

The Complete Guide to Buying Voluntary Carbon Offsets

Contents

2	Intro
3	What Are Carbon Offsets & How Are They Created?
6	What is the Voluntary Carbon Market?
8	Transacting in the Voluntary Market
9	Project Co-Benefits & SDGs
11	What to Consider When Buying Carbon Offsets
13	How to Get Started



Carbon offsets are an important tool in an organization's emissions reduction strategy.

Forging a path to carbon neutrality or a net zero future has many benefits for businesses and organizations. It strengthens social licence, increases operational efficiencies, opens new revenue streams, aligns with best practices, and can strengthen your brand with impactful content. It's also a powerful tool to help mitigate risk and provides more transparency and accountability across supply chains.

While organizations are calculating and reducing their emissions, they encounter hard-to-abate emissions, preventing them from making all the reductions they want to, or need to, on their own. Fortunately, there are other ways to reduce carbon emissions. Carbon credits, also known as carbon offsets, help businesses reduce emissions and are often accompanied by a variety of co-benefits that positively impact the world.

When planning for carbon neutrality, offsets help businesses on their sustainability path while enhancing their competitiveness. They also enable leaders to affect positive change locally and abroad. Carbon offsets are an important tool in an organization's emissions reduction strategy.

Selecting which type of offsets to buy can be complex, but **good news — we make it easy**. At BMO Radicle, we can help you navigate your way and achieve your sustainability goals by providing credible and trusted access to carbon markets.

A carbon offset represents a direct investment into a more sustainable economy.



Project Spotlight

Great Bear Rainforest Project

Improved Forest Management | British Columbia, Canada

Coastal First Nations have created a conservation economy, and through offset generation, they're able to preserve ecologically and culturally rich landscapes and while creating jobs in the project area. This project protects forests that were previously available for logging, and reduces emissions caused by harvesting, road building, and other forestry operations. The Great Bear Rainforest project generates up to 1,000,000 tCO₂e in credits per year over its 25-year lifespan.



What Are Carbon Offsets & How Are They Created?

A carbon offset (or carbon credit) is an environmental commodity that represents one tonne of CO₂ or equivalent greenhouse gas (CO₂e).

Offsets are measurable, verifiable emissions reductions that reduce, remove, or avoid GHG emissions. They are generated from projects that either prevent or remove emissions from the atmosphere altogether.

A carbon offset represents a direct investment into a more sustainable economy, and the projects that create offsets meet rigorous criteria. These validated and verified credits are listed on publicly-accessible registries, where businesses can purchase and apply offsets against their own corporate emissions.

By purchasing carbon offsets, you mitigate your greenhouse gas (GHG) emissions, reduce your exposure against future carbon pricing, and align yourself with other leading organizations.

Additionally, **you support vulnerable communities around the world** in ways that can be life-changing, such as empowering women and girls, providing local jobs, improving health, and protecting biodiversity.



Not all offsets are created equal.

When purchasing offsets, it is essential to work with an experienced team, like BMO Radicle, to help you navigate the complexities of market participation, and ensure you are purchasing high quality offsets from reputable developers.

Here's How Carbon Offsets are Created for the Voluntary Markets



Project Idea Note

An organization has an idea to prevent or remove GHG emissions or protect a threatened environmental asset that stores or removes carbon using an approved protocol. The project idea note covers the project's methodology, feasibility, impact and risk assessment, and potential stakeholder engagement. If this framework meets basic requirements for a carbon offset project, it proceeds to the next phase.



Project Design

In the design phase, the project developer outlines GHG emission parameters, a baseline and monitoring methodology, estimates GHG reductions, and plans for quantifying and monitoring the delivery of environmental and social benefits. It is critical to prove additionality, which shows that the project is responsible for GHG reductions that would not have taken place without the project.



Validation

Reputable, independent third-parties audit the project design to ensure it meets the rules and requirements under the methodology. This independent assessment is critical to ensuring the integrity of the project. Project activities can now begin.



Verification

Once the project has started, another independent third-party verification takes place. The project's impact is assessed in this additional audit, and the GHG reductions are verified annually.



Issuance

If the GHG results are accurate, the project can now provide offsets for the registry. The credits are then recorded in a public registry. Once all previous steps are completed, the registry can issue offsets. The offsets are verified and regularly issued until the end of the project's life.

