

# Key Considerations for Companies When Purchasing Carbon Offsets

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# Key Considerations for Companies When Purchasing Carbon Offsets

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A carbon offset is a purchased instrument representing emissions reductions or removals from outside an organization's operations, used separately from inventory accounting. Companies purchase offsets to compensate for greenhouse gas emissions they cannot eliminate through direct operational changes. According to Northmore Gordon, offsets should be selected through a structured process involving instrument type assessment, due diligence on environmental attributes, and retirement strategy aligned with our reporting framework and sustainability commitments.

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.

As businesses worldwide increasingly recognize the importance of sustainability, the demand for carbon offsets has surged. Carbon offsets allow companies to compensate for their greenhouse gas emissions by investing in projects that either reduce or remove an equivalent amount of carbon dioxide from the atmosphere. However, with the growing market for carbon offsets, it becomes crucial for companies to navigate the landscape carefully. In this article, we will explore the essential criteria that businesses should consider when buying carbon offsets to ensure they make informed and responsible choices.

### ## Carbon Offset Criteria:

**Methodology** Companies must scrutinize the methods employed in carbon offset projects. Whether it's reforestation/Afforestation, Carbon removal, or methane capture, understanding the methodology is vital in determining the actual impact of the offset. Aligning your organization's goal and scopes with high quality carbon offsets is critical. For instance, projects utilizing carbon capture and storage (CCS) technologies directly capture emissions from industrial processes and power plants, preventing them from entering the atmosphere. On the other hand, nature-based solutions such as afforestation and reforestation leverage the natural ability of ecosystems to sequester carbon. Understanding these methods helps companies gauge the actual impact of the offset and its contribution to emission reduction.

**Technology vs Nature-Based Solutions (NBS)** Evaluate the balance between technological solutions and nature-based solutions. Tech-based projects may include carbon capture technologies (avoided emissions), while nature-based projects involve activities like afforestation and reforestation (sequestration / removal). A strategic mix can provide a more comprehensive approach to carbon mitigation. Striking a balance between these two approaches ensures a comprehensive and sustainable carbon offset strategy.

**Vintage** The vintage of carbon offsets refers to the year in which the emission reductions occurred. Companies should consider the vintage to ensure that the offsets align with their current emission

levels and goals. This consideration prevents the purchase of outdated offsets that may not contribute effectively to a company's current sustainability targets. Other target frameworks allow for some flexibility with vintage and act as a good yardstick for procurement.

**Countries/Location/Market Boundary** Geographical considerations play a significant role in the effectiveness of carbon offset projects. Companies should assess whether the projects are in regions where emissions reductions are critical and whether they align with global climate goals. To avoid greenwashing, considering market boundaries ensures that the offsets adhere to international standards and contribute meaningfully to the global effort to combat climate change.

**Price Range** While cost is a factor, it should not be the sole consideration. Assess the price range of carbon offsets to ensure it aligns with your budget, but also consider the impact and quality of the projects associated with the offsets. the price of carbon offsets varies based on project type, location, and vintage. Cheaper offsets may not always guarantee the same level of emission reduction or removal. Companies should evaluate the cost-effectiveness of offsets by considering the quality and impact of the underlying projects. Some frameworks require third-party audit for verification of the projects.

**Registry Preference** Choosing carbon offsets registered with recognized carbon registries is crucial for transparency and credibility. Well-established registries, such as the Verified Carbon Standard ( VCS ) or the Gold Standard , ensure that emission reductions are accurately measured, reported, and verified. Companies should prioritize offsets that adhere to these standards to build trust in the offset's environmental integrity. CORCs (Carbon Removal Credits) by Puro Earth registry is another wonderful example of high-quality credits.

**Quantity** Accurately assessing the quantity of carbon offsets required involves a detailed understanding of a company's current emission levels (Scope 1 ,2 and 3 measurement) and reduction goals. This may require collaboration with experts in emissions accounting and carbon offsetting to calculate the precise number of offsets needed to achieve carbon neutrality.

**Diversity of Projects** Building a diverse portfolio of carbon offset projects minimizes risks associated with a single project type. Including Afforestation/reforestation, Human induced regeneration (HIR) and methane capture projects, among others, ensures resilience against potential fluctuations in the efficacy or viability of any one project. This diversification enhances the overall impact of a company's carbon offset strategy.

**Alignment with Standards (CCP/Oxford/CORSIA)** Ensure that the chosen carbon offset projects align with reputable standards such as the Carbon Clean Solutions (CCP), Oxford Standard, or CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation). Compliance with these standards enhances the credibility and environmental integrity of the offset.

