

Harnessing Carbon Offsets and Renewable Energy Certificates (RECs) for Authentic Decarbonisation (Corporate Retirement)

Canonical: <https://northmoregordon.com/articles/carbon-offsets-renewable-energy-certificates-for-decarbonisation-buy-and-retire/>

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Published: August 9, 2023.

Renewable energy certificates (RECs), such as LGCs in Australia or I-RECs internationally, represent environmental attributes of renewable electricity generation. Purchasing and retiring them allows businesses to claim equivalent renewable energy for their consumption. Carbon offsets, by contrast, are credits from projects that reduce, avoid, or remove greenhouse gas emissions elsewhere. RECs support renewable-electricity claims under frameworks like RE100 and market-based Scope 2 accounting, while offsets are separate instruments used to counterbalance residual emissions. Both serve different accounting purposes and should not be conflated when making environmental claims.

Publication context: This article reflects its publication date. Market prices, program rules, reporting duties and deadlines may have changed. Confirm current official guidance before making a decision.

Corporations and executives are now taking more active roles in environmental sustainability, shifting from 'business as usual' to a transformative paradigm where profits and the planet must co-exist harmoniously. As decarbonisation targets take centre stage, businesses globally and in Australia, are embracing instruments like carbon offsets and Renewable Energy Certificates (RECs) to lower their carbon footprints and to disclose or report progress against programs such as SBTi , RE100 , Climate Active , EKOenergy, TCFD , and CDP .

The credibility of these initiatives depends heavily on the quality of the environmental certificates, as not all are created equal, and some have recently come under fire. This article explores this range of quality, tools, and financial mechanisms and discusses strategies for avoiding greenwashing accusations to make use of what is still a very important mechanism for the world to decarbonise.

Disclaimer: Northmore Gordon (NG) has a deep understanding of certificate markets, and the requirements of all the leading decarbonisation programs & protocols and helps customers build actual emission reduction pathways. NG has originated over 5 million certificates from a wide range of projects and has delivered for customers 'Buy & Retire' of certificates across 18 markets, covering 23 countries. NG holds an Australian Financial Services License. Information in this article is general in nature and shall not constitute advice.

Understanding the use of RECs and Carbon Credits

RECs and especially Carbon Credits, whilst providing an immediate solution are one mechanism to incentivise others to reduce emissions. Businesses should always be working in parallel on their own renewable energy assets and emissions reduction projects within their business. Internal projects, such as energy efficiency can have a negative long-term cost. Internal projects come at high CAPEX, whilst RECs and offsets come from OPEX budgets.

Using Renewable Energy Certificates (RECs)

RECs represent the environmental attributes of renewable energy production. By purchasing and retiring RECs, businesses claim the green benefits of the equivalent renewable energy generation for their site and promote renewable sector growth.

International RECs (I-RECs) are globally recognised, while in Australia, businesses can purchase Large-scale Generation Certificates (LGCs).

Understanding Carbon Credits to Offset

Carbon offsets are credits generated by projects that reduce, avoid, or remove greenhouse gas (GHG) emissions. Companies buy and retire these credits to offset their own emissions. The range of projects offering these offsets can include forest conservation, replanting, renewable energy, methane capture, waste and wastewater treatment, energy efficiency projects, fuel switching and many others.

Globally, Verified Carbon Standard (VCS), Gold Standard , and United Nations' Clean Development Mechanism (CDM) are popular choices. In Australia, the Carbon Farming Initiative (CFI) aka the Emissions Reduction Fund (ERF) is used by businesses seeking to offset emissions using Australian Carbon Credits Units (ACCUs).

Choosing High-Quality Projects

The quality of RECs and Carbon Credits varies. A credible REC or Offset (such as LGCs, I-RECs, some VCU, and ACCUs) are issued under a trusted certification body (e.g. Evident for I-RECs and the CER for LGCs) and represents renewable energy that is additional (i.e., the energy wouldn't have been generated without the incentive provided by the REC).

