

# Kingston City Council Carbon Offset Policy



<b>VERSION NO.</b>	1.0
<b>APPROVAL</b>	Chief Executive Officer <i>Signature:</i> <i>Date:</i>
<b>TRIM REFERENCE</b>	24/167697
<b>REVIEW</b>	01 July 2028
<b>RESPONSIBLE EXECUTIVE</b>	Chief Finance Officer
<b>POLICY TYPE</b>	Organisational
<b>POLICY OWNER</b>	Manager – City Strategy

---

<b>REVISION RECORD</b>	<b>Version</b>	<b>Revision Description</b>
22 May 2024	0.1	Drafted for ELT review
22 July 2024	1.0	Adopted by Council

## 1. Background

In July 2021, Kingston City Council adopted the Climate and Ecological Emergency Response Plan (CEERP) which establishes a net zero by 2025 goal for Council operations and net zero by 2030 for the Kingston community. These are science-derived targets which represent the urgency with which emissions must be reduced to limit global warming to below 1.5 °C and to do our fair share.

Priority Area 5 of the CEERP identifies offsetting **residual** Council emissions (gas supplied sites, Council fleet, contractor vehicle emissions, waste, corporate travel, etc) as a priority action.

In October 2023, 20 of Council's 45-member Collaborative Engagement Group (CEG) met to discuss offsets and develop draft "principles" for Council to consider.

In February 2024, Council appointed Pangolin Associates to prepare a background report, (Appendix A) which has been used to assist Council with development of this policy.

## 2. Purpose

The purpose of this policy is to:

- Guide Council decision-making with regards to purchasing carbon offsets.
- Enable Council to perform appropriate due diligence when entering and engaging with the carbon offset market so that valid claims can be made.
- Inform procurement decisions to reduce risk and maximise benefits.

## 3. Scope

Council's emissions 'boundary', primarily *direct* emissions (Scope 1 and 2) generated as a result of Council operations.

Of note, *indirect* emissions generated upstream and downstream as a result of Council generated products and services or operations (Scope 3) are an increasingly 'material' component of Council's emissions boundary and may need to be brought into the scope of this policy, for Council to continue to make valid net zero claims.

## 4. Principles, Governance and Council Plan alignment

Council's Community Engagement Group (CEG) developed the following 'principals' which have guided Council through development of this policy:

- Minimise emissions – Continue Council's focus on reducing emissions and only treat offsets as a short-term solution.
- Value for money/investment – Purchase good value offsets, assess value for money based on type of project and have a diverse portfolio.
- Buy Australian – Priority should be given to investing in the Australian economy and environment.
- Be flexible and adaptable in a dynamic space – Be flexible in how the objectives are achieved but communicate change and be transparent.

### 4.1 Governance

The following governance principles have informed development of this policy:

- Principle (b) - priority is to be given to achieving the best outcomes for the municipal community, including future generations.
- Principle (c) - the economic, social, and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted.
- Principle (i) - the transparency of Council decisions, actions and information is to be ensured.

### 4.2 Council Plan Alignment

Delivers on **Strategic Direction: Sustainable - We prioritise our environment and reduce our impact on the earth.** It directly addresses a priority action detailed in Council's CEERP and target of net zero by 2025 for organisational emissions.

Council's approach to identifying and investing in high-quality carbon offsets (summarised below) will enable Council to:

- Meet community expectations in terms of value for money, flexibility and transparency.
- Manage risk and maximise opportunities.
- Deliver co-benefits where possible.
- Make valid net zero claims.

## 5. Implementation

Throughout implementation of this policy and during procurement, Council will preferentially weight:

- Credits generated within the Australian offset market.
- Sequestering or "draw down" credits which remove carbon dioxide from the atmosphere.
- Verified credits that meet integrity principals (below) and are certified by the Australian Government's carbon neutral certification framework.
- Credits with a 'vintage year' no older than 5 years.
- Credits which deliver co-benefits and address broader Council goals such as those articulated in Council's Reconciliation Action Plan (RAP).

Of note:

- Integrity principles listed under the Federal Government's *Carbon Credits (Carbon Farming Initiative) Act 2011* (below) and other initiatives ensure that any credit used to offset emissions represents a genuine and credible emissions reduction.

**Integrity Principals:**

**Additional:** it must result in emissions reductions that are unlikely to occur in the ordinary course of events, including due to any existing commitment or target publicly agreed by the entity responsible for issuing the units. It must represent abatement that has not been double counted.

**Permanent:** it must represent permanent reductions in greenhouse gas emissions. In the case of sinks, this required that the carbon stored is sequestered and will not be released into the atmosphere for a period of 100 years. Where a period of less than 100 years is applied to sequestration units, an appropriate discount must be applied.

