

The Moral Economy of Carbon Offsetting: Ethics, Power and the Search for Legitimacy in a New Market

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Robert Michael Watt

Global Development Institute

School of Environment, Education and Development

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Abbreviations

BBC	British Broadcasting Corporation
CAN	Climate Action Network
CCB	Clean Development Mechanism
CCBA	Climate Community and Biodiversity Alliance
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
CO₂	Carbon dioxide
CO_{2e}	Carbon dioxide equivalent
DNA	Designated National Authority
DOE	Designated Operational Entity
ETS	Emissions Trading Scheme
EU	European Union
EU ETS	European Union Emissions Trading Scheme
HFC-23	Fluoroform CHF ₃
HIV	Human immunodeficiency virus
ICROA	International Carbon Reduction and Offset Alliance
JI	Joint Implementation
NGO	Non-governmental organisation
PDD	Project design document
REDD	Alternative for REDD+
REDD+	Reducing Emissions from Deforestation and Forest Degradation
tCO_{2e}	Tonne of carbon dioxide equivalent
TV	Television
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USA	United States of America
VCS	Verified Carbon Standard

Abstract

The Moral Economy of Carbon Offsetting: Ethics, Power and the Search for Legitimacy in a New Market.

Robert Michael Watt, The University of Manchester, for the degree of Doctor of Philosophy, 2016.

Carbon offsetting has been an institutionalised response to climate change for over a decade. Over this period, climate change has become more severe and calls for climate justice have become increasingly insistent. Yet the normative controversies of carbon offsetting remain unresolved, as debates about the environmental quality, development impacts and ethical implications of carbon offsetting continue.

This thesis explores the relationship between morality and carbon offsetting in three domains. First it provides an evaluation of the ethics of offsetting. Second it gives an account of the ‘lay normativity’ of the market, describing how carbon market actors interpret and act upon issues of moral concern. And third, it explains offsetting’s moral economy.

First, the thesis examines the moral rationales for and problems of offsetting in order to clarify the bases of criticisms levelled at offsets by researchers concerned about trends in neoliberal environmental governance. In evaluation of the ethics of offsetting, the PhD recognises some limited rationales, but mainly highlights widespread problems including lack of environmental integrity and failure to produce ‘sustainable development’. The structure of the market is shown to create opportunities for malpractice and difficulties for reform.

Second, building on work in cultural political economy, the research describes carbon offsetting’s lay normativity. The account is based on interviews with over sixty carbon offset market actors including project developers, consultants, auditors, regulators, retailers and buyers in the UK, continental Europe, and in India. Findings show that the market is founded on ethical principles: offsetting is nothing without notions of environmental and developmental care. Critiques of, and reforms to, offsetting are also grounded in principled debate. But carbon market actors often use their power to further commercial interests that are not aligned with production of environmental or developmental value. And yet, even as rationales are ignored and problems are amplified, market actors maintain a discursive semblance of moral behaviour through forms of justification, storytelling and identity work.

Third, the thesis explains how principles, profit and power combine to affect the governance of offsetting. It shows that the concentration of power among profit-seeking actors drives the production of offsetting’s moral problems in the stages of project development, regulation and retail. Commercial interests in the politics of knowledge lead to manipulation of the discursive framings through which people come to understand offsets. Ethical narratives are deployed to sustain the market in states of dysfunction, enabling privileged groups to gain exchange value at the expense of climate protection and sustainable development. Through this explanatory work, the PhD contributes an original application of ideas about moral political economy to the case of climate change and carbon trading, demonstrating that powerful actors can shape culture and alter our perceptions of right and wrong.

Declaration

I declare that no portion of the work referred to in this thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Despite all the great assistance I have received, all mistakes and errors in what follows remain my own.

Dedication

To the memory of my grandmothers, Anne Watt and Margaret Buckley.

The Author

Robert Watt is a PhD candidate at the Global Development Institute in the School of Environment, Education and Development at the University of Manchester. His previous degrees are in Politics and Philosophy from the University of Glasgow and in Climate Change and Development (MSc) from the University of Sussex. He is from Edinburgh, Scotland and is known less formally as Robbie.

Chapter One: Moral Meanings of Carbon Offsetting

The climate crisis is not a political issue. It is a moral issue. It affects the survival of human civilization. It is not a question of left versus right; it is a question of right versus wrong.

- *Al Gore, in the Foreword to 'Voluntary Carbon Markets: An International Business Guide to What They Are and How They Work' (Bayon et al. 2009).*

Avoiding dangerous climate change requires rapid and deep cuts in greenhouse gas emissions (Anderson et al. 2014; Anderson & Bows 2011; IPCC 2014). To avoid causing serious harm to people who are suffering the effects of climate change in the present, and to future generations who may suffer in years to come, current trends must be radically altered (Jamieson 2014). Thus tackling fossil fuel production and consumption, among other human activities that release greenhouse gases, is a matter of moral responsibility (Gardiner et al. 2010).

Al Gore, former Vice President of the United States, is a well-known advocate of action on climate change (Gore 2006). Yet remarkably, for a politician, the epigraph from Gore states that the climate 'crisis' is a non-political issue, something beyond 'left and right'. But Gore is wrong. Climate change is a highly political issue: from the entrenched power of fossil fuel energy companies (Levy & Egan 2003), to the elite interests that aim to capture resources at the climate 'pork barrel' (Helm 2010), to the North-South power imbalances that still characterise global climate politics (Hurrell & Sengupta 2012).

Equally, rather than seeing morality and politics as binaries, like Gore does above, it is more fruitful to recognise that the moral terms and ideas we use to describe responsibilities for addressing climate change are highly political (Kamminga 2008; Tanner & Allouche 2011). At the United Nations Framework Convention on Climate Change (UNFCCC), negotiators contest principles of equity and justice as matters of high politics, including questions of responsibility for mitigating and adapting to climate change, and liability for ecological harms (Okereke 2010; Audet 2013). And in international environmental policy debates more broadly, powerful actors have constructed narratives about the normative

value of a neoliberal project of market environmentalism, now referred to as the ‘green economy’ (Liverman 2009; Okereke 2006; Brockington 2012; Boehnert 2016). Such normative discourse has practical political implications, encouraging the rise of private sector power and authority in global environmental governance (Green 2014; Levy & Newell 2005), and helping to establish carbon emissions trading as a primary policy response to climate change (Meckling 2011a).

Gore’s statement against politics are not an anomaly. Many other voices articulate a vision of climate apocalypse, from which fate we can be saved if only we put politics aside and just take action (see Swyngedouw 2010 for a critique of this view). On Gore’s account, the (moral) objective is simply to cut carbon emissions swiftly, efficiently, and cost-effectively: which is to be achieved through deployment of technology, efficiency measures, and carbon pricing (Gore 2006; Ervine 2012). Via this framing, addressing climate change is viewed as a technocratic project, which helps enable a technocracy to press forwards with emissions trading schemes (Knox-Hayes & Hayes 2014). In its denial of politics, the technocratic project of implementing a carbon economy then starts to obscure alternative responses to climate change (Bailey & Wilson 2009). And yet those very alternatives will need to be pursued through more overtly political means, challenging elite interests and the structural dominance of capitalist modes of development which drive climate change and wider processes of environmental degradation (Foster et al. 2010; Foster et al. 2009; Storm 2009).

Gore’s epigraph above is a foreword for a book that praises carbon offsetting, which is a plank of the carbon economy and green economy referred to above. Offsetting’s basic principle is that projects, most usually in a ‘developing’ country, will implement an activity to reduce greenhouse gas emissions in return for payments. Markets for carbon offset credits have been established through the United Nations Kyoto Protocol, which created the Clean Development Mechanism (CDM) and Joint Implementation (JI) policies (agreed in 1997, and in force since 2005) (Werksman 1998).¹ Developed country governments have

¹ The CDM registers offset projects in developing countries that were not expected to sign up to greenhouse gas emission reduction targets under Kyoto (the non-Annex 1 countries). JI, by contrast, issues credits from projects registered in countries with emission reduction

been allowed to use CDM and JI credits to comply with the weak greenhouse gas emissions reduction targets they signed up to under the Kyoto Protocol (Shishlov et al. 2016). Offsetting has also spread to become part of other climate policies, including notably the European Union Emissions Trading Scheme, enabling firms to use offset credits for compliance with climate policy (Paterson 2012; Michaelowa 2012). This has created what is known as the ‘compliance’ carbon market. And in a related development, a voluntary carbon market has emerged. Through voluntary offsetting, as Al Gore describes it, ‘business leaders’ can make their companies ‘zero carbon’ in order to ‘increase profits and productivity by eliminating their contributions to global warming pollution’ (Bayon et al. 2009, p.xvii).

According to its adherents, carbon offsetting enables the fast, efficient and effective emissions reductions that are seen as so ethically desirable in some quarters, as well as making contributions to ‘sustainable development’. And yet carbon offsetting has been hugely controversial. Offsetting has left many academics and practitioners working on climate change issues divided, and sometimes unsure of what to believe (e.g. Minns 2007; Hyams & Fawcett 2013, p.91). Moral objections and practical criticisms have fuelled debate on the ethics of carbon offsetting: a debate that continues to the time of writing (Hyams & Fawcett 2013; Sandel 2016).

This PhD enters into that normative debate on offsetting and aims to evaluate the moral legitimacy of this ‘green economy’ response to climate change, bringing added clarity to an established but still contested topic of discussion. This evaluation is not simply conducted as some abstract philosophical project; rather it is grounded in analysis of carbon offset markets in practice, recognising that offsetting has changed over time and that the markets are differentiated. In addition to evaluation, the PhD also investigates morality as a social construct, which exists in discourse and culture, and which has powerful implications (Sayer 2007). We struggle over definitions of the terms of moral debate through use of language, in times when some voices ring louder than others. And we grapple with our

commitments (so an Annex 1 country can gain credits from an initiative in another Annex 1 country, rather than taking domestic action). The United Nations administers both CDM and JI.

own consciences as human beings in times when our world has never looked so challenged (Sayer 2011). The PhD therefore aims to advance knowledge of how social understandings of morality affect, and are affected by, the political and economic contexts found in a relatively new market in carbon offsetting. Before going into more detail about the nature of the project, this introductory chapter provides a short history of carbon offsetting to give added context for the study, especially for readers less familiar with this form of market environmentalism.

A Short History of Carbon Offsetting

In the summer of 2005, disruption and violence accompanied the G8 group of world leaders gathering in Gleneagles, Scotland. At least two hundred thousand people wore white t-shirts and wrist bands to encircle Edinburgh city centre for the ‘Make Poverty History’ campaign, calling for G8 action on aid, debt relief, and trade (Nash 2008). Campaigning celebrities organised ‘Live 8’ concerts to pressure politicians through music events cast to a television audience. Activists at a temporary eco-camp dragged stones, logs and other obstacles on to motorways and A-roads, delaying access to the summit for delegates and media on its opening day (McCurdy 2008). Riot police used helicopters, truncheons and horses to beat off protestors heading towards the G8 summit’s defensive ‘ring of steel’ (Tempest & Clarke 2005). Claims and counter-claims about policy outcomes caused controversy in a situation generating intense media and public attention (Payne 2006; Biccum 2007; Hodkinson 2005). The legitimacy of the G8 was under scrutiny like never before.

Part of the spin surrounding that year’s G8 was action on climate change, which led to an unambitious communiqué supporting carbon trading (Karlsson-Vinkhuyzen & McGee 2013; Smith 2007a) and a declaration that the summit was ‘carbon neutral’. Regarding the latter, the UK Government committed to ‘offset’ the summit’s environmental impact by purchasing ten thousand Certified Emissions Reductions (CERs) from a low carbon technology project in Cape Town in South Africa (Defra 2005), setting a trend for future ‘mega-event greening’ efforts (Diederichs & Roberts 2015).

The offsetting initiative probably seemed ideal to the G8 event organisers. The project to be sponsored, named 'Kuyasa', was the first in Africa to be registered with the United Nations Clean Development Mechanism (CDM). The proposed installation of solar water heaters, energy efficient light bulbs and insulation materials for residents in a low income neighbourhood had been approved by the Gold Standard organisation in recognition of its high contribution to 'sustainable development'. It was a seeming public relations coup, and the effort gave a media boost for both the summit and the nascent carbon offset markets (e.g. Geoghegan 2005).

But the good news story was only short-lived. The British Broadcasting Corporation (BBC) reported that the Gleneagles offsetting scheme faced financial difficulties and was 'a fiasco' (Chapman 2006). *The Independent* newspaper quoted the Kuyasa project developer complaining that the United Kingdom government had 'ignored the reality' in South Africa, had 'not actually done anything yet' (making no payments to the project developer), and was merely 'seduced by the political kudos' of running a supposedly carbon neutral event (Bloomfield 2007). Kuyasa's high costs could not be met through carbon offset finance alone. Project developers tried to cover the funding shortfall with public grants. But this meant arguing for a relatively inefficient use of public funds: \$5000 eco-retro-fits were to be fitted to homes only built for \$1600 at a time when many Cape Town citizens had no housing at all (Goldman 2010, pp.8–9; House of Commons Environmental Audit Committee 2007, p.Ev 49; Erion 2005). The eco-retro-fit technologies did eventually get rolled out, but Kuyasa never issued any credits via the Clean Development Mechanism (CDM 2016c).

Nine years after the original G8 summit, some carbon credits from Kuyasa were issued with a less onerous voluntary carbon offset standard organisation called 'Credible Carbon' (van der Merwe 2014). In the intervening period, the tale of Kuyasa had been used on opposing sides of a debate about the value of carbon offsetting. In praise, the project was featured as a United Nations (UN) case study highlighting the CDM's benefits (United Nations Framework Convention on Climate Change 2010). A professional photo from the Kuyasa project was awarded first prize in the CDM 2008 International Photo Contest, seemingly regardless to its implementation difficulties (CDM 2016e). But equally the

project has been discussed in critical accounts highlighting the flaws of the carbon offset model and its inability to deliver meaningful climate protection and development outcomes (Bond et al. 2009; African Biodiversity Network et al. 2011; Lohmann 2006; Welch 2007; Davies 2007).

Much has changed since 2005 when the G8 supposedly sponsored the Kuyasa project. The CDM grew from a nascent scheme (Lecocq & Capoor 2005) to a multi-billion dollar market in a few short years, only to decline again (Kossoy & Ambrosi 2010, p.37). By the second half of 2012, major market players were leaving the CDM market (World Bank 2014, pp.99–101). By 2014, the market for CDM had crashed, with average prices as low as \$0.19 per unit (compared to a high of \$16 per unit in 2008) (Kossoy & Ambrosi 2010, p.37; Kossoy et al. 2015, p.39).

Despite its short life-span, the impact of the CDM has been significant. As of August 2016, the Mechanism has issued 1,700 million so-called Certified Emissions Reductions (CERs) from over seven thousand projects registered in developing countries (CDM 2016b).² These CERs are supposed to each represent reduced or avoided greenhouse gas emissions to the quantity of one tonne of carbon dioxide equivalent (tCO_{2e}). The CDM thus claims to have produced emissions reductions equivalent to over three times the total annual domestic greenhouse gas emissions of the United Kingdom.³ Advocates of the CDM have used its high level of activity and impact as a means of stressing the scheme's benefits (e.g. UNFCCC 2012).

However, pointing to the scale of the CDM can simply lead to the conclusion that it represents – or represented – a big problem. Governments and firms can purchase and then 'retire' CERs to comply with climate change policies such as the UN Kyoto Protocol and the European Union Emissions Trading Scheme (EU ETS). But as a result of significant concerns about the environmental credibility of the claims that CERs represent meaningful emissions reductions (IPCC 2014, p.104), the CDM can be seen as a loophole

² The total number of projects registered was 7,732 in August 2016 (CDM 2016a).

³ The UK's 2014 emissions were estimated at 514 million tonnes CO_{2e} (National Statistics 2016).

that undermines the environmental integrity of already weak climate policies (Hällstrom & Österbergh 2012). Mounting evidence of negative impacts from CDM projects on local communities has also led to criticism of the CDM on the basis of development outcomes, even though the scheme is supposed to generate ‘sustainable development’ (e.g. Bond et al. 2012).

Controversy has also followed the voluntary carbon market, which grew substantially after 2005. Voluntary carbon offsetting has been in existence since 1989, but on a small scale (Cavanagh & Benjaminsen 2014). Through 2005-6, the amount of trading in credits doubled in volume to just over 20 million units, with each unit supposedly representing a tonne of reduced or avoided CO₂e (Hamilton et al. 2007, p.58).⁴ The growth led to predictions of major voluntary market expansion, alongside predictions that carbon would be the world’s biggest commodity market (Kanter 2009).⁵ By 2008, voluntary markets tripled again in size.⁶ Consumer facing companies fuelled the demand for offsets, aiming to claim ‘carbon neutral’ status for their products and services at a time of increasing public awareness of climate change issues, just as the G8 had done in 2005. Many individuals also began to purchase offsets, particularly for activities like air travel, amid calls for individuals to each do their bit in leading a low carbon lifestyle (c.f. Paterson & Stripple 2010; Goodall 2007). And yet the growth trend of corporate and consumer voluntary offsetting did not continue for long. Claims that many individuals are willing to pay up to €25 for a carbon

⁴ Annual industry reports such as the World Bank’s *State and Trends of the Carbon Market* and Ecosystem Marketplace’s *State of the Voluntary Carbon Markets* give a sense of the scale of the markets by reporting on millions of tonnes of CO₂e reduced (e.g. Kossoy & Ambrosi 2010, p.1; e.g. Hamrick & Goldstein 2016, p.1). However, describing carbon credits *as* tonnes of CO₂e is misleading because carbon offset credits do not always represent reductions of that value. Consequently, I refer to scale in terms of the number of units transacted.

⁵ Business-oriented NGO The Climate Group predicted trading of 400 million units by 2010 (a 1900% increase), while Defra believed the financial value of voluntary offsetting would more than quadruple in three years (from £60 million in 2006 to £250 million in 2009) (House of Commons Environmental Audit Committee 2007, p.15).

⁶ Voluntary offset markets were worth \$420 million in 2008, as 57 million units were sold worldwide (Hamilton et al. 2010, p.iv). These figures exclude trades on the Chicago Climate Exchange.

credit (e.g. Brouwer et al. 2008) proved specious, while corporate engagement with carbon offsetting has stagnated.⁷ Also, just as for the CDM, the limited environmental quality and sometimes negative development consequences of voluntary offsets have been subject to critical and well-publicised scrutiny (e.g. Smith 2007b; Monbiot 2006; Rogers 2010; Clarke 2007).

A Study of Value

Understanding carbon offsetting can be enhanced by considering questions of value. But value is a word with many meanings, so some distinctions are required (Miller 2008; Fredriksen et al. 2014). Financial value or exchange value draws attention to carbon's fluctuating prices, mentioned above, which are relatively easily identified. The prices are a feature of offsetting as a marketised initiative, which also enables the entry of the financial sector into the policy domain, creating opportunities for arbitrage and profit (Layfield 2013). In contrast, the use value of carbon offsets – understood here in terms of the contribution that carbon offsets make to their avowed practical objectives of achieving genuine emissions reductions and delivering sustainable development – is highly questionable and a matter worthy of further empirical investigation.

Understanding carbon offsets' use value is complicated because that value (or its lack) is imbued in the carbon commodity via complex, technical valuation processes and powerful cultural constructions of value. Commodification produces a radical distancing between commodities and their socio-ecological conditions of production (Paterson 2014a). In carbon offsetting, the disconnection between the carbon commodity – the carbon credit – and the appreciation of its underlying use value plays out through three key means. These are spatial separation, technical valuation processes, and qualitative valuation processes.

First, spatial separation: the material site of the carbon offset project, in one specific geographical location, produces a commodity which can be traded anywhere on a global

⁷ In 2015, even though the average price for voluntary units declined to just \$3.30, transactions only amounted to 84 million units, a modest rise on earlier years (Hamrick & Goldstein 2016, p.1).

market (Bumpus 2011). The spatial separation means that it is very hard for commodity users to independently assess the qualities of the project that produces the credits. Researchers have been able to bridge geographical divides to some extent by conducting research in developing countries where projects are sited. In-depth case studies of offset projects can shed light on the forms of value and valuation realised in those contexts (Lansing 2011; Purdon 2015). Studies of the national political economies of carbon offsetting in developing countries have also shown how governance at different scales from the global to the local affects the valuation of carbon (Newell 2014b; Rindeljäll et al. 2011; Newell 2009; Benecke 2009; Schroeder 2009a).

Technical valuation procedures are the second cause of disconnection between the commodity and the realisation of its use value. Valuation processes are a hallmark of commodities that offer ‘ecosystem services’, and carbon offsetting is no different as it relies on obscure, highly technical procedures of measurement, attribution and accounting (c.f. Robertson 2012). These technical valuation processes are means of signifying that the resulting commodity has an underlying use value, especially of carbon reduction but also of ‘sustainable development’ outcomes.⁸ However, there are many problems involved in the application of measurement, attribution and accounting procedures to carbon offsetting which means that one cannot trust that the resultant ‘certified’ commodities reflect a meaningful use value (Lohmann 2005). Researchers have helped to reveal the challenges of technical valuation procedures that assign a quantified carbon value to offset credits (MacKenzie 2009; Schneider 2009; Spalding-Fecher & Michaelowa 2013).

Third, there is a qualitative, discursive aspect to the valuation of carbon credits, wherein actors seek to portray offsets in a certain light through the mobilisation of stories, images and other cultural forms (Dalsgaard 2014). But these cultural constructs of value cannot

⁸ I define sustainable development in line with the influential Brundtland Report (*Our Common Future*) as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (World Commission on Environment and Development 1987). The definition is based on the understanding that Brundtland’s formulation is self-consciously egalitarian, emphasising the importance of the needs and aspirations of the many people in developing countries (Okereke 2006).

be trusted to faithfully reflect the underlying use value of the material offset because actors frequently have incentives to give misleading impressions. Consequently, it is important to investigate the cultural aspects of the valuation of carbon offsets, to see how carbon offsetting is socially construed, and to offer criticism of this where necessary.

This thesis focuses mainly on the third, cultural aspect of the valuation of carbon offsets, investigating the symbolic meanings found in carbon markets. But it does so in recognition of the technical challenges of linking the carbon commodity to the production of environmental and developmental use value, as referred to above. This enables reflection on the difference between the cultural presentation of value and its material basis, opening up opportunities to challenge misleading impressions. The thesis also provides insight into developing country contexts, bringing some focus on India which was the second largest recipient of carbon offset finance through the CDM. This helps to bridge the spatial separation between European offset consumption practices and developing country host sites.

But the primary focus remains on the social construction of meanings within the carbon offset markets. Some work has already been done in this broad area through research on the cultural political economy of carbon offsetting (more detail on cultural political economy follows in Chapter Two). For example, Descheneau and Paterson (2011) have drawn attention to affective processes among market traders who romanticise the carbon economy, while normalising financial trades in carbon. Paterson and Stripple have also shown that notions of virtue and ethics are ascribed to carbon credits to give them an appearance of having a ‘self-evident moral quality’ (Paterson & Stripple 2012, p.565). Indeed this relatively new market in carbon offsets produces a wide range of cultural meanings and narratives (Paterson & Stripple 2010; Lovell et al. 2009; Descheneau 2012; Bäckstrand & Lövbrand 2006). Building on the above work, and in recognition of the highly moralised character of the debate on carbon offsetting, this thesis aims to find out how people value offsets in normative terms.

As a momentous new field of marketised global environmental governance, carbon offsetting has attracted a significant amount of scholarly attention, some of which this

introduction has already highlighted. My aim is to contribute to academic debates on carbon offsetting by developing insight into carbon's 'moral economy', building particularly on the work of Andrew Sayer (2015; 2011; 2007; 2005; 2003; 2000a) which is discussed more fully in Chapter Two. The study of moral economy is very much related to the project of understanding the cultural political economy of carbon offsetting, which I mention in the paragraph above, the main difference being that moral economy offers a renewed attention to matters of normativity. This moral economy research framing leads to several objectives. First, it means commitment to the project of evaluating the object of study: making ethical arguments about the rationales and problems of carbon offsetting more explicit, to help advance moral debate. Second, it means researching how actors involved with carbon offsetting respond to moral concerns, which includes the study of 'lay normativity'. Third, it means contextualising actors' responses to moral concerns in terms of power and interests, including economic interests, to help explain the responses identified. The second chapter of the thesis expands on these objectives and highlights their significance through means of a literature review.

The third chapter makes the case for interviewing carbon offset market actors to find out about their working practices and their opinions regarding offsetting, as a method of investigating carbon offsetting's moral economy. Semi-structured interviews form the empirical heart of the thesis, and Chapter Three gives detail on how this data was collected and analysed. Many of the PhD's findings are based on close analysis of the transcripts from 68 interviews with carbon offset project developers, consultants, auditors, regulators, non-governmental organisations (NGOs), and voluntary carbon offset credit retailers and buyers working mainly in Europe and in India. The four empirical chapters that follow all make use of this interview data.

Chapter Four – entitled Carbon Claims, Development and Destruction – explores the moral rationales for and problems of carbon offsetting. It furthers the objective of ethically evaluating carbon offsetting by considering the arguments made both for and against the practice. The rationales for offsetting, based primarily on the idea of creating cost-effective carbon emissions reductions and using carbon finance to support positive development outcomes, are shown to be relatively weak when compared to the reality of offsetting's

problems in practice. Failures of the valuation processes involved in accounting for carbon emissions reductions and inappropriate discursive framings of the climate change issue create moral problems in environmental terms. On the developmental aspect of carbon offsetting, moral concerns arise as a result of the challenges of using carbon finance for development, due to the evidence of negative impacts of offset projects on local communities, and because of offsetting's enrichment of elite groups.

Chapter Five – entitled *From Criticism to Quality* – moves on to consider how actors respond to moral rationales and problems. The chapter shows that some actors involved with carbon offsetting have responded to moral concerns in ways that have enhanced its rationales and tackled its problems in quite positive ways. First, the chapter indicates that actors highlighting moral controversies have helped to bring offsetting into disrepute, leading to a decline in the market. Non-governmental organisation (NGO) and media criticism of offsetting, drawing attention to its problems, has encouraged the public and policy-makers to show scepticism about the use value of carbon credits. Consequently, voluntary demand for carbon offsetting has been limited and policy-makers have introduced regulations to restrict the eligibility of carbon offsets for compliance with climate policies. As well as this abandonment of offsetting, more reformist efforts have been introduced. Changes to methodological rules and checks on auditing procedures have aimed to enhance the market's environmental integrity. In the voluntary carbon market, the emergence of voluntary standards, efforts to improve development outcomes, and expectations around carbon management have all had some limited positive impacts following actors' efforts to address moral concerns.

In contrast, Chapter Six – entitled *Corruption in and of the Concept* – highlights responses to the moral concerns of carbon offsetting which are of the negative variety. Project developers and the consultants they work with are shown to manufacture favourable accounts of 'additionality' assessments and 'baseline' measurements which help them gain revenue from the carbon market at the expense of climate protection. Auditing procedures, which are supposed to prevent such malpractices, are hampered by commercial politics and conflicts of interest. The chapter goes on to show that many project developers are not interested in promoting development outcomes either. With limited oversight of

impacts in local areas, compliance project developers make only minimal efforts to promote sustainable development. And in the niche section of the carbon market where there are incentives to take care with the socio-economic and environmental conditions of offset production in developing countries, many accidental harms and unexpected problems have nevertheless materialised. Meanwhile the buyers of carbon offsets have facilitated the continuation of environmental and developmental problems by not paying much attention to credits' underlying use value (and the lack of it). Buyers in the compliance market are price-sensitive, rather than concerned about quality. And in the voluntary market, even though buyers hope to gain 'charismatic' stories from projects with positive development features, they still try to offset at a very low cost. This means voluntary buyers, too, are unwilling to give much support to projects with more credible claims to sustainable development outcomes. Rather, buyers prefer to purchase cheaper carbon credits, including those with weak claims to environmental integrity.

Chapter Seven, entitled Sustaining the System, moves on to look at forms of justification, marketing, and identity work that actors deploy to help construct an image of carbon offsetting as a legitimate and ethically appropriate response to climate change. The chapter highlights carbon market actor discourse which aims to discursively defend the concept of offsetting from criticism through strategies of justification. These strategies make offsetting seem ethically defensible even though the points made have limited validity. In marketing, voluntary market retailers create stories infused with normative concern for development outcomes to inspire a sense of connection between buyers and offset projects' supposed beneficiaries. Furthermore, to make the sales proposition effective, retailers appeal to standards and to personal beliefs in the quality of the credits to help generate trust in the product. Indeed, many of the people involved in offsetting who did interviews for this research expressed genuine moral motivations and personal belief in the value of offsetting, albeit some others had reservations. So Chapter Seven also argues that carbon offsetting has started to shape individual conduct and identity, such that offset professionals express attachment to enjoyable, well-paid jobs which they view as morally worthwhile despite offsetting's many flaws.

In discussion, Chapter Eight – entitled Profit, Principles and Power – brings together the findings of the empirical chapters to argue that profit-seeking behaviour, political opportunism, and claims over ethical principles combine to shape the governance of the carbon offset market. The marketised nature of carbon offsetting leads to the introduction of a profit motive which actors use their power to pursue, even to the detriment of climate change mitigation and sustainable development outcomes. Principled reform efforts, some of which are well-meaning, are insufficient to address the problems. And yet reforms are exploited to give the impression that offsetting is a legitimate response to climate change and that offsets are ethical products. Market actors deploy justification and marketing in a political discourse that uses ethical constructs to help sustain the commercial value of their enterprise, and indeed to sustain professionals' belief in their own ethical identities.

This leads finally to a concluding Chapter Nine, which argues that carbon offsetting suffers from problems of fraud such that it fails to achieve its avowed objectives of emissions reductions and sustainable development in far too many cases. Nevertheless, the presentation of carbon offsetting as a moral activity tends to obscure its significant problems, constraining the ability of critical perspectives on offsetting to bring regulations against offsetting and to encourage a decline in demand for this practice. In the context of ongoing efforts to use carbon offsets for climate change mitigation policy purposes, I conclude that there is a pressing need for continued critique. I hope that this thesis can make such critical perspectives more effective, especially by contributing an analysis of the power of narrative constructions of ethics as they apply in this sector.

Chapter Two: Carbon's Moral Economy

All economic institutions are founded on norms defining rights and responsibilities that have legitimations (whether reasonable or unreasonable), require some moral behaviour of actors, and generate effects that have ethical implications.

- *Andrew Sayer, Moral Economy as Critique* (2007, p.261).

In Tanzania, when land is acquired for tree plantations designed to produce carbon credits, investors frame their activity as a moral venture: the trees are seen as axiomatically green (meaning good because they are environmentally friendly), land is presented as 'idle', and the initiative is assumed to be of benefit to local communities (Olwig et al. 2015). These are some of the 'common wisdoms' of a global moral economy imaginary that makes carbon offsetting look normatively valuable (Ibid.). But when the practical effects of such initiatives are investigated on the ground, it becomes clear that land is valued by the community and not idle, that plantations can bring environmental challenges, and that initiatives have potentially deleterious effects on long term subsistence needs of local people (Ibid.). In such cases, the discourse of a moral economy begins to look more like neo-colonial myth-making, justifying new enterprise to benefit elites and to disguise problems created for the poor.

The above case from Tanzania is not an isolated example. Rather it is part of a bigger picture moral economy of carbon offsetting which this thesis sets out to explore, explain and evaluate. To initiate the study, this chapter situates the concept of 'moral economy' in a wider theoretical framework, particularly via literature on cultural political economy. Drawing principally on the work of Andrew Sayer, the first section of the chapter demonstrates that understanding moral economy requires analysis of the relationships between moral norms and political economic processes, plus more effective normative evaluation of the effects of economic activities. The second section of the chapter links the study of moral economy to the case of carbon offsetting, making three key arguments. First, there is room for improvement of the normative evaluations of carbon offsetting. Second, it is important to understand how people involved with carbon offsetting have

responded to moral concerns. Third, such responses are only understood effectively when they are seen as part of a broader cultural political economy of carbon offsetting. Cumulatively, these core arguments give warrant to this thesis's approach to the study of the moral economy of carbon offsetting, including its three key research questions.

2.1. Moral Economy

This section introduces moral economy and explains the importance of its analytical and evaluative components. Before turning to these components, it is useful to situate moral economy in terms of a larger project of cultural political economy. Culture is essential to all social life because it is the set of processes by which we interpret and give meaning to the world (Jessop 2010). Sociological accounts of economics show that culture is central to the economy because economic practices are embedded in social and political relations (Pryke & du Gay 2007; Krippner & Alvarez 2007). The cultural aspect of the economy is fundamental because it gives meaning to social relations (Jessop 2010). People need to interpret and deal with the complex phenomena that they are continually faced with by using cultural signs to produce meaning and to make sense of the phenomena encountered on a daily basis (Sum & Jessop 2013).

Discourse is one part of this construction of meaning, since discourses are semiotic processes that people deploy to make sense of the world (Fairclough 2013). But culture is more than just discourse: it can be encapsulated more effectively through the notion of 'imaginary', which in relation to economic processes is the 'semiotic system that gives meaning and shape to the "economic" field' (Jessop 2010, p.344). Imaginaries go beyond discourse to include distinctive ways of acting and being which also frame meaning, thereby shaping individuals' experience of a complex world, giving a shared sense of coherence and orientation (Jessop 2010; Levy & Spicer 2013).

Whereas some academics talk simply about cultural economy (e.g. De Jong 2009), the term cultural political economy is preferable because it brings forward considerations of power and the interaction of politics with economic forces (Best & Paterson 2010, pp.3–5). Sum

and Jessop make clear (2013, p.7) that their ‘broad church’ account of cultural political economy includes ‘a set of pews reserved for the study of moral economy’, especially as developed by Andrew Sayer. This is understandable because morality is a social construct involving dispositions, sentiments and norms that start to define good and bad, right and wrong (Sayer 2007). As such, morality is part of culture (see Chapter Three for more definition of the concept of morality). Consequently, moral economy can be viewed as a sub-set of a cultural political economy approach to research. Moral economy aligns with cultural political economy’s appreciation of the powerful role of discourses in the cultural construction of meaning and imaginary, conditioning economic conduct. Moral economy then supplements cultural political economy by bringing a distinctive focus on the role of social understandings of morality, as an aspect of culture.

The way in which moral economy focuses on social understandings of morality is elaborated in the next sub-section. The account introduced here follows that of Sayer, condensing key points from his various works on this subject. Sayer explains that moral economy as a mode of enquiry has analytical and evaluative components.⁹ The former analytical component of moral economy involves investigating two empirical matters: firstly how moral norms affect economic activities; secondly how political-economic forces affect the cultivation of moral norms (Sayer 2000a, p.80). In other words, at its heart, the analytical component of moral economy involves finding out how morality influences the economy, and how the economy affects morality. The latter evaluative component of moral economy involves making normative judgements about economic actions and systems on the basis of their effects on peoples’ lives (Sayer 2000a, pp.80–81). The importance of these two components will be explained in turn.

Moral Economy as Analysis

This sub-section unpacks the significance of moral economy as an analytical project. Moral economy builds on broad insights from economic sociology, and some examples of studies

⁹ Sayer (2000a) refers to these projects as ‘analytical or positive’, on the one hand, and ‘normative’ on the other. The evaluative component, as I describe it, is what Sayer refers to as the normative objective.

from the discipline of economic sociology help illustrate the ways in which the economy is normative. The concepts of hegemony and governmentality are then introduced because they help to show that moral economy as an approach needs to be concerned about power, because politics can shape cultural ideas and individual identities. Lastly the idea of 'lay normativity' affords recognition to the moral agency of individuals, helping to re-balance the moral economy approach away from a slightly deterministic view of politics affecting culture and identity. These concepts are deployed in this section to explain the meaning of the analytical component of moral economy as a research approach.

Economic sociology highlights the importance of social understandings of morality to the regulation of the economy. Although neo-classical economics has tended to abstract away from matters of culture, ethics and values, the discipline of economic sociology has recognised that the economy is embedded in socio-cultural and political relations (Swedberg 2003; Polanyi 1944). As a discipline, economic sociology has opened up opportunities to explore the normative dimensions of socio-economic life (Clary et al. 2006). A few examples of studies from the broad field of economic sociology help to illustrate the importance of normativity to the regulation of economic practices. Going back to Weber (2003), for example, the protestant ethic carries practical significance because it involves an assessment of capitalist activity as a righteous and proper means towards salvation (Smelser & Swedberg 2005). Abolafia's study of bond markets shows that market traders take pride from a sense of righteousness, and also regulate their conduct in line with reflections on what constitutes opportunism, or what a fair way to price something is (Abolafia 1998). In a similar vein, Mackenzie (2006) looks at the means by which derivatives trading, once seen as a reprehensible form of gambling, came to be viewed as legitimate through appeals to economic theories of market efficiency (Pryke & du Gay 2007). Likewise Zelizer describes how the life insurance market's development relied on changes in moral values, from a view of life as sacred to an accommodation of economic principles (Smelser & Swedberg 2005; Zelizer 2011). These studies from a broad economic sociology approach demonstrate that there are socially understood moral dimensions to, and limits on, economic activities.

One point to stress in particular is that appeals to legitimacy are crucial to the economic viability of certain market practices. As noted in the examples above, discourses stressing legitimacy have been crucial to creating life insurance products or trading in derivatives. These are not isolated examples. Indeed Sayer argues that all economies invoke some forms of moral justification which aim to legitimise institutions that have been established through political processes (Sayer 2015, p.292). Actors with power often construct ideas about ethical conduct and about the legitimacy of practice in order to serve their economic and other interests (Sayer 2007).

From this insight about legitimacy, it becomes clear that the broad discipline of economic sociology can usefully incorporate the concept of hegemonic struggle, which refers to political contestations over the cultural perceptions of the legitimacy (or illegitimacy) of key economic activities and political institutions (Böhm & Brei 2008).¹⁰ Referring to the Gramscian terminology of hegemony helps to focus attention and concern on ‘the ideas and agendas of particular interest groups [which] are imposed over a world of diversity, full of conflicting values and interests’ (Igoe et al. 2010, p.489). It shows that culture needs to be understood in political terms, to show the relations between culture, class positions and systems of oppression (Crehan 2002). Hegemony also helps to explain the persistence of problematic social and economic structures which are not enforced with significant coercion; cultural support is mobilised for such institutions, even in the face of their adverse effects in terms of inequality, alienation, environmental degradation and such-like (Levy & Egan 2003). Dominant groups aim to secure the hegemony of their position by encouraging allied or subordinate groups to consent to their rule and to their political, intellectual and moral leadership (Sum & Jessop 2013). The struggle for hegemony can lead even to the point of suturing ‘the identities, interests, emotions and values’ of individuals who are enlisted to help support the causes of dominant groups (Sum & Jessop 2013, p.201). According to Levy and Spicer (2013, p.674):

¹⁰ Although Sayer does not typically refer to the concept of hegemony in his discussion of moral economy, he does mention it in a 2003 paper which discusses the normative dimensions of the symbolic domination of the upper classes over others through consumption practices (Sayer 2003, p.351).

For a value regime to achieve hegemonic status, it needs not just support of dominant actors but also to become embedded in the institutions of civil society and the culture and practices of everyday life.

This point helps us realise that hegemonic struggles are capable of shaping the identities and behaviours of individuals involved in market situations. Moral economy can incorporate these insights about the political construction of hegemony, and brings a distinctive focus on the moral underpinnings of this process.

As a result, the concept of hegemony can itself be supplemented with some insights from the literature on governmentality which, stemming from a Foucauldian tradition, points out that power relations produce self-governing subjects (Jessop 2010, pp.342–3). The insights from governmentality remind us that individuals inhabit a socio-cultural and political context such that their identities are not fixed or pre-given, but are rather malleable and subject to change (Death 2013). Governmentality refers to a generic mode of ‘conducting the conduct’ of subjects (Fletcher 2010). Through this, Foucault has shown that power is capable of doing more than constraining the actions of others; it is also capable of producing modes of subjectivity and social relations (Rutherford 1998). And in the neoliberal era, in which market forms of governance are dominant, this can lead for example to construction of *homo economicus*, ‘economic man’: beings that embrace relations of exchange, production and consumption, and associated norms (Foucault 2008). As a sense of moral identity is important to individuals, moral economy as an approach to research should consider how such moral identities have been structured and produced through power relations.

However, it is important to avoid using Foucauldian analysis of the production of subjectivity or neo-Gramscian notions of hegemony in ways that could make subjectivity start to look over-determined by structural forces. It is essential to recognise individual agency and people’s ability to challenge dominant economic and ideological structures (Levy & Egan 2003). There is a related danger that moral norms are considered mere products of the social order. Norms and values are also rational and cognitive in significant ways because people actively assess situations and behaviours, reasoning about them with regards to their impacts on well-being and the good (Sayer 2007, pp.266–268). Our

relationship to the world around us involves moral concern as we evaluate the ethics of various practices and activities (Sayer 2011). This can be described as 'lay normativity', the normative dimension of day-to-day social life in which people are concerned about the things that they value and care about (Sayer 2005). Studying lay normativity means engaging with opinions, dispositions, habits, sentiments and emotions. All of these are part of the normative dimension of social life in so far as they are relevant to questions of the well-being of others, implying a conception of the good (Sayer 2005).

So the analytical component of moral economy involves studying the production of normative ideas, especially legitimations of economic behaviour, by powerful groups. The concept of hegemony helps reveal that culture plays a role in sustaining relations of domination. An objective of the powerful is to shape the normative foundations of the economy so as to make economic institutions appear legitimate, moral, normal or natural, enabling elites to gain from economic arrangements (Sayer 2007). And the concept of governmentality highlights that these efforts to define cultural understandings can have profound effects on shaping individual identities and social relations, including their perceptions of ethics. However, this might suggest a deterministic view of political forces conditioning cultural understanding, conduct and subjectivity. The approach taken here is to avoid any implicit determinism by recognising that people are more than products of social structures; people are capable of making their own decisions about how to behave with regards to matters of moral concern, and they can make rational appraisals of normative issues in an evaluative mode. Studying moral economy in its analytic sense as applied to an empirical case is therefore about trying to understand *how* people act in relation to issues of moral concern, and then equally working out what drives those behaviours, or *why* people act in relation to moral concerns in the ways identified. Regarding the latter question, teasing out the influence of structural features of the economy (as analysis of hegemony or governmentality identifies) versus the significance of individual agency (recognised in the concept of 'lay normativity') is of course a challenging endeavour. And yet asking why people act as they do in relation to matters of moral concern is also essential to help explain the functioning of modern economic practices such as carbon offsetting (in which domain I will take up this research challenge).

Moral Economy as Evaluation

With its attention to moral concerns and people's responses to them, the study of moral economy can hardly avoid an evaluative component. The task, as Sayer defines it (2007), is to assess economic behaviours – and the social structures that give rise to them – from a normative perspective. For researchers trained to take empirical, analytical and descriptive approaches to their objects of study, it may seem strange to call for 'turning questions of economic behaviour back into questions of validity' through normative assessments and ethical evaluations (Sayer 2007, p.268). But doing so is essential to the production of a genuinely critical political economy. Consequently this sub-section presents an argument about the importance of bringing social science into dialogue with moral and political philosophy.

Just as cultural political economy recognises that elites seek to produce hegemony through construction of ideology, it also seeks to critique that ideology and its role in supporting relations of domination (Sum & Jessop 2013). The question that remains is how to conduct such critique effectively. Sayer identifies a problem with much so-called 'critical' scholarship: that the scholarship does not engage sufficiently with normative discussions, which consequently means that the scholarship lacks understanding of its own critical standpoints (Sayer 2000a, p.98). In turn, this weakens the political capability of those resisting neoliberal forms of governance, as critics may struggle to articulate the reasons for their critique as effectively as they could (c.f. Castree 2010a).

A useful moral debate needs to establish the reasons for evaluations. And yet much academic literature – particularly when influenced by the turn towards post-structuralism – displays a notable reluctance to engage with ethical evaluations explicitly. Carl Death (2013) argues that Foucauldian studies of governmentality are still capable of normativity and critique through unsettling established ideas and systems of thought. But this does not address the problem, which Sayer identifies, of academic writing which uses 'crypto-normative terms that cast the world in ominous tones, but [which] fail[s] to say *what* is problematic about it' (2015, p.292).

This lack of engagement with normative evaluation has been identified in critical social science literature which deals with the neoliberalisation of nature, for example (Castree 2003; Castree 2010b, pp.34–35; Castree 2011, p.45). The problem is that academic critique of neoliberalism is frequently bound up with a moralistic way of thinking that has been assumed, rather than discussed and considered, to create what Barnett (2010) calls a moralistic register of simple binaries (e.g. private sphere is bad, public sphere is good). The effects of neoliberalisation processes with regards the environment are often ‘assumed to be necessarily (and often solely) negative’ in the literature on this topic (Bakker 2010, p.728). Rather than making assumptions, critical standpoints need to be carefully justified and explained in order to have purchase as a mode of critique which will stand up to scrutiny.

To address this problem, Sayer advocates a renewed engagement between critical social science and moral and political philosophy (Sayer 2007, pp.268–269). Moral and political philosophy can contribute to reasoned consideration of ethical issues, and can help to interrogate the moral implications of markets (Fourcade & Healy 2007). Reaching across disciplinary boundaries to engage with ethics could help disciplines such as economic sociology, for example, to address its own critical position and normativity: a topic too rarely considered at present (Davies 2012). This is not simply a call for more philosophy, though, but a call for bringing philosophical insights into dialogue with social science. Because when divorced from social science, philosophy can tend towards the abstract and seemingly irrelevant, failing to recognise the extent to which behaviours are situated in social and political circumstances (Sayer 2007). Philosophy can also gain from engagement with social science, as it can bring ethical evaluation to more sophisticated understandings of the features of policy and practice, where it is needed. Consequently an objective of this thesis, in line with a moral economy approach to research, is to evaluate the object of study (carbon offsetting) through consideration of its moral rationales and problems.