What Projects Provide Carbon Credits?

Carbon credits are created from projects around the world that represent unique and compelling solutions to removing and preventing CO₂e from entering the air. Depending on your organization's needs and goals, you should choose the project(s) that most aligns with your values and brand story.



Typical project categories include:



Nature-Based Solutions: ecological initiatives like improved forest management or conservation efforts that absorb carbon from the atmosphere.



Household Solutions: the distribution of high-efficiency cooking stoves or water filtration devices to decrease the combustion of fossil fuels such as charcoal.



Renewable Energy Generation: the use of clean technology (solar, wind, hydro, or geothermal power) to decrease the combustion of fossil fuel emissions.



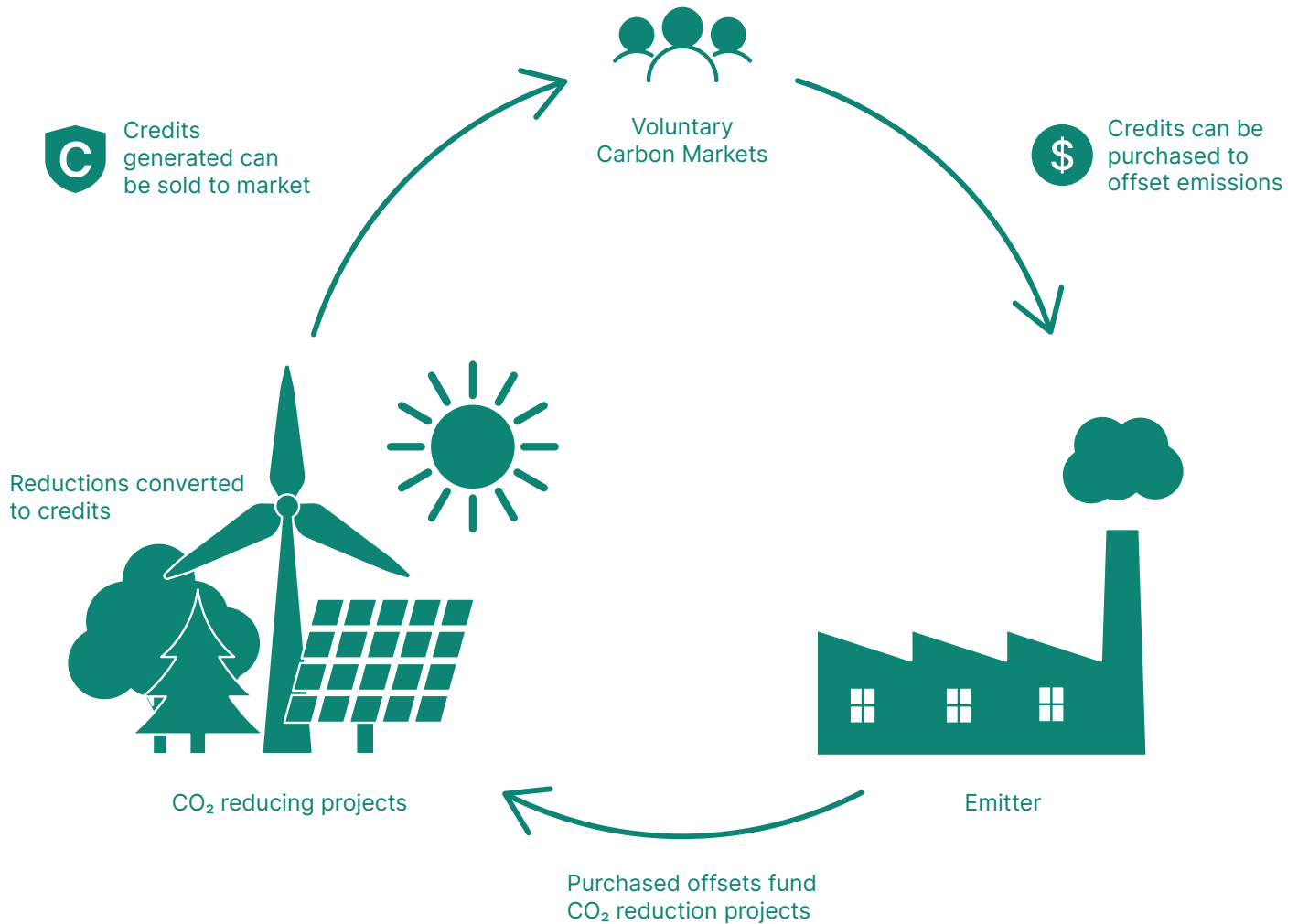
Waste Management: the avoidance of methane from landfill gas, or biogas..



