



Highlights of [GAO-08-1048](#), a report to congressional requesters

Why GAO Did This Study

Carbon offsets—reductions of greenhouse gas emissions from an activity in one place to compensate for emissions elsewhere—are a way to address climate change by paying someone else to reduce emissions. To be credible, an offset must be additional—it must reduce emissions below the quantity emitted in a business-as-usual scenario—among other criteria. Assessing credibility is inherently challenging because it is difficult to make business-as-usual projections. Outside the U.S., offsets may be purchased on compliance markets to meet requirements to reduce emissions. In the U.S., there are no federal requirements and offsets may be purchased in the voluntary market.

GAO was asked to examine (1) the scope of the U.S. voluntary carbon offset market, including the role of the federal government; (2) the extent to which mechanisms for ensuring the credibility of offsets are available and used and what, if any, related information is shared with consumers; and (3) trade-offs associated with increased oversight of the U.S. market and including offsets in climate change mitigation policies. This report is based on analysis of literature and data, interviews with stakeholders, and GAO’s purchase of offsets.

What GAO Recommends

GAO is not recommending executive action. However, as it considers legislation that allows the use of offsets for compliance, Congress might consider, among other things, directing the establishment of standardized quality assurance mechanisms.

To view the full product, including the scope and methodology, click on [GAO-08-1048](#). For more information, contact John B. Stephenson at (202) 512-3841 or stephensonj@gao.gov.

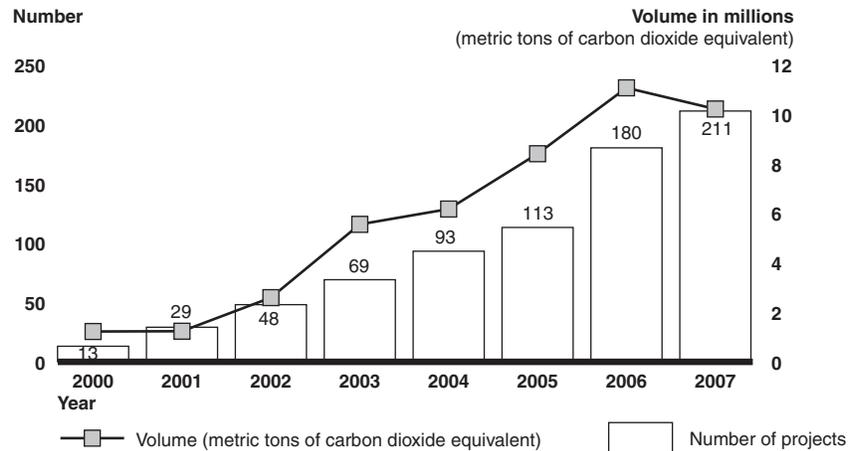
CARBON OFFSETS

The U.S. Voluntary Market Is Growing, but Quality Assurance Poses Challenges for Market Participants

What GAO Found

The scope of the U.S. voluntary carbon offset market is uncertain because of limited data, but available information indicates that the supply of offsets generated from projects based in the United States is growing rapidly. Data obtained from a firm that analyzes the carbon market show that the supply of offsets increased from about 6.2 million tons in 2004 to about 10.2 million tons in 2007. Over 600 organizations develop, market, or sell offsets in the United States, and the market involves a wide range of participants, prices, transaction types, and projects. The federal government plays a small role in the voluntary market by providing limited consumer protection and technical assistance, and no single regulatory body has oversight responsibilities.

U.S. Supply of Voluntary Offsets by Volume and Number of Projects from 2000 through 2007



Source: GAO analysis of Point Carbon data.

A variety of quality assurance mechanisms, including standards for verification and monitoring, are available and used to evaluate offsets, but data are not sufficient to determine the extent of their use. Information shared with consumers on credibility is also limited. Participants in the offset market face challenges ensuring the credibility of offsets, including problems determining additionality, and the existence of many quality assurance mechanisms. GAO, through its purchase of offsets, found that the information provided to consumers by retailers offered limited assurance of credibility.

Increased federal oversight of the U.S. voluntary market could enhance the market’s transparency and improve consumer protection, but may also reduce flexibility, increase administrative costs, and stifle innovation, according to certain stakeholders. Including offsets in regulatory programs to limit greenhouse gas emissions could also lower the cost of compliance, according to recent EPA analyses and economic literature. However, some stakeholders said that concerns about the credibility of offsets could compromise the environmental integrity of a compliance system.