

An Audit of

Carbon Neutral Government



OFFICE OF THE
Auditor General
of British Columbia

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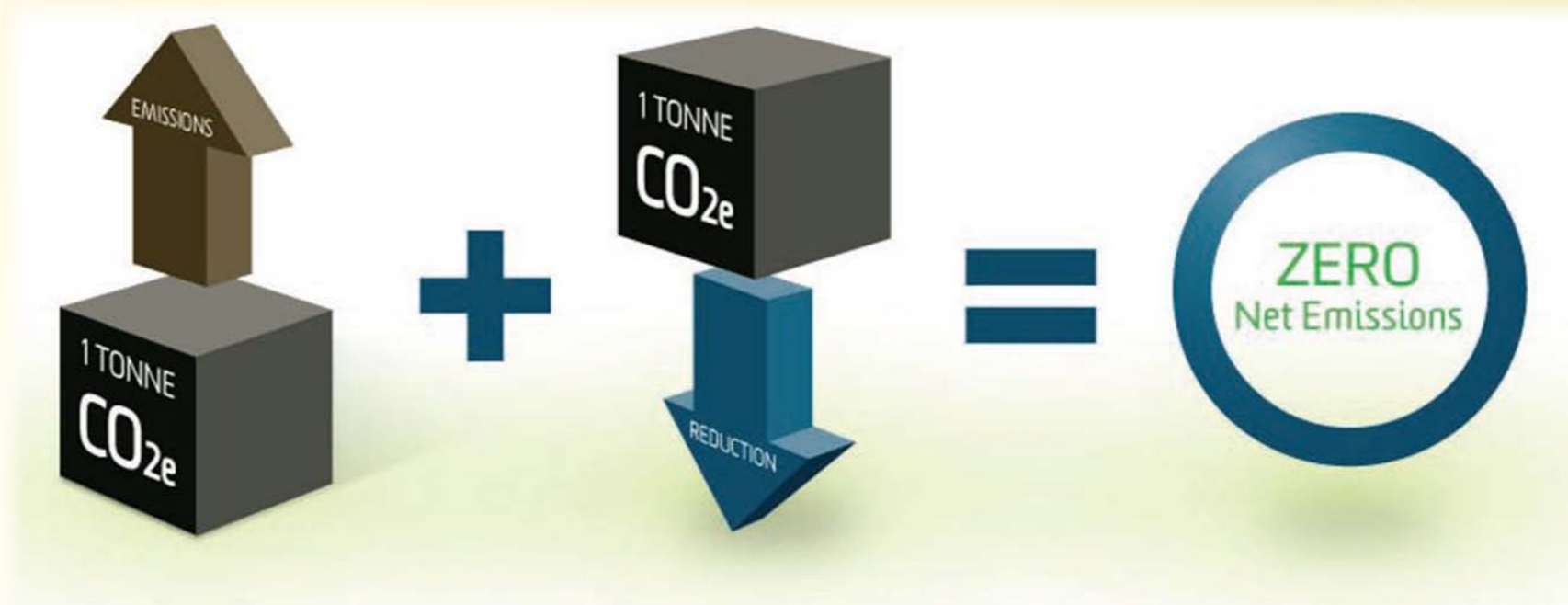


Background

- Climate Change seen as major environmental threat
- B.C. committed to reducing greenhouse gas (GHG) emissions – government required to be “carbon neutral”
- Government must measure emissions, reduce emissions, purchase offsets, and report – these activities facilitated through the Ministry of Environment’s Climate Action Secretariat and the Pacific Carbon Trust (PCT)
- The PCT purchases offsets, and public sector organizations pay \$25 per tonne



What is a carbon offset?