Carbon Offsets have come under greater criticism than RECs; High-quality offsets are transparent, verifiable, permanent, and provide additional carbon reductions that wouldn't have happened without the offset project. They should be certified by reputable standard-setters like VCS or Gold Standard, which ensure the environmental integrity of the project and the offset. Today rating agencies (such as BeZero, Calyx, Sylvera, and IDEACarbon) now exist for Carbon Credits and RECs.

When selecting projects for carbon offsets or RECs, businesses should screen projects and choose those:

- With strong environmental benefits (the type of project),

- From registered in recent years (new vintage),

- From stable countries with strong compliance (in the same country as their emissions),

- With co-benefits, such as social impact, local employment, and additional sustainability outcomes,

- Certified to high standards such as a Gold Standard project, and

- That aligns with their overall corporate image and goals

Avoiding Greenwashing

To avoid being accused of greenwashing (misleading or unsubstantiated claims about the environmental benefits) - businesses must ensure transparency in their decarbonisation efforts. The press and shareholder activists are exposing businesses using low-quality projects to offset their

emissions or making improper claims. Accusations of greenwashing can be reduced by using Credible Standards & Registries, performing measurement and third-party verification, providing transparency & accuracy about the originating project and following The Integrity Council for Voluntary Markets "Core Carbon Principles"

Financial Mechanisms for RECs and Carbon Credits

Planning a long-term decarbonisation strategy necessitates considering not just the environmental, but also the financial implications of engaging with offsets and RECs. Forward-looking financial strategies such as hedging, offtake agreements, options, and warehousing of offsets can provide companies with more control over their sustainability efforts while mitigating financial risks.

Spot Purchase whilst the simplest contract, has the lowest counterparty risk, but the buyer is exposed and taking whatever the price is at the time.

Hedging or Forward Contracts can be put in place to forward purchase RECs and Carbon Credits for risk management to avoid potential losses by price fluctuations. Strip (forward) contracts can fix prices for multiple years into the future.

Warehousing is being used by companies due to the arbitrage that exists between current and future prices. High-quality carbon credits are expected to increase in price as low-cost abatement opportunities dry up.

Options the right to buy (or sell) without the obligation, are generally harder to obtain or expensive, and not easily obtained for years into the future.

Regulatory Risk means that the price of RECs and Carbon Credits are very sensitive to policy or regulatory changes.

As CFOs, sustainability managers, and other executives navigate their decarbonisation journey, carbon offsets and RECs offer powerful tools to meet environmental goals. However, due diligence is critical in choosing the right projects and certificates to support genuine, effective climate action and avoid the pitfall of greenwashing. By aligning with robust standards, seeking third-party verification, and committing to transparency and science-based targets, businesses can not only help mitigate climate change but also build their credibility as sustainable leaders in their industry.

Northmore Gordon has been advising businesses on their decarbonisation strategy for almost 15 years and can provide a full range of carbon, energy and certificate services for your business today.

Reporting and compliance context

Confirm the reporting entity and period, current thresholds, regulator guidance, evidence boundary and assurance obligations before applying the dated discussion to a live report.

Related guidance

Carbon advisory

Scope 1, 2 and 3 emissions

Contact us

Read the original article for the source publication and its full context.

What is the difference between renewable energy certificates and carbon offsets in decarbonisation strategy?

Renewable energy certificates (RECs), such as LGCs in Australia or I-RECs internationally, represent environmental attributes of renewable electricity generation. Purchasing and retiring them allows businesses to claim equivalent renewable energy for their consumption. Carbon offsets, by contrast,

are credits from projects that reduce, avoid, or remove greenhouse gas emissions elsewhere. RECs support renewable-electricity claims under frameworks like RE100 and market-based Scope 2 accounting, while offsets are separate instruments used to counterbalance residual emissions. Both serve different accounting purposes and should not be conflated when making environmental claims.

How should businesses screen carbon offset or renewable energy certificate projects to avoid greenwashing?

Northmore Gordon recommends environmental-attribute due diligence as part of carbon advisory services. Businesses should verify project registration and issuance through recognised registries, confirm the scheme and method used, establish ownership and exclusive claim rights, and check retirement or cancellation evidence. Credible standards such as Gold Standard, the Verified Carbon Standard, and Australia's ACCU scheme provide structured validation. Rating agencies including BeZero, Calyx, and Sylvera now evaluate credit quality. We offer instrument selection, due diligence, procurement and retirement strategy support to verify integrity and validity before procurement.

