affordable emissions reduction for the private sector look similarly grim.

Given that Climate Active has certification fees and other costs associated with brokers and consultants, members may ask the question why, in the absence of any meaningful government policies that would help organisations reduce their operational or production emissions in a cost-effective way, should they be doing the heavy lifting themselves? And why should they also be putting up their hand to pay for the privilege?

Put another way, if all the companies paying to participate in the Climate Active scheme ceased to do so, Australia's commitment to meet its climate targets would remain unchanged. In turn, other businesses or government policies would simply need to make up for the lack of voluntary efforts by Climate Active companies. This could potentially be via regulation or financial incentives, such as the government paying Climate Active companies to decarbonise. Under such circumstances it is unclear why profit-maximising firms would voluntarily elect to donate their shareholders' funds to help achieve a goal that the government has committed to making with or without their voluntary efforts.

**Proposal 6** of the consultation paper states that "In future, abatement from all ACCUs used under Climate Active would count toward meeting Australia's emissions reduction target under the Paris Agreement."

This is being framed as something new and positive in the scheme when in fact it is a step down in ambition. What this proposal means is that the Australian Government has walked back its intention of ensuring voluntary action results in additional climate benefits in Australia by adjusting Australia's climate target to account for the voluntary purchase of ACCUs.

Prior to the end of the Kyoto Protocol, when Australian companies bought and voluntarily retired ACCUs, the Australian Government was obliged to cancel Kyoto units on a 1-for-1 basis under the *Australian National Registry of Emissions Units Act 2011*. The intent of this provision was to ensure there was no double counting of abatement and that voluntary action was additional to what the Australian Government had already committed to achieving.

The Paris Agreement has no equivalent to assigned amounts, however the Australian Government has previously indicated that it would continue to treat the voluntary purchase of ACCUs as additional and increase Australia's climate target accordingly. The 2022 emissions projections state that "the emissions reduction task for the 2021–2030 emissions budget is increased by 23 Mt CO<sub>2</sub>-e to account for projected voluntary cancellation of ACCUs from 2021-30."<sup>13</sup>

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<sup>12</sup> Reputex (2023) *OUTLOOK: Long-term Australian carbon price, supply, and demand outlook (ACCUs and SMCs)*, <https://www.reputex.com/research-insights/outlook-long-term-australian-carbon-price-supply-and-demand-outlook-accus-and-smcs-2/>

<sup>13</sup> DCCEEW (2022), *Australia's emissions projections 2022*, <https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2022.pdf>

The 2023 projections suggest that the Australian Government has retreated from this commitment.<sup>14</sup> Yet the language used in the consultation is very much framing this reduction in ambition and additionality as a positive development.

This accounting change (possibly along with the unregistered carbon neutral trademark issue) also appears to be why Climate Active is proposing abandoning the carbon neutral claim. A business claiming ‘carbon neutrality’ based on ACCU purchases would be double counting – the company and Australian Government simultaneously claim the abatement. In fact, this is what happens currently, bringing the legitimacy of carbon neutral claims of organisations since 2020 into question. (Note: this is before the legitimacy of the offsets themselves is considered. There is overwhelming independent analysis demonstrating that a majority of ACCUs are not real and/or additional)<sup>15</sup>

This issue also occurs with electricity accounting in the scheme. Renewable energy certificates are used to ‘offset’ scope 2 emissions. But are effectively doubled counted because the government has already committed to, and is claiming, this reduction in the national inventory. **Proposal 5** suggests that Climate Active members must purchase a certain amount of renewable energy, but it is not clear whether they will be able to claim it as an ‘offset’ against their scope 2 emissions and continue double counting.

While Climate Active has a notionally noble vision, mission and set of objectives, there is nothing in the existing scheme or in the proposed reforms that would achieve these goals.

**Vision** Australian businesses, organisation and individuals taking ambitious and meaningful action on climate change.

**Mission** To accelerate collective climate action by providing Australia’s most trusted and recognised climate action certification.

**Objectives**

- 1) Set the benchmark for integrity and credibility in Australia’s most trusted and recognised climate action certification.
- 2) Amplify the impact of voluntary climate action across Australian businesses and organisations.
- 3) Enable strong program awareness and understanding throughout our networks.
- 4) Support Australian Government action on climate change.

It is unclear how Climate Active will measure and demonstrate that the climate action taken by businesses is “ambitious and meaningful”. Climate Active cannot guarantee that its certified members are taking “climate action” without carrying out due diligence on the wider activities of the businesses they certify and the offsets they are purchasing. Similarly, there is no evidence with the proposed reforms that Climate Active is, or will be, a “climate action certification”.

As the Australia Institute has already noted in a complaint to the ACCC, the Climate Active scheme appears to operate within ‘trade and commerce’ and therefore is subject to Australian consumer law (ACL).<sup>16</sup> The Australia Institute has also raised concerns that that Climate Active may be breaching ACL by making and facilitating deceptive and misleading claims.