Summary

The evaluative component of moral economy as a mode of enquiry aims thus to integrate studies of ethics with appreciations of power. This is because, as Sayer puts it, ‘politics

without ethics is directionless, while ethics without politics is ineffectual' (Sayer 2015, p.292). To proceed, it is important to ask about the *moral rationales for, and the problems of*, various forms of economic behaviour. This is a process of identifying moral concerns so that they can be normatively evaluated, contributing to moral discussion and the advance of reasoned debate. When evaluation is coupled with the analytical component of the study of moral economy described above, in which *responses* to moral concerns and *explanations* for behaviours are investigated, then empirical and ethical considerations can start to be combined. Doing so brings forward recognition that social and economic systems have political effects which incentivise particular behaviours, virtues and vices. Making these links enables scholars to 'evaluate not only particular behaviours but the social and economic circumstances that give rise to them' (Sayer 2007, p.265). The next section of the chapter explains the relevance of these points to the case of carbon offsetting.

2.2. Moral Economy and Carbon Trading

One of the insights from Sayer's work on moral economy is that when economic institutions become established, the economic practices they involve can become normalised or naturalised such that 'normative questions tend to be forgotten' (Sayer 2007, p.263). But when proposals for new forms of economic activities are made, there is often a lot of ethical debate to accompany it (Sayer 2007, p.263). This can be seen for example in the ethical controversies surrounding proposals for payments to organ donors (Joralemon 2001), for markets in surrogacy (Deonandan et al. 2012), or for treating biodiversity as 'natural capital' to be traded (Sullivan & Hannis 2014). As a relatively new market, the commodification of carbon has been no different: carbon trading has been associated with considerable contemporary normative discussion (Aldred 2012; Caney 2010b; Pearse & Böhm 2014; Page 2012; Page 2011; Caney & Hepburn 2011; Spash 2010).

This section shows, first of all, the importance of the evaluative component of moral economy to the case of carbon offsetting. The first sub-section introduces the debate on carbon trading and offsetting, showing its contemporary policy-relevance. The second sub-section highlights the normative commitments of those advocating carbon markets, and/or

reforms to them, including their assumption of an ecological modernisation perspective. The third sub-section notes a more critical and sometimes polemical ‘climate justice’ position which rejects carbon trading, but which does not always sufficiently explain the basis of the critique. This leads to the conclusion that, although much good work has already been done in bringing forward evaluations of carbon offsetting, there are still limitations to the debate. Thus, more explicit identification and appraisal of the moral rationales for and problems of carbon offsetting is a worthwhile objective for this thesis.

The fourth sub-section shows that policy changes and modifications to technologies and procedures of governance of the carbon offset market are means of responding to moral concerns. Some of the responses can be construed as beneficial reforms, while others should be seen as cases of exploiting opportunities. Understanding the responses is shown to be key to furthering the study of carbon offsetting’s moral economy. The fifth and final sub-section demonstrates that political economic forces affect the cultural discourses and moral norms associated with carbon offsetting. It then argues that understanding ‘lay normativity’ requires pulling apart the reasons that lie behind responses to moral concerns. Cumulatively, the sections justify the approach taken in this work to the study of the moral economy of carbon offsetting, including the three research questions that have guided the development of the thesis.

Carbon Trading Policy Debates

Work in applied moral and political philosophy helps to articulate why climate change is a matter of ethical concern, dealing with matters of rights, responsibilities, and international and intergenerational justice (Gardiner et al. 2010). Climate change creates moral duties for more economically advantaged people, organisations and nations to reduce emissions and to support adaptation efforts in least developed countries (Caney 2010a). This moral responsibility results from a ‘polluter pays principle’, which builds on the intuition that those who create environmental problems should take responsibility for addressing them (Caney 2006). The historically most-economically-developed countries have produced the most greenhouse gas emissions over time, and still have the highest greenhouse gas emissions per head of population (despite the recent economic growth of China, India,

Brazil and other middle income countries). Indeed, the wealthiest ten percent of the world's population is responsible for roughly half of 'total lifestyle consumption emissions', while the poorest fifty percent of the world's population only contributes a tenth of these emissions (Oxfam 2015). Thus developed country governments and the organisations and citizens associated with them are the polluters whose behaviour must change, especially the wealthiest among them (Anderson 2012a). Continuation of business as usual, or meagre implementation of the weak agreements of the 2015 UN Paris Agreement (Spash 2016), is projected to lead to severe negative impacts from climate change (Anderson & Bows 2011). Moreover, these impacts will fall disproportionately on those least responsible for causing climate change, namely poorer citizens of economically less developed countries (Thomas & Twyman 2005), and also future generations (Broome 2008). This basic inequity between polluters in the North, and those suffering from impacts in the South, creates problems of climate injustice (Okereke 2011).

These big picture normative debates are very much part of the international negotiations on climate change (Okereke 2006; Okereke 2010). Although there is increasing recognition that action must be taken as a matter of urgent moral responsibility, there are still major disagreements about what should be done. One of the major policy responses to date has been to implement carbon trading schemes. Carbon markets have been established at the international level through the UN Kyoto Protocol, and may yet expand into trading of forest carbon through a scheme called Reducing Emissions from Deforestation and Forest Degradation (REDD+) (Okereke & Dooley 2010; Fletcher et al. 2016). Carbon trading has also been implemented in the European Union, which has been the world's largest carbon market and which continues to (mal)function even in face of major problems (Skjærseth & Wettestad 2009; Wettestad 2014). Partly supported through the World Bank's 'Partnership for Market Readiness', carbon trading schemes are now being established or have been established in many other countries around the world (Paterson 2012; Betsill & Hoffmann 2011). Carbon markets have been implemented recently in China (as a series of pilots) (Liu et al. 2015), New Zealand (Bullock 2012), South Korea, Switzerland, Kazakhstan, and in states of the USA and Canada (including California, Québec and Alberta) (Kossov et al. 2015).

Carbon offsetting is a sub-set of carbon trading. Hence carbon markets can exist without any provisions for offsets.¹¹ But in recent history, carbon offsets have tended to accompany carbon markets. When the Kyoto Protocol enabled emissions trading between countries at UN level, negotiators also introduced carbon offsets through the CDM and JI. The European Union embraced offsets into its Emissions Trading Scheme (ETS) through its 2004 Linking Directive, which allowed regulated entities to use offset credits from the CDM and JI (Skjærseth & Wettestad 2010; Elsworth et al. 2012). China has established a market in Chinese Certified Emissions Reductions, a domestic offsetting provision (Shen 2015). New Zealand has allowed unrestricted quantities of international offsets to flood its carbon market (New Zealand Environmental Protection Authority 2014; Harker et al. 2016). Korea and Mexico have recently enabled international offset credits for compliance with their carbon trading and carbon tax policies (Kossoy et al. 2015, p.36). Australia and California have domestic carbon offsetting provisions from land use sectors (Pearse 2014; Kelly & Schmitz 2016). And California has also developed proposals for linking its carbon market with forest carbon offsets through ‘jurisdictional REDD+’ in the states of Acre in Brazil and Chiapas in Mexico (Neto 2015). Other governments as well as international organisations (like the United Nations International Civil Aviation Organization – see Chapter Nine) will make decisions about whether or not to make use of carbon offsets as part of their climate policy framework in the near future. Thus the debates about the normative value of carbon trading and offsetting remain highly policy relevant. So making the evaluations of carbon offsetting effective is very important. But as the next two sub-sections demonstrate, some improvements to the debate need to be made.

Eco-modernist Assumptions

Carbon trading and offsetting have been promoted consistently through a justificatory logic of efficiency, which links to the discipline of environmental economics and to theoretical arguments about market instruments’ ability to achieve environmental protection at low economic cost (Lane 2012). For some, carbon trading among other policy

¹¹ Indeed the European Union has indicated that its carbon market will not use offsets from 2020 onwards (Kossoy et al. 2015).

measures is a key means of achieving the moral responsibility to reduce carbon emissions (Hepburn & Stern 2008; Stavins 2008; Peace & Stavins 2010; Stern 2009). Carbon trading appears to offer a form of ‘ecological modernisation’, which is a compromise between liberal environmentalism and capitalist forces of economic growth and market order (Mol 2002). The ecological modernisation objective is to reconcile capitalist relations of production with environmental protection (e.g. Porritt 2005), to make progress in environmental terms without fundamentally challenging existing power structures (see Bailey et al. 2011 for a critique). And despite the many problems of carbon markets in evidence (Pearse & Böhm 2014), some have argued that reform efforts are capable of resolving the tensions (e.g. Carbon Market Watch 2014b). Consequently, some scholars have claimed that carbon trading is at least potentially capable of providing significant greenhouse gas emissions reductions, making reformed versions of carbon trading ethically acceptable in principle (Caney 2010b; Caney & Hepburn 2011; Dirix et al. 2015).

The ‘ecological modernisation’ normative orientation to carbon trading opens up space for empirical research that discusses carbon markets with regards to their ‘optimal’ design features (Fankhauser & Hepburn 2010b; Fankhauser & Hepburn 2010a). Such research tends to take the existence of the institutions of carbon markets for granted and then analyses some aspect of them without fundamental criticism, but rather with the aim of improving the system (Spaargaren & Mol 2013). Simons and Voß describe this as a ‘functionalist approach’ in which the key concern is to discover how best to choose, refine or combine policy elements for given objectives in particular problem contexts (Simons & Voß 2015). Much of the research that deals with carbon offsetting has exemplified this ‘functionalist approach’ which identifies problems with offsetting, but which then typically frames the issues as challenges to be addressed through technical reforms to the market mechanism (e.g. Spalding-Fecher & Michaelowa 2013; e.g. Wara 2008). A significant amount of academic and grey literature on the Clean Development Mechanism (CDM) takes the existence of the mechanism for granted and focuses on reforming some aspect of it (Paulsson 2009; e.g. Murphy et al. 2009). Reform-minded literature on the CDM usually tries to identify the nature of a problem with the mechanism – such as the problem of accounting for the additionality of emissions reductions, or such as the problem of making a contribution to sustainable development, low carbon technology transfer, or

renewable energy – and proposes a technical means of solving it (Boyd et al. 2009; Boyd et al. 2007; Ellis et al. 2007; Gillenwater 2011; Lewis 2010; Lloyd & Subbarao 2009; De Lopez et al. 2009; Muller 2007; Schneider 2009; Schroeder 2009a; Subbarao & Lloyd 2011; Tanwar 2007; Wang & Chen 2010). This literature is useful in so far as it draws attention to the practices of offsetting in technical detail. But a more reflective account considering the more fundamental arguments about the rationales for and problems of carbon offsetting is needed in order to establish the moral worth of this policy instrument more broadly.

The above kind of problem-solving literature aims to deal with matters of moral concern by using the existing features of the world as a framework for action, typically proposing incremental reforms (Cox 1981). The difficulty that arises with the ‘functionalist approach’ is that the normative acceptability of the overall policy – doing carbon offsetting – is often assumed rather than argued for. Indeed Stephan and Paterson characterise the ‘*habitus* of the average climate policy researcher’ as contributing to ‘the next phase of whatever is being discussed’ in terms of optimal design, which is based on an assumption that carbon markets are normatively valuable (Stephan & Paterson 2012, pp.547–548). Indeed, the assumptions go further than this, as the literature implicitly thereby embraces an ecological modernisation perspective including the assumption that environmental protection and poverty alleviation can be reconciled with the prevailing capitalist economic system. Critics complain that such reformist activity can easily serve to support the continuation of existing policy frameworks, strengthening and re-legitimizing core institutions (Bond 2008).

Climate Justice Polemic?

In contrast to advocacy of, and an implicit embrace of, dominant market-based policy frameworks, critics have developed the insights of work on climate ethics to contribute a critical ‘climate justice’ framing of the carbon trading issue. Climate justice ideas build on an ‘environmental justice’ discourse (Schlosberg 2013; Schlosberg & Collins 2014) to address ‘the intersections of “green” ecological concerns with “red” socio-economic ethical considerations’ in the climate change context (Bond 2014, p.133). Some civil society organisations working on climate change have embraced the words ‘climate justice’ as a

slogan that indicates antagonism towards the failures of international climate change policy processes, especially at the UN level (Bond & Dorsey 2010; Chatterton et al. 2013). Among their concerns was the perceived failure of carbon trading, plus their disaffection with more mainstream non-governmental organisations that embraced (or did not resist) carbon markets (Bond & Dorsey 2010; Pearse 2010). According to the signatories of the 2004 Durban Declaration on Carbon Trading, carbon trading is a ‘false solution’ and a ‘total waste of time’ (Durban Group for Climate Justice 2004; Dorsey 2007; Bond 2011; Climate Justice Briefs 2010). On the critical account, carbon trading can be seen as an example of neoliberal environmental governance (Heynen et al. 2007) that extends market forms of regulation to enable the privatisation of rights to pollute the atmosphere (Bailey & Maresh 2009). Rather than addressing climate change effectively, carbon markets are seen as means to create opportunities for capital accumulation among elite groups including industrial firms and the financial sector (Böhm, Misoczky, et al. 2012; Pearse & Böhm 2014).

Similar critiques have been directed towards the controversial practice of carbon offsetting. In the climate justice account, carbon offsetting has been described as ‘carbon colonialism’ because of a perception that the practices reinforce the global power structures which ultimately cause climate change, while enabling the enrichment of elites, and bringing detriment to the disempowered (Bachram 2004). Multiple case studies of the negative social and environmental impacts associated with CDM projects give added force to the criticism that carbon offsetting gives favour to corporate bad citizens at the expense of the general population (Böhm & Dabhi 2009; Bond et al. 2012; Bond et al. 2009; Ghosh & Sahu 2011; Lyons & Westoby 2014; Miller 2014). This amounts to a critique of carbon markets based on their unjust distributive implications and their associations with problematic forms of development. Criticism of the environmental integrity of offsetting – which is also found in policy-reform perspectives, but characterised differently – can fruitfully be contextualised in terms of wider critical perspectives on neoliberal environmental governance (Lohmann 2009a; Lohmann 2012c).

The perceived failures of offsetting have led some critics to voice rhetorical opposition in sloganeering fashion. For these authors, the CDM is far from being a ‘Clean Development Mechanism’; it is rather a ‘Costly, Dirty, Money-making scheme’ (Docena 2010) or a form

of ‘carbon colonialism’ (Bachram 2004) linked to ‘poison markets’ (Lohmann 2009c) that ultimately ‘Cannot Deliver the Money’ (Bond et al. 2012). The trouble with such bold statements in the critical literature on carbon offsetting, as Peter Newell notes (2012a), is that ‘reflections sometimes get lost in the polemical flow ... [which is] not necessarily a problem in [work] by and for activists, though at times critical reflection gives way to rhetorical flow’. As Newell notes, more rhetorical work can be appealing and helpful for activists. Indeed critics identify popular resistance as a more meaningful strategy to deal with climate injustice, as it offers the potential for more fundamental political and social change (Bond 2008; Bond 2012; Lohmann 2011b; Klein 2014). Yet the problem with speaking principally to existing political allies and sympathetic audiences, who already assume a critical perspective on neoliberal environmental governance, is that other interested readers may be left somewhat nonplussed (e.g. Michaelowa 2011). It is unfair and misguided of advocates of trading schemes, like Michaelowa (2011), quickly to dismiss critical literature on carbon offsetting as ‘ideological’ (Böhm & Dhabi 2011). And yet the polemical manner in which critical arguments are deployed may facilitate this unhelpful reaction. For example, Lohmann’s thorough-going rejection of analysis which does not lead to condemnation of carbon trading reads like intellectual intimidation (Lohmann 2011a; c.f. Paterson & Newell 2012; c.f. Lohmann 2012a). The stakes are high and the debates on carbon trading are of real importance, so the participants in these discussions should be forgiven for engaging in rhetoric which helps to give a sense of the scale of the concern. However, trouble lurks if the result produced is more heat than light.

The picture that emerges from the above is of a controversial normative debate on carbon trading in which various authors are making assumptions. Advocates and reformists assume that carbon markets and offsets will continue, and then argue that they should (or could) be reformed. Critics, by contrast, insist that carbon trading is fundamentally misguided and provide condemnation. So far this section has highlighted the contentious evaluations of carbon trading schemes more broadly. But the analysis in this thesis will be confined to the case of carbon offsetting for the sake of a feasible scope.

Offsetting suffers from problems of a ‘polarised and overgeneralised’ debate (Lovell & Liverman 2010, p.270). The normative debate on offsetting can be improved by making

the assumptions and the arguments that inform pro- and anti- and nuanced positions more explicit, to enable more effective evaluations. This fits in with the evaluative component of the study of moral economy, the aim of which is to assess the legitimations offered for economic practices, while also helping to clarify the reasons for critique. Thus the first research question of this thesis is: *What are the moral rationales for and problems of carbon offsetting?* Answering this question will help to advance the normative evaluation of carbon offsetting.

Responses to Moral Concerns

To further advance the evaluation of carbon offsetting, it is important to understand how actors have responded to offsetting's moral concerns over time. This enables due consideration of reform efforts. It also enables reflection on carbon market actor initiatives which do not serve to enhance offsetting's rationales, but which rather exacerbate its problems. This sub-section shows that changes to the practice of carbon offsetting have taken place through alterations to policies and techniques of governance. Some of these activities could be read as reformist efforts to respond to moral concerns. Whereas other responses could be seen as lacking in ethical care, exacerbating moral problems. The argument presented is that more empirical study of the practice of carbon offsetting is needed to reveal the significance of these trends, especially given the complexity of offsetting's technical procedures.

The moral controversy surrounding carbon offsetting has had an impact on climate change policy debates and outcomes, as suggested in this chapter above (sub-section Carbon Trading Policy Debates, pp.37-40). Discussions about the value of land use and forestry projects in the Clean Development Mechanism, for example, have led to a 'moral position' of excluding many such initiatives (Purdon 2010). Deliberations about the proper role of offsets in EU climate policy have been significant, particularly amid concerns that offsets might not deliver genuine emissions reductions (Christiansen & Wettestad 2003, pp.11–12; Wettestad 2005, p.7). Controversies around voluntary offsetting have also encouraged governments to consider regulations for the sector (House of Commons Environmental Audit Committee 2007), and given rise to private regulatory authority through voluntary standards organisations that have introduced new procedural rules (Lovell 2010).

Other changes have taken place through the introduction of new or modified technical procedures and technologies of calculation (Lovell & Liverman 2010). These technologies include formulae and methodologies that help define an emissions reduction value for carbon credits (MacKenzie 2009). Similarly, calculative technologies are deployed to assess the sustainable development value of carbon offset projects (Bumpus & Cole 2010). These technological processes carry social, environmental and economic implications (Leach & Scoones 2013). The implications are social because the techniques of governance affect development outcomes, environmental because of the definitions of carbon emissions reductions value that methodologies hold, and economic because systems of calculation determine the amounts of revenue that actors can generate from offsetting. Hence the socio-technical arrangements which involve technologies of calculation – driving carbon offsetting in practice – are highly political, carrying normative implications which ought to be investigated in empirical detail (Cooper 2015; Bracking 2012).

Carbon market actors operate these technologies and governance procedures, which are supposedly designed to achieve cost-effective emissions reductions and a contribution to sustainable development. Authority in the carbon market is passed over to ‘experts’ that the public is expected to trust to manage the technical pricing and accounting for carbon. But many of the moral problems of carbon offsetting are derived from precisely those problematic technical procedures and calculations which carbon market actors implement (Lohmann 2005; Whittington 2012). These procedures are sometimes resistant to scrutiny, as their complexity reduces transparency, leading to normative concerns becoming ‘black boxed in diverse technical infrastructures’ (Kjellberg & Mallard 2013, p.17). The ways that carbon market actors have responded to the moral concerns of carbon offsetting need to be brought further to light. This will help with the evaluation of carbon offsetting, as it will highlight the relevance or else insignificance of actors’ reform efforts and exploitation of opportunities. And it will also contribute to the analytical component of moral economy, improving understanding of how moral norms and economic practices are related in the case of carbon offsetting. The second research question for this thesis is therefore: *how do carbon market actors respond to the moral concerns of offsetting?*

Explaining Responses

The evaluation of carbon offsetting can be made still more sophisticated by considering the reasons why responses to moral concerns have been made in the ways identified. Understanding responses in their political economic context, finding out about the reasons why behaviours occur, gives an appreciation of the future prospects for reform. Asking why things happen as they do enables evaluation of the bigger picture system of carbon offsetting including its political, economic and cultural elements. So the next step involved in the evaluative component of the study of moral economy is to tease out the reasons for behaviour. And yet this is not to be done solely for the sake of evaluation. The sub-section above on ‘Moral Economy as Analysis’ highlighted that political economic forces give rise to the cultivation of norms, and also that norms affect economic processes. Discovering how these dynamics play out in the case of carbon offsetting is also an empirical, analytical objective. This sub-section shows that political economic forces drive carbon markets and contribute to the cultural discourses and moral norms associated with offsetting. But questions remain about the extent of climate governmentality, in which politics fundamentally shapes culture. A contrasting view, that individual agency is important to the question of ‘lay normativity’, remains significant. Further empirical investigation is therefore required.

Carbon offsetting can be read as a political-economic instrument driven by the interests of capital. Indeed, the very existence of carbon markets reflects the structural power of developed country capital interests. Carbon markets came to exist partly because of their ability to generate rents for big businesses and the financial sector (Bond 2012; Ervine 2014; Spash 2010). Policy-makers were able to advance carbon trading more easily because it had support from structurally powerful corporate and financial lobby groups (Knox-Hayes 2009; Newell & Paterson 2010). This shows that powerful actors use opportunities to pursue their interests. Typically, in the private sector these interests are centred on the profit motive and the ability to acquire money as exchange value.

The advantage of cultural political economy is that it takes this central dynamic – use of power in pursuit of profit or other interests – seriously. And then it brings attention to ideas, discourses and narratives within that context. Ideas are malleable, and people can use

their influence (power) to alter social understandings of issues of moral concern. Advertisements, for example, are a highly prevalent mechanism of normalising consumption practices and advancing associated moral ideas (Wright 2004). Interest groups are capable of promoting their ideas and agendas in diverse ways, and may be successful even to the extent of creating hegemonic world views (Igoe et al. 2010; Levy & Spicer 2013). Economic actors can also deliver public justifications of economic practices which are designed to legitimise activities in the eyes of the public, to make them seem morally acceptable, thereby avoiding public rebuke or restriction (Nyberg & Wright 2012; Patriotta et al. 2011).

In line with this, there is a case to be made that the carbon offsetting regime, part of 'carbon governmentality', is capable of shaping the 'conduct of individual conduct', structuring the behaviours, thoughts, emotions and beliefs of the people involved (Methmann 2011). Voluntary carbon offset markets are infused with narratives of ethical consumption, helping to construct particular subjectivities and normative dispositions (Lovell et al. 2009; Paterson & Stripple 2010). Governmentality considerations may help explain why individuals purchasing offsets in the context of air travel tend to indicate belief that offsetting is generally 'the right thing to do' and explain that offset purchases can help to deal with feelings of responsibility and guilt (Mair 2011). And Lohmann (2005, p.230) argues that the imaginations of political activists and scientists have been captured by free market ideology and caught up in a 'Kafkaesque logic' of a 'carbon technocracy' (c.f. Knox-Hayes & Hayes 2014; c.f. Lohmann 2010). In suturing the identities of carbon market actors with a normative will to 'improvement', governmental power operates as a subtle means of configuring people's habits and beliefs (Li 2007).

There is political-economic logic behind this production of normativity associated with offsetting. Corporate engagement with voluntary carbon offsetting depends on normative considerations that motivate purchases for social responsibility purposes (Hultman et al. 2012; Laing et al. 2016; Zeppel & Beaumont 2013). Similarly, willingness to purchase offsets among individuals is associated with a desire to create a self-identity of ethical responsibility (Lindman et al. 2013). There is therefore a clear economic logic to presenting carbon offsetting in normatively favourable terms: it benefits sales. There are also

economic stakes at play for those involved with carbon offsetting who seek to further the continuation of a market which provides their livelihood. Advocates have a stake in their presentation of offset markets like the CDM in favourable terms because doing so improves the chances of politicians giving continued support (Newell 2014a).

But the normativity of the market seems to be about more than just the production of powerful discourses and cultural imaginaries that shape the conduct of conduct. There is also a place for individuals to rationally consider the moral rationales for and problems of carbon offsetting, and to make decisions. When carbon market actors exhibit a sense of pride in emotion-laden accounts of their striving to marry noble objectives of climate change mitigation and economic growth through their activities (Descheneau & Paterson 2011), this is a cognitive process which cannot be reduced merely to the effects of prevalent climate imaginaries. The same goes for professionals working in multi-lateral institutions on topics of environmental sustainability, who tend to present their work in moral terms (Goldman 2001). Likewise, for business-employed 'sustainability professionals' who navigate the ethical tensions associated with corporate sustainability initiatives through a series of challenging identity struggles (Wright et al. 2012).

The question that emerges is about the extent to which responses to the moral concerns of carbon offsetting can be seen as effects of ecological modernisation discourses, or political processes, or individual decision making. Looking into the reasons why market actors deploy technologies and governance procedures via moralised discourses helps us to appreciate the various forces at play in carbon offsetting. It should enable some explanation of the reasons why carbon market actors respond to moral concerns in the ways identified. In order to pursue discussion of the moral economy of carbon offsetting, and ultimately to explain it, the third research question asks about why things are happening as they do. It asks: *Why do carbon market actors respond to the moral concerns of offsetting in the ways identified?*

Conclusion

Via carbon trading and offsetting, greenhouse gases have become a commodity and a financialised asset. The unit of a tonne of carbon dioxide equivalent is created in what Swyngedouw (2010, p.220) describes as ‘extraordinarily complex institutional configurations, that is, the techno-managerial machinery of post-democratic governing’. In Swyngedouw’s critique (2010), carbon markets are problematized because they enable a class of carbon market professionals and experts to take over the governance of climate change, removing opportunities for public participation, debate, and democratic political choice over policy alternatives. Moreover, support for this ‘post-democratic’ project is generated through cultural means, specifically via the mobilisation of ‘apocalyptic imaginaries’ (Ibid.).

In some ways, this thesis can be seen as a response to Swyngedouw’s concerns (although it was not designed consciously as such). One aim is to further academic understanding of how the political economy of carbon trading (specifically offsetting) is sustained through cultural means (with particular relevance to normative discourses and imaginaries). Another objective is to open up the carbon offset market’s complex techniques of calculation and governance to scrutiny by identifying significant responses to normative concerns. And a final goal is to enhance public discussion of the moral value of carbon offsetting by contributing to evaluations of the practice. This can help to bring the question of carbon offsetting more substantively back in to the realm of ‘agonistic debate and disagreement’ as part of a ‘horizon of a recuperated democracy’ (Swyngedouw 2010, p.229).

This chapter has articulated the importance of studying the moral economy of carbon offsetting, and justified a research plan based on three key questions. First, what are the moral rationales for and problems of carbon offsetting? This question speaks to the evaluative aspect of moral economy, in which there is a commitment to explicitly evaluating the object of study. Second, how do carbon market actors respond to the moral concerns of offsetting? Third, why do carbon market actors respond to the moral concerns of offsetting in the ways identified? The second and third questions speak to the analytical component of the moral economy approach to research. Addressing these questions will

serve to highlight the important roles that social understandings of morality play in the cultural political economy of carbon offset markets. The empirical chapters that follow (chapters Four, Five, Six and Seven) will address these questions in earnest. Before turning to these, the next chapter will explain the methods of empirical research and data analysis that have been employed to achieve relevant findings.

Chapter Three: Morality, Reality and the Prism of the Interview

To improve mutual understanding ... the methodological aspects of scientific knowledge production need to be made more explicit ... this can only be done by exposing and communicating the methodological approaches and biases of the research.

- *Jonas Ø. Nielsen & Sarah Ann Lisa D'haen (2014, p.403).*

Published research on climate change often fails to explain important details of qualitative research methodologies, as Nielsen and D'haen (2014) reveal in their review of articles featuring in the journal *Global Environmental Change*. The lack of detail constrains interdisciplinary collaboration and limits critical interrogation of research findings. Perhaps in the academic journal publication context, such omission can be explained as a result of the lack of word space available. But no such excuses can be provided for the author of a PhD thesis.

Hence, before diving in to the empirical chapters of the thesis, this chapter reflects on the relevance of interview methods to the research questions at hand. Initially, that means stating and briefly justifying the philosophical positions which underpin the research process. In the first section of the chapter, I discuss the nature of morality. The concept is most relevant to research question one. The argument presented is that morality is a social construct which is amenable to rational appraisal, meaningfully grounded in reasoned assessments of right and wrong. Ongoing debates in moral philosophy show that disagreements about morality are prevalent and difficult to resolve. Nevertheless, we can and should subject morally controversial issues to a discussion which carefully considers the reasons why things are praiseworthy or problematic. Interview methods usefully contribute to that objective.

In the second section of the chapter, I describe my approach to the broader ontological and epistemological issues which have influenced the methodology. I argue for a critical realist perspective. Critical realism provides a form of ontological realism. There is, beyond

reasonable doubt, a physical reality 'out there' in the world. Epistemologically, critical realism gives recognition to the challenges of knowing about the world around us. Social constructions like language and culture are very important to the constitution of our knowledge, and the world's complexity make the task of knowing still more difficult. This undermines positivist views of science. Yet critical realism also avoids a problematic slide into relativism which can lead to implausibly high levels of scepticism about well-established and credible facts. These theoretical positions inform my choice of interview methods, my conduct of the interviews, and my analysis of the resulting data.

The later sections of the chapter describe the practical aspects of the research methods in more detail, so that readers can appreciate how the findings of this thesis were produced. First there is an account of the framing and approach to the interviews, followed by a description of the conduct of the interviews, including questioning style. Subsequently there is a presentation of the types of actors that were interviewed, which then leads to a report on the process of analysing the interview data, including transcription, coding and writing up of findings. Lastly, I include brief reflection on my own positionality, which inevitably affects my conduct of the interviews, my interpretations of the data, and the writing.

Exploring Morality

The first research question implicitly assumes that there are such things as moral rationales and moral problems. But what sorts of things are these? To answer, one must consider larger meta-ethical questions about the ontological status of morality. The definition provided in Chapter Two indicated that morality is a social construct in which dispositions, sentiments, valuations and norms start to define what counts as good and bad, or right and wrong (Sayer 2007). This definition sits well with the view that morality is a product of individual and collective behaviours, and is therefore socially constructed. This position goes against possible alternative views of morality as something independent of human society. Morality is not evidently a God-given or otherwise independent standard that we are supposed to discern and follow (although of course many religious people and some

moral realists would beg to differ). Rather, morality is more realistically viewed as something that human society has created for itself.

Morality regulates human social conduct in a similar way to law. Whereas laws are typically enforced with the disciplinary methods of government agencies, breaches of perceived moral codes may instead be enforced with social opprobrium, blame and shame, as well as the law itself if it applies. Morality can regulate human conduct in such a way as to enable cooperation and to enhance well-being. That is why morality is important and valuable. The job of moral philosophy is to help people in society to think through the rights and wrongs of various controversial issues in a reasoned way. Through appeals to reason, moral philosophy advances our considered appreciation of what we should do about challenging situations through impartial appeals to ideals such as fairness, justice, virtue, equality and happiness (Rachels 2003).

Ongoing disagreements about morality are widespread. This is partly reflective of different individual and cultural understandings of morally significant issues. Equally, multiple schools of thought exist about how we should engage in moral reasoning. These include utilitarian ideas of securing the greatest good for the greatest number (c.f. Broome 2008), notions of justice as based on a hypothetical social contract (Rawls 1999), and virtue theories of morality as exemplifying praise-worthy character traits (Annas 2005), among other moral frameworks. Evidently there are tensions and conflicts between these traditions of moral reasoning. Nevertheless, I retain a compatibilist view of them. This is to say that utilitarianism, contractarian ideas of justice, and virtue theories all have valuable insights that help us to engage in productive moral reasoning. Because morality is a social construct, rather than an independent entity, it is not necessary to maintain that one of these frameworks is in some way 'correct'. The task at hand is rather to incorporate the productive insights of multiple perspectives on ethics through a pluralist account of moral value. This is to say that 'the business of living decently involves many kinds of principles and various sorts of responsibilities' (Brennan 1992, p.22). An open and inquisitive stance towards issues of moral significance means engaging in reasoning about the complex and multiple values at stake in climate change mitigation, international development and carbon offsetting (Broome et al. 2014).

I do not expect to provide the final word on the morality of carbon offsetting in this thesis. The intention is to open up debate by exploring moral rationales and problems through reasoned argument and empirical investigation. The important activity is to encourage reflection and rational debate about the ethics of offsetting. This can help to avoid either a normalisation of carbon offsetting, where it might become part of life despite its problematic features, or otherwise a reactionary critique and unjustified condemnation of practices which have positive rationales (Sayer 2007). As Jamieson (2010, p.84) puts it: ‘One of the most important benefits of viewing global environmental problems as moral problems is that this brings them into the domain of dialogue, discussion, and participation’.

Interview methods are a good way of opening up the moral concerns of carbon offsetting for evaluation, particularly as they can give insight into the richness and complexity of the decision-making contexts that actors in the carbon market face (Liedtka 1992). Many of the people I interviewed were happy to discuss their views about the ethical issues that arise in the practice of offsetting. This form of discussion is a means by which we advance our ethical discourse. Debate can take place on the page through essays and articles, and it can take place in person, in cafés and meeting rooms and over the telephone, as people raise practical points, theoretical issues, and reasons which help us to evaluate the ethics of offsetting. The interviews and the thesis itself are a part of this process of social discussion of right and wrong.

Exploring Reality

Unlike the first research question which is centred on the concept of morality, the other two questions are empirical questions which invite some reflection on the nature of reality and knowledge, and on how to do research in that context. The ontological assumption made here is that a real world exists independently of our senses. This external reality cannot be reduced to ideas, meanings, discourses, interpretations and rational argument. Unlike morality, the biophysical world exists outside of our social constructions of it. To reject biophysical reality is to engage in implausible amounts of doubt.

However, the representations of these activities are shaped through language and other cultural forms of interpretation. We struggle to understand things straightforwardly due to the prevalence of social constructions. Understanding is mediated by semiosis, so we only comprehend the world through cultural systems of meaning (Jessop 2010). Our knowledge about the world is produced socially through discourses and in political contexts, which inevitably affects the 'knowledge' outputs. Research outputs such as this thesis are produced in particular historical moments and institutionally embedded situations, according to expressive (linguistic) conventions (Clifford & Marcus 1986). This insight shows the need for caution about crude positivist claims that research can be free of ethical values or cultural assumptions so as to straightforwardly arrive at the 'truth' (Wicks & Freeman 1998).

Nevertheless, I disagree with the epistemological relativism of strong social constructivist approaches. Knowledge is indeed socially constructed and fallible, and yet we can still meaningfully investigate the world around us (Hammersley & Atkinson 2007). There is a middle road between empiricist 'theories of everything' and post-modern turns to intensely literary or self-absorbed forms of writing which eschew attention to the social world at large (James et al. 1997). Understandings can be more or less adequate, and knowledge claims can be assessed against the evidence provided by the real (Sayer 2000b). Critical realism gives appreciation to the difficulty of achieving effective knowledge of the real social world (against positivism), while at the same time rejecting a slide to a relativistic notion that all representations of the social world are valid (against post-structuralism) (Fairclough 2005). Critical realism brings recognition of contingency, rather than structured regularity, and expects to find messy, ambiguous systems which we can nevertheless try to explain with accounts of causality (Sayer 2000b).

This perspective of critical realism has informed the conduct of the interviews and the analysis of the data. First, the sceptical position with regards positivism led me away from treating the interview process as a positivist tool for the development of 'science' through structured questioning or surveys. Rather, I saw the interview as a process of dialogue, interpretation and story-telling, especially as I proceeded with open questions and only loosely structured formats (Liedtka 1992). Second, ontological realism informs my view

that people describe real situations and talk about real events in conversations or interviews. Interviews are therefore used here as a method of revealing important information about processes that take place in the market context. Interviews can enable researchers to build up a picture of causality. Third, the 'critical' element of critical realism highlights the multiple possible interpretations of events and situations, and shows that language can convey strikingly different views of reality. Furthermore, there are sometimes political and economic stakes involved in articulating a particular account. So it is important to conduct critical reading of discourses, to prize apart elements of the language and to deconstruct it so as to help reveal what lies behind it. This is what I have done in the analysis and writing up stages. Fourth, I recognise the peculiarities of the research methods and my own position in the production of research outputs, especially through analysis and writing up stages. This all conditions the findings. For that reason, I use the next sections to be more explicit about the conduct of the interviews, the analysis and the writing of findings, so that the reader can be aware of how the resulting knowledge and findings were produced.

The Conduct of Interviews

The main research method used was qualitative interviewing, which provides an effective means of getting detailed findings about people's arguments and sentiments, offering opportunities to comprehend the ways that people interpret moral issues and act upon them (Sachweh 2012; Dolan 2007). Interviews also provide personal accounts enabling an analysis of subjectivity. Furthermore, people can be willing to discuss behind-the-scenes situations and less respectable activities in an anonymised interview, whereas these accounts would be unlikely to find their way into a document written for a public audience (Böhm, Murtola, et al. 2012, p.2). Overall, interviews provide a flexible and enduringly useful method for finding out about a wide range of phenomena (Kvale 2007; Dowling et al. 2015).

However, interviews have their limitations. An interview is a staged event that takes place in a particular moment and context. It is framed in certain ways and develops as a unique interaction between individuals to create and perform meaning (Denzin 2001, p.25; Mason

2002). The discourse created in an interview is site-specific and affected by contextual, situational factors. Interviews do not necessarily give accurate accounts of practice, nor faithful insights into attitudes and perspectives (Hammersley 2006). Writing of findings from interviews can create crude portraits, or can lead to a researcher serving as a dupe for sophisticated informants (Clifford 1986, p.9). The number of interviews conducted is also normally lower than the number of people that the interview analysis aims to represent. So the question that emerges is how can limited interview data, taken from particular situations and contexts, be taken as reliable information with which to generate representations of the carbon offset market?

The response to this challenging question is multi-faceted. Interview data were supplemented with observations from various events, plus insights from reading documents, reports, websites and social media related to carbon offsetting. Although these data from observation and reading were not analysed as systematically as the interview data, they contribute to my overall understanding of the market. They enhance my ability to triangulate between findings from interviews and other sources of information which can support or else contradict the views provided, to offer a more credible account. Furthermore, my writing-up of findings was done with reference to other academic research, which is helpfully relatively abundant on the topic of carbon offsetting. I also present details here about how these interview events were staged, framed and conducted. The number and diversity of interviews undertaken precludes a full account, but significant details will nevertheless be described in this section. In particular, I will describe the approach to the interview, its conduct, and who I spoke with. The section afterwards will describe similarly the data analysis stage. Opening up in this way enables scrutiny of my approach and allows others to more effectively challenge my methods and findings, to show me wrong if necessary.

Although interviews were the primary methodology, attending relevant events enhanced my understanding of the carbon offset market. I attended the annual Carbon Expo carbon market trade fair and conference in May 2013 in Barcelona with the support of a small grant from the Gilbert Murray Trust, as well as the 2014 Expo in Cologne (Watt 2013). This helped me to enter into the social world of carbon trading (Descheneau & Paterson

2011). I attended the 2013 Conference of the Parties to the United Nations Framework Convention on Climate Change in Warsaw (Bruun & Watt 2013; Bruun et al. 2013). This first-hand experience of the power relations involved in the UN summit ‘theatres’ (Death 2011) helped me to appreciate the role of carbon trading within international climate governance (c.f. Böhm, Murtola, et al. 2012). Other events included a conference on carbon offsets and ‘results based finance’ organised by the Gold Standard in Zurich in March 2014, attendance at NGO strategy meetings, evening functions with carbon market actors, and visits to project developers in India. Observations from these events have informed my understanding of the social, political and cultural contexts in which carbon market actors operate. This has enhanced my ability to contextualise and interpret the interview data.

When approaching interviewees, I recognised that access may not be immediately forthcoming, primarily because many participants were busy professionals who might not like to give up their time (Richards 1996). Approaching a few people that I had met at events, and had contact details for, was a useful means of increasing the likelihood of participation. Furthermore, some interviewees were able to suggest colleagues and friends that I could approach, helping me to tailor an interview request. But most requests were sent out ‘cold’ via email to relevant people identified by means of web search. The recruitment of informants was based on efforts to hear from people working in most of the different sectors of the market, and indeed in different geographical areas, to gain multiple perspectives from a cross-section of people (initial interviews were in the UK and Europe, and later interviews were in India).

The interview invitations, always sent out by email, gave short introductions to my research. This provided the framing for the interview, and inevitably shaped the discussions that came later. I presented my research generally as a study of the ‘value of offsetting’ and gave an indication of exploring ethical considerations by referring to normative ideas, such as ‘justice, ideals and realities of carbon offsetting’. Recipients of the email could find out some more information about the research project by visiting a website I developed using WordPress entitled ‘Carbon Market Morals’. The site included a short biography of myself, some pictures, and an account of the research including its objective of showing ‘how

carbon market actors manage the ethical concerns of offsetting'.¹² The language I used was deliberately couched in quite neutral and non-academic terms so as not to be off-putting to participants that might be worried about being confronted with critical perspectives or complex questions. I did not offer material rewards for participation, apart from offering to pay for a coffee or a drink in case we were to meet in a public place. The main incentive I described for the interview participants was the prospect of an enjoyable experience. I also indicated that I would share research findings with participants at a later time. Upon receipt of a positive response from a prospective participant indicating interest in the activity, I gave them further details about the interview process so that they knew what they were agreeing to (see Appendix 1 for an example information sheet). Most interviews lasted between thirty minutes to an hour and were tape recorded, with the resulting audio files then stored securely for subsequent transcription and analysis.

Overall with the interview method, I sought to proceed inductively, moving from observations (interview conversations) towards appreciation of patterns (through analysis) and then onwards to link to theory. For that reason, the interviews themselves were only loosely structured. My initial questions were always innocuous and open, and I would ask about personal experiences with carbon offsetting to encourage people to open up and move on from any concerns about formalities and recordings (Aberbach & Rockman 2002, p.675). Asking about personal experiences was a means of helping me to arrive at an improved understanding of the social worlds of the interviewees (Richards 1996). After exploring personal history for a period, I would then ask about rationales for offsetting through a question such as: 'Do you think there are moral rationales for offsetting?' This topic would then be explored, and I would ask about what actions the interviewee or others might be taking to enhance those rationales. Later, I would move on to ask about problems: 'Do you think there are problems, or moral problems, associated with offsetting?' Follow up questions would ask about responses to problems, and whether or not they have been addressed. This was to ensure that the discussion did not deal only in abstractions and generalities about moral principles, but was able to consider them in context (Mason 2002). Where interviewees were reluctant to voluntarily describe problems, I would ask them to

¹² The site can be viewed at: <https://carbonmarketmorals.wordpress.com/>

discuss known critical perspectives and possible problems, such as lack of environmental integrity, lack of sustainable development, or ideas of greenwash, for example.

This was the rough format for the interview, but it was not universally so. Sometimes more probing and questioning was involved, as interviewees gave short answers. On other occasions, participants volunteered lots of relevant information without much direction required. In all cases, questions were not consistently phrased, to avoid the perception of going through a formulaic procedure, and rather to give the impression of engaging in a fluid conversation. The intention overall was to give only a basic structure to the interview which would encourage discussion of personal experience, moral rationales and problems, and responses. The loose structure allowed me the flexibility to encourage more discussion of interesting and revealing topics that could not have been anticipated in advance (Kvale 2007).

The interviews involved a wide range of actors engaged with carbon offsetting, but as is apparent from Table 3.1 below, some categories of activity were better represented than others. I conducted 68 interviews in total. These lasted between fifteen minutes at their shortest, and a hundred minutes at their longest, with an average length of between thirty minutes and an hour, roughly speaking. Of these, 29 interviews were conducted in person, and 39 by phone or via teleconferencing (Skype).¹³ 26 of the interviewees had experience working in carbon offset project development, and I refer to them in the empirical chapters as ‘project developers’. Six interviewees had experience working as consultants involved in project development, typically working on a contractual basis for project developer investors that had only limited experience of and expertise in the carbon market. Engagement with the regulatory side of carbon offsetting was more limited. I interviewed three people who had worked as project auditors, and three people who worked for

¹³ The in-person interviews had advantages, especially in generating rapport and in enabling greater appreciation of meaning. It was easier to establish a rapport and to understand nuances in meaning. But the dispersed nature of the interviewees and the time and travel costs that would be involved in meeting with everyone in-person made this strategy prohibitively expensive in many cases. The field work already involved travel in the UK and beyond to Switzerland, Spain, Germany, Belgium, Poland and India.

voluntary standards organisations. I interviewed 17 people involved in the sale of carbon credits. I refer to them as ‘retailers’. Many retailers are also involved in carbon management consultancy for corporate clients, with offset sales coming as part of the broader carbon management process. I interviewed two people who worked on carbon management consultancy issues only (they did not sell carbon offsets). Additionally, I spoke with ten people who had worked for NGOs involved with carbon offsetting in different capacities, and six people who worked for organisations that had taken voluntary decisions about whether or not to buy carbon offsets (described as ‘buyers’).