Industrial Processes: installing better, more efficient technologies to curb CO₂e emissions directly.

What is the Voluntary Carbon Market?

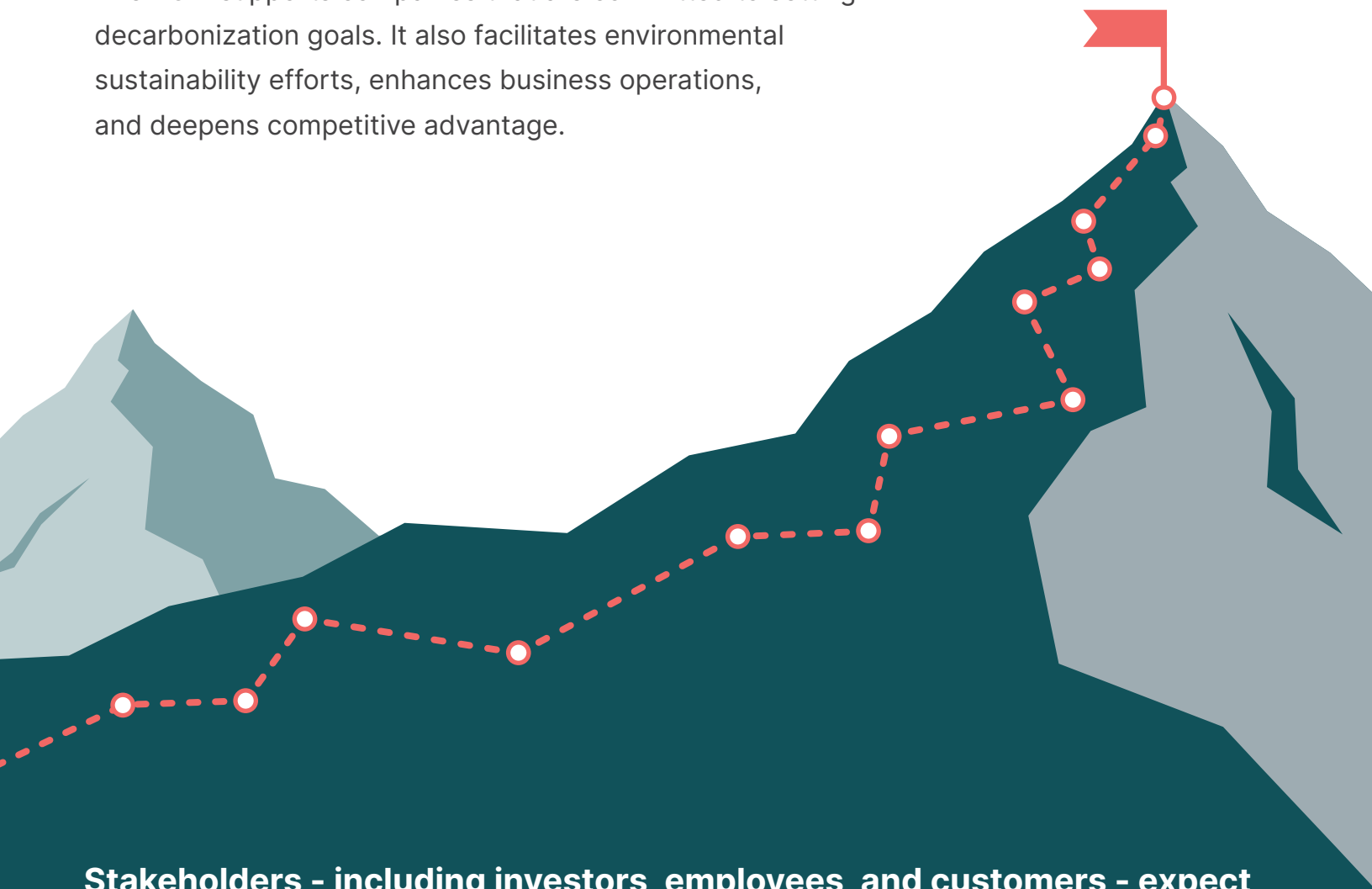
There are two categories of carbon markets for purchasing credits — compliance markets and the voluntary market. Entities that must account for their GHG emissions due to specific regulations and legally mandated targets use compliance markets to remain compliant.