Purchasing carbon offsets is a strategic step toward mitigating the environmental impact of business operations. By delving into the technical intricacies of each criterion, companies can make informed and strategic decisions when purchasing carbon offsets. Technical expertise and a comprehensive understanding of these considerations will empower businesses to select offsets that not only align with their sustainability goals but also contribute meaningfully to the global fight against climate change.

Northmore Gordon has experience establishing a carbon offset criteria suitable for your business, Procurement of high-quality carbon credits and third-party verification.

### ## 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

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

### What is a carbon offset and why do companies purchase them?

A carbon offset is a purchased instrument representing emissions reductions or removals from outside an organization's operations, used separately from inventory accounting. Companies purchase offsets to compensate for greenhouse gas emissions they cannot eliminate through direct operational changes. According to Northmore Gordon, offsets should be selected through a structured process involving instrument type assessment, due diligence on environmental attributes, and retirement strategy aligned with our reporting framework and sustainability commitments.

### How do carbon offsets differ from renewable electricity certificates and physical energy reductions?

These instruments serve fundamentally different accounting purposes. Renewable electricity attributes represent renewable energy generation and support market-based Scope 2 accounting under GHG Protocol guidance. Physical reductions are operational changes that lower actual energy consumption. Carbon offsets are separate purchased instruments for emissions outside an organization's direct control. We emphasize keeping these distinct in transition workplans and reporting, as confusing them can undermine credibility of sustainability claims and compliance with applicable frameworks.

### What role does environmental-attribute due diligence play in offset procurement?

Environmental-attribute due diligence is a verification process to assess the integrity and validity of purchased carbon offsets before procurement and retirement. We include this service in our carbon advisory offerings, examining factors such as methodology soundness, registry credibility, vintage appropriateness, and ownership clarity. This diligence prevents greenwashing, ensures compliance with reporting standards like GHG Protocol Scope 2 Guidance, and protects organizations from purchasing instruments with unverified or questionable environmental claims.

### Why should companies establish a defined reporting framework before purchasing carbon offsets?

Different reporting frameworks—such as GHG Protocol corporate standards, sustainability reporting obligations, or voluntary commitments—have specific requirements for how offsets are accounted for and what claims they support. We recommend organizations identify their applicable framework and intended claim before selecting instruments. This prevents purchasing offsets that cannot be properly credited, ensures compliance with regulatory obligations like ASRS or NGER, and supports credible public statements about emissions management.

### How should companies approach pricing when evaluating carbon offset options?

While cost is a practical consideration, price alone should not drive offset selection. Offset prices vary based on project methodology, geographic location, vintage, and certification standard—with cheaper options not necessarily delivering equivalent environmental impact or credibility. We recommend comparing options against the same evaluation criteria: methodology reliability, registry recognition, ownership clarity, and alignment with the organization's reporting framework and sustainability strategy, treating cost-effectiveness as one factor among several.

### What evidence and documentation should companies maintain for purchased carbon offsets?

Companies should maintain a claim file documenting the exact instrument details, retirement date, beneficiary organization, registry evidence, purchase contract terms, price assumptions, and the proposed public statement. This file supports audit requirements under applicable reporting frameworks

and demonstrates the integrity of sustainability claims. Our carbon advisory services include support for organizing and documenting these requirements, helping organizations maintain traceable evidence that distinguishes forecast offsets from actual verified and retired instruments.

### Can carbon offsets alone achieve a company's net-zero or carbon-neutral target?

No. A credible net-zero or carbon-neutral claim requires a defined framework, complete boundary specification, and all supporting requirements—not offsets alone. According to our carbon-accounting guidance, offsets should complement physical reductions in a transition workplan that connects each opportunity to its owner, implementation dependencies, and capital requirements. Organizations must pursue operational decarbonization first, then strategically use offsets for residual emissions that cannot be eliminated through feasible physical changes.

### How does Northmore Gordon support companies in selecting and managing carbon offsets?

We offer carbon advisory services including instrument selection, environmental-attribute due diligence, and procurement strategy development. We help organizations establish accounting boundaries, evaluate offset options against applicable standards (such as GHG Protocol Scope 2 Guidance), assess registry credibility, and structure retirement strategies aligned with reporting obligations. This support connects emissions information with investment and procurement decisions, ensuring offset purchases integrate with broader carbon management and transition planning.