The interviews consequently provide a lot of coverage of offset project development processes and the sales of offset credits. The interviews do not give as much information about purchasing decisions or regulatory processes, albeit these processes are still covered by a few interviewees, as well as through insights drawn from people who work primarily in other domains. I did not speak to people on the ground in carbon offset project sites, which means that I am unable to offer their perspectives and their voice, as others have done, especially through case studies (Richards & Lyons 2016; Böhm & Dabhi 2009). This was a deliberate decision, taken because I wanted to avoid in depth discussions of particular projects, which has already been achieved through the production of case studies. Instead I sought to deliver an improved understanding of the overall market which might be capable of highlighting processes that link different cases (Castree 2005). If there were an opportunity to do further research in this area, I would recommend conducting more interviews with people working for standards, people working in regulatory capacities for the CDM, and people who have worked as carbon project auditors. Their discourse and insights into the regulation of carbon projects would be worth further exploration (Whittington 2012, p.123).

Table 3.1 – Categorisation of interviewees and numbers of interviews.¹⁴

<u>Interviewee Category</u>	<u>Number of interviews</u>
Project developer	26
Consultant in project development	7
Auditor	3
Employee of Standard	3
Retailer	17
Carbon Management Consultant	2
NGO	10
Buyer	6

Inevitably, 68 time-limited interviews in particular places at historic moments (through 2014) can only give a partial and incomplete picture of an evolving carbon offset market. There are many more people engaged in carbon offsetting outside the sample than within it. And there are deficits of information regarding some sectors of the market, limiting my insights into some aspects of its functioning, as I mention above. Nevertheless, the interviewees did reveal a great deal of insight which I have tried to represent effectively through the data analysis and writing phases of the production of the thesis.

Interview Analysis

Almost all of the interviews were recorded. Where recording was not possible, due to lack of agreement from the interviewee (on a few occasions) or due to malfunctioning

¹⁴ Some interviewees had worked in multiple capacities, so the numbers of categories here add to a higher total than the total number of interviewees.

equipment (on one occasion), written notes substituted.¹⁵ I personally transcribed the recordings. I did this using audio play-back and then either typed out the language word for word, or narrated the interview language into a Word document using speech recognition software (Dragon Naturally Speaking). Both typing and narrating were effective in producing accurate transcripts which are likely to contain only minor differences in language compared to the original.

I then coded the transcripts using qualitative analysis software (NVivo). The codes were developed inductively. There were no pre-conceived categories or codes. The process of coding involved reading the interview transcripts, highlighting a portion of the text, and then linking the transcript section to relevant codes using the computer software. This meant creating codes in an open and data-driven manner (Gibbs 2007, pp.45–46). Example codes included ‘additionality’, ‘personal views’, ‘justification’, ‘co-benefits’, and ‘development’ among many others. Highlighted sections of transcripts were typically categorized as relevant to multiple codes.

After all the interview transcripts and notes had been coded, I was able to use the material to develop the write-up. The structure of the main sections of the thesis was mainly pre-determined in accordance with the research questions. The idea was to explore the rationales and problems of offsetting (chapter four), examine responses both positive (chapter five) and negative (chapter six), and then to offer some explanations of responses (chapter seven). I wrote each chapter by creating many pages of notes of relevant points which emerged from the analysis of the codes. I grouped points and aimed to find logical orderings which would allow me to draw out the significant issues that emerged from the interviews in a comprehensible narrative. When multiple interviewees were making similar comments, I could also increase the confidence with which I reported on findings.

The analysis phases of the doctoral research were rigorous and extensive, especially as my exposure to the content was multiple (through interviewing, listening again,

¹⁵ When notes were taken, rather than a recording, I have not quoted interviewees in the write-up. I have rather only signalled to the general content of interviewee discourse because generating a quote would probably be inaccurate in its phrasing.

typing/narrating, coding, analysing, etc.). I became intensely familiar with the data. But of course, because it was 'me' doing the interviewing, coding, analysing and writing, I cannot claim objectivity. In qualitative inquiry, the subjectivity of the researcher plays an important role in the creation of the research output (Hammersley & Atkinson 2007; Mauthner & Doucet 2003). The presentation of interview data involves a selective inclusion and exclusion of material, where some words are highlighted in the text to bolster a narrative developed by the author of the research, while other comments which do not fit the narrative are silenced (Clifford & Marcus 1986; Hammersley & Atkinson 2007, p.203). This creates a challenge to researchers pursuing interviews or ethnography who make claims of objectivity in their representations of the culture and practices of groups of 'others' (Clifford & Marcus 1986).

The first response to the above challenge is to avoid a claim to objectivity. But this statement should be clarified. While I accept the difficulty of 'proving' findings, and I recognise that interview data is partial, limited and involves selective interpretation by me as an author, I do not wish to slip into a post-modernist style of writing which becomes semi-autobiographical or insufficiently willing to make claims about the social world around us (Hammersley & Atkinson 2007). I recognise the importance of reflexivity and researcher positionality, offering reflections accordingly below. But subsequently I write up findings in a manner which strives for confidence in results. This comes from a position of having conducted careful and extensive fieldwork, intensive data analysis, much reading, and cross-checking of insights with other kinds of information. My aim has been to articulate findings from the interviews which were made frequently, and which resonated with other forms of data regarding carbon offsetting. My empirical chapters and discussion have also been subject to peer-review via presentations of text to my two academic supervisors. Some work has also been presented to researchers at academic conferences, at an internal reading group at the University of Manchester, and to researchers at the Leverhulme Centre for the Study of Value. These presentations have allowed comments, feedback, questions and challenges to be raised and incorporated into the development of the work and the argument. We have to live with the understanding that knowledge products like this thesis are situated in the contexts of field encounters and researcher

positionality, but nevertheless aim to create a ‘good enough’ picture of the social world which others can engage with and argue against where appropriate (James et al. 1997).

Thus, before turning to the empirical chapters, a few reflections on my own position with regards the subject matter are in order. The aim is to be more reflexive about the ‘implicit philosophy’ and the ‘social and political coordinates’ of the research (Sayer 2000b, p.6). A common rejoinder to critical work is to claim that the research is somehow ‘biased’ because of an author’s political or ‘ideological’ perspectives (Michaelowa 2011). But there is no such thing as value-free, objective research (Newell 2012b). The only thing to do is to be clear about what drives and motivates it.

I began the research process with a critical yet open-minded stance towards carbon offsets. I was ready to see the rationales for carbon trading and offsetting as well as its problems. This is reflected in the aim of evaluating offsetting. Evaluation need not necessarily lead to critique. To the extent that critique is what results in the following chapters, I believe this is mainly a result of the failures of offsetting. However, I acknowledge that my position is relevant. On the one hand, I am free to develop critical perspectives because I have no significant desire to work in the carbon offset market or in a carbon trading consultancy position, or suchlike. If I desired such a professional role, I might have self-censored for fear of repercussions, or changed the research design so that I could make a more practical contribution to policy and practice in line with a reformist agenda (Li 2013). My aim instead is to pursue further research and teaching opportunities in an academic sector which is more likely to countenance and reward critical perspectives. I also have some background working with marginal political parties and social movements that are critical of mainstream political settlements and the environmental degradation and development problems that accompany them.

On the other hand, perhaps I am not critical enough. As a better-off northern scholar, I am possibly guilty of using carbon markets as ‘only an “interesting” news item or a scholarly opportunity’, rather than seeking to resist the threats carbon markets pose to livelihoods and rights (Lohmann & Böhm 2012, pp.82–84). Indeed, when it came to doing interviews with carbon market professionals (especially those from Europe) there was a sense of a

shared cultural, educational and class background (although considerably less so with interviews in India) (c.f. Mellor et al. 2014). These similarities helped with the development of rapport in interviews. But the shared background also gives rise to a possible tendency to align myself politically with the class interests of such educated professionals. Although I am free to offer critique, my status as a western educated professional man means that I am several steps removed from the sharp end of climate change and of other relations of exploitation and dispossession. So perhaps I am not critical enough, and am insufficiently willing to engage with active struggles. These elements of my positionality as a researcher are considerations that I tried to remain conscious of when developing the analysis, discussion and conclusions which follow.

Conclusion

The title of the chapter refers to the ‘prism of the interview’, which so far has gone without comment. The prism is a good metaphor for the interview method. Light comes in to a prism, which signifies ontological realism: the reality is there, just as the light is. The interviewee is like the prism itself - the glass or plastic material. The light is refracted in different ways through a prism, so the light that comes out has been altered. The interviewee has exposure to reality, and is asked to describe and comment on what that reality involves, and in that process creates new meanings and interpretations, refracting the light. The light which emerges is like the interview data. The discourse of the interviewees is still about reality, it’s still about that light, but it has been altered and is no longer a straightforward account. The data should not be treated therefore as a direct account of the truth. It has to be treated with caution and a critical eye. Furthermore, the ways that the interviewees represent the world gives its own fascinating insights into the ways that they perceive and construe reality. The interview process is not simply about finding out what is going on, and aiming to reveal the source of the light. It is also about looking at the prism itself, and considering how it refracts, and why. The interviewees themselves become an object of study.

Through open questioning and loosely structured interviewing, the fundamental aim of the research method has been to allow the interviewees to give their own accounts of carbon offsetting. The recording of the interview conversations and the careful analysis of the transcripts enables the production of insights into the ethics, economics, politics and culture of the carbon offset market. The revelations of the interviews provide the subject matter for the four empirical chapters that follow.

Chapter Four: Carbon Claims, Development and Destruction – Rationales and Problems of Carbon Offsetting

There remains much more work to be done to gain a fuller understanding of the ethics of carbon offsetting...

- *Keith Hyams & Tina Fawcett, 'The ethics of carbon offsetting' (2013, p.97).*

In their review of the ethics of carbon offsetting, Hyams and Fawcett (2013) point out that questions remain over which moral principles apply to the evaluation of carbon offsetting. They also call for more research to help evaluate the motivations of those individuals and organisations that offset. Philosophical debates about applicable moral principles and the importance of particular moral motivations can help with evaluating offsetting as an idealised scheme. But this chapter and the thesis overall takes a different tack. It considers the ethics of carbon offsetting with regards to its empirical reality, not with regards to offsetting-as-its-advocates-would-like-it-to-be.

To proceed, this chapter introduces interview data to consider the major rationales for and problems of carbon offsetting that interviewees identified, with material from the literature on carbon offsetting in supplement. The chapter is split into two main sections. The first, entitled Carbon Claims, looks at environmental rationales and problems. It shows that offsetting is typically justified with reference to an economic efficiency rationale, as carbon credits supposedly provide a cost-effective means of reducing emissions. Furthermore, interviewees argue that promoting awareness of climate change is an important benefit of the offset market. However, problems of environmental integrity mean that many carbon credits do not provide the emissions reductions that they are supposed to. Consequently, offsetting promotes misinformation about, and an unhelpful framing of, climate change. The second section of the chapter, entitled Development and Destruction, considers offsetting's social rationales and problems. Interviewees claim that carbon offsetting provides a means of achieving development outcomes that benefit low income groups in host countries. However, there are only relatively few, small scale, high cost projects that

successfully achieve significant development benefits. Many other projects have negative impacts for local communities, while benefits accrue to elite groups. This produces the structural problem of giving power to those furthering a destructive development model.

4.1. Carbon Claims

This section highlights first of all the centrality of, and indeed the limitations of, the economic efficiency rationale which motivates policy-makers and businesses to seek cheap emissions reductions through offsetting. Second, the section highlights the questionable calculations involved in determining the emissions reduction values of carbon offset projects, which can give rise to a lack of environmental integrity. Third, the section turns to critical discussion of an awareness-raising rationale for carbon offsetting in which interviewees claim that offsetting is helping to educate the public about climate change issues.

Incredible Efficiency

Carbon offsets are typically proposed as a cost-effective or economically efficient form of climate mitigation policy.¹⁶ The basic logic for carbon offsets is to achieve emissions reductions, and meet compliance or voluntary targets, at lower costs.¹⁷ Carbon offsets allow regulated entities to take advantage of lower carbon abatement costs that can be realised by emissions reduction projects in other countries (Hepburn 2007).¹⁸ The economic efficiency argument is fundamental to carbon offsetting.¹⁹ As interviewee 8 from a pro-offset NGO put it, the ‘original concept’ and the ‘whole instrumental side of an offset’ was

¹⁶ Interview 6: from a pro-offset NGO.

¹⁷ Interview 30: a project developer from a Development NGO.

¹⁸ Interview 6: from a pro-offset NGO.

¹⁹ Interview 3 and 35: both project developers.

based on the question of ‘how can we pour finance into mitigation activities at a cost-effective level?’

Participants in the carbon market are well aware of the much cheaper reduction units available as carbon offsets.²⁰ Over time, as the price of carbon offsets under both compliance and voluntary schemes has been continually decreasing, offsets have become ‘the kind of cheap easy option’, according to interviewee 16, an offset retailer. Project developer interviewee 35 attributed the low costs to the power of market forces, saying: ‘The market is incredibly good at identifying profitable or low cost reductions’. The low cost stimulates the market, encouraging purchases.

In European climate policy circles, cost reduction is treated very seriously, especially in the light of economic competitiveness concerns, the post-2008 European economic downturn, and the view that alternative climate policies entail high costs (Girling 2010, pp.15–16).²¹ Some Swedish MPs for example have argued in favour of climate policy only on condition of pursuing emissions reductions cost-efficiently through the use of flexible mechanisms, viewing the pursuit of efficiency as a matter of ‘moral responsibility’ (Zannakis 2015, p.228).

In the voluntary market, a ‘quick fix for the planet’ narrative portrays offsetting as quick, cheap and easy to encourage sales (Lovell et al. 2009, pp.2365–7). The narrative is sometimes construed as a matter of moral importance. Mike Mason, founder of the offset retailer Climate Care, gave this view in an interview for a televised documentary (Clarke 2007):

If we are trying to reduce emissions as fast as we can, we have to find the very cheapest thing and the fastest thing and do that first. Anything else is an absolute dereliction of our duty to the environment.

²⁰ Interview 3: project developer.

²¹ Interview 6: from a pro-offset NGO.

The idea proposed is that pursuit of cheap, easy options is a moral responsibility when faced with the pressing challenge of climate change.

However, while on face value that view might have some credibility, there are deeper problems with offsetting that undermine the economic efficiency rationale, which make it incredible. Some NGOs have argued that the focus on cost-efficiency is damaging because it avoids a more strategic discussion about what measures are needed to create a transition to a low carbon society over the longer term (Girling 2010, p.16). Lohmann describes this problem as ‘disembedding the climate issue from the historical question of how to organize for structural, long-term change capable of keeping remaining fossil fuels in the ground’ (Lohmann 2012c, p.90). As Swyngedouw describes it, a major problem of ‘privatising the climate’ through the turn to carbon markets and the appeal to cost-efficiency ideals is that it gives rise to ‘the techno-managerial machinery of post-democratic governing’ (Swyngedouw 2010, p.221). This is a challenging critique that goes against the fundamental idea that cost-effectiveness and the commodification of carbon should be the guiding rationale for climate policy (Bailey et al. 2011; Moolna 2012; Page 2012; Methmann 2011). Interviewee 5, from an NGO critical of offsetting, made this point. So did interviewee 20, a project developer, who said the ‘development trajectory’ was not addressed well through offsetting. The interviewee (20) asked rhetorically: ‘How long can you only go for the low hanging fruit?’

Leaving climate policy to the market can lead to absurd, very much non-cost-effective outcomes viewed from a societal level. For example, Caney (2010b, p.218) notes that the Clean Development Mechanism channelled well over four billion Euros to the owners of factories producing and then capturing HFC-23, a powerful greenhouse gas, when it would have been much cheaper (with a cost of about €100 million) to simply pay the firms to install devices that capture HFC-23 outside of a market context. So too, the French chemicals firm Rhodia was projected to produce \$1 billion worth of carbon credits from an investment of merely \$15 million in equipment to destroy the greenhouse gas nitrous oxide (N₂O) in Korea (Lohmann 2010, p.244). This demonstrates that economic efficiency is not guaranteed under an offset market structure, but rather depends on the empirical conditions of the offsetting in practice. This problem applies most of all if offsets lack

environmental quality, in which case the validity of the appeal to cost-effectiveness is immediately undermined. Cheap is only good if you get what you pay for. Otherwise it is cheap and nasty.

Questionable Calculations

If carbon offsets are both cheap and provide genuine emissions reductions that are real, accurately measured, and verified, then there is a clear rationale for offsetting. Critics might have to fall back on to more dubious arguments about offsetters having insufficiently robust motivations towards climate change mitigation (Spiekermann 2014), or about the illegitimacy of paying someone else to discharge environmental responsibilities (Aldred 2012; Goodin 1994; Sandel 2005; c.f. Hyams & Fawcett 2013). These are philosophically debatable points (Caney 2010b). But if offsets lack environmental integrity, then significant issues arise which are of clear moral concern. First, and most significantly, offsets can undermine legal emission reduction targets agreed at regional, national, or international levels. Offsets' environmental integrity concerns threaten to undermine commitments to emissions reductions. This applies under the Kyoto Protocol and the EU Emissions Trading Scheme (EU ETS), among other policy frameworks. Second, for the voluntary carbon market, environmental integrity concerns give force to the view that offsets are providing illegitimate moral cover for problematic production and consumption patterns.

The methodologies for calculating emissions reductions and the bureaucratic processes that must be completed are supposedly designed to safeguard the offset market against the crediting of spurious projects. The notional aim is to fulfil the rule that only 'additional' projects should be validated, so that emissions reductions are additional to those that would have occurred in the absence of the project. If a project is not additional, then it has no environmental integrity, because the carbon market cannot legitimately claim that the emissions reductions were achieved as a result of the carbon financing. Furthermore, emissions reductions have to be credited against a counter-factual baseline emissions rate, where people estimate how many emissions there would have been in the absence of the offset project. A variety of technical procedures have been developed to demonstrate additionality, postulate baselines, and calculate emissions 'reductions'. However, all of these

have flaws (Bumpus 2011; Lohmann 2005; MacKenzie 2009; Schneider 2009; Anderson 2012c; Lohmann 2009a; Lansing 2011; Anderson 2012b). There are also problems of double counting or double claiming of emissions reductions, whereby reductions attributed to an offset are also claimed as reductions produced by others (such as a host country government) as a result of other policies (Schneider et al. 2015). The inadequacy of calculative techniques used in the valuation processes for creating carbon offsets means that the environmental integrity of many credits is highly dubious.

Studies of CDM projects indicate that there are often problems with the additionality of projects, which means that they do not represent meaningful emissions reductions even though they are counted as such (Schneider 2009). Non-additional credits do not rely on carbon finance for their overall viability, which means that attributing the 'emissions reduction' to the offset mechanism is not warranted. Many renewable energy offset projects, for example, already have a relatively high 'internal rate of return', which indicates that the CDM is not necessary to the project's development (Alexeev et al. 2010). In the case of JI, a systematic study found that three quarters of JI credits are unlikely to constitute additional emissions reductions, undermining international climate mitigation targets as a consequence (Kollmuss et al. 2015). Anecdotal accounts of lacks of environmental integrity are not hard to come by. For example, in a television documentary for Channel 4, offset project developers admitted on camera that carbon finance was not necessary to their project (perhaps unaware that their statements would undermine the credibility of the additionality case of the offsets under scrutiny) (Clarke 2007). In another case, a diplomatic cable revealed by Wikileaks showed that Indian captains of industry, developing offset projects, were unable to comply faithfully with the environmental principles that lie behind the CDM (US Consulate Mumbai 2008). The environmental integrity of large quantities of offset credits deriving from industrial gas projects (reduction of HFC-23 and abatement of N₂O from adipic acid plants) has been called into question (Schneider 2011; Schneider et al. 2010). At least 550 million tCO₂e from such industrial gas projects have already entered the EU ETS, thereby undermining the European carbon market (Morris et al. 2013, p.40).

Furthermore, the lack of additionality has credible causes. The lengthy and uncertain nature of the CDM registration process means that project developers find it hard to rely on

carbon finance in a project's early stages (Lewis 2010). This helps explain why many private sector project developers prefer to register non-additional projects (Hultman et al. 2012; Purdon 2015). Project developers are able to achieve this partly because of the lack of independence of auditors. Interviewee 19, a retailer, commented that 'the verifiers [auditors]... to a certain extent have conflicts of interests, because they are verifying emissions reductions for companies which pay them to do so'. Cosy relationships such as these can enable gaming of the system (Lohmann 2006). The complexities and uncertainties of additionality defy easy definition or testing (Trexler et al. 2006; World Bank Group 2016). Similar problems exist for the setting of baselines. Yet the CDM translates these uncertainties into certified commodities that confer the official status of emissions reductions even when they deserve no such title (Lohmann 2005). Interviewee 30, a project developer, was forthright in his assessment of the implication of environmental integrity concerns:

Offsetting in theory was fine, but in practice, if half of the offsets are not genuine, because of inflated baselines or if the project would have happened anyway, then you lose the argument that offsetting makes sense. The argument is seriously compromised and undermined by the fact that half the offsets are not genuine.

Thus environmental integrity – and the lack of it – is at the heart of the normative debate about the value of carbon offsetting.

Inappropriate Awareness

Interview data shows that carbon market actors consider climate change awareness raising to be a major part of their job, and a positive rationale for offsetting. Interviewee 8 from a pro-offset NGO said that carbon management and offset service providers 'are the guys who are going out and educating the public' about climate change. Retailers said that offsetting is 'a good tool for communication because people are getting more aware about the issues of climate change' (1), that retailing involves 'spreading out a message, getting my customers to become more aware of the climate problem' (26), and that awareness-raising is 'obviously a morally good reason' for offsetting (19). Project developers also argued that education and awareness raising is part of their work, helping people to realise that they have a carbon footprint (2), enhancing public understanding of climate and

poverty alleviation issues (23), and encouraging behaviour change which is a ‘very important thing to do’ (18). Indeed, carbon offsetting can be seen as promoting new norms of carbon responsibility, encouraging people to become aware of the consequences of their behaviours and to take action to address the negative impacts (Goodall 2007, p.282). Furthermore, public consciousness and concern can be seen as vital preconditions for the establishment of more ambitious public policy on climate change, as politicians need to have support from electorates (Pietsch & McAllister 2010; Hale 2010).

However, there are problems with the awareness-raising argument for offsetting which stem from commercial interests in the content, and which lead to inappropriate discursive framings and the promotion of ‘greenwash’. First of all, the commercial agendas involved in awareness raising can lead to problems. A section of the transcript from interview 12, an offset retailer, indicates that ‘education’ of the public can be very close to ‘marketing’. The interviewee (12) complained of struggling to attract investors into the carbon offset sector, as they had heard negative things about it. The retailer (12) said that they would respond with ‘a stage of education of investors’. The incentives to twist the information in the education programme to facilitate investment or to generate sales are evident. Interviewee 17, working in retail of carbon offsets, said that he would like to see more ‘education about the benefits of carbon offsetting’, that ‘it would be great if there was some sort of positive campaign around the benefits that carbon offsetting actually has’. Interviewee 31, another retailer, said that education is important to dispel criticisms of greenwashing and other types of bad press that offsets are receiving. The links between the interviewees’ call for education and their attempts to sell offsets mean that the proposed education programmes would likely be similar to advertising campaigns. The discussion points to the politically contested nature of facts, expertise and science, where market participants can distort and strategically deploy information to further their interests (Blok 2011; Lohmann 2008). This is a step removed from awareness raising as some kind of public service.

The commercially-oriented awareness raising from the offset sector produces a problematic discursive framing of climate change. Part of the problem is the construction of a view that individuals are responsible for their personal climate change impacts, which

puts an emphasis on singular people rather than collectives, social structures and politics (c.f. Paterson & Stripple 2010). Lohmann provides a succinct account of the problems of this view:

Offset advertising teaches that the climate change problem is due to, and can be addressed by, individual consumer choices. It encourages northern consumers to consider part of their emissions to be simply ‘unavoidable’ rather than as part of a pattern of energy use that can only be tackled through political and social organizing. It conceptualizes global warming primarily through complex calculations of guilt over individual ‘carbon footprints’ rather than, for example, the study of international oil politics or the history of social movements that have achieved structural change of the magnitude required to alleviate global warming (Lohmann 2008, p.363).

Offsetting is part of a wider process that has been described as ‘responsibilization’, in which ‘individuals are treated as having the duty and capacity to take responsibility for things that should rightly be seen as the result of social structures’ (Bartley et al. 2015, p.13). In focusing moral attention on the individual, offsetting helps give other more powerful actors leeway and helps obscure the fact that climate change is a product of the wider economic and political system.

Indeed, offsetting speaks of an approach to morality in which one can easily purchase an ethical status for one’s self. Morality becomes a product that individuals can choose to opt in to as a consumer through market transactions, rather than a topic for social discussion and collective action, which is a worrying trend (Lovell et al. 2009; Monbiot 2006). In medieval Europe, the Christian church provided indulgences – a form of absolution – to ‘sinners’ in return for token payments. Commentators have shown the parallels between indulgences and offsetting, especially as offsetting encourages individuals to believe that individual climate change impacts can be solved with a tokenistic payment (Goodin 1994; Monbiot 2006; Sandel 2005; Smith 2007b; Van Hecken & Baker 2015). Other writers have likened offsetting to a drug that dulls painful sensations – such as guilt or uneasy feelings about environmental threats facing our society – and helps reconcile users to the established social and economic order (Ervine 2012; Spash 2010).

Some of the debates about individual decisions to purchase offsets seem dated because the market for voluntary offsets among individual consumers has fallen away. Most contemporary voluntary offset buyers are companies or organisations. So the relevant critique is about corporate offsetting, rather than individual decision-making. But many of the points raised above are relevant in this context too. The private sector's appeal to carbon neutrality is part of a corporate social responsibility strategy that gives the impression of exerting moral leadership (Blowfield & Dolan 2008, p.12). This can be seen as a political tactic of using environmental management as a means of deflecting criticism and legitimising corporate hegemony (Levy 1997). In lay terms, this is the critique of offsets as providing 'greenwash' for organisations, in which misleading green messages are promoted (Seele & Gatti 2015). Whether the buyers are individuals or organisations, the critical position still holds that the awareness-raising activity associated with offsetting is, in effect, a commercial agenda that sells inappropriate impressions of moral rectitude, serving to sustain a problematic social order.

Summary

The arguments against offsetting presented so far are mainly based on a critique of environmental effectiveness. Where offsets are effective in reducing emissions, then offsetting should probably be viewed as cost-effective. Even though there are some economically inefficient absurdities (such as paying vast amounts of money to the owners of industrial gas reduction projects), and even though offsetting averts strategic discussions about planning the low carbon transition, the 'emissions reductions' of carbon credits are certainly cheap. The central problem is that a lack of environmental integrity makes offsetting cheap and nasty. Equally, the arguments about greenwash and encouraging individualist and consumer subjectivities are given force through a critique of offsets' effectiveness. Corporate 'greenwash' implies that offsetting is just a flimsy glossy veneer to hide pollution, rather than genuinely compensating for impact. The 'indulgences' critique assumes that the offset payment is merely tokenistic, rather than actually meaningful. So the credibility of the carbon claims is central to the case for and against offsetting. It is most concerning then, as the middle sub-section of this chapter section has highlighted, that offsetting's carbon claims are based on highly questionable calculations.

4.2. Development and Destruction

The second main set of rationales and problems relates to the development impacts of carbon offsetting.²² Interviewees painted a positive picture of development benefits. Offset retailers talked about myriad added ‘humanitarian or social benefits’ (12), about a ‘very consistent pattern’ of positive impacts (16), and about ‘helping people in the developing world who are actually facing the issues of climate change as we speak’ (17).²³ Project developer interviewee 20 said that development is ‘the biggest moral benefit of carbon offsetting ... everything relates to the co-benefits’. Another project developer, interviewee 21, said that offsetting provides ‘benefit to the people, benefit to the environment, benefit to the climate, benefit to the agriculture’. Interviewee 42, an employee of a standard, claimed that offsetting is ‘about social benefits and technology transfer and adaptive capacity and increasing resilience of communities that are vulnerable to climate change’. Interviewee 32, a carbon management consultant, summed up the situation accurately when he said that most voluntary offset companies ‘claim they have some form of social benefits’. This much is evident.

However, it can be difficult to know how significant these claims are, how credible the interviewee discourse is, and whether the development rationale for offsetting holds up to scrutiny. To investigate further, the first sub-section articulates the ‘development delivered’ narrative that interviewees promoted, which gives some reason to believe that carbon offsetting can benefit the poor. By way of contrast, the second sub-section demonstrates the significant challenges involved in making carbon offsets work for development. And the third sub-section shows that many offset projects have destructive, negative impacts on local communities in developing countries, rather than bringing benefits. Instead, those material benefits that exist accrue to undeserving elites.

²² Development impacts are understood as the effects of offset projects on the human needs and aspirations of people living in developing countries, following the terminology of the Brundtland Report on sustainable development (c.f. Okereke 2006).

²³ Retailer interviewees 4, 19, 26 and 38 made similar comments about general development benefits.

Carbon Finance for Development

The interviewees made a case that development has been delivered through offsetting. This sub-section gives space to their views, points and arguments which constitute a clear narrative which I call a ‘development delivered’ discourse. Interviewees argued that carbon offsetting can be a means of funding development cooperation, and one which is often better than government or charitable funding alternatives. They also praised offsetting’s distinctive payments for results financing mechanism. Interviewees claimed that offsetting can produce multiple co-benefits and can enable technology transfer. Furthermore, some academic literature supports the contentions of the ‘development delivered’ discourse.

Interviewees said that carbon offsetting can provide a useful source of finance for development programming. Interviewee 21, a project developer, said that carbon offsetting ‘is a very good source [of finance] for real development’. Another project developer, interviewee 9, said that carbon finance can be ‘a good tool for an NGO’ to do development projects. Interviewee 2, a project developer, described offsetting as ‘development cooperation’ with carbon money ‘just another way to finance it’. For project developer 23, effective offset projects have a ‘primary focus’ on economic sustainability and livelihoods, creating ‘a poverty alleviation programme that has carbon benefits’. An environmental consultant, interviewee 41, said that offsets are ‘a good way of channelling money to international development projects’. Thus carbon market actors conceive of their work as a new form of development cooperation, a way of ‘finding new mechanisms of poverty alleviation’, in the words of offset retailer interviewee 26. The interviewees thereby argued that offsetting could be ‘development-oriented’.

Project developers frequently maintained that carbon finance helped them to scale up development-oriented projects in a manner that would not have been possible under other financing methods, such as from governments or charitable grants. Interviewee 18 explained that initially their organisation operated ‘in the way a charity does, so fundraising and asking for donations’, but found this ‘not very effective’. The interviewee (18) said that offsetting eventually enabled them to gain larger revenues. Similarly, interviewee 21 said that compared to ‘government aid’ and ‘small contributions from funding agencies’, the carbon market enabled scaling up development-oriented projects ‘very fast on a large scale’.

Interviewee 37 said that carbon finance can help to ‘scale up the projects and ensure there is large-scale implementation’, adding that ‘depending on donor money to implement [projects]... is not good’. Interviewee 45 said that ‘charity money’ does not enable large projects, but rather forces reliance on small numbers of interventions plus ‘reports on how to scale it up or considering effectiveness’, whereas with carbon finance they have scaled up. Thus, for some at least, carbon offsetting can provide a revenue stream to fund interventions which have positive impacts in developing countries, and which project developers were hard-pressed to achieve through government or charity funding.

Part of the distinctiveness of carbon finance is its payments for results system, which interviewees were also enthusiastic about. Interviewee 2, a project developer, advocated for carbon finance as a development tool, arguing:

It sets the incentives to run a project successfully... finance only flows if it is successful, if those tons are reduced, so this of course sets totally different expectations and different incentives.

In contrast, continued the project developer (2), development aid based on overseas development assistance has ‘no real follow up’ and ‘money flows anyway because it has to flow, because countries have to get rid of their money to get their ODA [official development assistance] rating’. Interviewee 42, an employee of a standard, chimed in asking: ‘What’s great about going in as an aid project, planting loads of trees and then nothing? Carbon finance requires monitoring.’ Interviewee 19, a retailer, said that carbon offsetting’s results-based finance grounded in ‘constant monitoring and verification’ is a good thing, in contrast to ‘traditional development aid where you just spend money, investing in something, and you do not know if in five years it is still being used or if it is still there’. Two other retailers gave similar perspectives, saying ‘the advantage of carbon finance compared to development finance, development aid, is that it is linked to a performance’ (interviewee 4), and that ‘the joy about giving to a carbon project ... [is that] I am assured independently of the impact of my investments’ (interviewee 27).

Interviewees enhanced this account of scaled up, results-based carbon finance for development with a discussion of the multiple and diverse benefits that offsets can provide beyond the claimed emissions reductions. These are often called ‘co-benefits’. Interviewee

12, an offset retailer, listed benefits that included constructing new roads, creating medical facilities, helping relocate farmers, giving vocational training, building schools and assisting children in the Brazilian rainforest. Interviewee 10, a project developer, highlighted the benefits of providing solar lighting in rural areas, enabling children to read when 'previously they would be using expensive paraffin and they would not be allowed to read for long'. Some project developers said that ordinary people in developing countries could receive income from the sale of carbon credits (interviewees 10, 18 and 36). Indeed interviewee 26, an offset retailer, said that to be 'fair' carbon offsetting should include a 'benefit sharing scheme' so that some profits 'end up with those producing the carbon credits' (c.f. Howard et al. 2016). Project developers said that offsetting can 'help co-finance' sustainable land use projects with a development focus (29), encourage 'sustainable land management practices' (36), incentivise tree planting 'at minimal cost with fantastic collateral benefits' (29), and can challenge 'high external input destructive agriculture' (46). Interviewee 22, an employee of a standard, mentioned co-benefits including secondary products from fruit trees, reinforcing or creating community institutions, and using those institutions to secure land tenure and other rights. Interviewee 17, an offset retailer, said that clean cooking stove projects are having a 'fantastic impact' in 'helping women and children' to breathe cleaner air and to save time on fuel wood collection. Interviewee 2, a project developer, said that saving and lending groups set up to enable purchases of cook-stoves are sometimes used for business ventures and that the groups 'have an impact far beyond emissions reductions'.

One other co-benefit of carbon offsetting can be technology transfer, which many interviewees saw as a rationale for offsetting. Offset retailer interviewee 19 said that it is 'obviously a morally good reason to support projects that are ... financing technology switch'. A corporate offset buyer, interviewee 13, enthused about technology transfer, saying that he had seen low cost development technology projects, which are sometimes 'easier to implement' in developing countries, that can 'inspire people over there to start jumping ... straight to the end goal of smarter technology' which 'ultimately benefits everyone'. Interviewee 67, a consultant and project developer based in India, said that carbon offsetting is very useful for promoting investment into developing countries, citing it as the main reason in favour of offsets. Indeed, if development is to happen overseas, then ideally we should promote the lowest carbon infrastructure possible, argued project

developer interviewee 35. Interviewee 7, from a research NGO, commented: 'From a technological or money point of view, there is money moving, and I guess that in itself is very very valuable' in encouraging technology transfer.

There is some limited evidence from academic literature on offsetting that supports some of these claims about the utility of carbon finance for development. Clean cook-stove projects can bring significant benefits (Berrueta et al. 2015; Simon et al. 2012; Lambe et al. 2015). Some community-based voluntary land use carbon projects can deliver credible development benefits (Poffenberger 2015). Carbon offsets can promote technology transfer by making new technologies more accessible and commercially viable (Schneider et al. 2008; TERI 2012; Dechezleprêtre et al. 2008). However, there is no abundance of academic literature supporting the claims of extensive and widespread development benefits. There is a mixed picture at best (Subbarao & Lloyd 2011). The UN, which manages the CDM, has been keen to report on the overall benefits of carbon offsetting (UNFCCC 2012). Groups supporting the voluntary market also claim that offsetting produces major co-benefits (ICROA 2014). However, these reports neglect the significant evidence that carbon offsets have frequently failed to produce significant development benefits. As the next sub-section will show, the 'development delivered' discourse associated with carbon offsetting is something to be sceptical of.

Challenges of Carbon for Development

This sub-section highlights the limited ability of carbon market actors to promote development outcomes. It shows first that many projects with a development focus are small scale and have high costs which make them a niche, non-representative section of the market. Second, even within the category of development-oriented offsetting, unintended consequences and misguided projects can lead to failures. Third, contrary to the assertions of the 'development delivered' narrative, many development outcomes are simply not known. Fourth, where investigations of offset projects have taken place, many reports show that offsets have created development problems.

First, development-oriented offset projects are often small in scale because they are

relatively high cost. This is partly because it is difficult to achieve significant carbon reduction from behaviour change among groups of poor people who already have very low emissions. Interviewee 44, a project developer, made this very point: ‘Working in the very poor areas doesn’t make sense in carbon terms because there are so much smaller savings to be made’. Partly for that reason, development-oriented offset projects typically incur higher costs compared to other offset project types, which is problematic in the current low price environment. Interviewee 21, a project developer, said that current market prices of around four or five dollars per ton of CO_{2e} ‘is not at all sufficient to do any activity’ that includes development programming. The project developer (21) complained about being undercut by industrial projects which are non-additional, where offset money ‘is an additional bonus for them’, in contrast to his own project where ‘the programme itself is depending on this money’. Interviewee 30, a project developer, predicted that price declines would lead to projects collapsing, especially in the land use sector if the financial case was modelled on a higher carbon price. The limitations of high costs and low prices constrain development-oriented projects from attracting the capital needed to scale, especially among non-profit operators (since capital is seeking a return on investment, as project developer interviewee 3 pointed out).

Second, even among the small section of the market which is oriented around development programming, comments and anecdotes from interviewees indicate that offset project failure is a real possibility. For example, project developer interviewee 2 said that a number of development-oriented projects were undermined because offset project developers were giving away products for free (for example, more efficient cooking stoves) and giving people money for using them. The interviewee (2) commented that the gifting practices were dressed up as:

“Fair carbon - our beneficiaries get a share of the carbon revenues”, and that sounds like a nice idea and it sounds fair ... but there is no guarantee that the stove fits their needs ... it’s just really useless, plus you are destroying markets.

Interviewee 43, a project developer, made a similar statement:

There are lots of examples of cook-stove projects for example where the user was just given a free cook-stove and then they use it to put flowers in or they don't want to use it because it's really beautiful and they don't want to make it dirty.

As interviewee 32 pointed out, many of the problems of development projects can be 'accidental' and based on 'unintended consequences'. To substantiate this, interviewee 32, a carbon management consultant, mentioned the case of treadle pumps installations encouraging Bangladeshi farmers to keep their children out of school because they needed the extra labour to operate them (c.f. Kennedy & O'Connor 2007).

The risk of accidents and unintended consequences is greater in the context of a payments for environmental service model because of the rigidity of some of the project requirements. Interviewee 37, a project developer, complained that some methodologies 'don't suit the social and cultural norms or dynamics of communities'. So too interviewee 50, an auditor, appreciated that methodologies:

Cannot be country specific ... they have to generalise because they are working globally. So when you go inside the country there are a lot of communities, whatever social aspects, everything is changing. That is where you get real hiccups.

In a similar vein, interviewee 23, a project developer, said that it can be difficult to 'talk about environmental things benefiting people' because 'it is way too complex and it basically just leverages out local people from that equation'. Leach and Scoones note the problem in their survey of carbon forestry in West Africa (Leach & Scoones 2013, p.965):

Almost by default, and often against the wishes of project designers, 'fortress' forms of conservation forestry in reserves, or uniform plantations, under clear state or private control, become the only way that carbon value can be appropriated through these mechanisms.

Thus methodologies and rigidities of the carbon financing model can easily place constraints on the development potential of carbon projects. In forestry projects in particular, carbon offset project developers can easily get caught on the horns of a dilemma. Either developers embrace neo-colonial, authoritarian forms of management to secure long term carbon storage, sacrificing claims to participatory development (because participation has to be on offsetters' terms) (Paterson 2010, p.355; Lyons & Westoby 2014).

Or developers accept that local people can determine land use priorities and thereby accept that the plantations, and the carbon sequestered there, will not necessarily remain over the long term, sacrificing the credibility of claims of climate protection.

Third, and in contrast to many interviewee's insistence that development has been delivered, there is a significant lack of knowledge about development outcomes. Interviewee 12, an offset retailer, made clear that 'it [knowing about development impacts] is difficult without being there ... without touching the ground' so they realistically 'have to take some form of validation', which ends up being reports written by project developers. Obviously this creates problems of positive bias. In the vast majority of cases, issuance of carbon credits is based on attainment of emissions reductions, not development outcomes. The monitoring and verification occurs for the emission reduction, but not for the development outcomes, as retailer interviewee 19 pointed out. Interviewee 16, an offset retailer, acknowledged that the level of information and detail about co-benefits varies a lot and he said that they cannot always be sure about projects' development impacts. Interviewee 11, an offset retailer, indicated that negative impacts on local communities 'are not necessarily built into the carbon standards' so they can go unchecked and approved, leading to problems with companies making 'false or misleading claims around co-benefits that perhaps do not exist or that are yet to be independently verified'.

A fourth reason why the development delivered discourse seems misleading is that academic literature fails to support the picture of widespread development benefits. Most reviews of the CDM conclude that the mechanism does not significantly contribute to sustainable development (Olsen 2007; Schneider 2007; Gillenwater & Seres 2011; du Monceau & Brohé 2011; Bumpus & Cole 2010). The CDM has had only a limited ability to promote technology transfer in the sense of building up indigenous technological capabilities (Phillips et al. 2013). There are constraints involved in using the CDM to promote access to some of the most helpful technologies, such as those that can provide energy access in least developed countries (Kim et al. 2013; Wood et al. 2016). Even where development-oriented projects are implemented, such as for clean cook-stoves, these projects are not always successful (Simon et al. 2012). While there is potential for achieving development objectives through offsetting, this has mostly not been realised (Siedenburg

et al. 2016). Local communities often do not benefit significantly from carbon market projects and their disadvantaged position makes it challenging for them to protect their interests (Mathur et al. 2014). In the land use sector, local people struggle to access benefits because they lack capital, knowledge, expertise and technology (Corbera & Brown 2010). Overall in the forest carbon sector, there are significant challenges to achieving equity and legitimacy objectives (Corbera et al. 2007; Brown & Corbera 2003; Eilenberg 2015). The literature indicates that it is very challenging to make carbon offsetting work for development, and further substantiates the points made above about development-oriented projects being small in scale, and often associated with unknown development outcomes or unintended failures.

From Development to Destruction

Even more damaging for carbon offsetting's development record is the extensive history of documented negative impacts on people and environments near to offset project sites. Numerous case studies of offset projects describe negative effects on the poor and vulnerable through their creation of local environmental and social problems (Lohmann 2006; Gilbertson & Reyes 2009; Docena 2010; Bond et al. 2012; Böhm & Dabhi 2009; Bryant et al. 2015; Ghosh & Sahu 2011; Lyons & Westoby 2014). Interviewee 51, from an NGO critical of offsetting, put the issue frankly:

Projects that have been certified as CDM projects in India, many of them are so highly polluting, they are fouling up the communities, they are fouling up the places of community use, the local atmosphere.

Interviewee 18, a project developer, implied that some carbon offset projects involve 'pushing people off their land', putting up fences and 'creating local resentment', such that they have done 'very poorly' and 'have terrible human rights records'. Another project developer, interviewee 3, said that 'you do get these projects that are heavily criticised ... according to the impacts they have'. Interviewee 10, an offset retailer, expressed the view that some project developers are making moves so that 'business people benefit, rather than sustainable development'. Project developer interviewee 37 complained that people in developing countries, and 'especially the poor', end up 'not getting the benefits'.

A pattern of negative impacts on people and environments near to offset projects, while benefits accrue to privileged actors, gives rise to a more structural critique of the carbon offset market. The concentration of benefits among elite groups indicates that carbon offsetting provides an accumulation strategy for some, while displacing the costs of climate mitigation on to others who lack power and voice (Bryant et al. 2015; Bond 2012; Ervine 2013; Böhm, Misoczky, et al. 2012). This dynamic means that carbon offsetting, rather than providing a form of sustainable development, is exacerbating inequality. Interviewee 26, an offset retailer, alluded to such structural problems when complaining that offsetting does ‘not work for the poor’:

People normally do not benefit from the carbon market, but rather it is project developers, financial institutions, banks *etcetera*. People are hit hardest by climate change and they do not benefit from any interventions into more sustainable livelihoods.

Interviewee 26’s comments about banks and other intermediaries taking benefits echoes the accumulation strategy thesis. Similarly, project developer interviewee 23 complained about benefits accruing to an ‘administrative layer that requires third parties, NGOs or other people to come in and broker deals’ in the forest carbon sector. The CDM also frequently rewards polluting firms, providing revenues to organisations engaged in maltreatment of workers, pollution of the local environment, extractive mining, corruption of the political system, and other harms (Docena 2010; Bond et al. 2012; Böhm et al. 2015).

By directing rents to the corporate ‘bad citizens’, the CDM subsidises and helps extend a problematic development model (Gilbertson & Reyes 2009). On the structural view, offsetting can be seen as a ‘fix’ enabling businesses (and states) to avoid potential costs of climate policy, and to gain benefits from the new market (Bryant et al. 2015). Carbon offset markets thus facilitate new strategies of sub-imperial expansion by elites in emerging economies (Böhm, Misoczky, et al. 2012). This can lead to problems with the development trajectory at a broader macro-economic or systems level perspective (Lohmann 2012c). Providing rents to actors who are otherwise causing social and environmental problems can lead to the entrenchment of those problems, rather than their resolution. The ability of more powerful actors to capture the gains of offsetting is considerable, leading to the betterment of large businesses and the representatives of financial capital. Meanwhile,

marginalised and voiceless people in developing countries frequently suffer the problems of carbon offset projects, keeping them poor. The view is that, under the guise of creating solutions for climate change and development, offsetting enriches some while causing environmental destruction and social upheaval for others (Bachram 2004, pp.11–13).