Voluntary markets are used by organizations that take action voluntarily as part of their Environmental, Social, and Governance (ESG) practices. They are not required by any regulation or legislation to reduce their emissions.

The voluntary carbon market (VCM) is growing rapidly and plays an increasingly important role in combating climate change. **Business leaders are setting ambitious targets to reduce GHGs**, and the voluntary carbon market helps them to achieve these goals by supplementing their sustainability efforts.

The VCM supports companies that are committed to setting decarbonization goals. It also facilitates environmental sustainability efforts, enhances business operations, and deepens competitive advantage.



Stakeholders - including investors, employees, and customers - expect organizations to take climate action. In the voluntary market, companies may choose to buy carbon credits for several reasons, including:



Mitigate hard-to-reduce GHG emissions.



Strengthen organizational values and culture through the support of projects with particular emphasis on Sustainable Development Goals.



Support a carbon neutral strategy.



Support the development of low-carbon or emission reduction technologies or innovations.



Reduce exposure to future carbon pricing.

Transacting in the Voluntary Market

Carbon offset registries track offset projects and issue offset credits that are verified and certified. Reputable registries like Verra, Gold Standard, Climate Action Reserve, American Carbon Registry, and BC Carbon Registry, ensure proper credentials and the accurate tracking of offsets. They also create a transparent listing and transfer of credits. **Registries are vital in creating a credible, fungible offset market.**

Credible registries only list credits certified to a rigorous standard - a carbon standard. A carbon standard is a technical benchmark and certification process for carbon offsets, ensuring a credit is legitimate. A unique serial number identifies each credit on a public registry. Organizations can purchase high-quality credits with confidence from these registries.

Offsets can be traded between buyers and sellers through agreements. The terms and conditions of the agreement are essential to protect the business interests of the participants. **Partnering with an experienced company (like BMO Radicle) when participating in the voluntary market will help to ensure success in reaching your ESG goals and emission reduction targets.**

Once carbon credits are purchased from the public registry, it is either transferred to the buyer's account or permanently retired under their name. This process prevents double purchases and maintains consumer confidence, ensuring a credit cannot be claimed and then re-sold.

Credible registries only list credits certified to a rigorous standard - a carbon standard.



The terms and conditions of the agreement between the buyer and seller are essential to protect the business interests of the participants.

Project Co-Benefits & SDGs

Beyond reducing emissions, many offset projects feature additional benefits to local and regional residents that foster stronger communities. These range from investments such as biodiversity, protection, pollution reduction, and cultural heritage support that regularly results in tangible effects like technological innovation, increased employment, and cleaner energy production.



Biodiversity



Local Employment



Renewable Energy



Culture Protection



Health



Skills Training



Investment in New Tech



Pollution Mitigation



Social Integrity

These co-benefits align with the United Nations' 17 global Sustainable Development Goals (UN SDGs).

Project Spotlights

Mai Ndombe REDD+ Project

REDD+ | Mai-Ndombe, Democratic Republic of the Congo (DRC)

Wildlife Works implemented the REDD+ conservation strategy in Mai Ndombe, using carbon revenues to prevent logging contracts to be reinstated and establish sustainable development for the local community.



Kasigau Corridor REDD+ Project

REDD+ | Kasigau Corridor, Kenya

Located in Kenya, the Kasigau Corridor project is a pioneer in wildlife conservation, protecting over 200,000 hectares of dryland forest and over 11,000 wild elephants that live in the ecosystem. The project also provides social programs that benefit over 116,000 local people.





SUSTAINABLE DEVELOPMENT GOALS

At the heart of the 2030 Agenda for Sustainable Development are the 17 SDGs. These are an urgent call for action by all countries in a global partnership. They recognize that ending poverty must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests. Visit sdgs.un.org/goals to learn more.



When selecting a project, understanding which UN SDGs are co-benefits of the carbon offset project can be an important way to align the project even further with your ESG strategy. **It will also provide benefits beyond emission reductions, including a commitment to global sustainability goals.**

What to Consider When Buying Carbon Offsets

When purchasing voluntary carbon offsets, there are several factors to consider when selecting the right ones for your organization.