What reporting frameworks should guide renewable electricity claims and carbon offset accounting?

GHG Protocol Scope 2 Guidance addresses purchased electricity and acquired energy, providing quality criteria for contractual instruments used in market-based accounting. For carbon offsets, a separate reporting framework must be applied correctly; offsets should not be subtracted from emissions inventory without following the relevant standard's requirements. Businesses must establish the intended claim - renewable-electricity, market-based Scope 2 accounting, voluntary commitment, or another objective - before selecting instruments. The applicable framework determines eligibility, retirement treatment, and public statement requirements. Our moREnewable100 service requires organisations to agree upon an applicable reporting framework at engagement start.

What are the commercial trade-offs between internal energy reduction and purchasing certificates or offsets?

Internal emissions reduction projects, such as energy efficiency or renewable energy installation, deliver long-term operational savings but require substantial capital expenditure (CAPEX) upfront. Renewable energy certificates and carbon offsets come from operational expenditure (OPEX) budgets and provide immediate emissions reduction claims while potentially incentivising abatement elsewhere. Neither approach alone completes a decarbonisation pathway. A transition workplan should separate physical reductions - operational changes and infrastructure investment - from contractual electricity attributes and purchased offsets, connecting each opportunity to its owner, implementation dependencies, capital requirements, operating assumptions, and progress evidence.

How does project timing affect the eligibility and value of carbon credits in Australia?

For ACCU projects in Australia, CER's newness guidance distinguishes preparatory work from actions indicating project commencement, including certain final investment or asset commitments. Projects generally must be registered before activities start unless the method allows otherwise. Documentation of when feasibility approval, final investment decision, purchase commitments, installation, commissioning, and operation begin is therefore critical. Certificate value depends on the project method's crediting period and the timing of issuance. Before relying on ACCU revenue, organisations should establish the proposed method, project proponent commitment history, required consents, monitoring plan, and expected administrative timeline.

What evidence and documentation is required when purchasing and retiring renewable energy certificates?

A comprehensive procurement evidence checklist should cover site consumption, market and reporting-period boundaries; instrument type, generation location and vintage; ownership and exclusive

claim rights; registry, transfer and retirement/cancellation evidence; beneficiary and allocation across sites or entities; the proposed public statement and its supporting calculation; and contract terms, price assumptions and responsibilities. Certificate ownership, transfer, and retirement must be traceable through the relevant registry. We emphasise retaining the exact wording of claims, supporting calculations, source documents, period, assumptions and approver authorisation. If public wording changes, the same evidence supporting it must be verified to remain valid.

What role do financial instruments such as hedging and forward contracts play in certificate procurement?

Businesses can manage certificate price exposure through several mechanisms: spot purchase (immediate but full price exposure), forward contracts or hedging (future purchase at agreed price to manage fluctuation), warehousing (exploiting arbitrage as high-quality credits are expected to appreciate), and options (the right, not obligation, to buy or sell, though longer-term options are harder to obtain). Prices of both renewable energy certificates and carbon credits are sensitive to policy and regulatory changes, creating additional uncertainty. Forward planning should separate forecast quantity from market price as distinct uncertainties. Our procurement and retirement strategy support can inform these commercial decisions within the applicant organisation's risk framework.

How does Northmore Gordon support certificate selection and due diligence for decarbonisation programs?

We describe carbon advisory services connecting emissions information with engineering, procurement and investment decisions. Environmental-attribute due diligence is included to verify the integrity and validity of purchased renewable attributes and carbon offsets before procurement and retirement. The moREnewable100 service provides multi-site coverage, procurement flexibility, RE100-aligned sourcing and technology/due-diligence support for renewable certificate procurement without requiring existing electricity supply contract changes. For carbon offsets and instruments more broadly, we conduct instrument selection, due diligence, procurement and retirement strategy assessment. On our own figures, we have originated over 5 million certificates and delivered Buy & Retire services across 18 markets covering 23 countries.