Conclusion

The carbon market actors interviewed for this research were content to talk about the case in favour of carbon offsetting. At its best, carbon offsetting can provide a cost-effective means of reducing emissions while simultaneously providing benefits to people in developing countries. Carbon offsets can promote awareness of climate change, helping to educate the public about the importance of carbon management and emission reduction activities. These are the rationales for carbon offsetting, grounded in environmental and developmental achievements.

It would be a mistake to see this as the full picture. The picture exists, here and there, because environmentally credible and developmentally positive projects are in existence. But the overall perspective on offsetting should not be coloured primarily by this vision. Problems of measurement and calculation create flaws in the system which allow projects to produce carbon credits that do not represent genuine emission reduction. Such credits are cheap but not cost-effective because society is not actually getting the emission reduction that has supposedly been paid for. As a result, offsetting tends to undermine climate change policies, creating a loophole that reduces compliance costs at the expense of climate change mitigation outcomes. Furthermore, rather than promoting effective public awareness about climate responsibility, carbon offsets and their advocates are creating misleading impressions. In the voluntary market, offsets make companies (or individuals) seem green even when they are not achieving what they claim (typically ‘carbon neutrality’).

Furthermore, in contrast to the CDM’s stated aims of a contribution to sustainable development and interviewee comments about a positive development record for

offsetting, it is ironic that perhaps the most trenchant line of criticism of the mechanism focuses on the negative impacts of projects in host countries. High costs, small scales, unclear impacts and common failures mean that even the offset projects most praised under a ‘development delivered’ narrative can be disappointing in their distant realities. Indeed, many offset projects are associated with considerable harms. Those benefiting from carbon offsetting are often elite groups, rather than the poor and marginalised, which is unequal at best. Where those elites are engaged in exploitative activities and are driving forward the economic processes of industrial development, then carbon offsetting is problematic from a structural point of view: offsetting thus extends power to the actors driving forward the very social and environmental problems that are supposed to be addressed.

By identifying and evaluating the moral rationales for and problems of carbon offsetting, this chapter has begun to address research question one. The next three chapters (Five, Six and Seven) move on to address the questions of how carbon market actors have responded to these moral concerns, and why they have done so. Answering these questions will give a better understanding of the empirical realities of the market, advancing the analytical and evaluative components of the moral economy project.

Chapter Five: From Criticism to Quality – Positive Responses to the Concerns of Carbon Offsetting

In the CDM everything is a learning stage, because the UN was learning, we were learning, everybody was learning in the whole market. And then it collapsed learning. We were all learning and all of us were learning and it collapsed, learning [laughter].

- *Auditor interviewee 50.*

Many people involved with carbon offsetting argue that experiences with the Clean Development Mechanism, voluntary markets and so on have been experiments to be continually improved through learning and reform efforts. The interviewee in the epigraph, referring to the collapse of the CDM, highlights with ironic laughter an ecological modernisation discourse which stresses the potential for enhancing the effectiveness of market-based environmental policies like offsetting through incremental reforms (identified in Chapter Two, sub-section Eco-modernist Assumptions, pp.40-42). The credibility of this perspective needs to be assessed, by considering the effectiveness of reform efforts, in order to evaluate offsetting. Moreover, understanding why reforms have been made in the ways identified enables a more informed prediction of the potential for future reforms. Furthermore, in line with the objective of understanding the lay normativity of carbon offsetting (see Chapter Two, sub-section Responses to Moral Concerns, pp.44-46), we should consider how (and why) market actors have reacted to moral concerns. So this chapter moves on to describe carbon market actors' positive responses to offsetting's rationales and problems, primarily addressing research question two. (Positive responses are defined here as those which enhance the rationales and tackle the problems of offsetting.) The chapter also offers insights into why responses are made in the ways identified, contributing to research question three.

The chapter proceeds in two sections. The first section highlights the importance of NGO and media criticisms of the carbon offset markets and describes how both reformist and absolute criticisms of offsets, coupled with abundant media attention, have created a

profound impact on public perceptions of offsets. Public criticism has produced influential results including a diminished respect for offsets among the general public, among businesses and among legislators. Many of these actors have consequently turned against offsets through decisions not to purchase them and through regulations constraining offsets' eligibility under climate policies such as the EU carbon market.

The second section offers an account of how carbon market actors have tried to address concerns by improving the quality of their work. Actors have done this by improving methodologies, creating rules and procedures for auditors, reinforcing voluntary carbon market standards, establishing expectations around carbon management in the voluntary sector, and promoting offset projects that have more positive development outcomes.

The chapter offers a picture of actors taking the moral concerns associated with offsetting seriously to at least some degree. It shows that there have been important attempts to enhance the rationales and tackle the problems of offsets. As the headline quote of this chapter from interviewee 50 suggests, many carbon market actors insist that offsetting has improved significantly through an evolutionary process of learning. This chapter takes that claim seriously and finds that it has some substance. NGO and media actors are making the public and policy-makers aware of those problems. The public and policy-makers are responding to identified problems by declining to purchase offsets and by regulating against them: a positive response in the form of rejection and restriction. More involved actors such as offset retailers, standards organisations, project developers and offset purchasers are trying to address problems through technical reforms and meaningful changes in practice. This is not the whole picture and there are many other responses which are not nearly so commendable, but these are described in Chapter Six (Corruption in and of the Concept) rather than here.

5.1. Controversy, Disrepute and Decline

Interviewees complained about an abundance of criticism of carbon offsets. Interviewee 17, an offset retailer, said that people mention negative stories and concerns about offsets

derived from media reports ‘all the time’. Interview 41, an environmental consultant, said the ‘CDM has come under huge amounts of fire’ and the voluntary market had ‘all that publicity, bad publicity’. Interviewee 31, an offset retailer, recalled a time when ‘we [the offset retailer] got our butts [*sic*] handed to us, we got in some real problems’ with negative media attention. Interviewee 42, an employee of a standard, said that offsetting has been ‘in the media a lot and companies were taking quite a lot of flak’. These impressions provide evidence of public controversy surrounding carbon offsets. NGOs and journalists were some of the most important actors engaged in criticism of offsetting and in raising controversy.

This section shows how NGO and media actors have articulated critical perspectives, thereby fashioning a distinctive response to the apparent problems of carbon offsetting. The significant media and NGO attention directed at offsets has conditioned public perceptions of carbon offsetting. Interviewees provided evidence to indicate that the potential for negative publicity creates a risk to the reputation of actors in the offset market, particularly in the voluntary sector. Negative publicity has dampened and decreased demand for voluntary offset credits. In the compliance sector, concern about the problems of offsets has led to political regulation against them, and may have encouraged political opposition to the operation of the CDM in global climate governance. These matters are addressed in turn in the sub-sections below.

NGO Criticisms

NGO criticisms have been varied in content and in terms of whether or not they reject offsetting outright or call for reform. Many NGOs took a stance against carbon offsets which entails an absolute rejection of the concept and all that it was associated with. The Durban Group for Climate Justice, a network of organisations and people’s movements, called for an end to carbon markets in a 2004 declaration, calling offsets ‘a total waste of time’ (Durban Group for Climate Justice 2004). The Accra Caucus of more than a hundred civil society organisations working on forests and climate change came to a written conclusion that ‘developed countries must not outsource the necessary emissions cuts to developing countries through the carbon market or other offset schemes’ (Fenton 2010).

Interviewees were clear that ‘there are plenty of people who will say that fundamentally it [offsetting] is a terrible process’ (7), that ‘some are saying the CDM has failed completely’ (10), and that ‘there are a lot of organisations ... that are really ideologically opposed to carbon offsets’ (42). Some interviewees from NGOs exhibited these forms of absolute opposition. Interviewee 51, an employee of an environmental and developmental NGO based in India, demonstrated condemnation when he answered the question ‘do you think there are any benefits to carbon offsetting?’ as follows: ‘Absolutely none, absolutely none. I did not find any positive example whatsoever. To my mind it’s an absurd thing.’ The interviewee (51) added: ‘You see I don’t believe in carbon trading at all. I oppose it as a concept.’ Similarly, interviewee 5, an employee of a research and policy campaigns NGO, criticised offsets as being ‘unproven and disastrous for southern countries ... the lack of additionality, the lack of development ... what we consider for offsets has been a disaster’. The outright rejection of carbon offsets comes with forceful discursive condemnations.

The second major camp of NGOs who work on offsets includes those willing to accept reforms to the market rather than opposing it absolutely. The Climate Action Network (CAN) of more than 900 NGOs have a reformist, yet still critical, policy on carbon offsets. In 2009 CAN declared that the Clean Development Mechanism had failed to fulfil its promised objectives of emissions reductions and sustainable development and therefore required ‘fundamental restructuring or replacement’, adding that the CDM ‘should not continue or be expanded without fundamental reform’ (Climate Action Network International 2009). In 2014, CAN’s position continued to be centred on advocacy of technical reforms to address perceived shortcomings in areas such as stakeholder consultations and additionality testing (Climate Action Network International 2014). Interviewee 7, from a research and campaigns NGO that takes a reformist perspective, declared (in a slightly abashed manner) that ‘we are horribly pragmatic: we are always slightly in the middle’, and explained the centrism as a form of recognition that ‘offsetting has had some beneficial spin-offs’. Reformist NGOs thus take the position that offsetting is potentially redeemable and then seek to remove problematic elements from the offset market, rather than aiming for the whole market to be condemned.

Both in opposition to carbon offsets and in efforts to make substantive reforms to the offset mechanisms, NGOs have typically engaged in research activities and public campaigns, so that criticisms can be shared with a wider ‘climate justice’ movement and/or with policy-makers. Interviewee 51, an employee from an Indian environment and development NGO that opposes offsets, explained that the strategy of the NGO and of other people in relevant networks working for ‘climate justice’ was to ‘create some kind of knowledge base about this [offsetting], about what is happening on the ground’ which led to a large amount of empirical research investigating offset projects. The interviewee (51) explained that the research was designed to address the initial problem of having ‘no information inside the country [India] about carbon trading’. The research was also designed to translate the ‘complex and technical’ language of carbon markets, ‘full of jargons’, into something that others can understand.²⁴ Interviewee 5 from an NGO highly critical of carbon markets gave a similar view about the importance of research on carbon market issues:

Information is key in these things: knowledge is power. To be able to have knowledge and then go and translate it, and to be able to connect ... to go and join a big meeting about creating a coordinated response, it means that you are doing something together.

This comment points out the centrality of research and information for critics of carbon markets, and also suggests the importance of cooperative networks and links between critical civil society organisations, which the interviewee (5) described as ‘the climate justice movement’.

More reformist NGOs have also engaged in research activities to develop campaigns against perceived malpractices in the offset market. Interviewee 7 from a reform-oriented NGO said that ‘we describe ourselves as research-led campaigners’. Rather than aiming to share findings with a grassroots climate justice movement, reformist NGOs are more interested in ‘traditional advocacy routes of lobbying’ in which the organisation researches ‘the numbers’, links together with like-minded organisations, and presents ‘a very nice

²⁴ According to interviewee 51. Interviewee 5 echoed this point.

packaged story' that is 'digestible for politicians', with a proposal for a reform providing 'a point of entry' allowing them to 'do something about it'.²⁵ Reformist NGO Carbon Market Watch, for example, claimed that after commissioning an independent study into carbon leakage from CDM offset projects which are supposed to reduce N₂O emissions from adipic acid production plants (Schneider et al. 2010), 'the European Union reacted by implementing a ban on carbon credits from this project type from use in the European Emissions Trading Scheme' (Carbon Market Watch 2012). This was a victory for Carbon Market Watch in their strategic objective of advocacy for 'strict quality restriction' on CDM offset credits' eligibility in the European Union (Carbon Market Watch 2016). In a similar case, the NGO Environmental Investigation Agency called for a European ban on credits from projects supposedly reducing HFC-23 gases, which was also ultimately successful (Environmental Investigation Agency & CDM Watch 2010). This form of research, advocacy and lobbying from reformist NGOs is thus capable of tackling some of the discrete problems of carbon offsetting.

Overall the sub-section demonstrates that NGOs have responded to the perceived problems of offsets by conducting research and collecting evidence which can then be shared publicly to encourage a mobilised wider response against carbon offsets, whether that be through reform efforts or calls for rejection. In mobilising public attention to the problems of offsets, these actors provoke a positive response. This work is complemented by the actions of media organisations.

Media Controversy

NGO actors have not been the only vocal critics of offsets, as journalists joined in with criticisms too (Lovell et al. 2009). Project developer interviewee 29 gave a sense of the scale of media attention, including its negative fire:

We had a hell of a lot of media coverage, and we had quite a lot of orders to begin with. Then what happened is the controversy started. We got tarred with the brush of these other guys who weren't doing it as ethically valid as we were ... we had a lot of

²⁵ All quotes from interviewee 7.

media coverage, were featured in various television programmes all over the place, Time Magazine, the Wall Street Journal, every national newspaper in Britain, every TV channel, so obviously sometimes you get critical stuff coming from journalists, particularly coming from Greenpeace, Friends of the Earth... the arguments stemming from George Monbiot...

In this instance, the media attention initially helped with increasing offset credit orders but then became associated with criticisms, many of which derived from the critical perspectives of major environmental NGOs (Greenpeace, Friends of the Earth) and environmental commentators (George Monbiot). The media had the potential to amplify the reach of critical perspectives so that public views about offsetting became conditioned by negative media stories, frequently fed and encouraged by concerned environmental groups.

Interviewee complaints about media coverage were common, especially among voluntary carbon offset retailers. Interviewee 2, a project developer working for a relatively high profile offset retailer, complained about the negative coverage:

We have been bashed a lot – if you check what the media is writing about us, it's always us getting bashed... there were big articles three or four years ago about making money from it, and journalists travelled to those places and 'oh this farmer doesn't get anything from this money', they roll out the whole story and make it seem that it's just a big money making machine.

The quote indicates that journalists tend to focus on the higher profile and publicly recognisable voluntary offset retailers, are willing to travel to offset project sites, and tend to report critically from the perspective of ostensible victims in developing countries.

Other interviewee comments echo interviewee 2's sense of frustration about widespread negative media attention. Interviewee 26, an offset retailer, gave his view that 'media is a problem ... carbon offsetting, if it comes into the media, it is mainly negative'. Interviewee 34, who works for an offset retailer, thought that media stories are not always well balanced, that they often run with the negative, and this can give a bad name to carbon offsetting. Interviewee 17, another offset retailer, had a dismissive tone when he gave an impression that 'media being media, and journalists being journalists, went and found those negative

stories and made a big song and dance about them'. Martin Wright, a journalist on environmental issues writing in a column for the BBC in 2007, gave a perspective that most offset retailers would likely agree with: 'Everyone – activist and amateur alike – weighs in to give them [offsets] a good kicking' (Wright 2007). The interviewees were complaining, it seems, because the coverage was so abundant and so negative. The coverage also affected their interests, as it led to reputational risks, decline in demand, and regulation against offsetting, as the next sub-sections demonstrate.

Risk to Reputation

Reputational risks are a genuine concern for carbon market actors. In the voluntary sector, the aim for organisations that offset is to enhance their reputation (and avoid the risk of being seen to do nothing about climate change). But bad publicity undermines offsets' potential to enhance reputations and increases risk for offset market participants, as they could end up on the wrong end of a bad media story. Desire to avoid reputational risks applies for the retailer and for the client who ultimately retires the credits. Interviewee 36, a project developer and corporate offset buyer who had worked in the corporate sustainability sector more generally, expressed the view that 'risk to reputation' is a 'major barrier' preventing other corporate actors from engaging with carbon offsetting (c.f. Laing et al. 2016). Interviewee 36 explained:

The risk is with the perception of voluntary carbon markets, based on real disasters and double counting and credits not being allocated properly and a few schemes that have gone up in flames ... it [offsetting] still carries a very negative image from those times.

The statement's language, referring to 'real disasters' and projects that went 'up in flames', shows the dramatic nature of offsetting's failures. The effects of these failures on people's 'perception' is overall to create a 'very negative image'. To illustrate the issues, I describe two cases: first the 'Coldplay Forest' offset project failure and its fall-out, and second the more recent bad press associated with the mis-selling of offsets as an investment vehicle.

Tree planting and forestry carbon offsets were some of the highest profile casualties of early media and NGO interest in offset projects' failures. The historic example of the

‘Coldplay Forest’ helps to illustrate this. Interviewee 29, a forest carbon project developer, explained the significance of the furore over forest carbon:

There were also a lot of problems with the early offset projects where the trees died, sometimes the trees didn’t even get planted, sometimes there was double counting. There was an example of the Coldplay forests in India I think where they got into a lot of trouble with the trees that were dying ... basically the early experiments with offsetting, particularly Future Forests, gave it all a bad name.

Future Forests, which the interviewee referred to, were an offset project development and retail company, now re-named The Carbon Neutral Company. The company attracted critical media scrutiny for offset projects based on tree planting. Interviewee 29 referenced Coldplay, a high-profile British rock band who contracted Future Forests to partly offset the emissions generated by the release of an album through planting 10,000 mango trees in Karnataka in India. The project flopped due to drought and bad management: farmers were simply given free mango tree saplings without support. The failure gave rise to a high-profile critical media story most likely enabled by the celebrity factor in the ‘Coldplay Forest’ (Dhillon & Harnden 2006). In response to these and other criticisms, Future Forests diversified their offset credit portfolio to move away from forest carbon and changed their name to disassociate their company from the scandals (Russell 2007). The re-branding and change of strategy can be seen as efforts to disassociate from severe reputational problems which continue to affect this sector of the market.²⁶

More recent reputational problems in the UK voluntary carbon offset market have been generated by media stories associated with the mis-selling of carbon offsets as an investment. Disreputable companies have sold voluntary carbon offset credits to small investors, often using high pressure sales techniques, with a promise of high returns which never materialised. The mis-selling has been listed as an investment scam by the UK Financial Conduct Authority (Financial Conduct Authority 2016). The scam may have

²⁶ Indeed interviewee 27, a retailer, explained that forestry projects are ‘for the most part a little bit harder to sell because people will ask the question of what will happen if that forest burns down, or is chopped down, or if the land rights revert to someone else’.

raised £24m for duplicitous sales-people, with the elderly targeted in particular (BBC 2013). Interviewee 11, an offset retailer, complained bitterly at the situation:

These boiler houses are ripping off mum and dad investors. They are losing their life savings and their pension. They will tell everyone they know. Some of those people will be decision makers in business, and they will go ‘Ooh, don’t like carbon credit, I’ve heard nasty things about it.’ That’s not helpful. So it’s a bigger problem I think the industry has to look at resolving.

The interviewee’s view is that reputational problems can even spread by word of mouth, as well as by the media, and that negative perceptions are damaging. Other offset retailers echoed these views, saying that mis-selling scandals ‘caused a lot of bad press around carbon credits’ (12), that the ‘negative stories’ about scams are ‘difficult’ (12), and that boiler-house operations have been ‘obviously very damaging’ (38). The complaints and frustration are understandable because for an organisation aiming to sell carbon to businesses, negative perceptions make the sales task much more challenging, as the next sub-section demonstrates.

Decline in Demand

Negative media attention and criticisms by NGOs and others have led to offsetting falling out of favour with the public. This sub-section provides insight into the processes through which negative perceptions and reputational problems have led to a decline in voluntary carbon offset sales. The sales process for voluntary credits, which are technical and complex products, relies on relations of trust. However, these relations of trust are easily undermined by bad stories and negative associations, leading to a decline in demand.²⁷

Interviewees were concerned about critical and negative publicity that can undermine the carbon offset market. Interviewee 1, a retailer, said that ‘if there is a lot of bad news it is bad for us too’, indicating that coverage can affect sales. Retailer interviewee 38 said that potential clients no longer want to buy carbon offsets ‘because they feel there is no kind of

²⁷ Some data on the limitations of demand for carbon offsets in both compliance and voluntary markets have been included in Chapter One (sub-section A Short History of Carbon Offsetting pp.16-20).

value added: if the consumer doesn't see any point in it, why should they spend all that money?' Interviewee 34, a retailer, expected most market actors to give a positive image of carbon offsetting in interviews for this PhD research project because they would not want to undermine the market with negative talk. Interviewee 32, a project developer, said that many companies considering buying offsets 'had read all this bad publicity about voluntary credits' and were 'holding off because they were concerned'. Interviewee 33 was just such a potential client, working for an organisation that considered offsetting but decided not to go ahead with it:

Some schemes of carbon offsetting, when we have looked into them and analysed them for reliability and different things, they don't always do what they say ... it can kind of be a bit misleading.

The interviewee (33) was not highly informed about carbon credits, and could not explain technical details, but had negative opinions of offsetting that even a cursory search for information on carbon offsets is likely to generate.

The lack of technical understanding of the complexities of carbon offsetting among the public means that buyers must have trust and confidence in retailers and in the intangible products they sell. Interviewee 13, responsible for a company's purchases of offsets and well versed in carbon management techniques, demonstrated awareness but not effective understanding of additionality considerations. The interviewee's comments also highlight the significance of client trust in the retailer:

I know people in [the carbon retailer] take that [additionality] seriously, scrutinise that, and that when the credits are released and certified, the additionality test is covered. So I can't further comment on that because I'm not the specialist doing it, but yes I think it is important that there is no additionality, and that it is looked at, and I can only hope that it is looked at in the right way.

The interviewee made clear that he is 'not the specialist' dealing with offsets' additionality concerns. The interviewee's lack of specialist expertise is further demonstrated when the interviewee gets confused and hopes that there is 'no additionality' (when in fact it necessary to have additionality; its absence undermines the whole concept of an offset). The mistake is more than a slip of the tongue, and one that can be explained as a result of

outsourcing of responsibility. The experts involved in carbon retail and certification are expected to ‘test’ for additionality, taking the burden of responsibility. The interviewee expresses ‘hope’ and indeed trust in these procedures – he ‘knows’ the people at the offset retailer take the issue ‘seriously’ and will ‘scrutinise’ additionality – stating that he can ‘only hope that it [additionality] is looked at in the right way’. In this case the corporate buyer is reassured by trust in the retailer and the certification procedures. However, trust is easily undermined: the negative media stories and wider criticisms available to those doing cursory research on offsets can generate suspicion, making the sales process much harder.

With negative perceptions and limited understanding, people involved in offset sales have to counter suspicion and mistrust. Interviewee 26, an offset retailer, complained about the challenges of the sales process:

So the problem is that people will see the news item and they will remember this news item. So when you start discussing these offsets, normally you are already defending yourself and that is not a constructive talk. So firstly you have to defend against what people have in their minds, and then you can start building on the relationship.

The comments show that negative media stories can easily put offset retailers on the back foot, in a defensive position where they have to justify offsets and argue against an initial negative reaction to build a relationship based on trust. Retailer interviewee 17 recalled a situation in which he was meeting a small company that were interested in offsetting. The anecdote clarifies the nature of the challenge for offset firms in the voluntary market:

One of the directors was sort of on board and that is why I was sitting in front of them. But this other guy was a complete cynic. He was asking, you know, ‘Can we trust you?’

It is not clear from the interviewee’s account precisely why the company employee was a ‘complete cynic’ and questioned the interviewee’s and the retailer’s trustworthiness. But the account does give insight into the importance of trust, of positive understandings and of avoidance of scepticism for the voluntary carbon offset market sales process. Criticisms have significantly undermined public trust. As a consequence, the demand for carbon credits has been more limited than market advocates expected it to be (c.f. Chapter One – A Short History of Carbon Offsetting, pp.16-20).

Regulation and Removal

In the compliance sector, the pattern of reputational risk is different. Organisations that buy offsets to comply with regulation under the EU ETS or other schemes are less exposed to criticisms and reputational risk than voluntary carbon offset buyers. Rather, the reputation of the CDM overall has been questioned (Newell 2014a; c.f. Vidal 2008). Interviewee 6, who works for a pro-offset NGO, gave the view that media stories have had a ‘tremendous’ impact on the CDM’s reputation. The interviewee (6) said many people now view the CDM as a ‘bad thing’, claiming that ‘it puts at stake the whole reputation of international credits if you get scandals’. Interviewee 34, working for an offset retailer, believed that the CDM has been completely undermined by environmental integrity problems, citing in particular the impacts of the Wikileaks exposure of the Indian diplomatic cable revealing an official (initially secret) view that most if not all Indian CDM projects are non-additional (US Consulate Mumbai 2008). This sub-section highlights the implications of critical NGO and media attention for the compliance market, arguing that it has affected the CDM’s reputation and led to regulations limiting the use of carbon credits in parliamentary settings and in the European Union.

Parliamentarians have considered the moral value of carbon offsetting and have come to decisions about whether to enable the use of carbon credits for climate change policy compliance. Interviewee 3, a project developer involved in government offsetting regulations, described a national parliamentary debate:

The left [in the parliament] is also traditionally hostile to offsets ... but the right favours the instrument where you can achieve emissions targets much cheaper ... so the consolation was that the left fought against the offset provision ... and the right was in general fairly hostile to the whole law.

The quote reveals a primary rationale for offsetting, deployed by the ‘right’ in a parliamentary setting, which is based on achieving emissions targets ‘much cheaper’. In contrast, the instinctive political position of those on the parliamentary ‘left’ is to be hostile to offsets. The situation described above is similar to debates held in the Swedish legislative system about the morality of outsourcing carbon reductions (Zannakis 2015).

In another case, the UK Committee on Climate Change, which advises government on setting long term carbon budgets under the Climate Act, has consistently recommended domestic targets which do not give recourse to offsets and other carbon credits (Committee on Climate Change 2013; Committee on Climate Change 2016; c.f. Lorenzoni & Benson 2014, p.16). Veteran left-wing Labour party parliamentarian Michael Meacher asked in a 2011 debate on the government's carbon budget:

Does the Secretary of State accept that purchasing carbon offsets abroad as a means of meeting carbon emission reduction targets in the UK is deeply flawed on grounds of additionality, leakage and uncertain duration?

However, Chris Huhne, then Secretary of State for Environment and Climate Change, replied that 'it would not be sensible for us to rule out the flexibility afforded by carbon trading'.²⁸ Baroness Worthington, involved with the NGO Sandbag which researches carbon markets, criticised the Government's favouring of 'flexibility' from the House of Lords:

The Government have ignored the advice of the Committee [on Climate Change], which recommended that no carbon offsets should be allowed as part of the second budget ... Instead the Government are proposing that 55 million tonnes of emissions could be offset, with the UK's carbon budget effectively increased by that amount over the period. This is an unnecessary provision.²⁹

The UK is far from the only case, as debates about carbon offsetting provisions have taken place in many jurisdictions (Kossoy et al. 2015), including in Norway and Germany for example (Eckersley 2016; Hovden & Lindseth 2004; Tellmann 2012), California (Mazmanian et al. 2008), China (Shen 2015) as well as New Zealand, where the latter's government has allowed unrestricted access to the UN flexibility mechanisms for those

²⁸ House of Commons Hansard, 17 May 2011, Volume 258, Column 184, 'Fourth Carbon Budget'.

²⁹ House of Commons Hansard, 28 June 2011, Volume 728, Column 1713, 'Carbon Budget Order 2011'.

complying with its emissions trading scheme (New Zealand Environmental Protection Authority 2014; Harker et al. 2016).

The European Union has taken a series of decisions to restrict the use of offsets in its climate policies in recent years. Unlike New Zealand, there have always been quantitative limits on the use of offset credits at EU level, even though the limits were generous (Cass 2005; Christiansen & Wettestad 2003).³⁰ As noted in the above section on NGO strategies, the EU regulated against offsets generated from industrial gas units, denying them entry to the emissions trading scheme, following concerns about environmental integrity (Bryant 2016). And from 2020 onwards, offsets will not be eligible in the EU carbon market, following a 2014 decision (Carbon Market Watch 2014a). Interviewee 7, from a research and campaigns NGO, explained: ‘After Phase 3 [of the EU ETS, which runs until 2020], as it stands in the legislation, there is no space for offsets’. However, even as restrictions are created in one policy forum, other policies may enable offsetting. For example, NGOs have been lobbying against the use of industrial gas credits (now banned in the EU carbon market) for compliance with the EU’s Effort Sharing Decision (Holyoake & Poplawski-Stephens 2013).

Summary

The criticisms of carbon offsets have had an effect on the CDM, which now lies in a state of vast carbon credit over-supply. Demand for CDM credits has dwindled among increasingly sceptical policy-makers who are no longer convinced of the value of (at least elements of) the offsetting mechanism. It is clear that attention to the problems of offsets has encouraged policy-makers to regulate against their use. In the voluntary market, decline is produced because buyers are less forthcoming, and less willing to trust in the claims made by offset retailers. These are the primary elements of offset market decline, and they are both related to disrepute. The next section of the chapter highlights some of the ways

³⁰ Half of the overall emission reduction required under the ETS for the period of 2008-2020 can be ‘achieved’ through the use of offset credits, which is around 1,600 million tCO₂e (Alberola et al. 2015, p.10). Most of this allowable amount has already been used, which explains the lack of demand for further offset credits in the EU ETS.

by which carbon market actors have sought to meaningfully address the problems in the market, which might help them to reduce the reputational problems and to halt the decline.

5.2. Aiming for Quality

Critiques of offsetting – as well as leading to decline in demand and regulations against offsets, as the last section demonstrated – have also served as an incentive to improve the environmental and developmental features of offsets in some cases. This section highlights reforms which have improved standards and the quality of some offset credits. Many interviewees believe that offsetting has been forced to adapt and evolve, in the light of criticism, leading to an increase in performance and quality. For example, interviewee 3, a project developer, talked of ‘this mechanism [the CDM] which has gone through all this trouble and which has as a result also improved to a certain extent’. Interviewee 10, a project developer, said that criticism has been ‘very good’ because it has ‘shaped the CDM’ such that ‘with time it kept on improving’. The evolution argument can be an element of rhetorical bluster (see Chapter Seven, Section One: Discursive Defending – Justification of Carbon Offsetting, pp.157-173). Yet equally there have been some genuine changes in practice in the offset market, encouraging higher quality projects to emerge. These more beneficial outcomes are explored in the rest of this chapter through sub-sections which highlight improvements to methodologies, rules for auditors, the rise of voluntary standards, creation of more pro-poor projects that provide ‘co-benefits’ to beneficiaries, and higher expectations for voluntary carbon management.

Mending Methodologies

Methodological rules that are approved by standards or the CDM Executive Board are essential to the credibility of offsets’ emission reduction claims. Auditor interviewee 25 clarified:

There are quite a lot of rules involved in projects, so it’s not all just, you know, an easy process for people where they are getting these windfall credits ... there is quite a lot

behind it, there are a lot of technical rules and the UN Executive Board is actually reviewing these projects as they come in.

Through rules and procedures, methodologies are supposed to constrain project developers from pursuing spurious claims for carbon reduction. The methodologies refer to scientific evidence and are supposedly therefore objective. However, in reality the methodologies are highly contested because they create major implications for key actors' interests. Improvements to methodologies do occur and two cases of reform are recounted here, one from the compliance market and one from the voluntary. These cases help to reveal the possibilities and limits of the methodology reform process.

In the compliance market an interesting case of methodological reform, revealed through an interview with a former CDM project developer (interviewee 40), highlighted the politics of the technical methodology review process. The interviewee (40) described the process of challenging a CDM methodology which he believed was allowing project developers to exploit a 'loophole':

[The CDM Executive Board] mandated the methodology panel to look into this, and then they collected some further expert input, and actually ended up withdrawing the methodology in question as I had requested them to do. Basically they followed up to my concerns, and basically killed this entire project type, or limited it very much, and now the status quo is that these emission reduction projects can only be done by a rather conservative, rather low baseline.

In this case, through determined effort of a concerned individual, the problems of the methodology were brought to the attention of the regulatory body, the CDM's methodology panel, which considered 'expert input' before deciding to restrict the baseline for the project type. The reform was political in so far as it went directly against project developers' interests. As a consequence, recalled interview 40, project developers 'fought' the reform process: 'there were papers being submitted to the methodology panel from industry trying to avert the revision of the methodology'. The behaviour of the project developers with a direct stake in the outcome shows that actors often submit 'scientific' information to auditors and regulators so as to pursue their economic interests. In this case

the project developers lost out as a result of the actions of a concerned individual and the consequent regulatory action of the CDM methodology panel.³¹

A different case highlights voluntary market methodology reform processes. Interviewee 29, an offset project developer who faced a lot of media and NGO scrutiny, said ‘we [the project managers] did our best’ to address the arguments and criticisms that arose. This attention to problems involved impressive changes to project methods and procedures (the projects were not certified by a standard). Interviewee 29 recalled the discussions and actions at the time:

Then Greenpeace would say ‘How valid is this as an offset? You’re not planting it [the trees] on your own land, you are planting it on someone else’s land. So what happens if they then choose to cut down the trees?’ The companies would get the landowner to sign a piece of paper saying ‘I will not cut down these trees for 99 years’, but it is on somebody else’s land. So then I had conversations with [prominent environmental NGOs and media commentators] and I said ‘well we are going to buy the land’.

The legitimate concern of environmental NGOs about the longevity and permanence of carbon stored as forest on private land, which might be chopped down despite long-term agreements, led to a methodological change involving a very expensive decision to buy land outright. Even then, criticisms could be levelled against the offset project, which interviewee 29 went to great lengths to respond to:

We were criticised by various journalists and so on. They were saying ‘Well it’s all very well you owning the land, but what happens if you go bankrupt, then somebody could come along and cut down the trees?’ So then we had a whole nightmare trying to get the land owned by the Trust ... we did whatever we could, but the ultimate thing was it made our offset exorbitantly expensive.

³¹ Using similar tactics, NGOs have challenged methodologies on technical grounds. For example, CDM Watch hired an auditor to develop a revised methodology for the destruction of HFC-23 which was approved by the CDM Executive Board. The new methodology introduced ‘criteria so exacting no [new] projects could feasibly comply’ (Whittington 2012, p.130).

The interviewee exhibited willingness to respond to legitimate concerns that journalists and NGOs raised with respect to offset projects under development, even going through expensive and time consuming procedures to respond to criticism.

The two cases above highlight important points about the possibilities and limits of methodology reforms. Voluntary reform can take place, especially where project developers are committed to improving the environmental integrity of offset projects and are willing to constructively respond to criticism. Furthermore, voluntary reform is limited by cost implications. In the voluntary market case, the reforms made the offsets 'exorbitantly expensive' and the project was consequently priced out of the market. Where commitment and low costs are lacking, reforms would have to be imposed by a regulatory entity, whether that be a voluntary standard or the CDM Executive Board. Regulatory entities are more likely to initiate reforms if prompted by concerned parties such as environmental NGOs, the media or engaged citizens. For example, Michaelowa claims that CDM regulators 'have substantially tightened additionality determination' in reaction to 'widespread criticism' (Michaelowa 2014, p.366). The reform process is also likely to be contested and may be obstructed by project developers or other parties with an interest in the methodology design. Reform is always a political rather than purely technical or scientific process, given the stakes (Astuti & McGregor 2015; MacKenzie 2009). The next section turns to the political terrain of another building block of the credibility of offsets: the work of those that audit, monitor and assess carbon offset projects.

Accounting for Auditors

Carbon offset proponents can enhance the environmental credibility of their products through appeal to the 'independent' monitoring and verification processes of third party auditors. For example, interviewee 19, a retailer, appealed to auditing processes when talking about the rationales for offsetting: 'If you are focusing on benefit for the climate, the emission reduction, the good thing about these projects is that you have a constant monitoring and verification'. The responsibility for investigating projects' compliance with methodologies falls on to third party, vetted and approved auditors called Designated Operational Entities (DOEs). Those designing the rules for the CDM in the first instance

were aware of the central importance of effective auditing procedures for the credibility of the market, and settled on a private sector model wherein commercial organisations would audit according to specified procedures (Green 2014, pp.104–131). Interviewees argued that effective auditing depends on a culture of rule-adherence which is ensured by periodic checks of auditor behaviour by regulatory entities (voluntary standards or the UNFCCC). Rules and periodic assessments are designed to ensure that procedures are being followed, especially to avoid problems arising from potential conflicts of interest (generated by the fact that project developers contract auditors as their clients).³²

Auditors claim that they have an attitude of rule-adherence even in the face of possible conflicts of interest. Interviewee 50, a project auditor with a designated operational entity (DOE) in India, highlighted the key problem of conflict of interest in the following comment, while insisting nevertheless that auditors are ‘tough’ enough to resist undue pressure from clients:

There is always pressure. Sometimes the client is very tough or is an influential person so he tries to put influence through our higher management. But we have been very clear to the management also that the project is either complying or not complying. These are the rules we are following ... We have been tough. That’s where we have been tough.

The relationship between the auditor and their clients is evidently and commonly strained. Where clients are ‘influential’ they can put pressure – and there is ‘always pressure’, according to the interviewee – on the auditors’ senior management to encourage more favourable outcomes, to which the interviewee insisted repeatedly the auditors would not give in to.

Given the considerable pressure, and the possibility that not all auditors would maintain such a ‘tough’ attitude sufficient to combat the pressure, the existence of more specific rules and procedures helps to safeguard auditors’ independence from their clients.

³² The problem has been, as Michaelowa (2014, p.367) has commented, that ‘in the early phases of the CDM, DOEs essentially repeated the arguments of project developers without really scrutinizing them’.

Interviewee 25, a former employee of a DOE, recalled some of the ‘safeguards’ involved in auditing:

There is a policy that technical reviewers ... have to meet certain qualifications and they have to be independent, but I mean the whole auditor has to be independent, and there are safeguards that have to be put in place, obviously knowing well that there is risk, so safeguards include that.

The safeguards are designed specifically to counter the ‘obvious’ risk of auditors lacking independence from their clients. Interviewee 25 explained that these safeguards included checking that no company consultants had been involved in the development of the CDM project being audited. Another rule was that the ‘technical reviewer was someone that the client would not talk to’ (they would use internal staff as intermediaries between client and reviewer).³³ These safeguards are designed to ensure that the auditor stays ‘tough’ as expected.

The disciplinary, ‘tough’ attitude of the auditors may be explained by the UNFCCC’s spot-checking inspections of the auditors’ practices. Interviewee 54, an auditor based in India, said that it took years to get accreditation as a DOE with the UNFCCC, and that the questionnaires they asked were vast. When UNFCCC staff do spot-checks, they stay for a few days at the DOE’s office and can ask any question they want, review any document they want, and can interview any staff member, according to interviewee 54. The scrutiny from above produces a threat of repercussions, should the UN should find problems with the auditing processes. Indeed, the CDM Executive Board has suspended some DOEs after investigations (Boyd & Goodman 2011, p.841). Michaelowa (2014, p.368) claims the CDM has also strengthened the standards for DOE accreditation. In response to a question about conflicts of interest, interviewee 54 insisted that the CDM Executive Board oversees everything and that they will punish any discrepancies found, such that auditors do not want to appease a client because it could cause trouble at a later time. Auditor interviewee 50 gave a similar impression of the audits from the UN:

³³ According to interviewee 25.

They come to our office and check all our documents, our process, how we have validated. They interview the auditors ... they ask how we are qualified personally, all these things they will ask. So regularly they asked them [questions] ... it's tough but you have to live with it, because tough makes you tougher.

The unpredictable questioning of the UN regulators constrains the DOEs and makes them concerned to follow procedures so as to have a justifiable answer in case they are subjected to detailed scrutiny at a later time. The audits that interviewee 50 described are only occasional – perhaps once in two years – but they nevertheless play an important role in ensuring the auditors have a tough attitude (“tough makes you tougher”).

Thus CDM regulators have tried to improve the quality of the auditing system, to encourage a culture of rule-adherence, aiming to address problems of conflicts of interest. Interviewees suggest that some degree of rigour has been built into the auditing process in the compliance market. But for the voluntary offset market, by contrast, there has historically been a more relaxed approach to monitoring and independent verification concerns. The next sub-section turns to these voluntary procedures and efforts to improve them.

Certification with Standards

Closely associated with the auditors are the various standards that regulate the voluntary offset market. One of the main developments in the voluntary carbon offset market has been the establishment and reinforcement of standards organisations that regulate and certify most of the offset projects in the market (Newell & Paterson 2010, pp.118–125; Kollmuss et al. 2008). In earlier years of the voluntary carbon market, many offset providers and buyers did not use third party verifiers or standardised methodologies, going for more of a do-it-yourself approach (Meezan 2009). Interviewee 4, a retailer, explained that ‘when we started the industry was a market nearly without standards, without market infrastructure’ and that ‘the market just wasn’t regulated’. Interviewee 41, an environmental consultant, put the original situation in these terms: ‘There was no regulation, there was nothing, there were no guidelines’.

As criticism increased, the need for regulatory bodies became increasingly obvious. Indeed, between 2007-2009 the UK Government intervened in the voluntary offset market with the aim of providing a code of best practice and a quality assurance scheme in order to provide protection to consumers in light of media concerns about the quality of offsets (Lovell 2010). The government's code of best practice followed an investigation by the House of Commons Environmental Audit Committee which concluded in 2007 that the voluntary market could grow rapidly, to the benefit of the UK, provided it is 'managed responsibly' through 'robust and helpful guidance and codes of practice' (House of Commons Environmental Audit Committee 2007, p.3). The eventual Code of Best Practice insisted that accredited offsets must only include Kyoto compliant credits (DEFRA 2008; Department of Energy and Climate Change 2009). However, this proved unpopular with voluntary offset market actors, who criticised the government intervention and who preferred to work with private standards approving non-Kyoto units (Lovell 2010, pp.360–361; Broderick 2011, pp.228–232).

Voluntary carbon offset market standards, such as the Verified Carbon Standard (VCS), Gold Standard and Climate Action Reserve among others, have increasingly become seen as a prerequisite for voluntary offsetting (Bayon et al. 2009). Interviewee 20, a project developer, gave the impression that operating with a recognised standard counts as best practice, that to use CDM, VCS or Gold Standard is to 'do it [offsetting] right'. Interviewee 8, from a pro-offset NGO, declared that 'the voluntary standards are doing a very good job in assuring what a carbon credit instrument is' and that standards provide 'a lot more robust process management'. When the market leading VCS was established in 2007, Mark Kenber of the Climate Group (which initiated the VCS) explained the rationale for the standard as increasing consumer 'trust' in offsets, using 'robust quality assurance' to create 'global confidence' in offsetting (Lovell et al. 2009, p.2374).

The development and proliferation of standards continued since then, leading some commentators to see the ethics of carbon offsetting as a process of determining which standards (or retailers), among the many available, provide the best quality of offsets (Dhanda & Hartman 2011). Retailers that have signed up to the standards of ICROA, the International Carbon Reduction and Offset Alliance set up in 2008, are committed to

selling carbon credits that are certified by one of the major carbon standards.³⁴ By 2015, fully 98% of voluntary carbon offsets transacted were developed through a third-party standard (Hamrick & Goldstein 2016).³⁵ Standards have thus become extremely popular, serving as an actor that retailers and buyers can appeal to for notions of best practice.

The development of standards should be seen as a response to criticism (Lovell et al. 2009, p.2375; Paterson 2009). Retailer interviewee 17 gave the view that ICROA was formed in response to negative media stories. Interviewee 41, an environmental consultant, argued that actors most exposed to negative publicity in the voluntary market were ‘instrumental in getting ICROA set up and driving forward the standards’. Standards can thus be seen as an effort to encourage offset quality, development benefits and best practice, whilst also tackling problems of ‘some dodgy projects’ in a context of ‘very low barriers to entry’ to the voluntary market, which was encouraging ‘a lot of questionable people [to be] involved’ (retailer interviewee 17). Standards move in to this situation to serve as a marker of legitimacy and thereby help to enable continued economic activity in the voluntary market (Paterson 2010, pp.361–362).

The development of standards can be read as a means of enhancing some elements of quality in the governance of voluntary carbon offsetting compared to the previous unregulated situation (Bayon et al. 2009). Standards have some credibility as they have introduced methodologies, many of which follow procedures established by the CDM, which are more rigorous than previous do-it-yourself approaches (see above Mending Methodologies). The introduction of carbon registries in which voluntary credits are ‘retired’ has reduced the potential for retailer double-selling which could lead to double-counting of credits by multiple buyers (House of Commons Environmental Audit

³⁴ As of April 2015 the list of standards approved by ICROA included the Gold Standard, Verified Carbon Standard, and Clean Development Mechanism, plus American Carbon Registry, CarbonFix, Joint Implementation, and Climate Action Reserve.

³⁵ In 2007, roughly at the time of the expansion of voluntary offset standards, that figure was 87% (Paterson 2009, p.249).

Committee 2007, p.19). And some standards put an emphasis on procedures for enhancing the development benefits of offsets, as the next sub-section shows.

Later in the thesis I will argue that standards are a means of giving the offset market security against critique, outsourcing responsibility for offset quality to an external actor who generates trust and reduces exposure to reputational risk (Chapter Seven).³⁶ However, this impression of quality does not always have substance because the methodologies have limitations (as I will argue in section 6.1.), and because standards do not guarantee positive development outcomes.

Designing Development

In response to critiques of the development impacts of offset projects, carbon market actors claim that they have recognised these problems and are changing practices so that problems do not arise. In fitting with this chapter's sympathetic outlook, this sub-section provides some evidence to support the claims of market actors. This evidence is based on the prescriptions of standards, examined once more in the context of their role in promoting sustainable development. There is also evidence that the voluntary market produces some demand for innovative and development-oriented projects, which has encouraged new methodologies and better project designs, geared more to the needs of the poor.

