

## Public Bodies and Climate Change Duties – Guidance on nature-based carbon reduction projects (insetting and offsetting) and annual public bodies duties reporting

### Definitions

In the guidance below, the following definitions apply:

- **Carbon offsets:** carbon offsets are used to counterbalance emissions of carbon dioxide or other greenhouse gases (GHGs) generated by an organisation's operational activities. Measured in tonnes of carbon dioxide equivalent (CO<sub>2</sub>e), offsets, or carbon 'credits', reduce or remove from the atmosphere the equivalent amount of CO<sub>2</sub> or other GHG generated by the organisation.

Carbon offsets are externally verified and purchased/sold on a market. This guidance relates specifically to the voluntary carbon market.

- **Carbon insets:** carbon 'insets' are carbon and GHG management and reduction activities within the organisation's operational boundary on their own landholdings or, by agreement, on the wider public estate.

While a wide range of insetting activities exist, this guidance focuses on nature-based insetting projects, for example peatland restoration or woodland creation.

For further definitions and guidance refer to chapter 10: [Public Sector Leadership on the Global Climate Emergency \(www.gov.scot\)](https://www.gov.scot/publications/2022-09-27/public-sector-leadership-on-the-global-climate-emergency/pages/10/)

### Scottish public bodies: carbon insetting and offsetting

- The Scottish Government's view is that the main focus of climate change mitigation action for Scottish public bodies should be action within Scotland to reduce greenhouse gas (GHG) emissions and increase nature-based carbon sinks.
- Public bodies should have plans and demonstrable actions in place to reduce GHG emissions to as close to zero as possible, including land-based GHG emissions. Offsetting and insetting must not be a replacement for such reductions.
- Public bodies with landholdings should maximise opportunities for nature-based insetting projects on their own land. Investment in insetting projects should be prioritised ahead of the purchase of carbon offsets.

- For some public bodies with larger landholdings, nature-based inseting projects may enable the removal and storage of more carbon than they emit through their operations. Public bodies with carbon savings surplus to their own requirements to reach net zero should give careful consideration as to the most appropriate use for this surplus. Central government bodies should consider allocating the surplus to other public bodies who are unable to reach net zero within their own boundary. Other bodies, including local authorities, should ensure that decisions made in relation to the end-use of such carbon savings/credits are transparent and equitable, and consistent with wider climate change duties.
- Opportunities for inseting projects on a public body's landholdings should be balanced with other local, regional and national priorities including food security, housing and energy. Care should be taken not to harm other objectives, especially climate adaptation and nature recovery.
- Consideration should be given to wider linked issues and policies. Partnership working, collaboration and area-based approaches will be important to achieve the highest quality outcomes. Projects should benefit local communities and contribute to a just transition.
- Public bodies with coastal holdings should also consider blue carbon: the carbon captured and stored in marine and coastal ecosystems. With their ability to sequester and store carbon, to provide natural coastal protection, and to support complex biodiverse ecosystems, such habitats offer a small but important role in climate change mitigation, adaptation and resilience.
- Adaptation and mitigation agendas should be integrated, ensuring that climate risk assessments are included in carbon and GHG emissions assessments. Degraded and vulnerable carbon stores may affect the ability of public bodies, particularly those with larger landholdings, to reach net zero. Targeted inseting actions to restore degraded carbon stores, especially peatlands, may be required.
- When considering changes to land use on public land as part of inseting or offsetting, carbon leakage must be avoided, i.e. where actions taken on a public body's landholdings displace carbon-generating activities elsewhere which then take place outside the reporting boundary.
- Offsetting should be used as a last resort and, in most cases, as an interim measure while solutions to emissions that bodies are currently unable to eliminate are developed. Offsetting should form part of organisational targets and transition plans aligned with Scotland's statutory national emissions targets and the global goals of the Paris Agreement.

- If offsetting activity is to be undertaken as part of an organisation's net zero transition plan, there is a strong preference for public money to benefit people within Scotland, as opposed to investing in international offsets. Supporting nature-based carbon reduction projects within Scotland can bring benefits to local economies and communities, enhance biodiversity and provide wider environmental benefits, in addition to contributing to progress towards Scotland's statutory national emissions reduction targets.
- Scotland's climate change legislation sets a default position that statutory national emissions reduction targets will be met solely through domestic effort, without any reliance on purchase of international offsetting credits by the Scottish Government.
- Any international offsets purchased by other bodies would not contribute to progress towards Scotland's national emissions reduction targets. However, we recognise that there may be other motivations for bodies to engage in international offsetting.
- Scottish Government has adopted the principle of climate justice internationally and recognises that mitigation activity and carbon offsetting projects must not cause loss and damage to communities or habitats overseas.

