'Perverse': Woodside, Shell spend millions getting into offset game

WA Today

September 18, 2024 Wednesday 12:13 AM UTC

Length: 1852 words

Highlight: Fossil ***fuel*** producers are buying large stakes in carbon companies and land to run their own carbon offset projects. Experts and insiders want that banned.

Body

Large fossil ***fuel*** companies are making multimillion-dollar investments in carbon companies and offset projects, raising concerns among industry insiders and experts that the sector is funding lowest-cost and lower-quality emission offsets, rather than tackling climate change as was intended.

An investigation by this masthead has found fossil ***fuel*** companies, including ***Shell*** and Woodside, are increasingly entering the supply chain of the Australian carbon offsets market, buying stakes in carbon companies, registering projects, trading credits or purchasing swathes of land to run their own carbon abatement projects.

Link to Image

Jason South

Under the federal government's flagship policy for reducing industrial emissions, the country's top polluters can achieve all required emissions reductions through buying Australian carbon credits. Experts question allowing those polluters to have a role in the creation and sale of those credits.

"The guys who are doing the emitting, are now getting profits from the solution? It couldn't be more perverse. They're profiting from the problem they created," said Daryl Killin, who previously held senior roles at major carbon companies Select Carbon and Natural Carbon.

The criticisms came as an investigation by this masthead revealed allegations of carbon companies using long-term contracts to *sign traditional owners* into unfair deals, and of the industry watchdog, the Clean Energy Regulator (CER), *having chronic problems managing conflicts of interest*.

Global petroleum giant ***Shell***'s subsidiary, ***Shell*** Energy Environmental Products Australia, lists its primary activity as to "carry out trading" of Australian credits. Its profit in 2021 was $3.4 million, followed by losses of $2.8 million and $2.2 million in 2022 and 2023.

The ***Shell*** subsidiary also became a 25.1 per cent shareholder of Corporate Carbon last year in a $14 million deal that included a $7.25 million funding injection from its parent company, ***Shell*** Energy Holdings Australia. Its latest annual report said the acquisition would give ***Shell*** "significant influence over its business decisions".

Corporate Carbon managing director Gary Wyatt said ***Shell*** converted an investment in its Queensland offset projects into the shareholding which allowed ***Shell*** to nominate one board director.

Wyatt, who previously ran ANZ Bank's energy trading desk, said carbon credits "fill a small bridging role" in climate policy and called for greater government regulation to reduce emissions across the broader economy. He said the fossil ***fuel*** industry should not be blamed for emissions.

"It's not a problem they [the fossil ***fuel*** industry] created," he said. "It's a problem that's been created by us choosing to live the lifestyle that we do, which has resulted in the consumption of a large amount of fossil fuels. We've all benefited from that lifestyle, but it's created a problem. But to point to the energy producers and say, you've created this problem, is a very narrow framing."

Wyatt was "not comfortable" answering questions about what benefits ***Shell***'s shareholding delivered for the ***petrol*** giant, but conceded the company may achieve "cheaper outcomes" and "secure volumes" of carbon credits.

A ***Shell*** spokesperson said "offsets are used only where emissions cannot be avoided" and that part-owning Corporate Carbon allowed it to "maximise quality and integrity" of projects that "deliver wider benefits to the environment and local communities".

Shell fully acquired another carbon company, Select Carbon, in 2020.

Land titles obtained by this masthead show ASX-listed ***oil*** and ***gas*** giant Woodside's subsidiary, Woodside Energy Carbon Services, owns 72 property titles in NSW and 41 titles in Western Australia to run offset projects.

It has nine carbon projects registered with the CER, using the reforestation method which involves planting native trees. These projects have been issued more than 840,000 carbon credits since 2013. Dozens of other polluters have registered carbon projects, including Santos, Inpex and Tokyo ***Gas*** Australia.

A spokesperson for Woodside said its carbon business was established in 2018 to "better manage the cost and integrity of our carbon credits" and it was "open to considering an investment in a carbon developer but is pleased with our carbon business's capability today".

"Woodside's priority is avoiding and reducing emissions," the spokesperson said.

However, Woodside's decarbonisation strategy has been routinely rejected by investors as undermining international climate agreements. A historic 58 per cent of shareholders *voted against the plan* in April over concerns the company was expanding ***gas*** projects, relying too heavily on offsets and failing to cut key emissions.

International conglomerates are also players in the local carbon market. Mitsubishi bought a 40 per cent stake in Australian Integrated Carbon in 2021, and Mitsui invested in Climate Friendly in 2022.

A former staff member at Climate Friendly, who declined to be named because they feared retribution, quit last year after becoming uncomfortable with the influence of Mitsui and private equity firm Adamantem.

"The shift went from mum and dad farmers, helping those people into the scheme, to maximising profits for shareholders ... How do we grow the business to make sure Adamantem are happy?"