Development impacts can be accounted for through various standards. Interviewee 20, a project developer, explained the role of standards in regulating development impacts:

The stakeholder engagement process for example for CCB, you really have to show that impacts on a community, that this is going to be monitored, and make sure that the net impact is positive. So that is something that is not so strong in VCS for example on its own. You have a few safeguards [in VCS] but it's not as strict as CCB or the Gold Standard.

³⁶ For example, the Gold Standard, established in 2003 with support from major civil society organisations, helped channel NGO criticism of offsetting into a reformist, market-enabling discourse giving security against critique (Seabrooke & Wigan 2015).

The CCB is the Climate Community and Biodiversity Standard which can be added as an extra layer of certification on top of VCS projects in the land use sector. The extra standard is designed to ensure positive ‘net impact’, effective ‘stakeholder engagement’ and ‘safeguards’ through monitoring, according to the interviewee (20), although the credibility of these claims is suspect (Marion Suiseeya & Caplow 2013). Interviewee 26, a retailer, spoke enthusiastically about ongoing work in ‘developing the fair trade label’ to ‘blend in’ with Gold Standard methodologies for carbon projects (Howard et al. 2016). Gold Standard projects, with their extra layers of stakeholder consultation requirements, are perceived as an indicator of high quality and can indeed slightly out-perform non-labelled offsets in development terms (Nussbaumer 2009; Drupp 2011).

One reason why there are some beneficial project types in existence is down to the nature of the voluntary market, where image and reputation are primary concerns for buyers. Labelled offsets can help to build organisations’ reputations and brands, gaining association with offsets that have development ‘quality’, according to project developer interviewee 3. Retailer interviewee 27 gave this assessment:

The voluntary space is much more innovative. It has come up with very many different project types. The market is an awful lot more fussy. Because compliance buyers will just buy at the lowest price. If you are forced to buy something, then it is going to turn into a commodity market. Whereas voluntary buyers look for features and benefits. And as a result if you are able to come out with something slightly different then the market pricks up its ears and listens.

The comment shows that there is an appetite and demand for ‘innovative’ and ‘different’ projects because voluntary buyers are ‘fussy’ and look for ‘features and benefits’. This is unlike the compliance market which is primarily based on price considerations. This helps explain the existence of niche projects that are associated with social ‘co-benefits’, in the jargon.

The creation of new methodologies can enable innovative projects to go ahead. For example, interviewee 10, a project developer working in Africa, praised a new standardised baseline methodology for charcoal which can encourage offsetting projects in that sector, to help address ‘rampant cutting down of forests’. Interviewee 44, a project developer in

India, discussed the benefits of off grid solar lighting and rudimentary solar grids which were enabled through the development of Programme of Activities methodologies (c.f. Kim et al. 2013, p.174; c.f. Bayer et al. 2015; Schomer & van Asselt 2012). Interviewee 46, a project developer based in India, spoke about the benefits of low carbon farming methodologies which avoid the ravaging of soils associated with industrial agriculture. Project developer interviewees 23, 45 and 53 all discussed the benefits of biogas cooking systems in India, supported through carbon offset finance. Interviewee 19, a retailer, said that through some project types, such as cook-stoves, the social benefits 'are intrinsic, they directly happen as a result of the technology switch'. In the cook-stove case, according to the interviewee (19), 'When you monitor the use of the cook-stove you indirectly also monitor the other benefits'. In this way, the interviewees argued that innovative project types would create beneficial local outcomes.

As well as the argument about innovative project types, interviewees argued that effective stakeholder consultations, careful project design and iterative learning processes encouraged positive development outcomes. Interviewee 61, an employee of a standard, explained his job as follows:

The challenge for us is to make sure that we put the right safeguards and the right sustainable development indicators in place so that we are sure that the money is working much harder than only reducing carbon.

Safeguards and indicators are not only designed to avoid problems, but also to make the carbon finance work 'much harder' to promote positive outcomes in localities. Interviewee 20, a project developer, said the development considerations are solved by running 'community-based' projects where developers 'take care' to 'consider' various issues and 'follow the safeguards'. Interviewee 42, from a standard, said there is an iterative process of learning and consideration in which the standard tries to balance 'the demands of the market' with 'what is going to benefit communities the most'. Effective stakeholder consultations can go some way to avoiding accidental and unintended negative development outcomes. Interviewee 43, a project developer, indicated that Gold Standard requirements on stakeholder consultation were extensive. Interviewee 22, from a standard, argued that many projects involve community members designing 'the activities that they want to adopt ... so that their motivations and their preferences are used'. Through these

processes, some offset projects have been able to demonstrate positive development impacts.

The next chapter gives evidence to demonstrate that development-oriented projects, while more charismatic, do not make up the majority of the offset market. Nevertheless, there is some appetite for projects that can make respectable claims to have positive associated development impacts. Voluntary standards, careful project design and innovative methodologies serve as enablers for pro-poor development projects, according to interviewees. Indeed there is a research agenda focused on making carbon offsetting work for small-scale community-based development-oriented projects, which suggests that more could be done in this area (Boyd et al. 2007; Mathur et al. 2014; Siedenburg et al. 2016).

Mainstreaming Carbon Management

One further moral concern with voluntary offsetting is that it can be used as an excuse for inaction on domestic carbon reductions. Interviewee 15, from a community carbon management association, explained their decision not to pursue offsets out of a concern that it would remove ‘the impetus to reduce further’ domestically. The ‘greenwashing’ debate has created a particularly serious reputational risk for those pursuing carbon neutrality without implementing an internal carbon management strategy.

The response of most organisations in the voluntary offset sector to this concern has been to put emphasis on domestic carbon management strategies of varying levels of stringency. Interviewee 41, an environmental consultant, gave this perspective on the behaviour of companies buying voluntary offsets:

There has been such a furore over offsetting that they [offsetters] wouldn’t choose to do it unless they were very confident that they are following best practice in terms of reductions. They would always have an answer to that question [internal reductions] because it is always going to come up.

The quote suggests that the ‘furore’ over offsetting and the near inevitability of being questioned on carbon management strategies has forced companies to engage in internal

emissions reductions, thus answering critical questions and avoiding accusations of greenwash.

Offset retailers and their clients usually accept the principle, as articulated in media criticisms, that voluntary offsetting has to be coupled with a sustainability strategy. Interviewee 19, an offset retailer, agreed with the greenwashing critique: 'If you are offsetting without reducing first, then you run the risk of being criticised for greenwashing, which I believe would be a fair criticism'. Interviewee 4, an offset retailer, also agreed and called for an end to pure outsourcing of emissions reductions: 'If you're just buying carbon credits and you're not doing anything in your own back yard, that shouldn't be allowed'. The offset retailer interviewee 27 held a similar view, stating that it is 'quite rightly so' that media criticise organisations that offset without reducing their own emissions. Thus on the carbon management issue voluntary carbon market actors welcomed criticism, calling it fair, right, useful and important because the attention highlights a practice that 'shouldn't be allowed'.

There were nevertheless some notable differences in interpretation of the overall principle that carbon management is important, basically coming down to stronger and weaker versions. For stronger versions of the principle, project developer interviewee 2 indicated for example that they were strict enough to insist that their clients had to avoid, reduce and then offset. Interviewee 13, a corporate offset buyer, viewed offsetting as a 'last resort' only to be used when carbon reduction strategies have been exhausted. Interviewee 19, an offset retailer, would agree, stating that 'in order to be serious about a climate strategy, you should do everything you possibly can to reduce direct emissions'. However, this proposition that offsetting is only a 'last resort' is not highly credible. It suggests that further emissions reductions would be impossible, whereas in reality 'direct reductions just become progressively more costly (not just in financial terms) for the individuals or organisations concerned' (Hyams & Fawcett 2013, p.96).

In contrast to the above strong interpretations, various actors were content to adopt weaker, more pragmatic, and probably more realistic versions of the carbon management principle. Interviewee 16, an offset retailer, took the view that companies do not have to

do everything they possibly can to reduce emissions. Rather, clients should make changes up to the cost level of the price of carbon offsets, and at that point ‘commercially, [clients would] be advised to go and purchase offsets for the remainder’. Depending on prices, this means that offsetting can be the ‘cheap easy option’ such that companies do not have to look too seriously at internal emissions reductions, according to interviewee 16. Many retailers of offsets indicated that they would merely advise their clients to implement a carbon management strategy, but would not insist on it (interviewees 1, 4 and 17). This is in line with the International Carbon Reduction and Offset Alliance (ICROA) code of best practice, which many offset retailers have signed up to, and which stipulates retailers will merely ‘encourage’ carbon management (ICROA 2016).

Despite the lax interpretation of the principles, interviewees suggested that carbon management was the norm. Interviewee 27, an offset retailer, insisted that he had ‘never ever heard a client say to me ... that “It’s all right we’re not going to do anything because we offset”’. Retailer interviewees 11 and 24 concurred, saying that most clients are already interested in doing things differently and are willing to create a carbon management strategy. A recent report into the links between voluntary carbon offset purchases and carbon management strategies reinforces the view that the two are closely correlated (Goldstein 2015). This is understandable because carbon management, as well as side-stepping reputational risks and accusations of greenwashing (c.f. Levy 1997), provides further benefits for many businesses including through short-term efficiency pay-backs, as well as enhancing the quality of decision-making and regulatory compliance (Schaltegger & Csutora 2012). Furthermore, there are a good number of carbon consulting firms providing advice and recommendations on carbon management, many of them housed within offset retailers’ organisations, happy to receive the business.

Contrary to some views expressed by interviewees, organisations may be legitimately accused of ‘greenwash’ if they are claiming carbon neutrality based on environmentally non-effective carbon offset credits, regardless of the quality of the carbon management strategy. However, the efforts of retailers and their clients in moving towards normalisation of carbon management, as a complement to carbon offsetting, has at least encouraged some domestic reductions and not let offsetting be used too extensively as an excuse for

inaction. These interventions are all relatively cheap, especially if the lax, weaker version of the carbon management principle is accepted so that emissions reductions are only undertaken up to the price point of the marginal cost of an offset. So these reforms have been relatively easy for actors to implement and have tended to suit their interests in gaining business efficiency and avoiding reputational risk.

Conclusion

The content in this chapter demonstrates that people care about the rationales and problems of carbon offsetting and take them seriously. Concerns are debated, highlighted and acted upon. NGOs and media exhibit a positive response to the problems of offsets by shining a light on malpractice. In dismay, customers decline the market's offerings – be they individuals, consumer facing companies, or policy-makers. And in response, those managing the carbon market's operations have made efforts to genuinely deal with problems and make better quality offsets that can conform to the main rationales for offsetting, while avoiding the problems.

The major trends in NGO critique include absolute rejection and reformist perspectives. Both types of civil society critique have shaped the market (Paterson 2009). Critiques have precipitated a decline in demand, caused by actors turning away from offsetting altogether. Criticism has also served as an incentive for actors to aim for higher quality carbon offsetting through reform efforts. Some reforms have been meaningful, as the last section demonstrated. However, the wider question of the suitability of reforms to carbon offsetting needs to consider the insights of the chapters that follow.

In a situation where carbon offsets are based on technical methodologies and concepts that are only understood by a handful of people, the market ends up relying on trust. The effects of critique are very important, given the necessity of trust, because criticism can undermine trust easily. Similarly, people need to trust in the methodologies and auditing procedures – two of the keystones of establishing a sense of scientific objectivity in the carbon reduction claims. In order to create a sense of trustworthiness in offsets, actors have to provide rules

and procedures and they have to institute reforms which go towards the protection of the credibility of those institutions in the face of severe critiques.

The carbon offset market is a moral economy in the sense that the rationales and problems of offsets do matter. If the market strays too far from its stated purpose, exposing obvious and severe flaws, then it can become discredited and can end up lying abandoned. The regulations against carbon offsets by the EU and the restrictions on offsets in other jurisdictions demonstrate that the period in which offsets were greatly in favour has come to an end. The voluntary market has stagnated and, for the future, compliance offsets may not even be resurrected.

For interested parties, they are hoping that this period of stagnation and decline does not mark the end of the market. Thus, reform efforts have a self-interested dimension. It is not credible to consider that reforms are implemented purely for the sake of doing the right thing. The reforms also help to shore up the market. Where reforms can be achieved at low cost, where they fit with policy objectives, and where they work generally for economic gain, the reforms are more likely. The examples raised in this chapter largely conform to this expectation. Encouraging carbon management regimes allows companies to save money. The establishment and growth of standards organisations fits the strategy of people running standards as commercial organisations. Developing a development-oriented carbon project allows developers and retailers to charge a price premium and provides reputation benefits for buyers. The EU restrictions on offsets fits with policy-makers' objective of bringing down the surplus of allowances in the EU ETS. And possible buyers and frequent fliers no longer have to spend cash if they decline to buy. In all of these examples and more, there is an economic motive that tallies with the ethical case for making positive responses to the concerns associated with carbon offsets. The trouble with economic logics for reform is that responses to ethical concerns come to depend on an economic case, rather than being based on moral motives. It creates a danger of economic rationality leading to exploitation, gaming and other behaviours which undermine the case in favour of offsetting and exacerbate the need for critique. The next chapter turns to these more problematic responses to moral concerns.

Chapter Six: Corruption in and of the Concept – Negative Responses to the Concerns of Carbon Offsetting

The carbon market is a market and there are all manner of people in that market. There are crooks there. There are so many barriers to entry, those who want to make sure you don't make anything, there are brokers with all manner of contracts, and all manner of tactics to arm twist you and toss you from right left to centre. And there are quite a lot of brokers in this market, or organisations or companies in this market, and they are not good people, and they don't care about what happens at the bottom of the pyramid. All they are concerned with is to make money and that is it.

- *Project developer interviewee 37.*

This chapter looks at negative responses to the moral concerns of carbon offsetting. The title of the chapter – Corruption in and of the Concept – refers to the machinations and manipulations of a variety of actors which undermine the rationales for carbon offsetting and amplify its problems. With close analysis of interview data, the chapter shines light on the practices through which market actors undermine the supposed environmental credentials of offsets and dodge expectations of contributions to development outcomes. As such, the behaviour fits Transparency International's definition of corruption as 'the abuse of entrusted power for private gain' (Transparency International 2011, p.xxv).³⁷

The practices described below suggest two forms of corruption. First, there is corruption *of* the offsetting concept. Here actors use power not for the entrusted public (moral) purpose of producing emissions reductions and sustainable development, but rather for pursuit of private interests. Second, there is corruption *in* the offsetting concept. Here, the architecture of the offset market is shown to facilitate corrupt practices, such that we can

³⁷ In the climate change context, corruption should be considered to include 'the distortion of scientific facts' and making 'false claims about green credentials' among other breaches of entrusted power (Transparency International 2011, p.xxv).

recognise that it not merely individual malpractice at fault but also the system which encourages problems (Lohmann 2009b).

Critiques of carbon offsetting demonstrate that there are a large number of cases of deliberate malpractice (Böhm & Dabhi 2009; Bond et al. 2012). As Larry Lohmann (2009b, p.179) contends provocatively: 'Everyone who participates in or studies the carbon offset market knows that it is a haven for con artists'. Interviewees also recognised the opportunities available for gaming the carbon offset system. Interviewee 12, a retailer, talked about 'a lot of companies who are unscrupulous' and likened the carbon offset market to the 'wild west'. Interviewee 50, an auditor, said that some people have 'misused' the offsetting system. Interviewee 22, working for a voluntary standard, believed that offsetting 'could be really abused' because of 'quite fundamental problems'. Interview 51, from an NGO based in India critical of offsetting, gave the opinion that the whole carbon offset system is a 'game', a 'hoax' deployed by 'greedy' people who 'lie like anything' to create a 'smokescreen' which enables market participants to continue amassing wealth. This is not just a matter of rhetoric. UN climate change negotiators were aware that the CDM would create opportunities for gaming even at the time when it was being established (Green 2014).

The content that follows is structured through three sections. Each section takes the concerns raised in studies and by interviewees seriously and looks, through interview data, at the means by which actors have manipulated situations and gamed the system mainly to suit their own interests. First, the chapter looks at the problems of baselines and additionality, two concepts of fundamental importance to the idea of offsetting's 'environmental integrity'. Project developers and the consultants that work for them make use of the uncertainties associated with baselines and additionality to craft a case that will be most likely to pass auditors' tests, confirm registration with standards, and maximise returns. Manipulation of data is a widespread practice, and is often done because of its seeming necessity. Auditors, supposedly independent but with conflicting interests, are shown to be complicit in the process of registering projects with highly dubious environmental credentials.

Second, the chapter describes how project developers bypass, ignore and circumvent developmental issues associated with their projects. ‘Dodging development’ involves conducting ineffective stakeholder consultations and describing positive development outcomes on documentation even though this does not reflect reality. The most plausible explanation of this behaviour is the lack of a functioning mechanism in the CDM architecture that would safeguard the local societies and environments surrounding offset project sites. Furthermore, development-oriented projects, more typically sold in voluntary markets, face competitive pressures and challenges that can lead to failures in project implementation.

Third, the chapter turns to the role of offset buyers. In the compliance market, buyers lack interest in the environmental or developmental concerns associated with the carbon commodities they are purchasing. Compliance buyers’ interests are rather associated with low costs so the market is primarily regulated by price. Premiums for development benefits and concern about problematic project types are typically absent. In the voluntary market, price considerations are prominent too, but there is a higher demand for so-called ‘charismatic carbon’ which commands a higher price point. To avoid spending a lot of money, buyers often work with retailers to devise a portfolio mix of cheap projects blended with the more expensive ‘charismatic’, enabling buyers to get positive marketing stories at a lower cost.

Taken together, the three sections of the chapter show that commercial politics, lack of care about environmental and developmental concerns, flaws in the fundamental concept of offsetting, and weaknesses of regulation in the market lead to environmental and developmental failures.

6.1. Undermining Environmental Integrity

This first section of the chapter shows the machinations of actors which are ‘necessary’ to gain registration as an offset project (sub-section Arguing Additionality), to gain maximum returns of carbon credits (sub-section Bloating Baselines), and to gain further employment

in consultancy and auditing (sub-sections Crafting Consultants and Approving Auditors). At its heart, the section deals with a problem of corruption caused by faults in the system – the fundamentally flawed concepts of baselines and additionality, which are essential to any offset – and perpetuated by a range of actors pursuing their interests. Comments from interviewees provide a flavour of the issues at stake. Interviewee 30, a project developer and employee of a development NGO, discussed his worry about ‘corruption in the carbon trading business’, arguing that the potential for exploitation was related to the sector’s complexity:

You know creative accounting, dodgy financial instruments, and all kinds of tricks that we have seen ... because it’s a very sophisticated market that is difficult to understand, so there is a high risk of dodgy practices.

The risk of ‘dodgy practices’ is heightened by the ease of data manipulation, according to interviewee 48, a consultant and project developer based in India: ‘Anybody could cook up the data, anybody can cook up in today’s world, using today’s technology’. Interviewee 39, a carbon management consultant, gave his opinion that many actors ‘have just managed to game the system or worked with clever consultants who have managed with some numbers that pass the additionality tests’. The sub-sections that follow show how this data manipulation is achieved.

Arguing Additionality

Almost all interviewees recognised that there were significant problems with the additionality of at least some carbon offsets. There were differences of opinion only with respect to the extent of the problem. Interviewee 34, an offset retailer who had looked in to the issue considerably when doing procurement due diligence, thought that most projects were using offsets as a metaphorical ‘icing on the cake’ and a ‘cherry on top’. In other words, projects that would have gone ahead anyway would use carbon finance merely to derive an extra revenue stream. Interviewee 21, a project developer working with small scale technologies in India and elsewhere, criticised the practices of those developing offset projects in industrial sectors: ‘In the case of industry, what happens is that this money is an additional bonus for them.’ Interviewee 44, a project developer who confirmed that it was sometimes necessary to manipulate project accounts, dismissed the entire Indian

renewable energy carbon offset sector as non-additional and declared that NGOs ‘had it right’ on the issue of offsets’ environmental integrity.

A leaked cable (via Wikileaks) from the United States Consulate in Mumbai in 2008, entitled ‘Carbon Credits Sufficient But Not Necessary For Sustaining Clean Energy Projects of Major Business Groups’, provides significant evidence that large offset project owners in India saw the CDM as a system to be gamed (US Consulate Mumbai 2008). The cable conveyed accounts of statements from key players in the CDM market at that time. Statements demonstrated that project developers were not willing to invest in genuinely additional projects, and play by the rules, because of the investment risks involved:

Santonu Kashyap of Asia Carbon maintains that Indian projects can never fulfil the additionality requirement as no developer will risk investing in a project unless he is certain of a revenue stream independent of the CDM incentive. In a separate discussion with GAO analysts and ConGenoff, Jamshed Irani, Director of Tata Sons and the Chairman of the Tata group's Steering Committee on Sustainability, agreed that no Indian company is brave enough to rely entirely on a CDM-driven revenue stream. (US Consulate Mumbai 2008)

The basic problem the leaked cable reveals, as the excerpt quoted above makes clear, is that investors will not risk supporting a project that is not viable on its own terms because of the worry that the CDM Executive Board might reject it. For this reason, much of the cable was devoted to accounts of market actors venting their dismay at the seeming arbitrariness and unpredictability of the Executive Board’s decisions over project registrations and rejections. The cable is a collective (secret) admission of the absurdity of a system which effectively requires actors to choose between breaking the rules or risking project failure.

The difficulties surrounding additionality are compounded by the current low prices for carbon credits. Interviewee 2, a project developer working closely with retailers, explained that it is no longer possible for a retailer or a broker to provide guaranteed prices with long term contracts. When there is no guarantee that the credits will be sold, no clear indication of long term likely price, and the project developer is comfortable with that, then the project’s additionality becomes highly questionable. As interviewee 2 put it: ‘With those

low carbon prices and no long term contracts, those projects *cannot be additional* (interviewee's own emphasis). Price fluctuations have been dramatic in the offset market, making the predictability of revenue streams very difficult. Average prices reached a high of €16.8/tCO_{2e} in 2008 (Kossoy & Ambrosi 2010). But in 2014 the average price for a Certified Emission Reduction (CER) from the CDM was just €0.17/tCO_{2e} (Kossoy et al. 2015), and there has been no significant recovery since then. Recognising current rock-bottom prices, retailer interviewee 31 asked rhetorically: 'Is 20 cents [per tonne] really making or breaking the project?'

In response to that very question about low prices, interviewee 48, a consultant persuading Indian project developers to continue submitting project design documents (PDDs) to the CDM, explained the rationale for registration attempts in the context of highly uncertain market demand:

We are educating the clients saying they should create an asset now. Don't waste the asset. Suppose tomorrow, if he [a project developer] wants to set up [as an offset project] he cannot create it.

The quote reveals that project developers and consultants in India are currently only submitting PDDs on the basis of speculation that the future value of a carbon 'asset' might increase. Consultants have to persuade project developers that the offset market is worth a gamble and worth the outlay for consultancy and validation fees, in the context of next-to-nothing prices, vast surplus supply of offset credits, and an uncertain future. Interviewee 58, a consultant developing a project design document for an Indian public sector project developer, said he was a hundred per cent certain that the project would never make any money from the offset market 'because there is no market'. Project developers registering as offsets at this time are taking a gamble on the possibility of a future rise in the price of offsets, but cannot realistically count on that revenue. The current situation of low prices is simply an extreme form of the circumstances that project developers were complaining about in the leaked cable from Mumbai. The uncertainty of offset revenue – in this case from low prices, and in the former case from uncertain registration processes – means that project developers are unable to propose genuinely additional projects.

Interviewees expanded on these problems of offset financing significantly during discussions. Interviewee 9, a project developer, maintained that ‘carbon finance is not a solution for financing projects’. Interviewee 21, a project developer, complained about low prices as well as their volatility, grumbling that ‘there is no consistency’ in the prices for offset credits, nor in the policies associated with them, such that project developers ‘cannot depend’ on the market. Interviewee 34, a retailer, commented that the low prices make a nonsense of the market because studies were coming out that showed projects were non-additional even in much higher CDM price scenarios (e.g. Schneider 2009). Interviewee 14, from an environmental NGO that works closely with project developers, said that many developers ‘can’t rely on it [offsetting] as a form of financing’ because ‘it takes so long to get carbon credits’ and because ‘the carbon market is so uncertain’. The interviewee (14) added that, for the developers, offset income is ‘a nice to have, an extra on top’, should the registration eventually come through. Instead of relying on carbon finance entirely, as an outsider might naïvely assume, the main revenue and working capital typically comes from elsewhere. More reliable financing streams include grants, social investment organisations’ concessionary loans, commercial loans, and revenue streams from other activities, such as selling revenue back to the electricity grid.³⁸

Interviewees made it clear that data manipulation is common practice in project development in order to ‘prove’ additionality. For example, interviewee 44, a project developer with a large firm with experience of registering offset projects in many different countries, explained that in project development it is sometimes necessary to produce two sets of figures. One set of figures is for the project investors, who need to see a promising rate of return even in the absence of carbon credits (investors would typically view securing registration as a risk, and not a foregone conclusion). The other set of figures is for the CDM Executive Board and the auditors who need to see a weak rate of return, which is supposed to be bolstered by the prospect of carbon credits, in order to pass a financial additionality test. Interviewee 44 explained that it is possible to create the double accounts through altering numbers that are easily variable, such as by budgeting different amounts

³⁸ According to retailer interviewee 12 and interviewee 14, from an environmental NGO.

of money for variables like the cost of labour.³⁹ In another case interviewee 35, a project developer at a major offset company with responsibility for overseeing dozens of CDM projects, said that he had known offset project developers that had forged the minutes of meetings because this would help the project to secure registration. With careful presentation, project developers and their employ are able to navigate around additionality measures, taking advantage of the flaws of the concept⁴⁰ and their advantageous position in the politics of knowledge. As one ex-carbon market professional declared (cited in Böhm, Murtola, et al. 2012, p.2):

Almost every project I encountered was being ... gamed or defrauded in some way in order to prove additionality. Unorthodox financial engineering, false certificates, false board meeting minutes ... redacted and re-edited feasibility studies, deliberate omission of material information ... These were all tools of the trade if the original documents or numbers didn't "fit" the rules.

In sum, one of the main ways of testing for additionality is to demonstrate that a project is or was not financially viable without projected revenues from carbon credits. The discussion above indicates that project developers find it very difficult to rely on carbon revenues for ensuring project viability, especially in the context of low or unpredictable credit prices, delays in registrations processes, and/or unpredictable registration and rejection decisions. The structure of the market is such that it undermines the very possibility of additionality. Actors are caught in absurd, catch-22 like situations where their projects have to be additional to be an offset, and have to be non-additional to function as a project. This is because lenders and financiers insist that proposed projects are financially viable on their own terms, whereas on the other hand the carbon offset authorities insist on non-viability. In this difficult context of a bind, logic dictates and interview data supports the conclusion that many or even most offsets cannot be genuinely additional and

³⁹ In contrast, receipts for items such as wind turbine blades would mean that these costs could not easily be manipulated.

⁴⁰ There is essentially no straightforward test that can be applied to the determination of a project's additionality (Trexler et al. 2006).

are not in any way substantially reliant on carbon market finance. The registration and validation procedures, by contrast, which approve the projects, defy or reject this logic.

Bloating Baselines

Manipulation of data for the sake of proving additionality and gaining registration as an offset is not the whole story. Data is also used in order to postulate a favourable reference scenario, or baseline, against which the offset projects claim carbon ‘reductions’. Offsets function on a ‘baseline and credit’ system. In the baseline and credit system, the baseline is the story of a non-existent, counter-factual world which would have supposedly occurred in the absence of the offset project, thus leading to a particular quantity of greenhouse gas emissions (Ehrenstein & Muniesa 2013). This counter-factual is often referred to as the ‘business-as-usual’ scenario. The amount of carbon that is credited in an offset project equals the difference between the baseline counter-factual scenario’s emissions and the measured emissions of the actual activity implemented. In other words, ‘baseline emissions’ minus ‘actual emissions’ equals ‘certified emissions reduction’. The counter-factual and unobservable nature of baselines makes them fictitious and thus amenable to being constructed in terms favourable to the actors involved (Millard-Ball & Ortolano 2010; Anderson 2012c). In practice, this means that project developers have an incentive to encourage regulators to certify the baseline as ‘maximally filthy’ (Lohmann 2011a) in order to derive extra carbon credits and then generate revenue from their sale.

Interviewee 30, a project developer, described processes of ‘fudging’ baselines which would lead to the creation of ‘hot air’:

In the forest sector ... companies were arguing for reference scenarios [baselines] which were more, in my view, were worse than they should be, and therefore increasing the carbon credits that they can generate, and going out of their way to convince [a standard X] or whoever of their reference scenario, convincing them to accept a high level of degradation and deforestation. And there were other sorts of fiddles to do with carbon accounting that were evident to me and other people. Sort of creative carbon accounting.

Interviewee 45, a project developer in India, admitted to engaging in these ‘creative carbon accounting’ activities. The interviewee (45) stated that their aim was to maximise revenues from the offset projects they registered by arguing for a high baseline level of emissions. To do so, the interviewee (45) would give auditors literature which could count as evidence of a high rate of deforestation, while hiding any contradictory or less favourable sources of information. Auditors could accept such evidence even if, upon visiting the forested areas in question, one cannot see any trees to deforest, according to interviewee 45.

Interviewee 40, a former CDM project developer, described a type of industrial gas offset project in which market actors were benefiting from an unrealistically high baseline. The baseline was unrealistically high because it failed to account for the existence of a commercially profitable technology which reduces greenhouse gas emissions substantially. When concerns about the technology and its implications for the baseline were raised at the CDM regulatory level, the project developers’ interests were at stake, according to the interviewee (40):

Basically the project developer and anyone else who has a share in these CERs, in the project, would lose more than two thirds of their CERs [if the methodology was changed to alter the baseline, reflecting the technology]. And this of course is very unattractive. And they fought it. There were papers being submitted to the methodology panel from industry trying to avert the revision of the methodology.

In this case, the methodology and baseline in operation suited the interests of project developers, so they lobbied to maintain it. The project developers lost the case and the methodology was changed, significantly limiting the profits that could be made on any future projects in that sector. Notably, the methodological change did not stop earlier projects from claiming reductions against an artificially high and discredited baseline (the alteration was non-retrospective, justified in the name of ‘investor confidence’).⁴¹

The above case was challenged by a concerned party and ultimately reformed, but another major instance of assuming high but non-credible baselines continues until the time of writing. Indian renewable energy offset projects, often criticised for lack of additionality

⁴¹ According to interviewee 40.

(Phillips & Newell 2013, p.657), also have problems with baselines. Indian renewable energy CDM projects assume, favourably to them, that adding renewable electricity generation capacity will displace electricity generation from thermal sources (especially coal). For example, the project design document (PDD) for a grid connected small-scale wind power project in Tamil Nadu, South India, states that ‘the project activity *replaces* the mix power supply to the southern grid, which is fossil fuel dominated power supply’ (emphasis added) (CDM 2016d). There is no guarantee of this. Indeed, given the shortages in electricity supply to major Indian towns and cities, the rate of increase of thermal energy generation across the country might rather be relatively unaffected by adding a meagre 4.25 megawatts of wind capacity in Teni district, Tamil Nadu. Alternatively, as Anderson (2012c) argues, the effect of the wind project could plausibly have knock-on effects that actually increase demand for future fossil-fuel energy generation:

In an Indian village where my offset money has helped to fund a wind turbine, the villagers now have the (low-carbon) electricity to watch television, which provides advertisers of a petrol-fuelled moped with more viewers, and customers. A fuel depot follows, to meet the new demand, and encourages others to invest in old trucks to transport goods between villages. Within 30 years, the village and surroundings have new roads and many more petrol-fuelled mopeds, cars and trucks.

Project developers and others involved in offsetting assume such a scenario to be fanciful or not possible, even though it is evidently plausible. Rather, the project design document, like so many others in the Indian renewable energy offset sector, sets out the opinion that ‘the project related GHG [greenhouse gas] emissions are nil as it uses only natural wind as the energy source’. This is a falsehood, denying the possibility of Anderson’s scenario, and denying equally the carbon emissions involved in the construction and maintenance of wind turbines. The project design document writer – likely a consultant – preferred instead to focus the reader’s mind on ‘natural wind’. Energy installations and other offset projects have social effects with climatic implications, and these are in principle non-calculable, too uncertain to predict (Lohmann 2005; Olsson et al. 2016). Nevertheless, project developers are allowed to assert that their direct greenhouse gas effects are nil, and that their indirect effects amount to a reduction of energy production elsewhere, despite that causal relationship being left undefined.

As noted at the beginning of this sub-section, project developers have a clear interest in certifying the baseline as maximally filthy. The evidence presented in the rest of the sub-section has shown how project developers go about doing precisely this: presenting a narrative, supported by convenient and favourable forms of evidence to the exclusion of other information, which supports a story about the future that can be certified as a non-existent reality. Because offsetting relies on a 'baseline and credit' mechanism, actors are encouraged to engage in corrupt practices. It is the pursuit of private gain in a system that rewards such behaviour. Indeed the corruption could be said to inhere in the concept of offsetting, rather than in the individual practices – it is generated by offsetting's market architecture, rather than isolated malpractice (Lohmann 2010). As interviewee 30 put it, actors could be seen as 'foolish' if they were to honestly refrain from overstating a baseline when their interests are so clearly bound up with the outcome.

Crafting Consultants

An outsider lacking familiarity with carbon offsetting might not realise that tactics such as those described above would be allowed. Project developers are not always experts in carbon markets either, so they often employ consultants with knowledge of the peculiarities of the CDM and other standards. Interviewee 35, a project developer, explained that expertise and understanding of effective means of presentation is important when it comes to issues such as additionality. The interviewee (35) said that project developers need to have someone available who knows the UN process, who can present information in the correct fashion, and who can navigate the system to get their project registered. Interviewee 54, an auditor based in India, explained the relationship thus: 'The [project] developer may be the money man only, the consultant may be the brainy chap, and the DOE [auditor] is the third fellow.' Interviewee 66, named as the project developer for an Indian CDM project, explained that the 'majority' of project developers are not involved directly, but clarified that consultants work 'night and day' for the project owners (c.f. Schroeder 2009b).

The consultants interviewed for this research demonstrated that their primary role is to secure registration of offset projects with the relevant standard. Interviewee 58, an Indian

consultant quite cynical about future financial prospects for CDM projects, was nevertheless still working on project registration because his salary depended on it. 'Our business', explained the consultant, 'is to prepare the PDD and get it registered'. The interviewee (58) stated that the work is 'tough' and the project developers would not be able to complete registration without employing a consultant who has the necessary background, experience and knowledge. Indeed many proposed CDM projects do not reach registration, so hiring effective consultants can be a means of reducing the risk of not getting to that stage (Cormier & Bellassen 2013). Interviewees 21 and 53, both project developers, complained about the great expense of employing consultants and the poor service delivery they provided. At the same time, they equally complained about the 'complications' of CDM rules which make consultants necessary. Interviewee 21 said that 'every two or three months they [the CDM Executive Board] go on changing the forms, go on changing the basic principles, so the complication was too much'. With such complications, the appeal of employing a knowledgeable consultant is obvious.

Interviewee 48, a consultant working in India, boasted about his own company's lower operating costs and better service delivery compared to other consultancy firms. In doing so the interviewee (48) made apparent that project registration is the core objective and success metric for consultants:

Even with [large consultancy firm X] a lot of their projects were rejected. For example, there are natural gas projects in India, two of them ... rejected by the UNFCCC and these two projects were handled by very big consultants. We approached the clients and we took this project, this rejected project. We have registered the project again for the second time. If such a small business like ours can register, why can't they? It is a question of dedication.

The interviewee demonstrated that consultants focus their efforts on providing customer service (to the project developer) in the form of 'dedication' to successful registrations. The contribution of this short sub-section is to put forward evidence that the core business interest of consultants, in service to project developers, is to secure project registration. To do so, consultants must present data carefully enough to convince the auditor that rules have been followed. Consultants must carefully deploy their craft and expertise to service the interests of the project developers.

Approving Auditors

For the auditors, in contrast to consultants, their status is rather as a quasi-regulator and they cannot be so open about notions of customer service and successful registrations. Nevertheless, auditors gain contracts from project developers, so there is an evident commercial interest in providing a form of service delivery to their clients. Interviewee 25, a former auditor, made this apparent:

There was always that feeling that we needed to win the work, because that is how we made our money ... because we worked with big developers who had many projects, and so we were aware of their portfolio, and so often times it was about making sure that we get this project down as quickly as possible so that we can get all these other projects that they are promising us [laughter].

As these comments reveal, the auditing firms have an incentive to please clients for the sake of future prospects (just like consultants). Furthermore, interviewee 25 stressed that the firm's revenue stream 'depended on making sure that projects were submitted eventually' (just like consultants). Interviewee 25 speculated that the firm may not have 'ever rejected a project', said there were definitely occasions when 'lines were starting to get blurred', and gave the view that 'there is always a risk [of impropriety] because of the situation where we are essentially a private company that is making our money from the clients that we are auditing'. Conflict of interest lies at the heart of the third party auditing process and this sub-section shows how damaging its consequences can be.

'A structural deficiency of the system' generates the conflict of interest, just as interviewee 40, a former project developer, pointed out:

As long as they [auditors] are paid for by the project developers, and selected by the project developers, I don't see how they could be truly independent without harming their own business model.

The interviewee (40) was able to highlight some features of the system's deficiencies:

Looking from the perspective of the project developers the current setup is very useful to them because if they meet a DOE [auditor] that is really harsh on them, then they just pull the plug, cancel the contract and go somewhere else.

Auditors cannot afford to be stricter than their competitors, even if they are made aware of a problem with the environmental integrity of a methodology, because project developers are free to select any approved auditor, known as a designated operational entity (DOE). Interviewee 40, in his account of reform to an industrial gas methodology which was vastly overstating the baseline emissions level (described above in the sub-section *Bloating Baselines*, pp.130-133), explained that auditors were unable to address the environmental concerns about the baseline due to fear of losing business with project developers:

[An auditor's] customer is the project developer and if a DOE ... decided unilaterally to select a different approach towards [the relevant project type] they would immediately lose their entire business in this field. No project developer would willingly mandate a DOE which is known in the market to register projects only with the [more conservative baseline].

Situations can easily emerge in which the auditors perceive problems but do not press hard on project faults for commercial reasons. For example, Kongsager and Corbera (2015, p.140) document a case of an auditor giving a negative opinion on additionality, to which the project developer responded by hiring a different auditor who later gave the desired outcome.⁴² Auditors only need to demonstrate that procedure has been followed sufficiently to get through the approval process at the CDM Executive Board or other standards. The competitive pressures and the importance of service delivery for project developer clients prevents the auditors from pursuing environmental or developmental concerns any more than this.

The lenient approach of auditors enables project developers to get away with massaging the numbers, according to interviewee 25, a former auditor. Interviewee 25 confirmed that project developers would be 'feeding the calculations with the kinds of information ... that you need in order to prove that a project is additional'. These data would include minutes from 'meetings apparently with board members' and 'numbers' and 'a lot of spreadsheets'. The interviewee (25) voiced concern about the reliability of that information:

⁴² Kongsager and Corbera conclude (2015, p.142) that auditors 'may have a disincentive to submit negative validations, as this may affect their reputation in the business'.

At the end of the day you sometimes ask yourself ‘Well how do we [auditors] know that they [project developers] are not actually just massaging the numbers so that you are getting a benchmark value that proves additionality?’ There was never a way to be really sure that the evidence was truly credible.

Furthermore, as well as struggling to get to grips with additionality claims, auditors were limited in their power to challenge baselines, even if they suspected that the baselines were inflated. Interviewee 25 expressed a similar frustration with regard to baseline scenarios:

Each project owner could sort of use the guidelines to create their baselines, and these guidelines were not that strict – because they couldn’t be, because they applied across the globe. So you would see countries like China saying ‘We have a baseline like this’. Because according to this particular government body ‘We are moving in this direction’ and ‘This is how many power plants we’re going to have’. And so they create this baseline based on this kind of theoretical knowledge that they have from a credible source which auditors can only go so far in asking about.

The commercial politics involved in the auditing relationships were a major reason why these problems were as severe as interviewee 25 described. The interviewee (25) was clear that auditors ‘can only go so far’ because it would not serve their interests to interrogate project developers beyond levels of requirement. Acting beyond the remit is both time-consuming and commercially inadvisable. Indeed, in China in particular, interviewee 25 perceived that the culture associated with auditing was ‘very much about pleasing the clients ... I think they wanted to get the clients and I think they wanted to get more work.’

In such circumstances, project developers can feed auditors with the information that suits their case, knowing that auditors will only go so far in scrutinising it. Interviewee 45, a project developer, likened the presence of an auditor to an expected visit of a school inspector – everyone has school uniform, no one is late, everything is clean. According to interviewee 44, a project developer, it is relatively easy to make the case to auditors that a project should be registered as additional. The interviewee (44) added that she was not too wary of auditors, even though they are quasi-regulators. Interviewee 53, a project developer, said that one of his auditors knew very little about the project type he was supposed to assess, so they had to teach them more about it. Given the variety and complexity of project types, this situation is likely to emerge, opening up opportunities for

project developers to provide favourable framings and convenient sources of information, to use their power over information to their advantage. Ultimately there is, as interviewee 34 discussed, a huge problem of asymmetric information such that auditors and any other actors with an interest in project details will find it hard to assess its quality or legitimacy (Wara & Victor 2008). Even if you go to visit a project site, stated interviewee 34, an offset retailer with an interest in due diligence processes, there may be things that you never know about.

Summary

Third parties and regulators are needed to assure the quality of offsets for the sake of the general public, especially as project developers have an incentive to undermine quality and (as the later section on Buying without Bothering will show) buyers also tend to lack interest in environmental credibility (Gillenwater 2011, pp.6–7). Even though auditors are construed as part of a third party verification system, in reality there are major problems with audit processes, especially because auditors are not so ‘independent’ as claimed. At least in the CDM, regulatory oversight of auditing processes does take place, as demonstrated in Chapter Five (Accounting for Auditors). Equally the CDM Executive Board scrutinises projects at a second stage. In the voluntary market, however, the market-leading Verified Carbon Standard (VCS) takes auditor judgements rather at face value. As former auditor interviewee 25 described it:

[For VCS] the process [of registering projects] goes through a lot quicker because there is no sort of oversight on the part of the VCS body, whereas the UNFCCC often scrutinises the projects at a second stage.

The lack of oversight and scrutiny at the level of the standard is often justified as a means of enabling speed and flexibility in the voluntary market (Lovell 2010, p.359).⁴³ But the quick approval process means limiting the oversight of auditing procedures and enhancing the ability of project developers to game the system. Auditor conflict of interest is mixed

⁴³ Indeed quick registration has been essential to the market for VCS because many projects would sell ‘pre-compliance’ credits on the voluntary market while waiting for CDM registration (in the period when compliance prices were higher).

with multiple creative ways by which project developers can manipulate offsetting, using the experience of consultants to do so. Fundamentals such as additionality tests are easily manipulated and hard to scrutinise. Equally the auditors are set the impossible task of verifying a non-existent counterfactual baseline. Interviewee 48, a consultant working with project developers summed the situation up: ‘Already it is very difficult to monitor the clients [project developers]. We do not know what will happen in the site ... If nobody enforces you are free to lead yourself.’

6.2. Dodging Development

This second section of the chapter turns to the problem of development failure. Just like in the environmental case, the structure of the market gives rise to unhelpful behaviours that undermine the potential for positive development. The first sub-section (A Missing Mechanism) argues that lax regulations are central to the creation of development problems. Limited oversight enables project developers to conduct ineffective stakeholder consultations and to write in misleading ways about sustainable development benefits in project documents, safe in the knowledge that most of the claims will not be scrutinised. The second sub-section (Fairness to Failures) gives reason to believe that many supposedly beneficial projects in developing countries face acute problems. First among these is the difficulty of projects securing the price for carbon credits which is needed for them to conduct activities effectively at the project site. The drive for lower prices from buyers, the re-sale margins expected from intermediaries, and high consultancy fees lead to a driving down of the bargains struck with project developers that may be in subordinate political positions. Project developers may be left unable to afford the ‘pro-poor’ outcomes they set out to provide.

A Missing Mechanism

The sustainable development component of the CDM is supposed to be regulated at the national level by the Designated National Authority (DNA), a government body that reviews project design documents (PDDs) and grants them approval or rejects them

(Bumpus & Cole 2010). The approval processes of the DNAs differs by country (Tewari 2012). In many countries, public servants working at the DNA do not heavily scrutinise projects according to their local sustainable development impacts. According to Newell (2009, p.428):

DNAs often concede that lack of capacity and resources mean they are not in a position to verify the claims project developers and investors make about support for a project or the extent to which a consultation with affected stakeholders has even taken place.

Lack of DNA oversight or other CDM-specific mechanism for assuring sustainable development means that offset projects can take a similar form to other business projects operating in developing countries. Outcomes are hardly regulated beyond any requirements set for project development in the non-carbon sector. Interviewee 3, a project developer with experience of working in various countries, described the situation frankly:

The sustainable development side of the CDM, it's a requirement but it's more of a formality. So you do get these projects that are heavily criticised afterwards, and also justly so, according to the impacts they have.

The situation is worsened, according to interviewee 3, because many countries lack 'a well-developed legal framework' which might prevent 'scope for abuses [and] circumstances where you develop projects which have these perverse effects or negative impacts on communities'. This sub-section therefore builds on the material in Chapter Four (sub-section From Development to Destruction) to show how carbon market actors subvert development rationales and ignore negative impacts. The chief problem is lack of concern from project developers who are not constrained by meaningful enforcement mechanisms.