**Measurable:** methods used to quantify the amount of emissions reduction generated must be supported by clear and convincing evidence.

**Transparent:** consumers and other interested stakeholders must have access to the information about the offset project that generated the abatement, including the applied methodology and project-monitoring arrangements

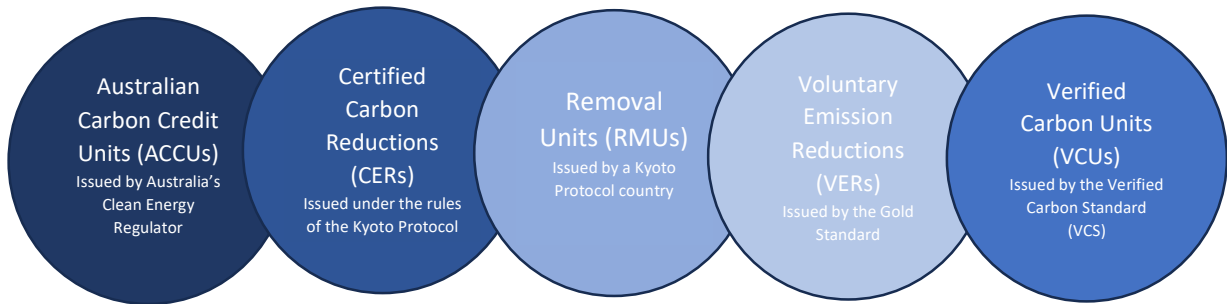
**Address leakage:** the system responsible for generating the offset unit must provide deductions for any material increases in emission elsewhere which nullify or reduce the abatement that would otherwise be represented by the offset unit

**Independently audited:** the circumstances responsible for the generation of the unit must be verified by an independent, appropriately qualified third party and not found to be in contradiction with these integrity principles.

**Registered:** the offset unit must be listed and tracked in a publicly transparent registry

Source: Climate Active Carbon Neutral Standard are based on Australia’s legislated Offsets Integrity Standards.

- Council is not currently seeking to be certified carbon neutral; however only carbon credit programs currently permissible under the Australian Government’s carbon neutral certification framework (below) and have met the integrity principles will initially be used (noting that these may be updated as new information or different offsets become available).



Source: Climate Active Carbon Neutral Standard.

**5.1 Procurement Approach**

- A range of procurement options exist within the carbon market and Council will investigate and adopt the most suitable approach. Initially, Council may engage a carbon credit ‘broker’ and adopt a ‘portfolio’ offset purchasing strategy. As Council’s approach matures, direct support for projects or buying offsets as part of a ‘buying group’ may be explored.
- In year 1, Council will purchase offsets once a year for the year ahead, covering the emissions from the previous reporting period, once the emissions reporting for each year has been completed. In future, longer term strategies may be explored.

- Purchasing decisions will be guided by a Kingston's Carbon Offsetting Framework (Appendix B) which has been developed to facilitate interpretation and comparison of risks and opportunities and co-benefits between programs and projects.
- Once a carbon credit is retired, Council's broker will register proof of that retirement via a public registry.

## 6 Roles and Responsibilities

Department	Responsibilities
<b>Procurement and Contracts</b>	- Assist with development of contract / procurement agreement
<b>Finance</b>	<ul style="list-style-type: none"> <li>- Set budget and provide GL code</li> <li>- Issue and review RFQ and matrix</li> <li>- Award contract</li> <li>- Pay invoices</li> <li>- Liaise with carbon broker, or</li> <li>- Invest directly with carbon project developer through procurement agreement</li> <li>- Register and pay for licences to have visibility over carbon exchange platforms</li> <li>- Retire offsets via a broker or directly</li> <li>- Coordinate 3rd party audit</li> </ul>
<b>City Strategy</b>	<ul style="list-style-type: none"> <li>- Establish emissions boundary</li> <li>- Develop Offset Policy</li> <li>- Review Offset Policy, as required</li> <li>- Provide carbon emissions data ahead of RFQ</li> <li>- Participate in quote and matrix review</li> <li>- Provide specialist sustainability advice</li> <li>- Undertake ongoing due diligence of carbon credit projects</li> <li>- Prepare public retirement links</li> <li>- Coordinate annual reporting</li> <li>- Assist with communication collateral and public statements</li> </ul>
<b>Advocacy Communication and Engagement</b>	- Develop communication collateral and public statements

## 7 Internal and External Assessments

### 7.1 Risk Assessment

To reduce risks associated with trading in a global financial market and maximise the benefits for Council and the community, the following strategies will be implemented.