Source: Pacific Carbon Trust

Carbon Neutral for 2010



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Purpose of the audit

Has government achieved its objective of a carbon neutral public sector. We asked:

- Reasonable procedures to determine their GHG emissions and sufficient actions to reduce emissions
- Pacific Carbon Trust purchased credible offsets
- Government evaluates and reports on the achievement of its objectives



Overall conclusion

Government has not met its objective of achieving a carbon neutral public sector:

- Reasonable procedures to determine emissions but no criteria to evaluate whether sufficient actions to reduce emissions
- Pacific Carbon Trust has not purchased credible offsets
- Government reports on efforts to reduce emissions and progress in achieving a carbon neutral government. However, the PCT has not provided sufficient information about the cost and quality of its purchases



Finding 1 – Determining emissions

Government has established reasonable procedures to determine emissions:

- Climate Action Secretariat (CAS) has provided reasonable tools and procedures to use in calculating emissions
- CAS provides training and oversight to help ensure data is complete and accurate and processes are in place to identify errors and omissions



Finding 1 – Evaluating reduction actions

Climate Action Secretariat has not established criteria to evaluate whether sufficient actions taken to reduce emissions:

- CAS sets out content requirements and ensures each organization submits a report
- No requirement for emission reduction targets
- Without clear emission reduction objectives in place, efforts to reduce emissions may be limited



Finding 2 – Purchasing credible offsets

- Offsets are relatively new commodity, standards are still evolving and come with potential risks
- Two key issues:
 - demonstrate offsets are additional to business-as-usual
 - demonstrate offsets are not overstated
- Offsets must meet the Emission Offsets Regulation
- The PCT purchases offsets from B.C. projects and can mitigate the risks



Finding 2 – Purchasing credible offsets

The Pacific Carbon Trust has not purchased credible offsets.

We looked at the Darkwoods Forest Carbon Project and the Encana Underbalanced Drilling Project

Both offset projects:

- started without showing the value of offsets was considered for going ahead
- had baselines that were not properly determined