In the Indian context, the Designated National Authority (DNA) typically grants permission to offset project developments on the basis of only a cursory examination of project details. Benecke (2009, p.355) argues that the Indian DNA's goal is to facilitate the carbon market in the country, in line with its goal of accommodating business interests, commenting that:

Host-country approval processes that focus on this aspect [sustainability criteria] are very efficient and grant permissions at a remarkable speed and [with] lack of

bureaucratic procrastination – aspects often criticized with regard to the Indian administration and bureaucracy.

Interviewee 51, from an Indian NGO critical of the carbon market, described the situation in these terms:

There is no independent authority to verify the sustainability claims of any of the CDM projects, or any of the carbon projects ... people who are pro-carbon trading, they keep on saying that the sustainability claims and assessing them is the host country's responsibility, their jurisdiction ... [But at the DNA in Delhi] as long as they're getting revenue coming from outside they are not interested in anything else and surely not sustainability.

In fitting with this statement, Phillips and colleagues note that the Indian DNA 'has gained a reputation for light touch procedures' in their review of CDM governance procedures in the country (Phillips et al. 2013, p.1597). Like other countries, including Chile for example (Rindeljäll et al. 2011), the Indian DNA aims to attract carbon finance rather than put emphasis on sustainable development (Phillips & Newell 2013; Benecke 2009).

Beyond the DNA procedures, one requirement of all CDM projects is that they conduct a stakeholder consultation, which was supposed to enhance local communities' ability to participate in projects and promote development. However, most consultations are strictly limited. Interviewee 51 described the results of a research project into the local effects of a range of Indian CDM projects:

We talked to a number of people, local government, the *Panchayat* [local government], and local educated people, farmers and others, people who have been displaced ... In each PDD they [project developers] would say that they have done this stakeholder consultation exercise, stakeholder meetings, and in each case you catch them in the act. No stakeholder meetings have taken place. Nowhere.

Interviewee 43, a consultant and project developer, clarified the cursory and laissez-faire nature of the requirements associated with stakeholder consultations: 'The CDM requires you to do a stakeholder consultation, but that's it. So there's no particular guidance [on how to do it] ... you just have to do one.' This means that the consultation can be as basic and cheap as the project developer likes.

Another requirement of CDM projects is a description of sustainable development benefits in project design documents (PDDs). However, the sustainable development claims made in PDDs have been shown to differ markedly from the reality of projects when investigated on the ground (Subbarao & Lloyd 2011; Bryant et al. 2015, p.8). Interviewee 16, a retailer, explained her perception of the cause of sustainable development outcomes not matching the glowing descriptions of benefits written on many PDDs:

Realistically there isn't a mechanism in place for stopping it [making up claims on PDDs] from happening. So for something like the CDM, in order to get the project approved ... [you] probably write nice things about what is going to happen in terms of additional social benefits. There is no mechanism to enforce that.

Designated National Authorities lack the capacity to investigate projects on the ground, as noted above, leading to limited scrutiny.

Consultants, in their role as PDD writers and collaborators with project developers, play a role in ignoring sustainable development considerations to take advantage of this missing mechanism. Interviewee 49, a consultant who worked for CDM project developers in India, insisted in defensive mode that consultants would ensure sustainable development was addressed in project development, but ironically thereby declared that consultants would seek to maintain only the 'minimum required conditions':

Everyone [in consultancy] would make sure that the minimum required conditions [on sustainable development] are maintained because without that even if I do the PDD it is going to get rejected at UN level or at the DNA level.

The comment reveals that the consultants will work to ensure that registration is achieved, because the worst outcome would be DNA or UN level rejection, but that going beyond 'minimum required conditions' is basically optional. The interviewee (49) reiterated his point: 'My prerogative [as a consultant] is to make sure that these minimum required conditions are made and to say to the clients that they should go ahead and implement the system.' Since the requirements in the CDM on sustainable development are so limited, and the DNA is so lax, the minimum conditions can be fulfilled easily and consultants are unlikely to lobby for interventions beyond required levels. Interviewee 48, a consultant for

project developers, explained part of his thinking about negative environmental or social impacts of offset projects:

There will be some impacts definitely. When you develop anything, technologically or anything, there definitely will be some impacts but I think they will not be much, I mean I think you can just ignore them.

Indeed, ignoring negative impacts is precisely the attitude taken by many project developers and the consultants working for them. As this sub-section has demonstrated, the very limited mechanisms of requiring sustainable development leads to neglect of those issues.

Fairness to Failures

Even where offset projects are notionally pro-poor in orientation, there may be accidental harms or a variety of unexpected problems. This sub-section builds on points made already in Chapter Four (sub-section Challenges of Carbon Finance for Development, pp.83-86) to argue that low carbon prices and the problems of working with intermediaries are making the operations of development-oriented projects increasingly difficult or even impossible. Interviewee 37, working with cook-stove technologies, said that compliance market prices are ‘extremely bad’ such that ‘you cannot implement a project with those prices’. Voluntary market prices, for the interviewee (37), are slightly better because ‘you are able to negotiate for a better price which can make the project break even’. Project developer interviewee 9 said that prevailing prices of around four or five euros per tonne of carbon on voluntary markets makes it ‘impossible to set up a good development project’.

Prices are now so low that many projects risk failure. Interviewee 30, a project developer involved with forestry offsetting, gave his view on failure as an outcome:

In my view most of the trees will never get to the end of the project. These projects will have huge problems. The buffers won’t be big enough. Farmers will get disqualified ... you [will] have a high dropout rate which will mean you will have a lot less carbon that you can count than you thought. So projects will run into real financial problems if they don’t already have them and eventually they will go bust.

With delayed or missing payments for carbon sequestration not forthcoming and profitable alternatives available, many farmers will choose alternative land use practices compared to

those envisioned by offset project developers (Aggarwal 2014). Interviewee 36, a project developer and offset buyer, described this kind of scenario as a ‘shambles’:

If you get like what happened where they plant thousands of trees and then the thing collapses and [the people] planting trees don’t get their money, that is a shambles. So you have engaged thousands of people in the tree planting project and you haven’t paid them what you told them you would pay them. That’s quite negative.

Interviewee 42, from a standard, described an instance of ‘delayed payments’ to farmers involved in forestry offsetting – caused due to lack of sales income – and the ‘tensions’ this created. While the payments in that project resumed, many others may fail entirely. For example, interviewee 29, who has developed tree-planting offset projects in multiple countries, said only one project from the portfolio still functioned. Of the other projects, and what happened to them, the interviewee (29) said: ‘I have no knowledge and no real concern because I know the trees were planted and I know the people who planted them want to keep them alive.’ The problems of permanence (trees being cut down), forward selling (selling a ‘tree’ when in fact it is a sapling), and raising false expectations in communities (promising payments that cannot be delivered) are all clearly relevant in this case and others like it. Yet the interviewee (29) articulated ‘no real concern’.

Development-oriented project developers are squeezed further on prices – causing problems for implementation – when it comes to negotiations with various intermediaries. Interviewee 2, a project developer with a not-for-profit retailer, described how small scale project developers often seek out their organisation in search of ‘fair prices and fair deals’. The interviewee (2) added that developers suspect that for-profit retailers ‘are not really working for their best’, and yet ‘there are not that many not-for-profit carbon offsetters around’. One such for-profit retailer, represented by interviewee 4, discussed ‘margin expectations’:

Price depends on different factors. It depends on the one hand on the marginal cost of abatement of CO₂ ... [and] after that there is the margin expectation of the project owner, and the margin expectation of intermediaries in the market ... it depends more on what actors come in and the revenue split.

The process of determining ‘revenue split’ is evidently a political one, and critical for the commercial success or failure of organisations.

Retailers rely on re-selling credits at a higher price than purchase cost, which means putting downward pressure on the prices paid to project developers. Interviewee 37, a project developer working primarily with cook-stove technologies in Africa, described the financial challenges of operating a project when retailers make their own premiums:

You know it is a bit tricky for local organisations or indigenous companies to implement carbon projects without having other partners from say Singapore or the North, from Asia or from Europe, because they are the end users of the carbon credits ... So at the end of the day the margin or the premium that is made by the projects is little, it’s small, it’s not much, and not much can be ploughed back to the community.

Interviewee 21, an Indian project developer also involved with cook-stoves and other small-scale development-oriented offset projects, shared the same concerns:

The problem with intermediary agencies is that they take a small cut for their services or for their profits. Already the rate is very low. If there are intermediaries, then the price will not be of any use. That is why we try to either approach [buyers] directly, or alternatively we approach some NGOs. Some NGOs are also intermediaries, but they don’t act like that, they just try to facilitate between the buyer and the seller. So we are going that way. But I cannot depend on a broker or a person who trades in credits.

For inexperienced project developers from developing countries, engaging in political negotiations with retailers and other intermediaries about pricing and other terms can be a challenging process. Project developer interviewee 37 complained that organisations with experience in carbon markets are able to take advantage of project developers in developing countries who ‘don’t have much information about carbon markets’ and who are afraid of ‘so many jargons and technicalities’. Interviewee 21, a project developer, complained about the difficulties of challenging auditors, consultants or other intermediaries who insist on recourse to legal mechanisms in developed countries: ‘Once they are entering into an agreement in India they say Germany provides the law. Indians do not have that much capacity to come and challenge them in German courts.’ The power of intermediaries can thus add to the commercial challenges facing development-oriented offsetting projects in the current low carbon price environment.

Summary

Most carbon offset projects involve limited efforts at creating positive development outcomes, as a result of the lack of requirements on project developers to achieve these (A Missing Mechanism). Where there are project developers aiming to create development-oriented projects, the politics of the market situation creates difficulties for them. Developers struggle to maintain the finance needed to cover the costs of development-oriented project implementation because of the significant expenses that they often need to pay to consultants, auditors, brokers and retailers. These latter actors have greater positional power, expertise and networks with which they can impose terms on project developers, especially those running small-scale projects. The next section turns to the purchasing decisions of buyers which add even more pressure to the supposedly developmentally beneficial projects. Buyers often prefer the cheaper projects regulated only loosely through the ‘missing mechanism’ described above, thus purchasing projects that make limited or negative contributions to sustainable development.

6.3. Buying without Bothering

This section turns to the retail and purchasing end of the offset markets, providing evidence of buyer actions which involve disregard for problems associated with offsets. The first sub-section, Trading without Troubling, deals with the compliance market. In this, buyer demand is typically for low cost credits that enable organisations to fulfil their legal responsibilities without incurring high costs. Buyers and brokers who trade in carbon credits are shown to disregard concerns about environmental integrity or development problems. Gold Standard or Programme of Activity credits, which are supposed to have higher levels of ‘quality’ in relation to development outcomes, but which come at a price premium, have been only a small niche element of the compliance market. The second sub-section, Pricing Pretty Portfolios, turns to the voluntary market. In the voluntary sector, there is more demand for ‘charismatic’ carbon and projects with positive development story-lines. However, evidence from interviewees shows that buyers also want to purchase low cost credits, regardless of the environmental concerns associated

with cheaper offsets and regardless of the inability of project developers to service added development outcomes at a low credit price point. To secure the charisma of more expensive projects, buyers work with retailers to secure a blended portfolio of majority cheap and minority expensive credits, enabling marketing opportunities at a lower cost. Combined, the facets of the markets described demonstrate that most demand is for cheap credits that pass relevant standards. Demand for more rigorous environmental testing and higher development benefits is limited.

Trading without Troubling

In the compliance market, most buyers do not display concern about project details. Interviewee 7, from a research NGO, had done some engagement work with organisations buying CDM credits to fulfil their compliance obligations under the EU ETS:

People have compliance strategies and don't want to engage. It's just something people don't want to be involved with. Often the whole carbon management sits with a site manager and they are really not interested in EU policy, it's just an accounting thing for them – 'Okay pay it, go' – it's not to engage on.

These buyers – site managers or others responsible for ETS compliance – are enabled in their lack of concern because they are shielded from reputational risks that offsetters have faced on the voluntary market. Indeed in 2014 and 2015 the European Commission failed to reveal installation level data about the types of offset credits that companies regulated under the EU ETS have been purchasing, protecting industry from potential media or NGO critique.⁴⁴ Furthermore, current regulations shield compliance buyers from most liabilities such that very limited due diligence is required (Layfield 2013).

⁴⁴ The NGO Carbon Market Watch complained in May 2015 that 'the aggregate offset data released by the European Commission falls short on information at the installation level which makes it impossible to see which company bought what', arguing that the non-disclosure is 'unnecessarily limiting transparency at the installation level and does not provide incentives for companies to choose projects with high sustainability impacts that may have higher prices than less popular project types, such as mega dams' (Carbon Market Watch 2015).

Compliance buyers typically source credits from exchanges, from brokers who trade in offset credits. Interviewees demonstrated that brokers have limited knowledge of carbon offsetting and that they do not care much about environmental or developmental concerns. Interviewee 7 from a research NGO described his interactions with brokers:

[The] environment is just another commodity [for brokers] ... they sell the vast majority of allowances in the EU ETS, and if you talk to them about it they see it as just a commodity, an asset class. It flashes up on the computer and it flashes away, there is no more interaction than that. It's there to be gamed as much as anything else, within the boundaries ... The trader has no moral cross to bear, it's just an asset class, call it grain call it coal, coke, anything, it's just another asset class to be traded.

Interviewee 31, a retailer who had worked previously for a brokerage firm, gave the same perspective:

They [brokers] don't care. The traders don't care. That's what I meant that we could have been trading oil. They don't care. It's a commodity to them, it's a Dollar, it's a Euro, whatever it is, and that's all they care about. Yeah and the brokers don't know a lot either ... The traders are exceptionally smart but they don't always know so much about the commodity, or care.

Interviewee 25, a retailer, gave an account of her similar experience of working with brokers:

[Brokers'] technical understanding of the carbon market is basically none. They don't think like that, they are thinking about burning their margin and selling ... I often found that the brokers really didn't know anything, and any information they were able to provide was very limited.

Brokers' and compliance buyers' lack of understanding is associated with a need-to-know attitude and a perception that technical knowledge is not necessary. As retailer interviewee 34 put it, the offset has been commodified through its certification with the UN via independent auditors, so in an ideal world brokers and their clients would not need to know more than that. The lack of knowledge and concern in evidence here can be seen as a product of a commodification process which divorces the carbon credit from its material basis and turns it into a financialised asset which, once produced, is a standardised unit made commensurate with other units (Knox-Hayes 2013; Dalsgaard 2014).

In the CDM, where the market is regulated largely by price considerations and least-cost compliance strategies, there is very little activity in relation to assuring development outcomes. The lack of Gold Standard and Programme of Activities market shares in the CDM compliance market demonstrates the lack of demand for added development outcomes on the compliance market. The Gold Standard was developed in order to encourage improved development outcomes via accredited stakeholder consultations and a label that could command a price premium. Programme of Activities methodologies were introduced to the CDM to enable projects that distribute small scale low carbon technologies that are of use to wider populations, rather than focusing on single point sources of carbon. But these have only been niche elements of the CDM market. The Gold Standard has issued only 4.8 million Certified Emissions Reductions (CERs) over time (Hamrick & Goldstein 2016, p.9), and Programmes of Activities have led to the issuance of 5 million CERs (CDM 2016b). This compares with over 1,705 million CERs issued by the CDM overall to August 2016 (Ibid.). That provides Gold Standard and Programme of Activities credits with a very small market share of just 0.2% each.

There are limits, however, to the commensuration of carbon through offsetting and the fungibility of CERs on the compliance markets. Failing to recognise problems with the underlying asset can potentially lead to problems of ‘sub-prime’ carbon (Lohmann 2010), where lack of use value ultimately undermines exchange value. Interviewee 7 from a research NGO described how buyer lack of awareness of CDM problems caused difficulty for a large utility company:

They [the utility] got burned badly by buying blind because that’s how you did it. They had this huge portfolio on their website – ‘How fantastic and wonderful, we develop them ourselves, it’s so moral and wonderful’ – and then we came along and said ‘But why are you buying all this HFC[-23] stuff?’

The utility company had bought a large number of offsets generated by the supposed reduction of HFC-23, a potent greenhouse gas. However, as noted above (Chapter Four – sub-section Questionable Calculations, pp.72-74) the environmental integrity of projects reducing HFC-23 is highly questionable. NGO pressure contributed to EU regulations against HFC-23 offset projects (Chapter Five – sub-section NGO Criticisms, pp.92-95). Lack of attention to the problems of the underlying asset led to these buyers getting

‘burned’, according to the interviewee (7). Given the regulation prospect against industrial gas credits from HFC-23 and also adipic acid projects, brokers too eventually distinguished between grey and green CERs. The green CERs category excluded HFC-23 and adipic acid (deemed ‘grey’) to create an asset class with higher value (IETA 2012, p.73; Elsworth et al. 2012, p.14). Thus even though commodifying carbon leads to a reduction in the perception and understanding of the underlying material basis of the commodity, buyers must nevertheless beware if they buy completely ‘blind’.

Pricing Pretty Portfolios

In the voluntary market, price considerations are also paramount. Interviewee 11, a retailer, said that clients would seek to offset their emissions ‘at the least possible cost’:

And these are large volumes, you are talking about half a million tonnes plus, so they are certainly looking to purchase you know, cheap and cheerful, or cost effective, depending on what you want to say.

Interviewee 17, a retailer, indicated that buyers would often just want ‘value-based carbon credits’. Interviewee 25, who worked for a retailer, said buyers were ‘usually’ looking for ‘projects for less than £2 a tonne which were just run of the mill China wind’. Interviewee 29, a project developer, said that in his experience corporate buyers ‘generally were looking for a quick fix’ and that ‘when it came to parting with the money, they didn’t want to’. Buyer demand for low cost offsets means that development-oriented projects, which need a higher carbon price to be viable, struggle to achieve sufficient financial support.

Buyer demand for low price also gives rise to a difficulty for the buyers themselves. Buyers want to look good as a result of offsetting, but they do not want to pay for the projects that offer the most charismatic value. Retailer interviewee 25 explained the situation:

We had these salespeople who were coming to us [on the procurement team] and saying well such and such client – and they were big clients, you know they were big sort of brand names in the UK who wanted to offset their carbon footprint – so they would come to us and they would say ‘Well this is what this client wants’. And they would list all these wonderful things and at the end of the day they would say ‘Well okay the price has to be this’, and the price was so low [laughter] and so it was such a

challenge because they had all these things they wanted but yet they weren't willing to go above two pounds a tonne. In this company I worked for there was this term which the salespeople would use, they would say 'I want charismatic carbon' or what was the other one? It was 'charismatic' or oh yes it was really good, it was 'charismatic and efficient' ... or they want 'cheap charismatic'. How can you find cheap charismatic? ... It was really frustrating because in reality if you wanted a good project you would have to be willing to pay above ten dollars a tonne really, and this is just ballpark.

Retailers are thus faced with a difficult situation in which keeping very large corporate customers satisfied depends on provision of a desired product that does not exist.

To reconcile budgetary and willingness-to-pay constraints with demand for 'charisma', clients and retailers devised a solution known as a 'portfolio mix'. Interviewee 31, a retailer, explained the practice in straightforward terms:

What will usually be recommended to our clients is a portfolio approach, so invest in a group of projects, or two or three projects depending on the volume, that will tick a lot of different boxes depending on what your needs are. The budget is a big deal. All of our clients have a budget, even the largest clients. And of course they all want the charismatic project at the budget price, but they are not going to be able to get that. So it's really about doing a portfolio mix and bringing in that cost-effective large-scale renewable project in China or India, which can be the cheapest credits out there for the most part, and then mixing that with the water filtration and cook-stove project in Guatemala, or the reforestation projects in Kenya, with a REDD project in Peru, depending on what the client is looking for ... [If] they have a budget which is so tight they have to buy eighty per cent cost-effective and they only have twenty per cent of their budget left for the more charismatic projects, that is fine too, because they are still investing and they are still making a difference. So that's how we get around it, and that's what we recommend to most of our clients ... so they get the most bang for your buck.

The interviewee (31) shows that the portfolio mix is the easiest way to achieve charisma and lower costs simultaneously. The portfolio mix strategy was mentioned in the 2013 industry report on the state of the voluntary carbon markets, describing 'common use of a "basket" or "portfolio" approach' which is designed to provide 'offsets from more expensive projects ... but in lesser quantities' (Forest Trends' Ecosystem Marketplace

2013, p.25). The 2014 reports also describes retailers' strategies of lining portfolios with inexpensive offsets to then 'top them off with more expensive types' (Forest Trends' Ecosystem Marketplace 2014, p.19).⁴⁵ The interviewee (31) clearly considers the practice legitimate, using the justification of 'they are still investing' and a commercial framing – you get 'bang for your buck' – to normalise the procedure.

Other retailer interviewees confirmed the prevalence of the portfolio mix. Interviewee 19 said the mix happens 'often' and that the 'idea is that they [clients] would buy some cheap and some more expensive [projects] with a better story'. Interviewee 34 summarised the issue as being about budget constraints and a desire for a nice story, with the most common format being a ten percent purchase of Gold Standard credits and the rest with less demanding requirements for the sake of cost effectiveness. Interviewee 11 was equally open about the practice:

That's probably been a trend for the last two to three years with companies doing that sort of mixed portfolio. So publicly facing they may have four projects they equally give sort of web page space to, but the reality might be eighty per cent cheap and cheerful and the rest a blend of the more charismatic.

The interviewees and their clients are apparently comfortable with leading their public relations with the communication of stories derived from more expensive projects that have charismatic value, but which they do not purchase on an equal footing with the cheaper projects. There is a difference between the 'public face' and 'the reality', to use interviewee 11's language, but the interviewees did not seem perturbed by it.

Lastly on this topic, it is important to note that the mixing ratio is not necessarily as generous as some of the interviewees declared. Interviewees 31 and 11, above, said the mix would usually be eighty per cent to twenty. Interviewee 34 said it would be ninety per cent to ten. In contrast to these figures, interviewee 25, who worked previously for a UK retailer, described the common scenario as follows:

⁴⁵ Meezan (2009) has described a portfolio mix strategy from a carbon offset buyer's perspective as a means to create marketing opportunities at a lower cost.

We had clients who wanted a mix and that [portfolio mixing] would bring the price down. It might be something like the most expensive project they would buy a couple of hundreds credits, versus two hundred thousand credits from cheap China wind, as things would start to get called ... So the portfolio that we'd give to a client was a blend ... and, you'd find that despite them owning only a small amount they would still market it on an equal footing, which is frustrating because actually they are not supporting the small-scale behaviour change projects in the South African townships, they are mainly supporting the big wind power projects in China, but yes they'd want to talk about them equally, and they did.

If the purchasing amounts are as the interviewee (25) describes, then it amounts to a 0.1% to 99.9% ratio, despite the 'equal' marketing. Such a ratio would undermine the plausibility of a justification based on the idea that clients are 'still supporting' the charismatic projects. The greater the discrepancy between purchase ratio and marketing, the more deceitful the tactics may seem. Even with generous support the strategy could appear duplicitous. Indeed, project developer interviewee 2 and retailer interviewee 26 called the portfolio mix strategy a form of greenwash. The implication of clients' disinclination to purchase more expensive credits is that it is more difficult for small scale projects with claims of development benefits, which tend to involve higher costs, to find enough buyers. On the voluntary market where buyers are interested in communication value and stories, clients are appropriating that value without providing the financial support that might reasonably be expected of them.

Conclusion

This chapter shows that the structure of the offset market and the interests of the actors involved undermine the potential for achieving offsetting's rationales. These same factors also lead to an amplification of the offset market's problems. The problems of carbon offsetting are linked to the nature of the 'baseline and credit' system and its need for additionality testing. The concept of offsetting is fundamentally flawed in this way. The need for project developers to secure financing and registration simultaneously puts them in a bind that they can only realistically get out of by hiring crafty consultants with the

know-how to manipulate the presentation of data so that they can secure project registration even if projects are non-additional. With the idea of a baseline inherently uncertain, the flaw in the process creates an obvious opportunity for project developers and their collaborators to certify the baseline as maximally filthy, so they do. Auditors, contracted by the project developers, do not have an interest in being overly strict. These are the primary dynamics at play when it comes to the problem of environmental failure.

In relation to developmental failure, the actions of the project developers are also self-serving, taking advantage of lax rules and regulations to ignore negative impacts that might occur in association with offset projects. Some minimal requirements are expected, such as a brief amount of text describing the sustainable development impacts of the project and the details of a stakeholder consultation. These can both be filled out and completed in a vague and rather meaningless fashion because there is not likely to be much checking up on procedure.

Many buyers of offset credits are content to accept these environmental and developmental failures (perhaps ignorant of them), provided they come at a cheap cost and without any obvious reputational risks. The challenge for developers who want to encourage uptake of low carbon technologies that have benefits for people in developing countries, or who want to be rigorous in their testing of additionality and honest in their assessments of baselines, is that there is strictly limited demand for those kinds of credits that come at a price premium. Even where there is demand, in the voluntary carbon market, many buyers and retailers have devised a relatively underhand ploy to make use of the communications value of 'charismatic' carbon without having to pay the costs that would justify the marketing.

In such a context, it is not too much to suggest that a variety of actors have made use of tactics that should be described as corrupt. However, not all of the making of the corruption was of the actors' own choosing. Much of it stems from the expected functioning of the market itself. Chapter Eight – entitled Profit, Principles and Power – expands on this point to explain why malpractice has become institutionalised in carbon

offset markets. Before that, the next chapter (Seven) shows how carbon market actors sustain the offset market despite the entrenched existence of these problems.

Chapter Seven: Sustaining the System – Justification, Marketing and Identities of ‘Moral’ Markets

If you listen to all the offsetters, they all have their same speech, they are all saying the same thing – *Why carbon is social* and *They have an ethical approach* – but you have to verify this speech...

- *Project developer interviewee 9 (emphasis added).*

This chapter examines the importance of justification, marketing and identity work which cumulatively serve to, as the chapter title puts it, sustain the offsetting system despite its problems. The previous chapter (Six – Corruption in and of the Concept) demonstrated that carbon offsetting has fundamental structural problems that encourage actors to undermine offsetting’s twin rationales of cost-effective climate change mitigation and international development. Nevertheless, carbon market actors continue to justify their activities by framing their actions as an ethical response to climate change. Chapter Five (From Criticism to Quality) demonstrated that market actors have made some positive changes in response to problems and criticisms. This is part of sustaining the system, but not the whole story. Justification and marketing strategies are the other half, and they play a much less positive role. Rather than attempt to address problems, justifications serve to conceal and downplay the existence or severity of offsetting’s problems to external and internal audiences, including the self. Meanwhile the marketing associated with offsetting provides a discourse that makes it look as though offsetting’s rationales are being fulfilled, enabling market actors to present a glossy positive façade to a variety of audiences, including the self, even when the images and discourses fail to match up with a problematic reality. In terms of identity work, market actors make use of justifications and are influenced by marketing messages. These contribute to and help sustain a personal sense of moral motivation in the performance of professional lives.

This chapter proceeds in three sections which look at justification, marketing and identity work in turn. In doing so, the chapter builds on previous research to argue that cultural forms of government play a key role in the cultivation of market-enabling forms of moral

consciousness (Lovell et al. 2009). Carbon offsetting is part of a climate imaginary: a shared socio-semiotic system of cultural values and meanings associated with climate change and the associated economic response to it (Levy & Spicer 2013). This chapter suggests, following the insights of Levy and Spicer (2013), that struggles over legitimacy are central to the sustenance of a techno-market climate imaginary that discursively enables the offset market – and its material rewards for privileged actors – to continue functioning. Normative controversies lead carbon market actors to aim for perceived legitimacy, which is needed to further the private accumulation of wealth from the offsetting sector (Paterson 2010). Although Chapter Five has demonstrated some genuine attempts of market actors to improve legitimacy, the responses described here are primarily discursive. The chapter gives credence to the view that market actors are aiming to ‘neutralise resistance by imbuing the commodities of carbon markets with a self-evident moral quality’ (Paterson & Stripple 2012). Lastly, the chapter recognises that participation in the offset market shapes people’s conduct and identities, creating distinctive forms of subjectivity (Paterson & Stripple 2010; Descheneau & Paterson 2011).

7.1. Discursive Defending – Justifications of Offsetting

Justifications help market actors to argue against critics that challenge the value of offset credits. Following Nyberg and Wright (2012), justifications are seen as legitimisation strategies deployed in response to critiques of corporate activities. The justifications described in this section are not always rationally successful or legitimate. Rather, the arguments deployed are frequently flawed. Consequently, I refer to what follows as justificatory strategies. This term helps to avoid the connotation that justifications are successful and rational, while still acknowledging the power of the strategies to influence opinions and beliefs. The justifications help to sustain the market in the face of critique by providing a semblance of legitimacy. They also help to sustain the personal beliefs that help market actors normatively reconcile themselves to their jobs. The assumption here is that people tend not to act ordinarily on the basis of simple domination and power, but instead usually seek to justify their behaviour (Davies 2012, p.176; Sayer 2005). Justificatory

strategies are frequently integrated and merged together in the expressions of carbon market actors. They are not easily disentangled in the form of bite-size quotations. Rather, they flow into each other to create a discursive assemblage that aims to counter and avoid threats posed by criticisms via multiple and linked strategies.

As far as possible, the various justification strategies that I identified in interview transcript analysis have been disentangled below. The first sub-section indicates that market actors make problems seem distant: problems are portrayed as historic, isolated, elsewhere, and caused by a few rogue carbon cowboys (others). The second sub-section turns to retailer justifications based on appeals to standards and due diligence processes. Although these seem like reasonable responses, standards and diligence do not always provide the quality that one might assume. The third sub-section highlights justificatory arguments which seek to excuse problems as no worse than others caused by capitalism, blaming ‘hard left’ critics for being utopian and unreasonable in their criticisms of offsets. The fourth and final sub-section demonstrates that all these justificatory strategies aim to discursively defend the concept of offsetting from criticism, so that at least a suitably reformed or refined version of carbon offsetting can be presented as a morally commendable practice despite the profound problems identified above in Chapter Six.

Distancing from Problems

Most interviewees recognised the existence of problems with carbon offsetting, but then framed the problems as historic, isolated and occurring elsewhere. Problems were also described as technical challenges to be solved. This sub-section highlights discourse that exhibits these justificatory strategies in turn, all of which serves the purpose of quelling the normative potency of critiques.

First, asserting that problems occurred in the past helped interviewees to claim that problems have been resolved through a process of reform. For example, interviewee 8, from a pro-offset NGO, made criticism seem historical:

There *was* a lot of criticism ... [the] processes that [projects] *were* going through in terms of environmental and social checks, again with an *emerging new area of work*, there

weren't those processes and checks in place [in the past]. I don't think that's a sticking point *now* as the market has *matured*. (Italics added)

The interviewee used the past tense to differentiate between past problems of the 'emerging new area of work' and a present supposedly mature market where reforms have addressed challenges.

Second, portraying problems as limited to a few isolated cases helped interviewees to avoid the conclusion that problems are inherent to offsetting. For example, interviewee 6, from a pro-offset NGO, made the problems sound minor and isolated when she said the CDM 'has been criticised a lot and it's easy to find a dodgy project *here and there*' (italics added). Referring to 'here and there' gives the impression that only a small handful of scattered and minor projects are 'dodgy'. The implication is that critics have unfairly tarnished the name of carbon offsetting by using just a few cases to create a bad image. The claim that bad cases are isolated neglects the consideration that non-additionality, non-credible baselines, asymmetric information and missing mechanisms for development are structural features of the offset market which create pervasive problems.

Third, interviewees presented problems as related to the actions of other market participants, thereby distancing themselves from difficulties. The strategy is to admit that problems exist, but then deny association with them. Interviewee 14, from an environmental NGO that has had association with carbon offset project developers, was able to normalise the idea of failure and to distance her organisation from such failures through this statement: 'I guess there's *always* going to be a *few* that go wrong, and that make the headlines, *not of ours* thankfully' (italics added). The word 'always' makes failure seem inevitable, saying 'a few' makes problems seem isolated, and insisting that none 'of ours' were so problematic is a distancing strategy. Similarly, interviewee 17, who retails offsets, said that there were 'questionable people' involved in the process creating 'dodgy projects' due to 'low barriers of entry'. Setting up these unnamed foes means that the retailer can portray negative stories – which he described dismissively as a 'big song and dance' – as only applying to a few isolated dodgy operators, aiming to avoid association of problems with the interviewee's own projects. Making problems appear elsewhere is essentially another means of making problems seem insignificant and minor. Equally it can

help retailers to discursively increase the perceived value and status of their offset credits over others.

The above strategies amount to attributing problems to isolated, preferably also historic, ‘carbon cowboys’. Making problems seem exceptional or uncommon, rather than systemic, helps preserve what Lohmann describes as an ‘illusion of regulability’ (Lohmann 2010, p.246). Accordingly, interviewees discursively frame problems as challenges to be addressed through reforms to regulations. Interviewee 10, a project developer, justified the offset market in this manner:

When the CDM came on board, it *was trial and error*, no one knew [what to do]. It [the CDM] is something that *developed over time*. It needed a lot of *input*. Criticism is very good; to me it is something that has *shaped* the CDM. Because at first when it came there were difficulties with additionality, they had challenges, but *with time it kept on improving*. (italics added)

The passage gives a strong impression of improvement and overcoming difficulties over time. Problems are framed as ‘challenges’ that can be dealt with. Criticism is softened and deflected away from fundamental critique of offsetting towards ‘something that has shaped the CDM’, associated with constructive ‘input’. The problems are also to be forgiven and accepted because of the ‘trial and error’ situation. Similarly, interviewee 61, who works for a standard, argued that offsetting is there to be improved:

We are *learning* and we really appreciate everyone who puts time and finance into this market to *understand how best to do it*, and I think these are the bits and pieces we have *to work on* to actually get to a better planet. (italics added)

The discourse of ‘learning’, improving understanding of ‘best’ practice, and doing ‘work’ on reforms is given the impressive status of leading to ‘a better planet’.

Framing problems and critiques as helpful input to reform efforts serves as a form of denial that difficulties are inherent to the overall concept of offsetting. Furthermore, the discourse helps to justify the activities of managers and experts who are supposed to design rules for improved implementation, enabling continued interventions and ‘elite claims to apply power and knowledge at a distance’ (Lohmann 2008, p.360). Meanwhile, during the period in which problems are supposed to be getting regulated away, business can be allowed to

continue as normal, enabling ‘skilful and well-paid carbon accountants to continue fabricating huge numbers of pollution rights for sale to Northern fossil fuel polluters’ (Lohmann 2010, p.246). Chapter Six (Corruption in and of the Concept) has demonstrated that environmental and developmental problems are widespread and current, not isolated and historic. If problems are to be described as caused by carbon cowboys, then the malpractice described in Chapter Six demonstrates that there are a lot more active carbon cowboys than market actors would like us to believe.

Retail Standards

The above justification strategies are supplemented through appeals to voluntary carbon offset standards and retailer due diligence processes. This sub-section indicates that retailers use standards and diligence checks to substantiate the view that problems are historic, isolated and caused by others. The resulting discourse can be reassuring to offset buyers, wary of problems and potential risk to reputation, who need to gain trust in retailer assurances about offsets’ quality. However, the limitations of standards and diligence procedures mean that these justification strategies should also be treated with scepticism.

Interviewee 8 from a pro-offset NGO, expanded on the contention that problems are historic by arguing that offsetting has improved over time because of standards:

Perhaps *back in the day* there was less trust in the mechanism but *now we have standards*. That means we are looking into the proper impacts and [seeing] if they [offsets] are actually reducing carbon emissions. Now we have standards that are taking that into account. (italics added)

The comment suggests that problems were historical, ‘back in the day’. This is contrasted with the current situation ‘now’, where the standards play an important role in discursively supporting the notion that offsets are ‘proper’ and ‘actually reducing emissions’. In another example, retailer interviewee 17, made reference to the rise of voluntary standards, including the retailer standard ICROA (International Carbon Reduction and Offset Alliance), to support the case for the quality of voluntary offsets:

ICROA was formed to put best practice in and to be a bit of a self-regulation body. And those questionable characters out there, those [dodgy] projects are few and far between now.

The interviewee (17) invoked the ICROA standard as a means of making problems seem isolated and historic, resulting from carbon cowboys who have been removed due to the regulations of the standard ('few and far between now'). Another retailer, interviewee 11, also made reference to ICROA as a means of denying association with problems. The interviewee (11) argued that malpractice in the voluntary market was 'rife' but only among smaller retail businesses not registered with ICROA whose 'business ethics are not really there'. The interviewee (11) commented: 'It's like going to an accountant that isn't a chartered accountant, you know it often ends in tears.' The argument provided is that offsets' problems are squarely located in the sector of the market that is not regulated by ICROA: that problems are elsewhere and the standard provides the line around which problems start and cease.

Retailers supplement the discourse of standards with appeals to due diligence procedures. Due diligence procedures are checks of project features which some retailers undertake themselves in addition to the usual checks made by standards. The following is from interviewee 31, who works for an offset retailer:

For our business, just because a project is registered to an accounting standard like the CDM or the VCS does not mean that [our company] wants to buy it. We will look into any claim that is being made, so if there is a dodgy additionality claim *we will not touch* that project. Our carbon sourcing team ... they are the *experts*. If they [procurement] don't like that project or the additionality claims or they are *a bit wary* on it then there are not going to buy it even if our clients are looking for a certain type of project because the reputational ramifications are too high ... we are *extra cautious* of this, and it is something that we cover in our due diligence. (italics added)

The comment gives the impression that due diligence gives extra protection beyond the carbon standards. The interviewee (31) talks about being 'extra cautious' and 'not touching' a dodgy project or even something the 'experts' are even just 'a bit wary on'. The strong language conveys the impression that due diligence procedures are comprehensive, which

would make offsetting justifiable. (However, the content that follows gives reason to believe that due diligence procedures actually have limited practical effect).

In a similar way, retailer interviewee 27 framed the due diligence process as providing ‘slices of protection’ to clients:

All the [projects] we sell, we do an additionality check and we are comfortable with them. And that is what our clients expect from us ... There are a number of slices of protection that we provide to our clients. First of all, we only sell carbon credits that are verified to a limited number of standards – VCS and Gold Standard mainly. We only sell carbon credits that are being verified and validated by DOEs that we trust – respectable DOEs. And then we do a final slice ... on the additionality features of the project and ... on the social co-benefits of the project.

The standards provide the first bulwark. Then there is an appeal to ‘respectable’ and trustworthy DOEs. On what basis they are more respected was left unclear. (Indeed the credibility of appealing to auditors is limited because of their approving attitudes, as described in Chapter Six.) Lastly the retailer appeals to due diligence on additionality and social impacts. The diligence is designed to provide reassurance to clients who ‘expect’ this service. These are the means by which retailers aim to establish trust in offsetting, to help with sales and marketing in face of well-publicised problems (see Chapter Five, sub-section Decline in Demand, pp.99-102).

However, the above interviewees did not give the full account of why companies do due diligence. Interviewee 25, describing her time at a retailer working on due diligence with the procurement team, stated that due diligence was not all about checking for features of quality:

The big thing that we [on the procurement team] had to make sure of is that it [the offset project under consideration] would deliver. That was the big due diligence question really. Would it deliver? What are the risks? And that would come down to the project type and the technology, and the country. Was there any country risk? Who was the project owner? How much experience did they have? So there was a check for reputation risk, but mainly delivery.

Much of due diligence is thus apparently about checking that offset purchase agreements would lead to the delivery of promised carbon credits. Additionality and social impacts are not as rigorously checked as claimed. Furthermore, due diligence is not always done on an extensive basis. The interviewee (25) added that ‘going through the project design documents and all the auditing documents’ was ‘something that my boss never wanted to do because there is a lot of paperwork, there is a lot of reading and understanding the projects’. The diligence is not more extensive because the general assumption is that ‘the project has presumably gone through a sound verification process’ meaning that ‘it is not our job as a retailer to re-verify the project’ (interviewee 25). Retailer interviewee 4 had the same view: ‘It is our responsibility to assess additionality for the client, using the standard ... our floor is the standard.’ The due diligence process is limited because it is labour-intensive and technically challenging, and because responsibility has already been outsourced to the standard (c.f. Broderick 2011, pp.225–228). Thus the diligence is primarily an exercise designed to protect the interests of powerful market participants (like retailers and buyers), rather than a moral project implemented for the sake of environmental protection or poverty alleviation intrinsically (c.f. Sum & Jessop 2013, p.349). The uncertainties of carbon accounting which are part of auditing procedures contribute to the limitation of due diligence, meaning it would be very hard to establish the actual environmental integrity of projects even if offset consumers were very keen to do so (Whittington 2012, pp.122–124; Broderick 2011, pp.226–227).

Even though due diligence is limited, retailers are still keen to argue that the procedures ensure clients get quality offsets, because this is how they establish trust and avert decline in demand for their product. Appealing to experts, to trust in due diligence, and to standards is a means of making offsetting look justifiable because problems have supposedly been addressed (see also Chapter Five – sub-section Certification with Standards, pp.111-114). Retailers are banking on the weaknesses of standards not always being perceived. Methodologies still suffer from problems of non-additionality and non-credible baselines, as described in Chapter Six (sub-sections Arguing Additionality, pp.125-130, and Bloating Baselines, pp.130-133). Standards often only do cursory checks of auditor reports, as noted in Chapter Six (in Section One’s Summary, pp.138-139). The discursive appeals to standards and other checking processes make use of what Blowfield

and Dolan (2008, p.2) describe as ‘the presumed universality and neutrality of standards’ which ‘naturalizes their authority while leaving their moral reasoning unquestioned: a dynamic with unacknowledged consequences for the poor and marginalized’.

Normalising Problems

This sub-section demonstrates that interviewees contextualise carbon offsetting’s problems in terms of critical perspectives on capitalism. In a strange feat of reasoning, the justification strategies then bracket capitalism as if it is a fixed and unchangeable economic system (c.f. Whittington 2016b, p.11), and claim that carbon offsetting is acceptable consequently. The justification strategies below all normalise capitalism to some degree. Indeed, reconciliation to capitalism can be seen as one of the major elements of carbon offsetting overall, as the market reinforces the idea that capitalism is a saviour, that it pacifies environmental and economic dilemmas (Ervine 2012). Equally, the discourse might be expected because carbon offsetting, as a marketised response to climate change, has empowered subjects with an identity of business people, of entrepreneurialism, who are expected to adopt a capitalist reasoning (Ehrenstein & Muniesa 2013, p.173). First, problems of offsetting are made to seem minor, insignificant or normal in comparison to the development problems associated with capitalism. Second, market actors assume that alternatives to offsetting are not possible because those alternatives would be ‘socialistic’, ‘utopian’ or communist. Third, proponents of offsetting view critics of offsetting as misguided because they are supposedly ‘hard left’, blinded by an ideological opposition to capitalism which only leads to inaction. Critics are branded as anti-climate policy and anti-progress, strangely allied with the camp of climate sceptics (c.f. Paterson 2010, p.362; c.f. Ervine 2012, pp.8–9). These justification strategies are explored below in turn.

First, in an example of making offsetting’s failures seem normal compared to the tensions generated by capitalism, interviewee 3, a project developer, aimed to justify the development record of the CDM by putting it into a broader context of widespread failures in the development process:

It’s not surprising that you come across all these problems because we know what infrastructure projects in developing countries are often like. You know there are all

kinds of scandals, be they government programmes, aid, World Bank funded dams and displacement of people and all.

Through the comparison, the CDM is portrayed as no worse than other development problems and ‘scandals’. The comment helps to explain why development problems are prevalent by comparing them to wider patterns of infrastructure investment in developing countries (see also Chapter Six – A Missing Mechanism, pp.140-143). However, it does not provide a compelling justification. The comment normalises development problems, making them seem like something to expect (‘it’s not surprising’ – ‘you know’). This is an example of a discursive shift from questions of the normative to questions of the normalised, moving away from ideas of legitimacy to a view of behaviour as natural (Sayer 2015, p.292). Yet prevalence of problems does not mean that we should accept them.

In another example of normalising problems, or making problems seem minor compared to what goes on elsewhere, project developer interviewee 20 compared offset ‘greenwash’ to malpractice in other sectors. Interviewee 20 sought to justify companies claiming carbon neutrality through offset purchases when they have not implemented an internal carbon reduction strategy. Critics have argued that this practice should be considered greenwash (see Chapter Five – Mainstreaming Carbon Management, pp.117-120). The interviewee (20) responded by comparing with other companies that do ‘nothing’:

It’s not simply greenwashing if you only do offsetting [and no internal reductions]. Because greenwashing, that is simply doing nothing ... Greenwashing is when Asia Pulp & Paper sets PR [public relations] videos that say ‘We are the best because we are planting all these trees’, saying ‘Every seedling tells its story to the world’. But that is just a core business and they are not changing anything and they are probably cutting down the primary forest in order to plant these monocultures or GMO [genetically modified organism] whatever trees, and that is greenwashing. Ha! You don’t do anything but you make [it look] good.

The interviewee’s indignation about the behaviour of a non-offsetting company contrasts sharply with approval of companies that offset for public relations reasons. The comment shows the tactical role that moral indignation can play in discourses about the legitimacy of market behaviour. Offsetting cannot be that bad, interviewee 20 implies, because it is better than all these other taken-for-granted and accepted problems of the capitalist

economy. However, as an argument it is weak because pointing out supposedly worse examples of malpractice does not, in itself, excuse anything.