### **Related policies and guidance**

[Public Sector Leadership on the Global Climate Emergency \(www.gov.scot\)](http://www.gov.scot)

[Scottish Land Rights and Responsibilities Statement 2022 - gov.scot \(www.gov.scot\)](http://www.gov.scot)

[Interim Principles for Responsible Investment in Natural Capital - gov.scot \(www.gov.scot\)](http://www.gov.scot)

[Engaging communities in decisions relating to land: guidance - gov.scot \(www.gov.scot\)](http://www.gov.scot)

[CCRA3-Briefing-Land-Use.pdf \(ukclimaterisk.org\)](http://ukclimaterisk.org)

[The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](http://www.oxfordprinciples.net)

## Public Bodies Climate Change Duties (PBCCD) – reporting of organisational nature-based insetting projects and purchased offsets

- Public bodies may have unavoidable residual GHG emissions so to achieve net zero at an organisational level, they may need to consider the use of insetting or offsetting. The use of such projects should be clearly laid out in a strategy or plan that is transparent as to why and how insetting/offsetting are to be used as tool on the route to net zero; what proportion of emissions are to be inset/offset; and which emissions sources/categories these are to cover.
- Key to reporting insetting activities is the need to have an organisational inventory of land-based emissions and carbon capture. If carbon reductions are to be reported and the benefit claimed, such as through woodland creation, other land-based emissions must also be included, such as losses from change of land use or from degraded peatland. Carrying out an inventory assessment of the condition of existing carbon stores will enable restoration activities to be prioritised to the most degraded or vulnerable areas. Such an inventory should be regularly refreshed to take account of changing environmental conditions, the impact of nature-based projects and land use changes.
- The scope and level of detail included in such a land and emissions inventory should be appropriate to the scale and nature of the organisation's landholdings. It is acceptable for an organisation to take a phased approach to their land-based emissions reporting, such that specific land parcels are added year-on-year as data become available. If a phased approach is taken, there must be a clearly defined timescale for the inclusion of all relevant land and land-based emissions. If a land parcel is added to the reporting, both emissions and reductions from that land should be reported, and should be included thereafter.
- Carbon reductions from insetting projects should be externally verified. Bodies may choose to verify carbon reductions through one of the Scottish Government supported carbon codes; however there is no requirement to do so, assuming that any carbon reductions are intended for internal use. Carbon credits intended for sale should be verified through one of the codes. The methodologies used to calculate any carbon emissions reductions/carbon stored must be robust, transparent and independently audited.
- Emissions that arise within Scotland's territorial boundary should be inset or offset within Scotland. Scope 1, Scope 2 and certain Scope 3 emissions (e.g. from water, waste, staff commuting and homeworking, domestic business travel and upstream leased assets) are likely to occur within Scotland's territorial boundary.

- Any purchased offsets should be high-integrity and from projects verified under Scottish Government supported carbon codes such as the Woodland Carbon Code, Peatland Code or other such government-backed codes which may be developed in the future. Offsets must be retired when the carbon benefit is claimed.
- Verified carbon offsets or insets from projects within Scotland can be expected to contribute to national statutory emissions reduction targets, by increasing the size of carbon sinks. Such offsets/insets can therefore be included in the carbon accounting section (Part 3) of the PBCCD report, to offset organisational emissions that arise within Scotland's territorial boundary.  
[i.e. Such offsets/insets are acceptable to credit against a public body's relevant Scope 1, 2 and 3 emissions as reported annually in Part 3 of the PBCCDR.]
- Occasionally an unplanned, destructive event may cause damage on a public body's landholdings such that carbon is released, for example a wildfire destroying an area of woodland. The GHG emissions from such events should be estimated and included in the annual report.
- Public bodies may sell or otherwise allocate carbon from inseting projects, surplus to their own operational requirements, to other organisations, either other public bodies or private investors/end-users of the credits. Such carbon reductions/credits must not be included in the originating body's own corporate carbon account, as this would constitute double-counting. Reference to carbon allocated or credits sold to others should be included in the PBCCD reports as supporting information only.
- International offsets do not contribute to progress to Scotland's national statutory emissions reduction targets. Therefore, these must not be included in the annual PBCCD reports as credits against organisational Scope 1, 2 and 3 emissions that arise within Scotland. Reference to such international credits should only be included as supporting information.
- If a body chooses to offset international flights, whether business travel or other flights such as student travel, the country of departure should be taken as having national ownership of those emissions. For example, for a return flight from Scotland to the USA, the emissions from the outbound leg would be classed as Scottish emissions, and those from the return leg as American. Such Scottish emissions should be offset/inset within Scotland. The body may choose if and where to offset the non-domestic share, i.e. within Scotland or internationally.

- Direct air capture with carbon storage (DACCS) and other negative emissions technologies (NETs) are not currently accounted for in the national GHG inventory, i.e. they are not classed as “Scottish removals” as defined in the Climate Change (Scotland) Act 2009<sup>(1)</sup>, and do not count towards national emissions reduction targets. There is provision within the 2009 Act for this to be changed in the future, if appropriate. Until such a change is made, engineered emissions removals from NETs should not be included in the annual PBCCD reports as credits against organisational Scope 1, 2 and 3 emissions that arise within Scotland. Reference to such removals should only be included as supporting information.

(1) [Climate Change \(Scotland\) Act 2009 \(legislation.gov.uk\)](#), section 17(1) and 17(2).