Climate Active should remove rhetorical flourishes like “protect our climate now and for the future” from its promotional material and website if it cannot prove this is occurring. Likewise, Climate Active claims that

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<sup>14</sup> DCCEEW (2023), *Australia’s emissions projections 2023*, <https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2023.pdf>

<sup>15</sup> Hemming et al (2022) *An Environmental Fig Leaf*, <https://australiainstitute.org.au/report/an-environmental-fig-leaf/>

<sup>16</sup> The Australia Institute (2023) *ACCC Legal Letter: Climate Active trademarks- carbon neutral claims*, <https://australiainstitute.org.au/wp-content/uploads/2023/02/Australia-Institute-complaint-Climate-Active-FINAL-2023.pdf>

its carbon neutral certification “is one of the most rigorous in the world” without providing any evidence or references for this statement. This claim, and any other unverifiable statements, should be removed. Even the name ‘Climate Active’ is potentially misleading if the scheme is not resulting in science-aligned emission reductions activities.

The role of government should not be to ‘promote’ businesses or to persuade consumers to support them (as per the Climate Active website: “You can make a positive impact right now, by supporting these organisations”). Climate Active would be far more credible by abandoning its current certification (and potentially its cost-recovery model) and instead opting to carry out robust, independent analysis of organisations’ stated climate claims. This would allow such claims and statements to be communicated in a simple and accessible manner to consumers.

While similar climate disclosure schemes exist, they are not simple or accessible. There is enormous appetite among voters, consumers, and businesses for analysis of private sector claims that they can actually trust and understand. Government is best placed to provide such a service.

# SUMMARY OF RECOMMENDATIONS

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## *Headline recommendations:*

- The Climate Active scheme should be referred to the Office of National Assessment for a performance audit or assurance review to assess the overarching administration of the scheme (and the legitimacy of carbon neutral claims made under an unregistered trademark).
- DCCEEW should ensure all Climate Active members are aware that they have been using an unregistered trademark, which may affect the legitimacy of current and historical carbon neutral claims.
- A review of the fundamental purpose of the Climate Active certification — including its role in augmenting (not crowding out) climate policy and its benefit to taxpayers, consumers and businesses — should be conducted prior to a superficial reform of the scheme.
- If DCCEEW cannot define what a “climate action certification” is, or demonstrably prove that Climate Active is a “climate action certification”, then the name of the scheme itself may be misleading and should be changed to better reflect what the scheme actually achieves. If Climate Active cannot ensure the veracity of the offsets used by, or the “climate action” of, the businesses it certifies beyond the self-selected certification boundary, then it cannot credibly certify or promote these businesses as ‘climate active’.
- Climate Active’s own claims and the claims it facilitates should be aligned with the ACCC’s *Eight principles for trustworthy environmental claims*, paying particular regard to the principles: “Make accurate and truthful claims”, “Have evidence to back up your claims” and “Do not hide or omit important information”.
- Alternatively, the entire model of the Climate Active scheme could be changed so that it does indeed assess and/or certify “climate action” in line with the best available science.
- Rhetorical, unverifiable and potentially misleading claims should be removed from the Climate Active Scheme’s website and promotional material.

## *Proposal 1, 2 & 3:*

- An emissions reduction strategy is welcome, but as it is limited to the emissions boundary of the certification (such as business operations or a product) it may ultimately still facilitate greenwash. A fossil fuel company may provide an emissions reduction strategy for their business operations or a single product, while increasing fossil fuel production elsewhere in the business. This example also demonstrates the limitations of certification for specific elements of a business.
- Existing voluntary initiatives such as the ISO Net Zero Guidelines (IWA 42:2022) or the United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, feature more holistic guidance and should be drawn from to set the minimum benchmark for Climate Active.

## *Proposal 6:*

- Climate Active should clearly explain to its members the full implications of Proposal 6. The consultation paper promotes this reform as ambitious when it is a step down in ambition. Proposal 6 reflects the Australian Government’s retreat from its commitments to treat voluntary cancellations of ACCUs as additional to Australia’s climate policies. This effectively means that Climate Active members are now footing the bill to help achieve what the Australian Government would have to without their contribution.

*Proposal 7:*

- Discontinuing the carbon neutral claim is welcome. However, Climate Active members do not appear to have been carbon neutral for some time, given the overwhelming evidence that most international offsets are junk, double accounting of abatement in the scheme continues, and the Climate Active Carbon Neutral trademark remains unregistered. DCCEEW should ensure that all Climate Active members are fully aware of these issues. Rather than a climate action or carbon neutral claim, it would be more accurate to certify businesses as “supporting the Australian Government’s climate commitments”.