In a second version of normalising offsetting and naturalising capitalism, carbon market actors reject the possibility of alternatives. Retailer interviewee 11, for example, argued that carbon credits were a superior mechanism to ‘any alternative that we see, which I suppose for the far left would be a socialistic approach’. The interviewee (11) asked rhetorically: ‘How would that [socialistic approach] work pragmatically?’ Interviewee 35, a project developer, made a similar argument and talked about the inefficiencies of former communist countries. Interviewee 31, a retailer, said that questions have to be about ‘what is possible in the world we are living in?’ rather than asking about ‘what is the right way to utopia?’. The interviewee (31) added her view that ‘These market-based approaches are the only things that are actually going right now’, which makes it seem as though not doing offsetting would leave us with nothing. The points made are stretched beyond credulity. The interviewees present alternatives as ‘utopian’ (31), ‘socialistic’ (11) or communist (35). Indeed, to be an opponent of offsetting, one must apparently come from the ‘hard left’ (interviewee 11).⁴⁶ These are means of claiming that alternatives to offsetting are not existent, nor possible nor desirable. This discourse gives evidence to support the contention that ‘the performativity of carbon markets thus operates in part by conflating opposition to carbon markets with opposition to action on climate change’ (Paterson & Stripple 2012, p.569). The justification strategy is unreasonable because alternatives are present, not absent, because socialistic approaches are possible, and indeed because non-socialistic and non-utopian alternatives also exist (Böhm & Dabhi 2009). Government action and policy can have impacts on climate change mitigation in a range of ways, and does so. Even if this were not the case, the only alternative strictly required is the possibility of ‘not offsetting’. The case being made is *against* offsets, not *for* something else. An *anti*-case does not require a *pro*- alternative (Lohmann 2014).

⁴⁶ Michaelowa (2011, p.240), for example, asserts that Lohmann’s (2009b) critical perspectives on offsetting are for ‘die-hard left-wing ideologues’ only. See Böhm and Dabhi (2011) for a critique of Michaelowa’s view.

Third, just as alternatives are dismissed, so too are critics. As noted in the paragraph above, critics that are anti-offset are assumed anti-capitalist, which sets them up for ridicule. Project developer 18 linked the above points about supposedly utopian, socialistic or non-viable alternatives with criticism of those arguing against offsetting:

I think that a lot of the time [critics'] arguments lead to inaction. It is better to do something than nothing. So I sort of have an opinion that a lot of the time the arguments for why offsetting or investing in these kinds of projects is not a good thing are often used by those who do not want to make change ... it is an argument used by people who want inaction.

The commentary confronts critics and asserts they either 'want inaction' or else critics provide arguments that 'lead to inaction'. However, as noted above, alternatives are possible and desirable. Moreover, where critics are calling for an end to greenwashing and an end to the undermining of climate policy and an end to harmful projects that enrich exploitative elites, then it is appropriate to call for termination of activity.

Other interviewees were resistant to the arguments of critics when those critical perspectives lacked a reformist framing (c.f. Böhm & Dhabí 2011). Interviewees showed respect for criticisms which have enabled them to make improvements to carbon offsetting in practice (as revealed in Chapter Five – section Aiming for Quality, pp.105-120). But critics with views that did not enable reform were treated as misguided or irrational. Interviewee 8, from a pro-offset NGO, argued that critical NGOs were misguided and should move to support offsetting by looking at its 'benefits'. Interviewee 31, a retailer, dismissed criticism by saying that 'a lot of those [critical] claims are based on not educated or misinterpreted claims about what an offset is'. Interviewee 39, a consultant in carbon management, expressed frustration at what he saw as evasive argumentative tactics from offsetting's critics:

There was a slight professional irritation at seeing bad arguments [against offsetting] being peddled out again and again, and never getting any resolution to those arguments because as soon as people felt [an argument] was about to fall apart they would just jump ship and move onto the next [argument].

Through the comment, interviewee 39 gives a picture of rational victory in arguments about the value of offsetting, with the critic losers unwilling to accept defeat and instead making illegitimate shifts from one argument to another.

It may be true that critics of offsetting do not always conform to good argumentative practice, and are not always willing to admit argumentative weaknesses that could threaten their critical stance. However, as this section has been demonstrating, market actors justifying offsetting also use a variety of discursive moves to bolster their case which are unreasonable (c.f. Newell 2014a). To take just one case, interviewee 35 dismissively blamed critical NGOs for lack of consistency and poor reasoning, adding in evidence that it is not reasonable to criticise hydropower projects on the basis of both their non-additionality and their negative local impacts, as some NGOs have done (e.g. Haya 2007). Interviewee 35's point is that if a dam is non-additional, then it would have gone ahead anyway, so the CDM is not responsible for negative local impacts. However, it is absolutely relevant for NGOs to talk about both these features of hydropower projects. The CDM must be criticised for channelling rents to project developers who are responsible for significant social and environmental harms, while also undermining climate policy through non-additional projects. In repudiating criticism as ill-informed, off-point, inconsistent or unreasonable, interviewees merely highlight some of their own blinkered perspectives which they offer in attempted justifications.

Caring for the Concept

A straightforward means of making offsetting sound progressive is to describe it with favourable terms. The following examples of justifications from interviewees use language to discursively reinforce the perceived value of offsetting. Equally these examples have been reserved for the last sub-section on justification because the speeches display sophistication in their multiple appeals to a variety of discursive strategies. Most of the tactics have been described above, so it is now easier to read these more complex examples and perceive the various methods deployed. What the speeches all have in common is a determination to protect the perceived value of the offsetting concept, such that offsetting survives as a justifiable activity even if problems are associated with it. As retailer

interviewee 19 commented: ‘There are many potential problems but for me this does not put into question the concept of offsetting as such... don’t let the perfect be the enemy of the good’. The quote displays the priority of defending ‘the concept of offsetting’ from critics, so that a strived-for reformed version can be salvaged as a justifiable ideal.

Retailer interviewee 27, of all the interviewees, was perhaps the most adept at providing justificatory arguments designed to bolster the perception of offsets as a quality product. Interviewee 27 construed failures as isolated unfortunate examples of unintended consequences, seeking to avoid a conclusion that there are generalised problems with the concept:

Look clearly they [offsets] have had teething problems, particularly in the compliance market, but what market has never had a teething problem at inception? You can’t blame the concept; you should just look at raising standards. And one of the things that I think you will see is that of those projects that got certified in 2007 and 2008, and those that get certified today, and validated, are probably of a higher quality because everybody has learned ... There is a gradual evolution.

Calling offsetting’s problems ‘teething problems’ makes them appear relatively insignificant and temporary. The claim that problems are ‘particularly in the compliance market’ shifts critical attention away from the voluntary market in which this retailer sells, distancing himself from them. The rhetorical question ‘What market has never had a teething problem at inception?’ is designed to normalise the idea of problems and reinforce the idea that those problems are now resolved. The interviewee then plants a wedge between the problems of offsets and the concept of offsetting by instructing ‘you can’t blame the concept’. Finally, the talk about ‘raising standards’ and ‘higher quality’, plus asserting that ‘everybody has learned’, fits into the overall narrative of offset markets going through a ‘gradual evolution’, particularly with the rise of certification regimes.

The overall purpose of the rhetoric that interviewee 27 deployed is to ensure that the concept of offsetting remains legitimate in discursive appearance and that problematic projects can be isolated and rendered unthreatening. In response to a question about additionality, interviewee 27 replied as follows:

You are not destroying the concept [of offsetting], you are just saying that there are some bad projects out there. If you take the point of view that there are a number of projects that are not additional, then buy additional projects. I think people who subscribe to that point of view must have a very very complex and worrisome life. Don't eat eggs because a few eggs have salmonella. Don't walk under trees because every now and again a branch will fall off and hit you on the head. Undoubtedly there are projects out there whose additionality credentials are probably questionable. But then that is why you employ a carbon offset retailer like this and you say prove to me that the additionality features of this project are genuine.

The retailer was at pains to reject any argument capable of 'destroying the concept' of offsetting, but willing to accept the existence of 'some bad projects'. If the projects are isolated, then the interviewee is able to ridicule offsetting's critics for taking a stand that is as absurd as objecting to eating eggs or to walking under trees. This elides the fact that salmonella in eggs is low risk (Agency 2016) and walking under tree branches is hardly avoidable, whereas non-additional offset projects are common. The interviewee further insisted that the diligence safeguards his organisation provides to buyers can insure them against bad projects, even though these processes are limited (see above in this chapter, sub-section Retail Standards, pp.161-165).

Interviewee 38, a retailer of forestry carbon credits, provided another example of a sophisticated speech that involved many discursive strategies in an argument about why her organisation's work differed dramatically to the work of other operators in the sector. The full quote, which serves to argue that the interviewee's organisation offers offset credits of utterly superior quality, deserves inclusion:

In the past there have been these cowboys who set up projects through land grabbing and say they are REDD projects. They have never got through any of the verification processes in the VCS [Verified Carbon Standard] and the CCBA [Climate, Community and Biodiversity Alliance]. They've never issued a credit; they've never sold credits. So it's the same as if you put on a Tesco t-shirt and went and robbed a bank. It's not Tesco robbing a bank, it is somebody pretending to be Tesco. So I think people who criticise projects of REDD in general, it is incredibly irresponsible of them. They are looking at people who have attempted to produce REDD projects and have failed completely and what they are actually doing is damaging the efforts of other REDD

project developers who are just trying to protect threatened forests and trying to prevent emissions being released into the atmosphere and uplifting communities. So yes for sure it does affect us, but anyone who did ten minutes of due diligence on [one of our projects] versus some joker who set up a project and never got it verified would see that they are two completely different things.

The interviewee expressed real frustration in this section. The ire was directed at those who set up poor quality projects involving 'land grabbing' that fail 'completely' (distancing from problems). Annoyance was equally directed towards 'incredibly irresponsible' critics who are generalising too much (confront the critics). The quote shows that retailers are willing to go a long way in criticism of other projects, provided that distinctions can be drawn between failures and malpractices of others, on the one hand, and their own projects on the other. The references to standards (VCS and CCBA), to verification processes, to successful issuance of credits, to due diligence, and to ethical objectives are intended to give substance to the distinction. The 'jokers', 'cowboys' and 'bank robbers' references give further rhetorical force to the intended distinction.

The above highlighted discourse all aims to make the failures of the model seem as though they are caused by cowboys, rather than being generated by problems inherent to the market (Lohmann 2011a). Actors are desperate to avoid any view that problems arise from the features of the carbon offset system itself, and that the concept of offsetting is inherently at fault (Lohmann 2009b, p.179). Rather they seek to construe problems as failures of implementation which can be addressed through regulation, which would make carbon offsetting justifiable as a concept which can be made to work through reform.

Summary

This section has unpacked some of the multiple, complex and varied discursive strategies deployed by interviewees to justify their actions and/or the offset market generally. In their various guises the discourses above seek to limit the impact of criticism such that offsetting overall is seen as a redeemable concept that does not have fundamental flaws. Construing problems as historical, as challenges to be solved, or as isolated instances of malfeasance that happen somewhere else are all means of limiting critique. The concept of offsetting

can be protected as long as problems are not admitted to be universal. The perceived legitimacy of activity can be maintained and concerns of buyers can be allayed. Overplayed appeals to standards and due diligence procedures are part of these processes. Flawed arguments about offsetting being no worse than other problems found in other sectors discursively softens the impact of critique. Cushioning against criticism is also provided by discrediting those bearing the critiques, and by discrediting the viability of alternatives. Ultimately interviewee discourse has the effect of caring for the concept of offsetting, and sophisticated speeches are given in favour of that concept. These justifications are important in sustaining the perceived moral value and legitimacy of carbon offsetting such that publicly the market is viewed as something worthwhile, as a market to invest in, to support politically, and to buy from. The discussion above shows that the arguments involved are not strong. However, justification does not depend only on the quality of rational argument. Indeed, the weaknesses of considered justificatory responses to critical perspectives on carbon offsetting have been highlighted before (see Paterson 2010, pp.353–4; Lohmann 2011b). Rather, virtue can be reproduced at the level of affect, ‘unconscious practice’ and normative identity (Paterson & Stripple 2012, pp.570–571).

7.2. Selling Stories – The Marketing of Carbon Offsets

Unlike in justification, where market actors are on the back foot responding to criticism to sustain the perceived legitimacy of offsetting, marketing discourse is rather on the front foot proactively launching favourable images and narratives about the value of offset projects. This is done for the primary purpose of generating sales in the voluntary carbon market. Marketing aims to construe credits as worthy of the classification of ‘boutique carbon’, which can help to give them a higher price in the voluntary market.⁴⁷ This section demonstrates first of all that voluntary market retailers use stories to establish a sense of

⁴⁷ See Paterson and Stripple (2012, pp.577–579) for an account of the difference between ‘boutique carbon’ and ‘Walmart carbon’, in which the latter is driven more by cost reduction considerations and financialised trading of commensurate units. Bayon and colleagues have also referred to voluntary market demand for ‘gourmet carbon’ for similar reasons (2009, pp.106–107).

connection between non-expert buyers and the offset credits for sale, thereby enhancing the exchange value of their assets (Lovell et al. 2009). Second, where trust in the veracity of stories described by retailers and other actors is lacking, standards play a role in reinforcing impressions of quality, and are thereby used as marketing tools. Third, retailers exhibit personal belief in the moral value of their product, which can be deployed to encourage purchases. The relationship between hyperbolic declarations of principles and the performance of sales tasks indicates that morality helps with marketing.

As with any marketing campaign, the discourses and tactics employed here should be treated with caution and scepticism because there are clear economic incentives to convey a positive message and to gloss over negatives. This section thus gives an impression of how carbon has been subjected to ‘fairy-tale-like stories’ that give the commodity positive connotations as part of the politics of knowledge production (Peluso 2012, p.79). Marketing is here construed as partly a means of creating demand for goods and services, as it is conventionally considered. But also marketing should be viewed as a ‘symbolic system’ which can be used for political ends as an instrument of ‘domination and legitimation of the social order, as well as the construction of meaning’ (Brei & Böhm 2011, p.239; c.f. Böhm & Brei 2008).

Narrative Connections

Interviewees demonstrated the central importance of stories to the voluntary offset market sales proposition. Essentially stories generate the positive impressions that are essential to the commercial case for voluntary carbon offsetting. As project developer interviewee 20 put it, the value that voluntary offsets produce for their clients (buyers) is ‘just communicational’. Interviewee 24, a retailer, summarised the major business case for voluntary offsetting:

Of course in the end companies always need to build up a positive image so that they can attract and keep their customers ... for companies their aim is to make business and the image contributes to this.

Voluntary offsetting is thus part of brand-building exercises where a public image is supposed to be enhanced through corporate discourse (Böhm et al. 2015). Interviewee 45,

for example, a project developer in India, convinced a large Indian company to buy their offset credits by arguing that if the company wants to go ‘global’, they will need to have the image to match. Interviewee 38, a retailer, worked previously for a bank that had been involved in supporting forestry offset credits and explained how much service the bank derived from the story of their involvement:

Banks love to take part in things that they can shout about internally and externally. And this is bankers using their financial nous to better the world ... I was in the marketing department and I was publishing it externally, and I remember in every kind of annual report for years that was the case study that they were covering. Internally as well it was very well known.

The offsetting story, used in various corporate marketing publications, establishes a wider favoured narrative about the company’s identity and brand, namely ‘bankers using their financial nous to better the world’. The interviewee’s account of the bank’s marketing is a case of the financial sector aiming to legitimise its economic activity through engagement with climate change issues (Paterson 2010, pp.357–359). Stories such as these are powerful tools that enable firms to connect with their intended audiences (Gallo 2014). As Lohmann describes it, companies ‘become stars of heroic green narratives’ (Lohmann 2008, p.364).

Stories also provide offset consumers (buyers and the audiences buyers want to influence) with a sense of personal connection to offset projects (Lovell & Liverman 2010; Lovell et al. 2009). Retailer interviewee 19 revealed that ‘often companies are interested in purchasing offsets from locations where they have operations’ or from projects ‘where there is some link with their core business’, such as through technology type (c.f. Hamrick & Goldstein 2016, pp.21–23). If such a connection is not obvious, then the decision on what offset to purchase might be made on the personal preferences of those procuring credits. Interviewee 27, a retailer, said that some clients ‘love forestry’:

[Forestry is] much easier to communicate on, much easier to engage staff with. Some people love trees. I do too. They tend to be a lot more pretty than a wind farm in India.

The sales process can be based on personal passion for trees and their aesthetics, plus the ease of communicating their features. Wind projects are also quite favoured in the

voluntary market because of their visual quality. Interviewee 32, a project developer, pointed out that ‘you can see a wind turbine, [see] that they are a good thing, and there is a nice picture of them that you can put on the website’. The important marketing objective is to make offsetting ‘visible to people’, according to the interviewee (32). Interviewee 42, from a standard, described some offsets as ‘projects that have a face’ where clients ‘can see that their money is getting into vulnerable communities’. Interviewee 13, a buyer, understood that ‘on the open market I can probably buy carbon credits that are incredibly cheap’ but added that ‘I would feel uncomfortable about that because it [offsetting] does need to invest in an actual community that I can sort of point at, if that makes sense’. Buying offsets from a project with a story is about choosing ‘to invest in the value of the story of the carbon footprint project’ (according to buyer interviewee 13), over and above cheaper projects that do not provide narrative value or charisma (see also Chapter Six – sub-section Pricing Pretty Portfolios, pp. 150-154). A sense of connection between northern consumers and poor people in developing countries is thus made in order to generate sales (Brei & Böhm 2011; Goodman 2004).

Stories and images are particularly useful for creating favourable impressions of a market that involves complexities that most non-experts will find difficult to grasp. Interviewee 11, a retailer, commented that a number of businesses will say that the climate change debate overall is ‘very complex’, that climate change can be something companies ‘don’t understand’ and ‘don’t get’. Interviewee 36, a project developer and offset buyer, said that among corporate buyers or potential buyers:

There’s not much understanding of the simple level of how you can use carbon and payment for ecosystem services. It’s still beyond people’s everyday language and comprehension maybe. They get drowned in a plethora of stories and ideas and perceptions.

The task for retailers and others involved in sustaining the market is to ensure that relevant people, including buyers, receive positive stories, ideas and perceptions. Retailers aim to fill the knowledge gap with a favourable narrative, explaining issues in a manner that suits their interests. Interviewee 31, a retailer, described the process of explaining offsetting to the public:

So when you actually explain what an offset is, a lot of people are like ‘Oh so I didn’t know that’s what it was, I thought you were just buying permits, a right to pollute’. And that’s not what it is at all ... When people hear it [what offsetting actually is] they are like ‘Oh so that’s cool’.

The lack of public expertise means that market actors can present offsetting in a manner that makes people think it is ‘cool’ (see Chapter Four – sub-section Inappropriate Awareness, pp.74-77).

Concerns or negative impressions that might exist, such as thinking offsets are just ‘a right to pollute’, can be dispelled as myths or misunderstandings, as the above interviewee (31) demonstrated. Interviewee 30, who has worked as a project developer and for a development NGO, described the lack of awareness:

Well the companies probably aren’t even aware of [environmental problems with offsets] because the manipulation happens deep down in the weeds, it happens in the methodology.

Clients are not expert enough to look ‘deep down in the weeds’, to challenge the complexities involved in methodologies, and there is no incentive for retailers to disclose problems. As Lohmann puts it, few members of the general public understand carbon market ‘acronyms and technical terms such as additionality, model rules, meth panels, supplementarity, leakage ... and so on’ (Lohmann 2008, p.364).

This lack of expertise provides opportunities for retailers to use stories and connections to persuade clients about the value of offset credits even in situations when they may be quite cheap, may lack environmental integrity, and may not have significant development benefits. Interviewee 34, from a retailer, recounted a history of a client engaging its staff in a vote for the offset project to be purchased by the firm. While the offset market professionals expected the client’s staff voters to select a cook-stove project due to the project’s relatively high reliance on carbon finance, its emission reduction potential, and its development benefits, the vote returned a wind farm project as the favoured option. Interviewee 34 believes this was a result of a failure to understand the environmental case for cleaner cook-stoves, and a lack of perception of the social, health and other benefits of

cook-stove projects.⁴⁸ Interviewee 34 complained, in this context, that it is hard to sustain the price of cook-stove and other ‘quality’ projects in the voluntary market because competitor retailers are increasingly selling cheap CDM projects using marketing techniques which make all the projects look the same. The challenge is more severe because inexperienced buyers may find it hard to realise the differences in quality between the cheaper commodities, packaged nicely, and the more objectively valuable projects. This occurs equally in retailer descriptions of development outcomes.

Describing Development

Sustaining demand for offsets involves creating favourable narratives about their supposed development benefits (Lovell et al. 2009, p.2369). Even when information is limited, (potentially) compelling development narratives can be advanced to up-sell projects that have, as retailer interviewee 34 complained in the last sub-section, very little objective value. Interviewee 12, a retailer, attached a positive story to Chinese wind projects even when knowing very little about particular project details:

We can sell this [Chinese wind project] with the employment records the validators have given us. It [the project] takes on a local employment programme ... the migration of particularly the younger generation from rural to city is a big problem ... kids are sent off to earn money working seven days a week, wages are sent home back to parents to keep them alive, and the other half kept to sustain themselves, so when you have got a project that is employing rural people, you can see that in the employment records, that’s a corporation in China stopping migrational flow to metropolitan areas.

While Chinese wind projects are frequently perceived as lacking significant charismatic value, the dialogue from interviewee 12 is an attempt to generate a story that potential clients can feel a part of. The narrative allows people involved with that offset to feel as if

⁴⁸ Interviewee 2, a project developer working with a retailer, explained buyers’ difficulties grasping the cook-stove narrative: ‘Many clients see pictures of these new efficient cook-stoves and they are like “Oh my God they are still cooking with this?” And we are like, “Eh yes, but this is the *new* stove!”’

they are supporting something positive against a dark backdrop of ‘kids being sent off’ to work just for subsistence and keeping parents ‘alive’. Interviewee 12 described the Chinese wind project as ‘giving hope and economic rejuvenation to an area that previously was looking like it would be wiped off the map ... that’s pretty powerful.’ The stark description, contrasting ‘hope’ with an apocalyptic ‘wiped off the map’ makes the offset scenario appear almost holy by comparison. The discourse has a post-colonial feel in its casting of the offset project and northern interventionism as a ‘benevolent saviour’ (Ervine 2012, p.20). The difficulty of employing many rural people in better paid technical jobs – most lacking relevant skills to be involved in technical construction projects or engineering – was not mentioned.⁴⁹

Interviewee 16, another retailer, gave a similar narrative about the local benefits of projects not typically associated with strong development outcomes, albeit in a less evocative manner:

For something like a wind farm in China, for example, those benefits will definitely be a lot lower but they [projects] are all very similar. So they will typically say how many, in the documentation, how many people are employed, and how many people were employed in construction, so you have that information. You also just know from experience that when wind farms are built in remote areas, or when hydro plants are built in remote areas, there is always an upgrade to the local infrastructure because they can’t build the damn thing if they don’t improve the road.

Even when information is limited, a positive slant is provided through the basic idea of infrastructure upgrades. The development narrative can be generalised such that specific project details are not needed. For example, interviewee 19, a retailer, said that it is ‘normal for successful companies to give social benefits’ and that in parts of Asia it is ‘part of the culture that if you are a successful entrepreneur, a successful company, it’s your responsibility to give something back to your community’. Such a claim is an overly positive slant, and denies histories of corporate neglect of social problems in local communities,

⁴⁹ Bryant and colleagues document a case of an Indian carbon offset project developer failing in its promise to give employment to local people in unskilled roles, preferring to use cheaper workers from other states (Bryant et al. 2015).

even when those very problems are caused by corporate activity (Docena 2010; Bryant et al. 2015).

While there are incentives to construe development narratives in a compelling and complimentary light, there are limits to market actors' ability to make things up. The lurking possibility of critics exposing 'greenwash', where retailers and buyers have employed descriptions of development that fail to match reality, puts a limit on the marketing claims. Retailer interviewee 16 insisted on a level of restraint when information is limited:

So we certainly try and avoid making statements that can't be justified. So if we think it [the development benefit] is pretty general we'll keep the wording of the way we describe the project pretty general, such as you know local infrastructure improvements, and benefits for local goods and services, and things that we know, or are quite sure are the case, even if we don't have specific numbers.

The interviewee (16) demonstrates a cautious approach to talking about the benefits of offset projects, wary of 'statements that can't be justified'. Nevertheless, there is an assumption that benefits will be present in each case and that these can be documented in some form for the sake of marketing.

The challenge for retailers is to establish flattering descriptions of development outcomes even in situations where information about actual development outcomes is limited. Interviewee 12, a retailer, was right to say that 'It's difficult [to tell about project impacts], without being there myself, without touching the ground ... realistically we have to take some form of validation'. In practice, this typically means looking towards project documentation, according to retailer interviewees 12 and 16. However, this tactic is evidently limited because project documentation is likely to include false positive claims and omit actual negative outcomes (see Chapter Six – section Dodging Development, pp. 139-147). Interviewee 51, from a critical NGO, argued consequently that 'nothing can be more ludicrous' than accepting project developers' word on sustainable development.

To add credibility to descriptions of development outcomes, standards play a role in enhancing the perception of offset project value. Interviewee 16, a retailer, explained the role of standards:

Standards such as the Gold Standard or Social Carbon or CCBA [Climate Community and Biodiversity Alliance], that's like an extra layer of verification of the social and environmental benefits as well, so certainly for certain types of projects those specific benefits will have been audited.

Projects developed through the standards mentioned are expected to go through some auditing procedures related to development outcomes which are not required for non-accredited projects, allowing market actors to appeal to development benefits with a greater degree of credibility. In response to a question about the sales process, interviewee 22, who works for a standard, claimed that 'there are really great stories' associated with projects accredited to their standard which allows project developers to 'differentiate their products' and 'demonstrate some of the positive core benefits'.

Standards' perceived credibility is the important factor that helps accredited projects to differentiate and provide a mark of quality. Interviewee 13, a buyer, purchased credits from a project accredited with a voluntary standard that aims to provide greater confidence in the development impacts of offset projects. The interviewee (13) had a rough idea of the standard's implications:

They [project developers] will have to do certain things, demonstrate certain things, share benefits in the local community, maybe through electricity supply or something like that, provide education programmes for local schools or that sort of thing.

The interviewee (13) freely admitted that he knows 'very little' about the 'new' standard, as evidenced through the vague description of development activities. The limited understanding becomes justifiable because of an expectation on the buyer's side that the standard itself will look after development outcomes.

However, interview comments indicated that there are question marks over how much difference the Gold Standard (the most prominent standard that appeals to development outcomes) makes regarding project quality. Interviewee 3, a project developer, said that project developers 'go through the Gold Standard for the credibility and the additional market price' but that he is 'not sure how much it [the Gold Standard] actually changes the

project itself.⁵⁰ Project developer interviewee 20 backed up that perspective by arguing that quality varies between projects, rather than at the level of standards, maintaining that there can be ‘quite cheap, minimum standard Gold Standard carbon credits’. Furthermore, standards’ auditing of development impacts is not as rigorous as might be expected. Interviewee 2, a project developer, explained that ongoing monitoring of development impacts is not necessary for Gold Standard projects:

With the Gold Standard you do have the possibility to monitor social and economic indicators but you don’t have to. And normally you try to have as little indicators as possible because that just means work.

Even with the rise of voluntary standards, lack of knowledge about development impacts continues to pose problems (as highlighted in Chapter Four – Challenges of Carbon Finance for Development). For actors who wish to claim development impacts, standards’ stamp of approval helps with marketing and the achievement of higher carbon price points, even though the development credentials of the project may not be as positive as expected.

Principles for Purchases

To enhance the offset sales proposition, retailers offer their own personal motivation and belief as part of marketing efforts. Interviewee 17, a retailer, gave a lengthy comment about the relationship between belief in the benefits of offsetting and his desire to continue with the challenging sales task:

From a commercial point of view, it [offsetting] is the hardest thing that you can ever sell. Because nobody understands it, they don’t have to do it [laughter]. But you have to keep doing it if you truly believe in the benefits that it can have and how it can actually help change the situation.

The comments reveal a sincerity of belief in offsetting’s ‘actual’ benefits such that there is almost a moral imperative encouraging the interviewee in his sales task (‘you have to keep

⁵⁰ The interviewee (3) said: ‘The [Gold Standard] stakeholder process and all that stuff, I think that’s a nice to have, but it’s not a game changer, so in that sense I don’t see it as fundamentally different.’

doing it if you truly believe'). Interviewee 17's discussion of the sales process also suggests that marketing involves forms of persuasion and inculcation of belief:

When they [clients] see the stuff that we are doing, the clients are the easy ones, they are the converted ones, they are the ones who know that this is the right thing to do. It's trying to get other people to be converted [which is hard].

The mention of conversion brings across a distinctly religious tone. The tone is also moral in so far as the interviewee states that being converted involves 'knowing' that offsetting 'is the right thing to do'. The interviewee (17) continued by saying that he had a conversation 'with a relatively small company yesterday' and he felt 'as though they have seen the light'. The evocation of enlightenment or true understanding was communicated with sincerity.

Retailer interviewee 17 continued by describing how cook-stove projects are having a 'fantastic impact' in a comment that blurs the boundary between sales pitch and demonstration of personal commitment:

A statistic that always really gets at me is that the biggest cause of infant mortality in the developing world is upper respiratory disease because they are cooking on open fires. It's like cooking on a charcoal barbecue in your own kitchen every night. It's not going to be good for your lungs and that's what kills. It's the highest mortality rates for women and children. It's higher than landmines, it's higher than malaria, it's higher than HIV, and no one knows about it. And by companies spending a small amount of money, or an individual spending a small amount of money, you can change the lives of these families. And instead of having to collect firewood they can spend the time when they are not collecting firewood any more ... creating little businesses which allow them to send their kids to university and school ... so there is that ripple effect. There are so many great things happening out there and it is inspirational.

The interviewee is personally affected by the statistics (it 'gets at' him) and perceives the value of his sales task as a means to reducing mortality rates, and by implication saving lives. The comments may resemble the form of an evocative sales pitch to companies considering the purchase of a cook-stove offset project. It is just 'a small amount of money' and it can be spent changing (and saving) lives, creating 'inspirational' 'great things'. The narrative of no longer collecting firewood, creating little businesses, gaining education, and

causing a ripple effect has the kind of storyline that is needed in a challenging sales role. The blurred boundaries between the sales task and the personal account is also notable. The ‘it is inspirational’ comment the interviewee mentions is neither clearly a phrase designed for the sales pitch, nor clearly a comment reflecting the interviewee’s personal attitude – it sits somewhere in the middle.

Interviewee 38, another retailer, described her earnest conviction about the moral value of selling voluntary carbon offsets in remarkable terms:

Mitigating climate change, short of me retraining as a doctor or something, I don’t think there’s anything I can do otherwise that has a bigger impact on society and the earth and the communities that we support. There isn’t really anything else more important than what we do. And that’s very much what we feel. We are very committed. Our sole aim really is to protect threatened forests and we are very committed to doing that and we are very inspired because in our forests we have huge communities of very very poor people whose lives were totally changed by offsetting and carbon finance. So if you are ever feeling that the market is pretty miserable and you just want to give up, there is a very strong incentive to keep sending benefits back to these communities. We are very encouraged and motivated to do that.

The subjective (and apparently shared) feeling of significant importance, based on impressions of wide-scale impact and the ability to ‘totally’ transform people’s lives, gives rise to commitment, encouragement, motivation and inspiration. The perception of the sales task as a moral quest helps the retailer to keep going in the job even when she may be feeling ‘pretty miserable’ about the state of the market. The interviewee (38) added that there is ‘pretty much zero turnover’ at the retailer, which for her is a demonstration of commitment among the staff. Finally, interviewee 38 remarked that it is ‘quite amazing being in the atmosphere’ at the workplace because ‘everyone is so committed to what they are doing’.

Summary

The existing marketing proposition based around quantified ‘emissions reductions’ plus inspiring stories about development benefits, perhaps enhanced with the quality mark of a

standard, has its limitations. The stories and associated marketing materials can be vague and may not bear close connection with the reality of project localities. The stories are affected by positive bias and a clear interest among market actors – project developers, retailers, standards and buyers – in spinning an upbeat account to non-expert audiences. Standards, while providing an extra layer of verification of some development dimensions of an offset project, are not always as comprehensive as people expect. This section thus helps to explain the difference between global rhetoric and local realities of sustainable development in offsetting projects (Boyd 2009). Carbon market actors are often doing more to describe development – making claims of development benefits for marketing purposes (Brei & Böhm 2014) – than they are doing to actually deliver such benefits. Nevertheless, despite their contradictions, the marketing messages are appealing enough to be embraced by many people operating in the carbon market. As the next section demonstrates, the marketing campaigns have affected the conduct and identities of market actors, just as they are designed to.

7.3. Conviction – Identity Work

As the previous section on marketing has already suggested, there are blurred boundaries between personal beliefs about the value of offsetting and the stories used for sales in the offset market. This section focuses on the identity work involved in sustaining the offset market. The section looks at the role of personal belief in the moral value of offsets, which tends to be shared among professional collectives to create a socially reinforced way of thinking. In line with insights generated by studies of governmentality, this section views identity as a product of power relations, and sees identity production as an important part of explaining climate politics (Death 2013; Methmann 2011). As Paterson and Stripple argue (2012, p.567), carbon markets have begun to ‘shape the conduct of individuals in modern society’ (c.f. Paterson 2014b; c.f. Whittington 2016a). Subjectivities can be created through narratives and other technologies of governance, as has been demonstrated in the case of encouraging carbon offset consumption practices (Lovell et al. 2009; Paterson & Stripple 2010).

Rather than focusing on consumer subjectivity, this section examines interview discourse to shed light on the identities of carbon market professionals. Descheneau and Paterson (2011) have highlighted the romance and emotional energy that goes in to the affective economy of carbon trading. Indeed, corporate actors have been shown to manage the ‘emotionology’ of climate change, harnessing and channelling sentiments to create subjectivities conducive to furthering corporate activity and the generation of profit (Wright & Nyberg 2012). In the corporate environmental management sector, professionals experience normative tensions which affect their own sense of self as they navigate through complex commercial, political and environmental issues (Wright et al. 2012). This section gives evidence about how processes such as these are playing out in the carbon offset market.

First, I argue that interviewees are sincere in their avowal of moral motivations for engagement with carbon offsetting. Second, the significant attachments of interviewees to their enjoyable and reasonably paid jobs means that they are likely to conform to professional expectations in their behaviours. Where interviewees have moral concerns about the market, these are typically not taken seriously enough to generate disruptive or market-altering behaviour. Third, isolated examples of disaffection with carbon offsetting show the practical difficulties individuals face should they choose to defy market logics and act in accordance with their conscience. The section consequently argues overall that market actors are rewarded for passionate and optimistic emotional orientations to carbon offsetting, whereas scepticism and concern are discouraged. Thus the carbon market encourages and sustains individuals’ identities as big believers in offsetting.

Moral Motivations

Interviewees’ personal reflections on the value of their work indicates that many of them believe sincerely that offsetting is of significant moral importance. For example, retailer interviewee 11 signalled: ‘We [at the retailer] strongly believe that carbon financing is a means to promote social good’. Research NGO employee interviewee 7 described a former NGO board-member as ‘a big believer in offsetting’. Retailer interviewee 19 said he perceives a ‘higher vision’ with offsetting and that he and his colleagues were ‘ready to

work in this sector because there is a certain purpose', even though financial earning potential is less than in other sectors. Retailer interviewee 27 demonstrated his principled outlook on the wider politics of climate change in which market instruments are favoured, extolling the 'wonderful activities' of large corporate clients and arguing that 'the market will work very very effectively'. Interviewee 31, also a retailer, displayed similar personal-political views on carbon markets. The interviewee stated: 'I believe in market based mechanisms. I'm an economist. Even though I see the downfalls, I still believe in the market system.' Curiously, the interviewee (31) added: 'Market-based approaches are what I have built my entire career on, so of course I believe in them.' The relationship between career and belief is an interesting one, and the comments suggest an obvious ('of course') correlation. The direction of any causality between the professional role and the belief is quite unclear. But in any case, the interviewee (31) displayed deep-seated conviction about the value of market mechanisms, which links closely with a sense of personal identity that goes beyond mere professionalism.

Idealism and motivation about the possibilities of the offset market are often important factors in individuals' decisions to get involved with the market. Retailer interviewee 19 continued his reflection on the value of offsetting by mentioning that offset market companies attract 'a lot of young people who want to do something good'. Interviewee 29, a project developer, said he got involved in offsetting because he was 'pretty determined to contribute to [addressing] the problem of climate change'. Interviewee 18, a project developer, said that their organisation was set up by students just out of university with 'attachments to international development and the environment' who 'thought that this [offset project development] was a great idea'. Interviewee 4, a retailer, said that he moved into the voluntary carbon market from a company in which 'carbon was important but wasn't a strategic issue' for this reason: 'I thought I should do more for the environment when I was at work.' Interviewee 34, working for a retailer, expressed a normative desire to play a role in the climate change field. Interviewee 37, a project developer in Africa, insisted that his involvement with the carbon market and especially cook-stove projects emerged from a concern to assist 'the women in the villages, especially where I was brought up'. Interviewee 40, a project developer, said:

The reason why I got into this industry in the first place was that I had a rather high degree of environmental consciousness. I believe that climate change is one of the most threatening problems of our time and one of the most underestimated ones.

Project developer interviewee 44 also expressed a desire to do work that entailed benefits for people in poor communities because it feels more rewarding. Project developer interviewee 35 described his desire to work in the environmental sector as part of the rationale for moving out of an oil and gas company. Interviewee 54, an auditor, said that he developed a passion for renewables because of his concern over the environmental impacts of coal.

Interviewees also confirmed the existence of moral motivations through descriptions of their colleagues. Interviewee 42, who worked for a voluntary market standard, claimed that almost everyone in that organisation was ‘genuinely motivated by wanting to improve livelihoods’ and that ‘most of the people [at the standard] are really driven by trying to make a difference’. Interviewee 31 said the people that were involved with the CDM ‘had a belief in the Kyoto protocol, and they did believe that it was a way to reduce emissions, and the most effective way’ (except for traders and brokers who did not tend to care about the wider issues, according to the interviewee). Interviewee 61, who works for a standard, alluded to people in the CDM who engaged for financial reasons primarily, but argued that most of the people who are still employed after the virtual collapse of the CDM are the people that are ‘passionate about it’:

The big bankers in the carbon market who thought they could make some quick money in this market, they are all gone. The ones that are left are the ones that are passionate about it [offsetting] and that believe in it. And they are really nice to work with.

The passion and belief of market actors contributes to collegiality and the sense of a ‘nice’ working environment, encouraging market actors’ enjoyment.⁵¹

⁵¹ Interviewee 31 said she liked working in the CDM partly because of the moral sincerity of the people involved.

Economy of Enjoyment

The sense of moral fulfilment just described is linked to market actors' enjoyment of their work. This sub-section shows that moral motivation, appreciation of the tasks involved in working life, and social status contribute to a carbon economy in which market actors enjoy their professional lives.

Regarding enjoyment through moral motivation, project developer interviewee 29, for example, revealed that he feels 'positive' about his actions because he is planting 'hundreds of thousands of trees', making 'a significant improvement on the lives of hundreds and hundreds of people'. After describing some trees personally planted that he cannot get his hands around, the interviewee (29) said: 'my conscience is pretty clear.' Interviewee 26, a retailer, said he 'entered the business' because he 'was mainly attracted by the opportunity of combining development work with just a business case and then finding new ways of poverty alleviation'. This suggests curiosity about the tensions of the green economy which can be experienced in the form of a professional challenge:

At the professional level I think it is quite a challenging environment that we are working in with a lot of opportunities, and I also think a lot of ground-breaking work is being done. I think that is certainly one of those extra benefits of the work.

The interviewee's interest in the challenges and the 'ground-breaking' opportunities (i.e. rationales and problems) of this market situation is a lived experience of professional engagement that brings 'extra benefits'. Interviewee 24, a retailer, had a similar perspective: 'Of course it is interesting to work at this edge between economy and environment'. For interviewee 19, the carbon offset sector is rewarding because it gives 'more purpose than working in a more traditional sector'. Job satisfaction is generated in the offset market through a sense of moral fulfilment.

The various tasks and responsibilities of working with offsetting also provide enjoyment. Interviewee 43, a project developer, said that she 'absolutely' loves her job, partly because 'in terms of the work itself I really enjoy it', explaining: 'I enjoy filling in boxes and writing PDDs [project design documents] and stuff [laughter].' Interviewee 48, a consultant involved in project development, said the carbon market is 'a fantastic field' that he 'loves

very much'. Interviewee 48's enjoyment stems primarily from the diversity of skills that consultants need to learn: 'at the end of the day you are mastering almost all the subjects [as a consultant].' Interviewee 49, also a consultant involved in project development, gave similar comments:

It was one massive learning exercise it was kind of a multi-sectoral assignment so you had to deal with social issues, there were technological issues, there were financial issues ... it was a very good learning exercise for all of us.

From this perspective, working in the carbon market can be an enjoyable and challenging employment role, irrespective of any principles or moral motivations. Interviewee 61, an employee of a standard, said that the offset market is 'a really exciting environment because we try to do something here that is really different', which suggests satisfaction in novelty and challenge.

As well as the variety of interesting learning experiences and challenges that carbon market actors get to work on, there is a positive sense of social status that professionals attach to their work. Interviewee 20 described his 'very personally fulfilling' job in this way:

Even if you did not have this broader picture of making sense to the world, it is just very cool to have all these very different situations and all these broad spectrums of worldviews. I really like the combination of one day I sit, well sure I sit in the office, but one day I go to a conference in a shiny hotel or something ... you wear your suit and go to these cool conferences, and then two weeks later I am out in the bush in Africa sleeping in a tent and talking to the locals there, and I work there ... I sit around a fire. This combination is really cool ... There are probably not so many places, not so many jobs that really combine all that. That is pretty cool.

Aside from the descriptions of enjoyable experiences, the multiple (4) reiterations of the job's 'cool' status are most noticeable. On one level 'cool' is a commonly used word that refers to generic positive qualities, but beyond that 'cool' retains its significance as a marker of social respect and esteem (Oswell 2015). The coolness derives from the experiences provided in exotic field trips and smart conferences, which would be 'cool' according to the interviewee (20) 'even if you did not have this broader picture of making sense to the world'. Social status is not necessarily conferred in appropriate ways, however. As

interviewee 34 put it more cynically, working on climate change gives market actors some social status, but it may not have a credible basis.

The comments of retailer interviewee 12 show the links between moral motivation, social status, and economic opportunity:

I wanted to, genuinely wanted to start to make a bit of a difference. And the green economy attracted me, as an entrepreneurial spirited person the green economy attracted me, pretty much as yourself I imagine, because if there was an opportunity to make a difference and also an opportunity to make some good money, well that doesn't come around very often.

The juxtaposition of the desire to make a difference with the interviewee's 'entrepreneurial' spirit demonstrates the profound appeal that the idea of the 'green economy' can have for individuals who strive to combine financial success with doing good. The interviewee (12) added:

That's my passion, to make things that are pretty cool, which make a difference, and that make some good money along the line, because just like everyone else I am materially motivated.

The individual's 'passion' is his own, but also narrated through the lens of the social. The desire to be 'cool' refers to broader social esteem and respect, while making 'a difference' also typically confers societal approval. The idea of money making is normalised through the refrain that material motivations are what 'everyone' has.

Payments for Professionals

There remains a more fundamental economic basis for market actors' continued involvement with offsetting: remuneration. Actors do not engage with offsetting merely for the sake of moral motivation and enjoyment – employment, salaries, careers and other financial rewards are also provided. Interviewee 19, a retailer, revealed that he decided to work in the carbon market because he 'saw the possibility of earning a living there' and because he 'hoped to enter a growing market', adding his view that this is 'probably true for most of our colleagues'. Interviewee 32, a project developer, decided to get involved with carbon offsetting and set up an initiative when 'we realised the huge number of

businesses signing up to it [offsetting]’, indicating that the prospect of commercial viability was a significant consideration. Interviewee 35, a project developer, was clear that he wanted to make money from the CDM and stated that he moved into the carbon market because it was a growing sector at the time. Project developer interviewee 44, who had worked in the CDM since inception, recalled fondly the more exciting earlier stages of market growth during which more significant returns were available. Former CDM project developer interviewee 3 glowingly recollected former days which gave ‘the thrill of making money potentially’. After the crash of the CDM, most actors consequently moved out of the sector. Interviewee 55 formerly worked as a consultant developing CDM projects. When the price crash occurred, business dried up and there was ‘no financial benefit’ and it was no longer an ‘attractive sector’ so ‘the salary was no longer really good and people started leaving organisations’ and ‘leaving the sector’. The finance is fundamental to sustaining the appeal of the career.

Associated with the financial remuneration comes professional responsibility and the need to fulfil job descriptions that are determined by functional status in the carbon market. Interviewee 58, a consultant for CDM project developers, gave comments to that effect, insisting that consultants in interviewee 58’s organisation will work on whatever projects they are commissioned to do, that they [consultants] have to generate business, and that consultants are not doing charity work. In another case, interviewee 48, a consultant involved in CDM project development, expressed pride in the commercial success of his consultancy business. The interviewee (48) boasted about some awards the consultancy company won, achieved because ‘most of our clients are satisfied’. The importance of client (offset project developer) satisfaction to the effectiveness of the business and the ultimate ability to win prizes was clear:

All of our clients are happy, we have not cheated any of our clients ... Even [in] our service delivery, when you talk of technical things, we have excellent people including those who can write very good PDDs and so on. Based on that our clients have voted for us [leading to the award of the prizes]. Our operating costs are also very low.

The interviewee took gratification from the awards and clearly identified success in terms of service delivery and low prices that are pleasing for clients (project developers who gain registration with the CDM and other offset standards). This indicates that commercial

values are at the forefront of operations, rather than ethical considerations. The carbon market relies on professionals who are willing to undertake the core tasks necessary to market functioning (Methmann 2011, p.16). Financial reward is the political tool used to ensure that individuals perform those tasks as expected.