Darkwoods Forest Carbon Project



Photo: Courtesy of Bruce Kirby

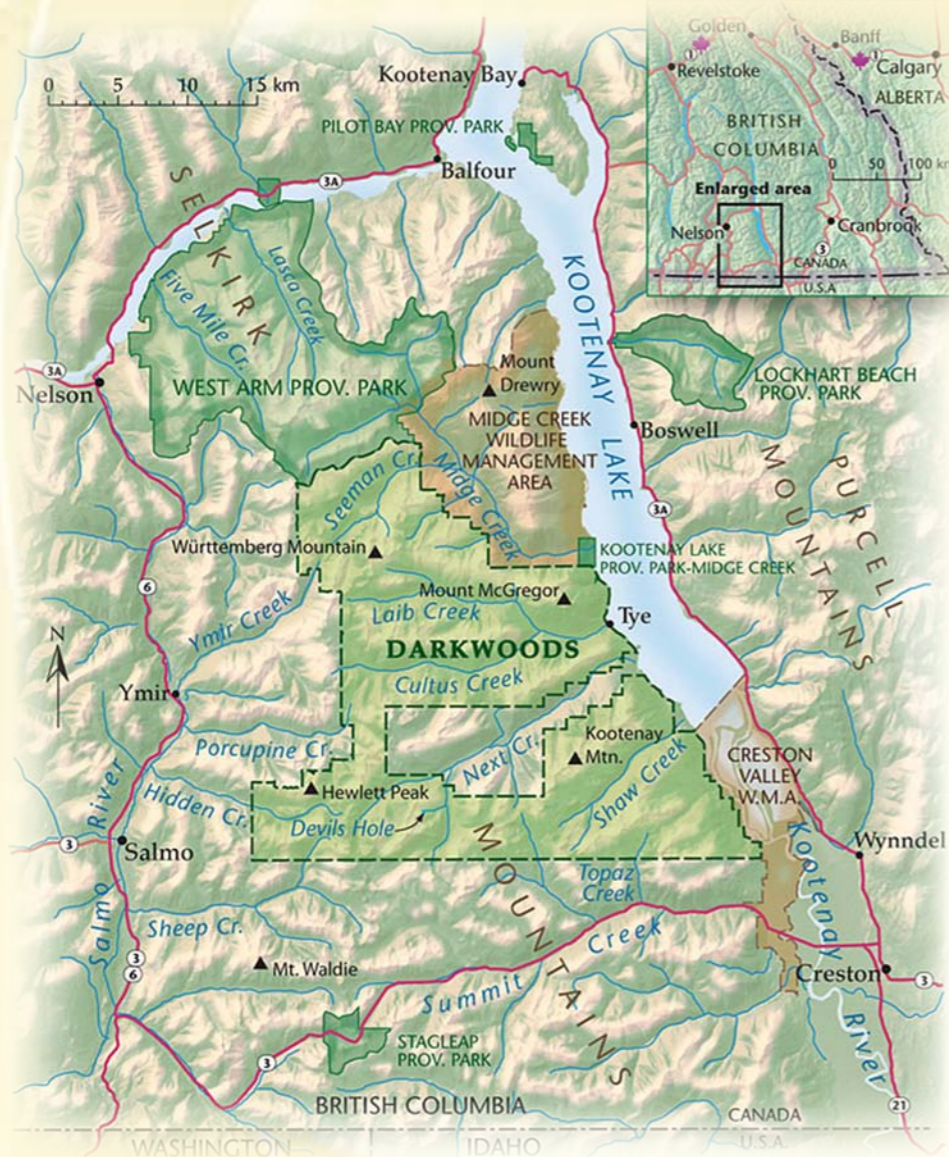


Image: Courtesy of Canadian Geographic

Darkwoods baseline:

- Liquidation logging scenario unlikely
- Assumptions not conservative – led to overestimation of emission reductions
- Harvest activities significantly constrained by Eco-Gift legal obligation

