



Another company ditches offsets

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Body

Fortescue: They're dodgy

Fortescue has belled the cat on carbon offsets, saying they'll no longer buy them unless they are forced to, because in lay terms, they're dodgy.

The iron ore and green energy company's shift, which has been underway since September last year, mirrors moves by other large corporates such as Telstra, which announced in June it would also walk away from the use of carbon offsets in favour of direct action to reduce its emissions.

Telstra was, until then, the largest single participant in the government's Climate Active carbon neutral labelling program, which is currently under review.

The telco, speaking with The Australian in June, shied away from criticising carbon offsets themselves, however **Fortescue** had no such qualms.

"**Fortescue** will no longer buy voluntary carbon offsets unless required by law, as offsets have been shown to be troubled by extensive concerns about quality, lack of additionality and an inability to deliver real reductions in emissions," the company says in its annual report. BHP and Woolworths have also moved away from using carbon offsets.

Companies in the past have offered products which are "carbon neutral", based on the fact that consumers or the company itself have bought carbon offsets sufficient to offset the emissions impact of the product's production.

The trend now is to focus on reducing actual emissions rather than buying financial instruments to offset them, however for many companies there is a level beyond which it is difficult to abate, and for which offsets remain the mechanism by which this can be achieved.

Fortescue is aiming for what it calls Real Zero, which involves using no fossil fuels or offsets in its Scope 1 and 2 emissions profiles.

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"**Fortescue** has a plan to decarbonise our Australian terrestrial iron ore operations (Scope 1 and 2) in the Pilbara by 2030," the company says.

"We have identified the solutions needed to eliminate approximately 90 per cent of terrestrial emissions from our Australian iron ore operations and are actively working to identify solutions for the final approximately 10 per cent." Macquarie, in a research note entitled "Carbon neutral no more", points out that Google recently announced it was no longer maintaining operational carbon neutrality, having bought three million tonnes of offsets in 2022, while Shell has withdrawn its carbon offset targets, and several airlines, including Delta, Easy Jet and JetBlue, have canned their carbon neutral schemes.

Macquarie says this is being driven by both credibility concerns and regulatory scrutiny.

Macquarie says there are particular quality concerns around international offsets, and says almost 80 per cent of the offsets used by Australian listed companies under the Climate Active scheme were international. Last year, the federal government announced a review of the Climate Active certification.

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