Because of the complexity of the carbon markets and the various standards and certifications, purchasing offsets through credible parties protects businesses from risk and ensures that purchases will have the most impact on ESG strategies. Choosing to work with experts can benefit your reduction goals and objectives, mitigate risk, and ensure you are purchasing high-quality credits to offset your emissions from reputable projects.

The starting point for any carbon offset purchase is completing a your company's carbon footprint. Your carbon footprint is critical to understanding your emissions and creating your reduction targets. When these targets have been identified, businesses should commit to taking steps toward reducing their climate impact before purchasing credits.



Project Spotlight

BURN Cookstoves Somalia

Energy Efficiency | Kenya & Somalia

This project reduces emissions by subsidizing the cost of high efficiency cookstoves. Use of these stoves reduces firewood and coal consumption thus reducing the emission of GHGs. The project is responsible for reducing over 900,000 tonnes of carbon dioxide equivalent (tCO₂e) annually.



When your company is ready to start purchasing offsets, several factors must be considered to ensure you choose the right offset projects for your goals.

Project Types



Depending on your organization's needs and goals, you should choose the project(s) that most aligns with your values and brand story. As mentioned earlier, offset projects generally fit into four main categories - Renewable Energy Generation, Nature-Based Solutions, Household Solutions, Waste Management, and Industrial Processes.



Counterparty

When selecting a counterparty, transacting with an expert issuer that has experience transacting in carbon markets is a key attribute to consider.



Standard

It is crucial to purchase credits verified by a credible standard to ensure the quality of both the offset and the project that generated it. Look for certifications or standards like American Carbon Registry (ACR), Verified Carbon Standard (VCS/Verra), Climate Action Reserve (CAR), or Gold Standard. These standards verify projects and ensure integrity through structure, guidance, specifications, and monitoring.



Vintage

The vintage of the offset refers to the year the emission reduction occurred. Some projects will issue offsets yearly, while others will issue offsets in different increments because of varying project complexity and cost. Older credits are often more cost-effective than an equivalent credit tied to a recent reduction.



Contract

When participating in carbon markets, contract structure and key terms are critical to protecting a company's commercial and legal interests while mitigating corporate risks. Offsets are usually traded through agreements between the buyer and the seller.



Price

While all credits represent one tonne of CO₂e, they aren't all priced the same. A variety of factors determines their final value — the project's type and total development costs, their standard and vintage, their location, and any co-benefits. Ultimately, it all comes down to supply and demand because credits are not pure commodity products. They are unique, and a host of interconnected factors determines their value.

How to Get Started

Leading companies recognize climate change as both a risk and an opportunity, with carbon offsets playing an essential role in a comprehensive ESG strategy. These businesses are strengthening their resilience to climate impacts by reducing their greenhouse gas emissions, adopting clean technologies, and supporting planet-positive solutions.

Carbon offset programs allow businesses to take steps to mitigate their emissions and play a role in the energy transition. Together, we can take the necessary steps toward addressing how businesses impact global climate challenges and deliver tangible results to strengthen an organization's competitive advantage.

Ready to find out more about buying carbon offsets, and how BMO Radicle can help you achieve your ESG goals?

1

Learn more about our projects, their co-benefits, and how they can meet your needs.

2

Consider your reduction goals, and how many tonnes you need to offset (not sure yet? Learn more about your carbon footprint [here](#)).

3

Reach out to our experts to buy voluntary carbon offsets.

We facilitate emission reductions by leveraging carbon markets. Our team will help you navigate the complexities of the voluntary carbon market, ensuring that your business achieves its environmental goals.

Access Global Markets & Invest in Your Sustainable Future.

Reach emissions targets and make positive change today.

Visit radiclebalance.com/credit-trading

Get in touch today.

1-877-912-9132
info@radiclebalance.com
radiclebalance.com



RADICLE

BMO Radicle is a brand name used by BMO Financial Group for the sustainability advisory services and solutions of Bank of Montreal, BMO Radicle Inc., Carbon Farmers Australia Pty Ltd. (ACN 136 799 221 AFSL 430135) in Australia and Radicle Brazil Ltda. in Brazil. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.