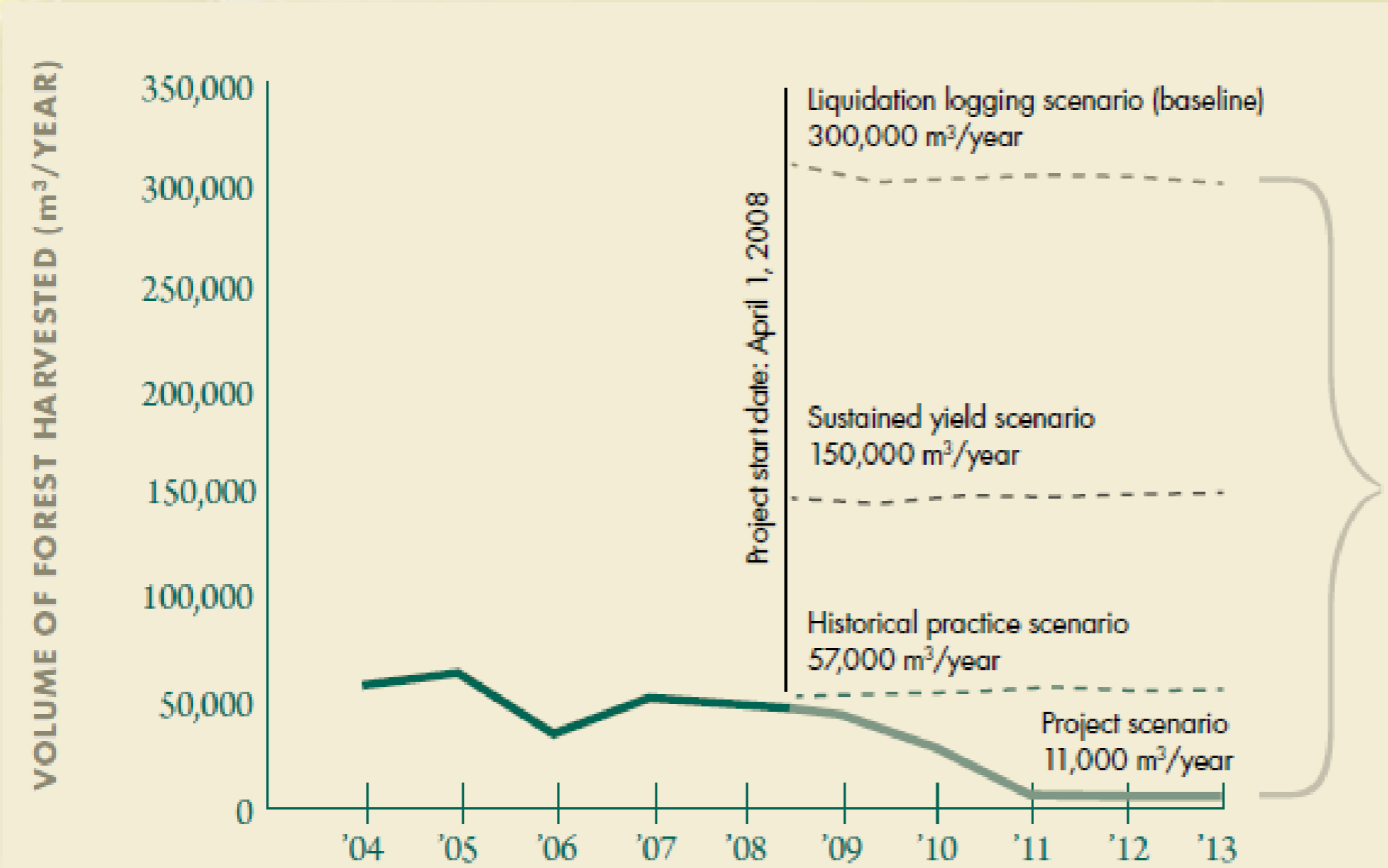


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Darkwoods Forest Carbon Project



Photo courtesy of Jared Hobbs



Quantity of offsets generated



Encana's Underbalanced Drilling project

Natural gas is captured and streamed into a pipeline – eliminating flaring

Encana's baseline determination:

- Projects involving revenue typically require financial analysis – this was missing
- Information showed project was more economical than historical practice
- Protocol approved by PCT did not include process to determine the baseline



Photo: Courtesy of Encana Corporation



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Finding 2 – Purchasing credible offsets

Why this happened:

- Intentions of the Emission Offsets Regulation have not been clearly defined
- Due diligence concerns were not satisfactorily addressed by PCT
- PCT was dependent on these projects
- The Climate Action Secretariat did not provide sufficient oversight



Finding 3 – Evaluating and Reporting

We found:

- Government reported on its carbon neutrality
 - Reported a 6% increase in emissions above 2010 - (a 3% reduction when normalized for climate change)
 - Reporting did not address the risks in further reducing GHG emissions or barriers to continued improvement
- PCT reported on its offset portfolio
 - reporting did not demonstrate cost effectiveness of the offsets purchased
 - higher prices were paid than available in broader market



We recommend that:

1. The Climate Action Secretariat work with public sector organizations to ensure each is pursuing reasonable actions to reduce emissions. As part of this government should consider establishing public sector emission reduction targets
2. The Climate Action Secretariat ensure supplementary guidance to the Emission Offsets Regulation be finalized and adhered to
3. The Pacific Carbon Trust, to better manage offset purchase risks, ensure that the results of its due diligence efforts are satisfactorily analyzed, concluded and documented
4. The Climate Action Secretariat provide stronger oversight to ensure that the offsets purchased on behalf of government are credible
5. The Climate Action Secretariat and the Pacific Carbon Trust ensure that reporting on carbon neutrality assesses the trade-offs between reducing government emissions and offsetting those emissions through the purchase of offsets
6. The Pacific Carbon Trust provide greater transparency about the cost-effectiveness of its purchases



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