The staff member questioned the company's leadership about the new investors and was told Mitsui helped Climate Friendly by establishing connections with fossil ***fuel*** industry customers, both in Australia and abroad.

"What does Climate Friendly get out of it? It's the relationships," they said. "Within the industry, you need to know who is buying and selling. To sell that volume of ACCUs you need the relationship. It was millions of dollars of trades."

The employee said these relationships paid off and there was an unprecedented rise in Climate Friendly's trading volumes after the Mitsui investment.

"The trades were massive, like nothing we had seen before ... That's fine for a one-off, then it started happening more frequently. And I was like: 'Is this going be the trajectory of the business?'"

Climate Friendly co-executive officers Skye Glenday and Josh Harris released a joint statement saying the company's purpose had not changed from "profit-for-purpose" and "tackling climate change" through supporting carbon farming.

They said Adamantem's investment had allowed staff to increase from 30 to 100 people and "scale up our positive climate change impacts" and said Mitsui had a "strong decarbonisation plan" that had no influence on the company strategy.

"Our driving purpose is to decarbonise Australia's land sector, which is responsible for about 20 per cent of the nation's greenhouse ***gas*** emissions," they said in a joint statement.

"Our staff are clear on Climate Friendly's purpose and mission, and are united by the urgent need to scale up carbon farming in line with the International Panel on Climate Change's call for the world to rapidly expand carbon sequestration."

This masthead can also reveal the Australian Academy of Sciences (AAS) raised concerns with the CER in 2022 that the $4.5 billion taxpayer-backed Emissions Reduction Fund had become too focused on supporting the growing carbon industry rather than abating emissions.

"Over the decade of the [Emissions Reduction Fund] operation, the scheme has become less of a climate policy instrument and more of an industry policy mechanism," according to an internal CER email obtained by this masthead under freedom of information summarising "key take-outs" from the Academy's review.

"There is a need to reinforce that the ACCU [Australian Carbon Credit Unit] scheme is fundamentally for the removal, and avoidance, of greenhouse ***gas*** emissions."

The scientists identified "several concerns or limitations" with two of the most common methods, avoided deforestation and human-induced regeneration (HIR), which rely on "counterfactuals" and unreliable data that makes the scheme "vulnerable to integrity accusations" and "accusations of doing little to prevent carbon leakage".

Killin said these projects dominate the market because they were cheap to run, reducing costs for polluters while boosting profits for the carbon "gatekeepers" that own most projects and make money from trading credits.

"We've got a cartel running the industry in Australia," said Killin. "We've had fossil ***fuel*** companies running climate policy in this country for decades. Carbon is no different."

In an unpublished submission to the Chubb review, Killin said barriers to entry and poor policy had made it "excruciatingly painful" to run small-scale projects that use robust methods, such as tree planting and savannah burning. He called for carbon companies to split up and for fossil ***fuel*** investment in supply to be banned.

"I am a well-informed industry insider who knows how the market really runs, rather than the 'sweetness and light' that are regularly portrayed to the public," the submission states.

"We need real carbon abatement policy and actual carbon market development that encourages direct participation and minimises intermediary benefits."

Killin called for a "complete overhaul" to address the "market failure" where vested interests had suppressed the price of carbon and resulted in low transparency for participants and poor quality projects.

"All of this has conspired to create a cosy 'Carbon Club' in Australia. Voices of dissent and other internal criticism that do not fit the industry's vacuous view of itself are ignored repeatedly," he said.

Killin was critical of government interventions to reduce the cost of carbon credits, pointing to the government's "cost containment" policy that caps credits at $70 for companies captured by the safeguard mechanism, when robust tree planting projects can cost up to $100 per credit.

"It's not a real market. If there is high demand, the price should go up. But every time the price goes up, the government intervenes to bring the price down," he said. "The polluters should be made to pay."

University of Sydney chair of political economy Dr Gareth Bryant said governments globally had intervened in carbon offset markets because high prices were "political poison".

Bryant said the "elegant economic reasoning" of market-based emissions reduction always came second to industry interests, and politicians were quick to "carve out special consideration policies" to avoid hurting fossil ***fuel*** profits.

"That's the contradiction of carbon offsetting. Attempts to create a profitable industry around carbon offsetting are always coming up against interests which see carbon offsets as a get out of jail free card for the fossil ***fuel*** industry. In that battle, usually it's the fossil ***fuel*** industry that has won, globally."

Climate Change and Energy Minister Chris Bowen declined an interview request and did not answer detailed questions on record, but a spokesperson highlighted the government's increased and legislated emissions reduction target, and said the safeguard mechanism and renewable energy plan meant Australia was "now on track for at least 42 per cent emissions reduction by 2030".

Graphic

Daryl Killin is speaking publicly to improve the carbon offsets market.

Load-Date: October 17, 2024