- The co-benefits that carbon credit projects can deliver and the subsequent potential to address broader Council goals such as those articulated in Council's Reconciliation Action Plan (RAP) will be maximised.
- Due diligence to reduce the physical and transitional risks associated with carbon credit projects will be ongoing.
- Integrity principles that ensure any credit used to offset emissions represents a genuine and credible emissions reduction will be applied.
- Carbon credit units that have met the integrity principles will be procured.

### 7.2 Delegation and Authorisation (Compliance Framework)

There are no delegated positions with responsibilities for this Policy.

### 7.3 Equality Impact Assessment

In many circumstances, disadvantaged and vulnerable members of the community do not have equitable access to decision making processes, resources, and economic or social opportunities. This means that policies, programs and services are likely to be experienced differently and have different outcomes for those who are more vulnerable.

Given the programs and projects that generate carbon credits and the jurisdictions in which many carbon credit projects operate, disadvantaged and vulnerable members of the broader community have the potential to be disproportionately impacted both positively and negatively by Council decision making.

Whilst acknowledging that Council's influence is relatively limited, Council's Carbon Offset Policy will support processes and review decision making to ensure:

- Offset related project and programs recognise and address drivers of inequality.
- Unintended consequences of offset related projects and programs do not inadvertently reinforce or contribute to inequality.
- Harmful attitudes and social norms that underpin drivers of inequality are challenged throughout Carbon Offset Policy implementation.
- In particular, opportunities to support the objectives of Council's Reconciliation Action Plan (RAP) will be considered throughout Carbon Offset Policy implementation.

#### **7.4 Privacy Impact Assessment**

A Privacy Impact Assessment is not required.

#### **7.5 Human Rights Charter**

This policy has been reviewed against and complies with the *Charter of Human Rights and Responsibilities Act 2006*. In addition, "Integrity Principles" listed under the Federal Government's *Carbon Credits (Carbon Farming Initiative) Act 2011* and other initiatives will ensure ancestral knowledge and cultural heritage is safeguarded and the rights of indigenous peoples and local communities in line with applicable international human rights law, and the *United Nations Declaration on the Rights of Indigenous Peoples* and *ILO Convention 169 on Indigenous and Tribal Peoples* are protected. Project proponents are also required to ensure that project activities:

- Avoid discrimination and respect human rights.
- Abide by the International Bill of Human Rights and universal instruments ratified by host countries.
- Take into account and respond to local stakeholders' views.

### **8 Related documents**

#### **8.1 Legislation**

- Federal Government's *Carbon Credits (Carbon Farming Initiative) Act 2011*

#### **8.2 Documents and resources**

- Council's Climate & Ecological Emergency Response Plan 2021
- Council's Reconciliation Action Plan 2020-2024 (being updated)
- Appendix A - Kingston City Council - Carbon Offsetting Background report (Pangolin Associates, 2024) (24/167693)
- Appendix B - Kingston's Carbon Offsetting Framework (24/167705)

### **9 Definitions**

<b>Term</b>	<b>Definition</b>
<b>Avoided emissions:</b>	Reducing or avoiding carbon emissions which would otherwise occur
<b>Carbon credit:</b>	Issued by independent standards, often NGO's or private companies to allow organisation to compensate for carbon emissions generated

<b>Carbon neutral:</b>	When carbon emissions generated are balanced with carbon emissions avoided or removed
<b>Carbon offset:</b>	The act of reducing, avoiding, destroying or sequestering the equivalent of 1 tonne of greenhouse gas in order to compensate for (or offset) emissions elsewhere
<b>Emissions boundary:</b>	The defined scope in which carbon emissions are measured and accounted for. This includes the geographical area, as well as the range of activities and source of emissions which will be included in a reporting entity's emissions assessment
<b>Net zero:</b>	When carbon emissions are reduced to as close to zero as possible with any residual emissions balanced with greenhouse gas removal
<b>Removed emissions:</b>	Sequestering or drawing down carbon emissions from the atmospheres and permanently storing them (for greater than 100 years)
<b>Residual emissions:</b>	Emissions that remain despite all reasonable abatement efforts
<b>Scope 1 emissions:</b>	Direct emissions released into the atmosphere from owned or controlled sources. For example: bottled gas or generators.
<b>Scope 2 emissions:</b>	Indirect emissions from the generation of purchased energy.
<b>Scope 3 emissions:</b>	Up and downstream emissions that occur in the value chain of the reporting entity. These are not owned or controlled by the reporting entity. For example: emissions produced by a supplier in the manufacturing or transport of a product used by Council
<b>Sequestering credits:</b>	A type of carbon credit that is produced as a result of the direct removal and storage of carbon dioxide for the long term