Commercial orientations give some credence to the comments of interviewee 40, a former CDM project developer, who thought most people in the CDM did not have climate change as their ‘core priority’:

99.9% of the people I know in the industry don't give much toss about climate change. They saw this [CDM] as a business opportunity. They made money on this, they fed families on it. To them it was a well of gold.

Interviewee 34, working for a retailer, came to a similar view when discussing the working practices of his fellow professionals. In his view, they do not have much in the way of moral consideration: it is their job, they get paid, they just do it. Unless people are confident that they can do something else, they do what they are paid for, the interviewee remarked. The interviewee (34) surmised that many carbon market actors do not have a full understanding and broader view of what is going on at project sites, are not necessarily aware of additionality issues, and do not know the technicalities of projects. The positive image people provide could be a result of ignorance, according to the interviewee (34). Alternatively, he continued, the positive image could be a result of people's remarkable ability to bend their principles, or their reluctance to talk about negative impacts, even anonymously, because they do not want to undermine the market. Indeed, the people involved with the market were very keen to present it in a positive light as the sections above demonstrate. In some way it is market actors' job to do so (see sub-section above in this chapter, Principles for Purchases, pp. 182-185).

A few examples from interview data reinforce the point about being able to bend principles. Interviewee 22, an employee of a standard, said starkly (and jokingly) that she ‘should’ have a list of carbon offsetting's benefits ‘tattooed into my brain’ as if it were part of her employer's expectations. Retailer interviewee 1 revealed strikingly: ‘I also only partly believe in carbon offsetting [laughter].’ Nevertheless, the retailer justified his activity on the basis of rationales of communicating about climate change and using carbon finance for

development. In another case, project developer interviewee 10 demonstrated cognition about the problems of carbon offsetting, but nevertheless used justificatory tactics to frame the problems as ‘challenges’ to be overcome, justifying his view that ‘we can continue’ with market mechanisms. The justification may be related to interviewee 10’s professed desire for the rest of his ‘career to be to do with climate change’ because he has ‘a passion for climate change’. Albeit the career need ‘not be automatically to do with carbon markets’, clearly there are employment options in that market which an overly oppositional stance might foreclose. Auditor interviewee 50 gave comments to indicate that professional responsibilities can quite easily over-ride other priorities. In this case, work took over from ‘social life’:

It was disturbing for us. It was very much disturbing. I don’t remember spending much time in my house ... I never had time ... you are travelling so much. It was not easy. Social life was lost ... Sometimes it is very difficult and it becomes very tedious also. It’s not easy. But that’s the job, so you need to get used to it and get along with it.

Professional responsibility rationales – ‘that’s the job ... get along with it’ – can lead to the abandonment of home and social life. Presumably the same employment expectations can also lead to the abandonment of personally held principles, should they fail to fit those expectations. Being paid well can help compensate.

Difficulties in Defiance

Where individuals have fundamental moral concerns, it is possible that they will take more significant action to address them, but such actions are not the norm. In interviewee 34’s case, the project developer argued that he is different to his colleagues in so far as he does not feel comfortable doing things professionally that he is not comfortable with personally, and that the day he thought he was not doing the right thing, he would move on and do something else. The interviewee was actively planning to leave the offset market to seek more meaningful impacts in another sector. The planned departure would involve the active withdrawal of the interviewee’s labour power, but will not have a wider impact on the functioning of the carbon offset market as the position is replaceable. The impact on

the market of an individual change in career path is mild to negligible, and only really holds significance at the personal level for the interviewee's sense of self-worth.

Interviewee 40, a former CDM project developer, provided a starker example of an interviewee's moral concerns leading to a shake-up of the market establishment. In a case that went against social expectations, interviewee 40 described his moral concern about the methodology his firm made use of in project development, which he believed was flawed (due to significantly overstating a baseline):

I really could not cope with knowing that I had contributed to a scheme that overstated emission reductions, therefore yielding more certificates that could in turn be used by someone to emit more than the actual reductions caused by these projects.

The interviewee raised the methodology problem with his company (project developers), the auditing companies and eventually the CDM Methodology Panel. His actions ultimately led to an alteration of the methodology and a much lower baseline, reducing the level of emissions reductions that could be claimed by future offset projects using that methodology (see Chapter Six – sub-section Bloating Baselines, pp.130-133).

Interviewee 40's action is remarkable because he decided to proceed despite the social expectation that he would not. Other people, including the interviewee's own wife and his former employers, believed the interviewee's action, akin to whistleblowing, was a form of 'taking revenge' against people he had fallen out with.⁵² The social costs involved in undermining the business model of friends and former colleagues were considerable, especially when many of them failed to understand or truly believe in the moral principle involved in the action.⁵³ If the interviewee's loyalty to his former colleagues had been greater, then he may not have acted: 'Basically I was weighing my loyalties that I still had for these folks [former colleagues] against the decision of doing something about it [the flawed methodology].' The interviewee recounted a period of increasing doubt about the

⁵² Interviewee 40 left the project development company after getting into 'a bit of a strop' with his colleagues, although he insisted that he 'didn't really want to spoil [his] former colleagues' business model just for the heck of it'.

⁵³ Interviewee 40 said that 'many people could not really relate to what I was doing'.

moral value of his work on CDM project development with respect to the flawed methodology:

[I] had doubts about it, but I continued, and then I had severe doubts about it, and got caught up in my moralities. [I] said ‘Well [the] job is being paid for, I close my eyes.’ But the more I went on the less I could do it [close my eyes].

A lot of people would simply close their eyes, but the interviewee is unusual in so far as he refrained from doing so.

Furthermore, interviewee 40’s principled action involved considerable time costs including research of complex technological issues as well as lobbying of various actors, many of which were resistant to change:

I was actually looking for an excuse ... not to have to do anything [about the methodology]. I was wishing that I could just leave all this in peace and that I could have a clean conscience and remain convinced that I had made a meaningful contribution towards doing something about climate change. The more and more I looked into it, the more and more I found that I could not.

The action was grounded in the interviewee’s deep level of questioning of moral considerations (not just raising concerns to be rebutted with weak justifications), a willingness to go against social expectations, and a determination to pursue action over a sustained period. All of this demonstrates that the interviewee’s action was unusual, uncommon, and an aberration from typical expected behaviour. Defiance is difficult.

Summary

The interviewees are sincere in their accounts describing their sense of self-worth, achieved through participation in a scheme that in their eyes is morally significant in its environmental and developmental contributions. The self-presentation is similar to the narrative of the ‘heroic self’ that can be found among other professionals working in corporate environmentalism (Wright et al. 2012). Accounts of moral motivation for involvement in offsetting are cases of what Ervine describes as identity crises generated by recognition of the environmental costs of capitalist development, followed by a reconciliation to capitalism through engagement with offsetting (Ervine 2012).

Professionals can thus adopt the techno-market climate imaginary most closely associated with carbon trading and get rewarded for doing so (Levy & Spicer 2013). In their expression of moral motivations, the market actors present their particular interests (enjoyment, remuneration) as something of ‘universal benefit’ (Paterson 2010, p.349). Where moral concerns exist, there is sufficient scope for market actors to reassure themselves about the wider value of their work through various forms of justification. There is a clear incentive to do this, considering the enjoyment and the pay. It even becomes easier to fulfil professional responsibilities when one believes in the value of offsetting, especially in a sales context. To go against social expectations and defy colleagues and friends by taking a principled stand against what everyone else has a stake in and believes in (at least sufficiently to justify and sleep at night), as was the case for interviewee 40, is demonstrably hard. The social and political forces associated with the carbon offset market in relationship to individuals’ identities are insidious in their subtlety – capable of reconciling people to practices that are morally problematic, and then encouraging them to be ‘big believers’.

Conclusion

The rationales and problems of carbon offsetting give rise to a variety of concerns that might trouble market actors, including buyers, retailers, project developers, consultants and auditors. However, the moral problems associated with offsets, substantial as they are, exist alongside a fairly compelling set of rationales which actors can appeal to. Justificatory strategies are partly successful because they have a semblance of credibility. There are development logics to carbon offsets. There is an environmental and cost-efficiency case. Problems are not all-encompassing. Critical arguments do have their flaws, as do the critics. There are problems in the wider world, against which carbon offsets might not look so bad. These arguments have some merit, albeit limited, and that is what makes them appealing and convincing for actors who seek to hang on to them as justifications for their activity. The defensive justificatory discourses have utility as a means of allaying the concerns of sceptical members of the public, potential clients, and politicians. The

justifications even have the power to calm the consciences of the very people that run the market.

Added to this defensive strategy of justification are a set of marketing techniques that aim to establish a positive image and a convincing narrative about the value of offsets that relevant stakeholders can connect with and buy in to. Marketing relies on stories of environmental and developmental contributions which are infused with positive bias. Buyers and other actors are not necessarily fully convinced by marketing messages as stories. Consequently, standards and diligence and appeals to genuine personal belief contribute as supplements to the marketing strategy.

Lastly, the individuals involved with carbon offsetting self-identify generally as people that are interested, engaged, collegiate, motivated and morally considerate. Many of them are big believers in carbon offsetting. While it is true that there are some significant reasons in favour of belief in offsetting, the fundamental flaws and multiple weaknesses of offsetting identified in the previous chapter (Corruption in and of the Concept) should not be disregarded. The question of how such conviction, belief and motivation can sit alongside the multiple and well-evidenced problems of carbon offsetting is best answered with reference to actors' interests in the maintenance of states of affinity, allied with mention of the barriers that dissuade from disaffection. Market actors have an interest in fulfilling their job descriptions, for the sake of pay, responsibilities to colleagues, and their continued enjoyment of their jobs. Taking a principled stand against offsetting in some form could mean leaving all of that behind. There is a clear incentive for market actors to disregard problems and concerns, with justificatory strategies in hand, and to buy into the very marketing messages that are being propagated.

The moral economy of carbon offsetting, on this account, is not so much about the rational appraisal of the merits and flaws of carbon offsetting. Rather it is about the interests of actors in promoting a message about the moral rationales of carbon offsetting, establishing buy-in among stakeholders to sustain the system, and using justifications as discursive defences to nullify the potency of critique. This chapter further substantiates the findings of Paterson and Stripple who argue that the carbon economy has been construed, via

rationalities and technologies of carbon market governmentality, as ‘a divine being endowed with natural virtue that limits the space for critical engagement’ (2012, p.579). The next chapter moves on to discuss these findings – and those of the previous empirical chapters – in order to further explain them, linking the behaviours identified to the wider political economy of carbon offsetting.

Chapter Eight: Profit, Principles and Power

The moralization of markets also entails the economization of morality.

- Ronen Shamir, *The Age of Responsibilization* (2008, p.3).

Offsetting is a market, and in it the profit motive dominates. Some actors praise the market and its actors' preoccupation with profit for its ability to produce cost-efficient and politically feasible emissions reductions. However, the pursuit of profit causes severe problems including undermining environmental integrity, avoidance of contribution to sustainable development, and giving wealth and power to elite groups. The first section of this discussion chapter (Profit over Principle) argues that profit rules over principle in the offset market, generating ethical problems.

Critics have identified these problems and brought them to attention, arguing that offsetting should be abandoned or significantly reformed. The second section of the chapter (Principles in Practice) highlights the critiques and the reform efforts and development programming which have the stated intention of resolving offsetting's identified problems. The discussion in the second section contends, however, that reform efforts have limited impact and that projects providing development benefits occupy only a niche section of the market.

Despite their limitations, reform and development efforts help actors to discursively construct offsetting as an ethical activity. The third section of this chapter (Constructing the Ethical) discusses the power of ideas of reform and development which actors deploy as justification strategies and as ethical narratives which aim to defend offsetting from critique. Promoting the picture of principled behaviour serves to enhance profit, and it creates genuine belief among some actors that there is an ethical case for offsetting. The belief feeds back into discourse, and also back to profit.

Overall this chapter brings the findings of the empirical chapters together to argue that power over information, narrative, and practice produces economic benefits for some, while obscuring the costs that fall on others.

8.1. Profit over Principle

For most organisations, carbon offsetting is a commercial enterprise that they seek to make profit from. For its advocates, this is a good thing because it enables cost-efficient mitigation outcomes and creates economic opportunities in the ‘green economy’. However, this section highlights profit-seeking activities that lead to accumulation of resources and power among elite groups which are achieved in ways that undermine the environmental integrity of offsets and which lead to negative development outcomes.

Efficient Accumulation

The drive for profit and ‘efficiency’ inspires the market but, as I argue in this sub-section, these economic motives simultaneously undermine the practical effectiveness of carbon offsetting in achieving its avowed objectives, creating problems of distributive justice. Advocates of offsetting can cite cost-efficiency as a rationale because the low cost of offsets potentially enables cheap and cost-efficient climate change policy, both in legal compliance and in voluntary terms. The interview data presented in Chapter Four (sub-section Incredible Efficiency, pp.69-72) indicates that reduction of the cost of mitigation is the driving rationale for offsetting. Advocates of compliance carbon markets generally promote the rationale of low-cost greenhouse gas emissions abatement (Cui et al. 2014; Peace & Stavins 2010). The idea of efficiency fits in with an ecological modernisation discourse and a dominant techno-market climate imaginary (Levy & Spicer 2013). The cost-efficiency idea in the pro-offsetting discourse has its roots in the powerful economic doctrine of market efficiency (Mitchell 2008). And indeed cost-effectiveness carries some moral weight, other things being equal, because achieving environmental outcomes while avoiding unnecessary burdens (costs) is generally advantageous (Caney & Hepburn 2011).

In practice, market actors do strive for efficiency and lower costs. The market encourages firms to offset at a low cost through purchase of cheaper credits. Retailers and buyers aim to keep costs low through price-sensitive purchasing strategies (Chapter Six – Buying Without Bothering, pp.147-154). Project developers aim to ‘reduce emissions’ at a low cost, so they can profit from the difference between abatement cost and market price. Project developers limit costs and maximise returns by arguing for favourable terms and by saving on expenditure (Chapter Six – Arguing Additionality, pp.125-130, Bloating Baselines, pp.130-133 & Dodging Development, pp.139-147). Keeping costs low enables firms to make profit. As such, the profit motive drives the cost-efficiency of the market. Supporters of free market environmentalism embrace the profit motive that animates the market, arguing that it encourages innovation, experimentation and risk-taking (see Paton & Bryant 2012 for a critique). Some interviewees aimed to justify offsetting on this basis, talking up the benefits of the profit motive and efficiency (Chapter Seven – Discursive Defending, pp.157-173). So efficiency is a rationale for offsetting and something that market actors strive for.

Policy-makers also find efficiency an appealing idea. The appeal to cost-efficient activity fits with a broader politics of ‘climate capitalism’ in which policy-makers can enlist the political support of business and industry groups, as well as the public, by emphasising the economic opportunities associated with climate change mitigation (Paterson 2012; Newell & Paterson 2010). Interviewees made the argument that the carbon offset market has helped create an international political constituency of people who see the benefits of carbon trading and offsetting (Chapter Four – Inappropriate Awareness, pp.74-77). Policy-makers aim to reach climate targets while avoiding high economic costs, which makes trading and offsetting appealing (Hovden & Lindseth 2004). Policy-makers also seek a private sector political constituency that will support climate action, and this can be fulfilled through carbon markets’ creation of jobs (and rents) in trading and offsetting (Paterson 2012; Newell & Paterson 2010). Carbon markets offer gains to the structurally powerful financial sector, to the consultants, lawyers, auditors and traders who can make opportunities in the carbon markets, and to the businesses and industry groups who prefer a trading scheme to a carbon tax or other more rigorous, potentially costly climate policy (Paterson 2012; Meckling 2011b; Layfield 2013; Bryant et al. 2015). The political support

of these groups helps establish a political constituency in support of climate policy, enabling action. Without support, climate policy can disintegrate like the still-born EU carbon tax proposal or the revoked Australian climate legislation (Schiermeier 2014). Interviewees implicitly contrasted this situation of feasibility with the supposed non-feasibility of ‘eco-socialist’ alternatives (Chapter Seven – Normalising Problems, pp.165-169). The overall claim of this line of argument is that the offset market’s enabling of the profit motive produces cost-efficient and politically feasible climate mitigation.

However, there are three problems with the above line of argument. First, there is the logical point that feasibility should not lead to esteem. It is true that offsetting may be feasible, but this is far from a sufficient condition to make the policy commendable. After all, a sitting government’s policy is always more feasible than the opposition’s, but that feasibility does not make a government policy ethical. Equally, as noted in Chapter Seven (Normalising Problems, pp.165-169), the case against offsets does not rely on the existence of alternatives, because the case is simply being made against offsets, not for something else.

The second problem is that pursuit of efficiency can compromise effectiveness. The profit-seeking strategies which drive the market and its claims to efficiency are the very strategies that undermine the market’s stated goals of environmental protection and sustainable development. As Lohmann puts it, offset markets ‘select for “cost-effectiveness” so single-mindedly that they end up interfering with the goal that was to be attained “cost-effectively”’ (Lohmann 2010, p.237). Efficiency is nothing without effectiveness. And the profit motive is the very thing that undermines effectiveness, as the next sub-sections will discuss below.

The third problem is that enabling the accumulation of profit in the name of efficiency can create unjust distributions of benefits and burdens. For critics of offsetting, the profit-making activity is viewed as an objectionable accumulation strategy for elites (Bond 2015; Böhm, Misoczky, et al. 2012). It is fair to respond to the idea of cost-efficiency by asking the question: ‘Efficient for whom?’. The primary financial rewards from carbon offsetting have been distributed among large firms and professionals operating in more economically

developed countries.⁵⁴ Rather than talking abstractly about cost-effectiveness, on closer scrutiny it becomes apparent that costs to some are high (locally affected communities, the public through weakened climate policy), whereas others are able to accumulate (especially elites – defined as those people with significantly more power and wealth in society). This points towards a broader moral problem associated with carbon offsetting: that it rewards elites and wealthier classes, including those who game the system, while distributing costs on others (Mcafee 2012). Offsetting has been socially regressive. By giving resources and power to certain elite groups, offsetting entrenches the power of a capitalist upper class, while further marginalising others (Lohmann 2010).

These lines of critique are capable of dismantling the pro-offset case based on ideas of efficiency and feasibility. The profit motive produces ‘cost-efficiency’, but this can compromise effectiveness. The profit motive produces political support, and yet that can enable accumulation and create distributive justice concerns. The next sub-sections expand on these points to highlight the mechanisms through which profit is prioritised over environmental and developmental considerations.

Profit over Environment

Enabling the profit motive in the offset market leads to problems of undermining environmental integrity. Project developers engage in gaming behaviours to submit non-additional projects with non-credible baselines. The developers work with consultants to deploy information as a tool of power with the aim of gaining registration as an offset, which can bring financial reward at the expense of the environment. The commercial orientations of the auditors, who are contracted to project developers, limits the ability to

⁵⁴ When firms are able to benefit from offsetting to extreme levels, then even the cost-efficiency argument becomes questionable, as in the case of reducing HFC-23 gases where the CDM distributed windfall profits to project owners and government. These payments for HFC-23 abatement were actually much higher than necessary, making it expensive rather than cost-efficient (Caney 2010b) (see Chapter Four – Incredible Efficiency, pp. 69-72).

prevent this gaming. These are all findings from Chapter Six (section Undermining Environmental Integrity, pp.124-139) which are discussed here more broadly.

Profit opportunities and risk of non-registration encourage project developers to register projects which lack environmental quality. Project developers see carbon offsets as a risky proposition which could nevertheless generate returns if they could successfully navigate the market's peculiar registration procedures. The offset market has always been a risky proposition for project developers. Even when CDM prices were near their peak, Chinese project developers (in the national market most successful in registering CDM projects) were sceptical about securing funds from the carbon markets (Schroeder 2009b, p.382). Similarly Brazilian and Indian project developers were concerned about losing money on the CDM because of the risk of failing to gain validation, registration or issuance (Hultman et al. 2012). A financially rational response to the risk of not gaining access to the carbon market is for project developers to favour projects that are independently viable without offset revenue. But such projects should not be seen as additional because they might easily have gone ahead anyway. Investment in offset registration procedures becomes a gamble that might pay off handsomely. This leads to the problem of adverse selection, where project developers prefer to register non-additional projects for which they need not rely on risky carbon finance. As Hultman and colleagues put it: 'international regulatory jeopardy in the approval process... in many cases led logically to a perverse policy outcome of non-additionality' (Hultman et al. 2012, p.100). It might be thought, logically speaking, that the rational action for project developers facing risks of non-registration would be to submit genuinely additional projects because these would be more likely to be approved. However, this relies on a flawed premise: that the CDM and other standards only approve additional projects. Rather, developers often favour projects that can 'be made to look additional under approved methodologies' but which in reality would be viable without offset revenue (Hultman et al. 2012, p.100). As I posit in Chapter Six (Arguing Additionality), project developers working in the current low carbon price context are taking a gamble on offset revenue materialising in the future, as functioning projects can no longer realistically expect offset revenue even if registration is successful (c.f. Purdon 2015). The structural conditions in the market encourage project developers to seek the

prize of profit and to diminish the implications of not receiving revenue. This can be achieved by bloating baselines and arguing additionality.

Due to the complexity of the offset market's regulation, project developers almost always hire consultants with relevant expertise for the pursuit of registration (Chapter Six – Crafting Consultants, pp.133-135) (Schroeder 2009b). Working with consultants, project developers are in a position to deploy information carefully to auditors so as to increase the chances of registration, and to increase the amount of credits that can be claimed (Chapter Six – Arguing Additionality, pp.125-130 & Bloating Baselines, pp.130-133). The situation creates what Hepburn and Stern describe in economic language as ‘problems of asymmetric information [that] have generated opportunities for gaming’ (Hepburn & Stern 2008, p.273; c.f. Wara & Victor 2008). Project developers can tell stories that make a project seem as though it is an eligible offset, even if these are, on closer scrutiny, implausible tales (Kongsager & Corbera 2015). The data that goes in to the calculation of internal rates of return, often used for assessments of additionality, is made up of a large number of technical factors (Pechak et al. 2011; He & Morse 2013). Consultants can tweak these numbers and massage the information so that it gives a ‘proof’ of additionality according to the rules. This is how it comes to pass that the Indian national policy context is the driving force behind renewable energy project viability, while CDM revenues provide an ‘icing on the cake’, yet projects are registering with the CDM even in a very low carbon price context (Phillips & Newell 2013, p.657). Project developers also deploy information to create a favourable baseline, even if unrealistic. In this way, project developers are employing consultants to exploit an advantageous position in the politics of knowledge (Lohmann 2008). They do so for the sake of generating revenue, apparently without significant regard to the moral problem of creating ‘hot air’. As former project developer interviewee 40 put it, ‘emission reduction as such, environmental protection as such, is not the core business purpose’ of project developers.⁵⁵

⁵⁵ Consider for example the actions of interviewee 40's former employer, a project developer seeking to avert revision of a flawed methodology that would threaten their profit margin (discussed in Chapter Six - Bloating Baselines, pp.130-133).

These problems are compounded by the commercial orientations of many auditors, as described in Chapter Six (Approving Auditors). Auditors might be considered quasi-regulators working to oppose the ‘gaming’ behaviour.⁵⁶ But in reality the auditors are part of the gaming itself and their track record has been criticised accordingly (Transparency International 2011, pp.138–139). The auditors are not fully independent because the project developers recruit them. The auditing business model relies on submitting the documentation successfully, with boxes checked and rules followed adequately, ideally leaving the project developer client satisfied. There is little room for additional investigations of environmental integrity or for independent interpretations of issues which might be unfavourable to project developers. Independent scrutiny beyond requirements would be considered over-zealous. Giving an opinion against a project can lead to another (more favourable) auditor to be hired, such that ‘auditors may have a disincentive to submit negative validations, as this may affect their reputation in the business’ (Kongsager & Corbera 2015, p.142).⁵⁷ Project developers and consultants are more secure in their ability to massage information because the commercially sensitive private sector auditors have an incentive to follow the rules without pressing their clients too hard. Far from the rationales for auditing, based on ideas of transparency and accuracy, the reality is based on giving and receiving selective information which creates secrecy and deception (Blowfield & Dolan 2008).

Profit over Development

Just as profit-seeking behaviours count against environmental integrity, so too the commercial rationality of certain market actors leads to dodging of responsibilities to locally affected people. Buyers’ and project developers’ cost-cutting approach, combined with lax regulation, produces offsets that can be rightfully considered ‘carbon dumps’

⁵⁶ For example the Carbon Neutral Company, a voluntary offset retailer, only refers to auditors as ‘independent’ or ‘independent third party’ in their ‘CarbonNeutral Protocol’ (The CarbonNeutral Company 2013).

⁵⁷ Kongsager and Corbera recount an example of a project developer removing an auditor who gave an unfavourable view, to replace with another ‘independent’ and ‘third party’ expert.

(Bachram 2004). The power of the project developers enables them to exploit for gain, which in turn helps developed country buyers to gain cheap credits.

Project developers and consultants will typically only engage in minimal amounts of development programming because of lax requirements (Chapter Six – A Missing Mechanism, pp.140-143). This is done for the sake of cost-cutting. Requirements for stakeholder consultations are very weak in the CDM, stipulating only that some form of consultation must be conducted, without regard to the quality of the process. Cheap and quick consultations designed by project developers treating the process as a formality are not sufficient to address participation gaps (Boyd et al. 2007; Marion Suiseeya & Caplow 2013). Some project developers see community engagement and distribution of benefits as an expensive hindrance, preferring to ignore problems that affect others (Kongsager & Corbera 2015; Böhm et al. 2015). Neither consultants nor auditors are expected to be proactive in this area. The limited power of local communities means that it is often hard for citizens to challenge companies that are adversely affecting them, although public resistance does exist (Chapter Five – NGO Criticisms, pp.92-95; Chapter Six – A Missing Mechanism, pp.140-143) (Corbera & Brown 2010).

Project developers and consultants above all seek project registration, which means gaining approval from the Designated National Authority and the CDM Executive Board. The CDM Executive Board does not seriously consider sustainable development considerations as part of its registration procedures. Decisions on sustainable development aspects of projects are devolved instead to national levels and the Designated National Authorities. This was decided at the UNFCCC, as developing countries voiced concerns about sovereignty, defending their own independent ability to approve or reject projects according to local socio-economic conditions (Tewari 2012). In general, project developers and consultants are keen to meet the minimum required conditions for project approval, and these conditions will be set by the host country (Chapter Six – A Missing Mechanism, pp.140-143). For that reason, research into the sustainable development impacts of CDM projects requires analysis at national levels. This means looking at the regulatory context for offset projects, including the various Designated National Authority procedures as well as the broader national political economy contexts that they are part of (Rindefjäll et al.

2011; Newell 2009; Fuhr & Lederer 2009). This research has not been able to engage substantially with the national regulatory contexts for CDM projects. However, existing research has demonstrated that, in India at least, there is a limited risk of rejection by the Designated National Authority, which does not carry out independent site visits (Phillips & Newell 2013). This means leaving the door open for project developers to pursue least-cost options, even if that means disregarding the issues that affect local communities (Sirohi 2007; Subbarao & Lloyd 2011).

The structural design of the CDM accounts for the development problems associated with offsetting. The lack of a significant mechanism to mandate sustainable development means that the market does not take account of the destructive elements of projects (Paton & Bryant 2012). In economic terms, local problems become externalities. Where profit is prioritised at the expense of the poor and marginalised, offsetting entails the creation of 'carbon dumps' in which negative social and environmental impacts are created (Chapter Four – From Development to Destruction, pp.86-88). Such cases create ethical problems. Even if environmental integrity were guaranteed, there are major problems of distributive (and procedural) injustice involved in the imposition of negative impacts on poor and marginalised others, especially when imposed for the sake of accumulation of profits for elite groups. Offset proponents may claim that the cases of malpractice are not representative, or argue that researchers are biased by critical perspectives (Chapter Seven – Discursive Defending, pp. 157-173). However, this response neglects the structural causes of development problems. The spatial fix of the CDM, outsourcing emissions reductions to developing countries for cost-reduction purposes, is firmly grounded in the appropriation and degradation of the welfare of the environments and the communities surrounding offset projects (Bryant et al. 2015). Development problems have their roots in the conditions of the carbon-offset based environmental services model, with its focus on least-cost options (Mcafee 2012).

Purchasing by Price

The purchasing strategies of organisations that offset, as they search for least-cost credits, compounds the problems of project developers, consultants and auditors neglecting

environmental and social outcomes. The compliance market involves brokers with limited expertise who are engaged in buying at one price and selling at another. Price dictates their strategy in the market. Equally for firms that offset to comply with legislation, the offsets are attractive because they are cheap. In the compliance market, there is very little incentive for buyers to differentiate between projects on the basis of environmental integrity or development impacts (Chapter Six – Trading without Troubling, pp. 147-150). As the carbon credit assumes a commodity form, traders and brokers and compliance offset purchasers become less interested in the background qualities of the offset projects from which the credits are derived. The relevant factor for compliance buyers is simply whether or not the commodity has been certified according to the regulations, making narratives about quality less significant. As Vatn puts it: ‘parties to the trade have no direct interest in the quality of what is traded’ (Vatn 2014, p.231). Even in the voluntary market, where concerns over reputations are more central, price remains a dominant factor in purchasing decisions. When voluntary buyers are price sensitive, they also treat offsets as a commodity. The evidence presented in Chapter Six (sub-section Pricing Pretty Portfolios, pp.150-154) indicates that voluntary buyers often want to buy cheap offsets, with limited concerns about quality. This produces a form of commodity fetish which involves obscuring the background conditions through which the offset product was made (Carrier 2010).

So the profit motive inspires buyers, both commercial and voluntary, to seek offset commodities at low cost, regardless to the conditions of production. As this section has argued, enabling the profit motive might initially seem like a good idea because it could produce cost-efficient and politically feasible climate change mitigation. However, the profit motive in the offset market has incentivised project developers to register projects that undermine environmental integrity. Business relationships lead consultants to implement the will of their project developer clients. Commercial considerations affect the auditing process, so that the actors supposed to be safeguarding integrity have no incentive to go beyond the call of duty. The offset market is so complex that these malpractices can go undetected, as actors deploy information carefully to their advantage. The aim of cutting costs and reaping revenue is equally problematic as it encourages project developers to ignore the negative impacts of their operations when they affect others, taking advantage

of lax regulations. Carbon offsetting unleashes the profit motive to animate the market, but this in turn brings on its moral failings.

8.2. Principles in Practice

This section discusses the principled responses that actors have made to address problems with offsetting. It might be thought that, despite the problems generated by profit-seeking behaviours, reforms to the market mechanisms and changes to practice could serve to make offsetting normatively commendable. After all, there are civil society actors questioning the environmental credentials and developmental background conditions associated with the production of offsets. Such public criticism has led to a decline in demand for offsets as well as regulations that restrict their use. Reforms to methodologies and standards have led to some improvements in practice. However, this section argues that reformist capability overall remains limited. Efforts to design projects with development benefits also face limitations. It is difficult to establish a genuine ‘moral economy’ in carbon offsetting because of the challenge of putting principles into practice.

Contestation and Decline

The critical attention of journalists and concerned civil society organisations has helped deconstruct the offset commodity, laying out the problems of environmental quality and developmental impacts in well-publicised ways (Chapter Five – Controversy, Disrepute and Decline, pp.91-105). These critics create ‘counter-movements of societal self-defence’ that demand reform of, limitation on, or ending of carbon offsetting (Lohmann 2010, pp.247–8). NGOs have conducted research at offset project sites and shared evidence of malpractice among transnational advocacy networks (Chapter Five – NGO Criticisms, pp.92-95) (Keck & Sikkink 1998). Critical NGOs have called for an end to carbon offsetting, confronting the market system directly with appeals to ideas of climate justice and resistance (Durban Group for Climate Justice 2004; Bond et al. 2012). Providing alternative information and different framings of offsetting creates a challenge to the

industry message of win-win solutions. Critical civil society and media actors are thereby contesting cultural understandings (Levy & Spicer 2013; Pearse 2010).

Civil society and media criticism has conditioned public perceptions of offsetting. The negative attention has undermined demand for carbon credits among voluntary buyers (Chapter Five – Decline in Demand, pp.99-102). Interviewees described voluntary offsets as part of a bandwagon where carbon neutrality became fashionable for a period. This cultural trend proved vulnerable to piercing critique which tarnished public views of offsetting. The voluntary market relies on offsets being able to enhance a reputation, but this is undermined when offsets become a potential risk to reputation (Chapter Five – Risk to Reputation, pp.97-99). Critical cultural contestation challenges the ethical status of offsetting to make it off-putting to buyers, and to make it difficult for retailers to sell. Industry players have had to counter-act the damage of contrarian narratives with their own normative discourses of positive impacts, environmental care and justification, as later sections will elaborate on.

The effects of critique have gone further than just affecting demand in the voluntary carbon market. In the compliance market, offsetting is highly sensitive to policy-making which rules carbon credits eligible or ineligible. Demand for carbon credits from the Clean Development Mechanism (CDM) and from Joint Implementation (JI) is mainly determined politically in the context of normative debates (Chapter Five – Regulation and Removal, pp.102-104). Even in the initial stages of policy-making on carbon trading, European critics of flexibility mechanisms aimed to put quantitative limits on the eligibility of CDM and JI credits via the UNFCCC, but with limited success (Lecocq & Ambrosi 2007). Policy debates on offsetting continue as carbon markets and carbon pricing schemes proliferate internationally (Betsill & Hoffmann 2011). Policy-makers have the ability to remove offsets, and have done so in the EU as restrictions on offsets come into place. Indeed, concerned actors including environmental NGOs and industry advocates were actively lobbying the EU on proposed restrictions to offsets at the time of research (Chapter Five – Regulation and Removal, pp.102-104). Even if policy-makers do not entirely remove offsets from climate policy, they might restrict the eligibility of certain types of credits. Examples include legislating against HFC-23 project types in the wake of

environmental integrity concerns, and restricting offset eligibility to credits generated in least developed countries.

Thus one principled response to the problems of carbon offsetting has been to criticise offsets and stop using them. This is a sensible response. But in bringing an end to the offset market, jobs and revenue streams would be at stake. Therefore, economically concerned actors find reform efforts, which could address problems and keep the market going, a more appealing response.

Reform without Resolution

A significant amount of reform activity takes place in the offset markets. Reformist NGOs deploy evidence to promote alterations to offsetting such as methodological improvement, restriction on problematic project types, and introduction of more meaningful stakeholder participation (Chapter Five – NGO Criticisms, pp.92-95) (Blok 2011). Regulators pay attention to environmental integrity concerns and make changes to methodologies and rules for auditing (Chapter Five – Mending Methodologies, pp.105-108 & Accounting for Auditors, pp.108-111). A significant amount of reform-minded academic work identifies shortcomings of existent practice and suggests means of improvement and reform, with the implied normative objective of enhancing the environmental and/or developmental quality of the offsets (Chapter Two – Eco-modernist Assumptions, pp.40-42).

A question that remains is what attitude one should take towards reform efforts such as these. Should one believe that problems are minor, historical and isolated, and that issues can be ironed out through technical reforms (as many interviewees suggested in Chapter Seven)? Or should reformist orientations to carbon offsetting be dismissed as irrelevant or as a futile mistake, as Lohmann advocates (Lohmann 2012b)? The findings of this thesis suggest that reforms can make a difference, but that they have limited purchase on the problems of additionality, baselines, and the other technical issues that affect environmental integrity. Reforms have to be market-friendly, which constrains their impact. Much of the rationale for offsetting is cost-effectiveness, which constrains actors

from increasing transaction costs via more rigorous procedures (Wara & Victor 2008).⁵⁸ Voluntary market reforms to carbon management, standards, and due diligence also have their limitations as I reiterate below. So I argue that the project of transforming normative issues into technical reform measures – which has been described as ‘green governmentality’ (Bäckstrand & Lövbrand 2006) – is a means of containing critique of offsetting, justifying its continuation, and establishing trust, but is not effective enough to make offsetting morally commendable.

In over a decade of carbon offsetting activity, the problems of non-additionality and non-credible baselines have remained widespread, resistant to reform efforts. The complexity of offsetting and the structure of the market provides ample opportunity for profit-seeking organisations to manipulate information to their own advantage (Lohmann 2005). The literature on the technical issues of additionality and baselines shows that they are complex and hard to define. There is no simple test for additionality (Trexler et al. 2006; Carmichael et al. 2016). Additionality is more grey than black and white. Purdon highlights this grey-scale by showing that a change of conditions can mean that a project’s initial claim to additionality might no longer seem relevant (Purdon 2015). For example, a changing policy context for renewable energy deployment can make an offset project look more or less additional (Nautiyal 2012; Pechak et al. 2011). Baselines are similarly open to interpretation (Chapter Six – Bloating Baselines, pp. 130-133). Given this level of uncertainty, there is too much leeway for project developers to massage information, using their market power for gain (Spash 2010). Offsetting is structurally flawed because it provides too much power to insufficiently scrupulous organisations that are seeking to maximise returns at the expense of environmental and developmental outcomes.

The technicalities of offsetting are such that there will always be flaws available to exploit. Indeed, Olsson and colleagues have argued that the uncertainties associated with the additionality and baseline calculations for projects in all the major established offset sectors are similar to the uncertainties in the land use sector (Olsson et al. 2016). Most land use

⁵⁸ For example, Newell (2014a, p.225) notes that most participants in the CDM’s Policy Dialogue were drawn from commercial groups lobbying for smoother, quicker transactions, giving little concern to matters of sustainable development.

projects were excluded from the CDM because the uncertainties of the carbon calculations, plus difficulties associated with the permanence of the carbon sequestration, meant that these offsets were very likely to lack environmental integrity (Boyd et al. 2008). For sectors such as renewable energy, the ‘emissions reduction’ in the narrowly defined calculative boundary of the project can be undermined because of a project’s unmeasurable but very significant impacts on the rest of the society, such that overall emissions might increase, or might not decrease as much as is claimed (Chapter Six – Bloating Baselines) (Olsson et al. 2016). This illustrates that there are far more variables in carbon offsetting than we are led to believe, which means that effective measurement of offsets is impossible in principle, and made less credible because of logistical and political challenges (Anderson 2012c; Lohmann 2005).

The offset market relies on the certification of uncertainty, or what Lohmann describes as ‘creative efforts to domesticate, simplify and quantify unknowns’ (Lohmann 2010, p.244). This involves the impractical postulation that a hypothetical future world (the counterfactual baseline) is ‘singular’, ‘determinate’ and therefore amenable to prediction (Ibid.). As Lohmann points out, even the question of how emissions are cut is relevant, but excluded from the calculus. If abatement is subsidising fossil fuel installations, and giving resources and power to certain elite groups, as offsetting does, this can be problematic in climate change terms because it entrenches the power of a capitalist class – a structural consideration that cannot be contained by the methodologies of offsets (Lohmann 2010). These uncertainties, just as they cannot be resolved, become exploited by experts and elites that are able to trade on ignorance to (attempt to) secure rents from the business of supposedly addressing climate change (Lohmann 2008). Interviewee 3, a former CDM project developer, summed up well the challenges of reform efforts when discussing proposals for new offset policy mechanisms: ‘You won’t be able to solve the old issues of environmental integrity and all these thorny issues much more easily or differently; they will come back to haunt you again.’

Another reason why reform efforts are limited is that regulation has to be market-friendly. To illustrate this constraint, consider the reform proposal to establish buyer or seller liability for the quality of the credits. This has not been pursued due to fears that it would

be off-putting to investors – a case of prioritising financial considerations over concerns about environmental quality (Layfield 2013, p.910). There is a tension in the regulation of the CDM because economic requirements of investor confidence need to be balanced against ecological requirements of emissions reductions (Paton & Bryant 2012, p.98). CDM regulators have been afraid of choking off the supply of offsets when registration times are long, indicating a trade-off between rigorous scrutiny and timely processing (Rong et al. 2012). Efforts to ‘streamline’ the CDM to suit investor expectations can clash with aims to improve environmental effectiveness (Paterson 2010, p.360).

In the voluntary market, reforms have aimed to limit the problems identified in critical publicity, and yet the reforms are not sufficient to fully address the issues. Voluntary offset retailers and buyers have responded to critiques of outsourcing emissions to problematic offset projects by putting more emphasis on internal carbon management (Chapter Five – Mainstreaming Carbon Management, pp.117-120). Carbon management has been an easy reform to implement because there is often a business case for it. Organisations can make efficiency savings from reduction of energy use. Businesses can use carbon as a metric to help analyse and manage operations. There are also business opportunities in carbon management consultancy services. Thus the idea of carbon management connects with viable business models, helping it become accepted to the mainstream of carbon offsetting practice as an ‘ethical’ principle. And yet retailer interviewees said they would not turn down business from a customer who wanted to offset without making reductions, showing the limit of the principle involved. Furthermore, as commendable as carbon management may be, the greenwash issue does not disappear just in case some internal emissions reductions have been made. Where offsets are used to claim carbon neutrality, and the offsets are not credible as emissions reductions, then it is greenwashing to claim an environmental status that is unwarranted.

Therefore, the voluntary carbon market had to aim for reforms beyond carbon management principles, namely to improve its operations with regards to environmental integrity. The introduction of standards has brought regulation to a previous ‘do-it-yourself’ approach, with the Verified Carbon Standard (VCS) and the Gold Standard emerging as the main standards organisations working to enhance the credibility of

voluntary offsetting (Chapter Five – Certification with Standards, pp. 111-114). While standards could be seen as a principled development in the market, there are business logics to this activity which are just as significant in explaining behaviour. First, and most simply, standards are commercial organisations themselves, so that is a business opportunity. Second, standards create a bulwark against criticism, enabling buyers to have confidence in the ‘certified’ product that an external actor can take responsibility for, counter-acting the problems facing the market of risk to reputation and decline in demand. In this way, standards help to sustain business activity (Chapter Seven – Selling Stories, pp.173-185).

However, voluntary standards should not be viewed as reformist saviours. The methodologies that the standards allow are usually no more rigorous than those of the CDM. Rather, the voluntary market is more inclined to encourage market-enabling ‘innovative methodologies’ in challenging sectors such as land-use than in the compliance market, encouraging activity even where there are concerns about environmental integrity. The ‘streamlined’ and ‘pragmatic’ decision to limit oversight of voluntary projects registering with the Verified Carbon Standard is another instance of encouraging market activity through market-friendly regulation, even if quality is more than questionable. The standards can achieve this flexibility because they can display an air of principled authority in spite of a commercial and market-enabling agenda (Blowfield & Dolan 2008). Standards may generate trust and favourable impressions, but the quality is often still lacking.

Lastly, voluntary market retailers present due diligence as an extra quality control mechanism beyond the standard. But the retailer screening usually considers risk to reputation and risk of non-delivery, rather than providing thorough examination of environmental integrity and local impacts which are difficult to assess independently (Chapter Seven – Retail Standards, pp.161-165). Thus offsets can lack quality but still pass retailer due diligence and be put up for sale (Broderick 2011, pp.225–228). For retailers, just as for standards and the CDM, taking environmental concerns very seriously could undermine more of the offset market than is desired. Commercial sensitivity places a break on regulatory stringency and the reformist agenda.

Through reformist activity, normative concerns have been translated into changes to methodologies and practices. This makes carbon offsetting a good example of 'green governmentality', where environmental problems are managed in technocratic and scientific ways (Bäckstrand & Lövbrand 2006). Normative issues emerge in the market through their technical elements. Actors are expected to make (or appeal to) technocratic responses to moral concerns, encouraging a reformist orientation in the production of carbon market actor subjectivity. Regarding justification, carbon market actors are able to appeal to the idea of reform and technical change as something capable of removing difficulties and enhancing benefits (Chapter Seven – Discursive Defending, pp.157-173). But the limitations of standards, methodologies, carbon management and due diligence procedures are not always evident. Carbon market actors use these procedures to justify offsetting, without acknowledging their hidden weaknesses. The technicality and complexity of offsetting makes the ethical considerations obscure and hard for non-experts to appreciate as they become mired in jargon and detail (Paton & Bryant 2012). So the reformist perspective on carbon offsetting is a powerful one in the sense that it can contain critique in a form that is conducive to the ongoing operation of a market supposedly being subject to reform (Lohmann 2011a; Lohmann 2009b; Lohmann 2012c).

Difficulties with Development

The offset market includes a proportion of projects which lay claim to some development benefits. In this sub-section, I argue that some projects and interventions can be beneficial. However, these occupy only a small niche section of the market and may not always be as focused on community development as its advocates claim. Project failures, weaknesses of standards, limited demand, and incentives to over-state benefits constrain the ability of offsets to deliver development.

A genuine rationale for offsetting is that it can create positive development impacts in poorer parts of the world. Interviewees described humanitarian benefits of offset projects and argued that carbon finance can be a sustainable, scalable source of funding for development interventions in which payments flow only when projects are running successfully (Chapter Four – Carbon Finance for Development, pp.79-83). It is true that

offsetting can have beneficial development impacts in some cases, that carbon finance has been instrumental in some cases, and that payments by results can be successful in some cases (Berrueta et al. 2015). The moral status of carbon offsetting in practice depends on how specific carbon offset projects are run, and whether they embrace considerations of equity (fair distribution of benefits and costs) and legitimacy (procedural justice) in their developing country contexts (Corbera et al. 2007). Some retailers and project developers interviewed for this research displayed genuine moral motivations about running offset projects successfully so they could advantage some deserving beneficiaries in developing countries (Chapter Five – Designing Development, pp.114-117). Often these interviewees worked for non-profit firms rather than in the for-profit sector, which suggests that paying attention to differences in actor type (private, public or third sector) can help explain differences in environmental and developmental quality in offset markets (Purdon 2015).

There are some premiums available for projects that can demonstrate high levels of development benefits. Development-oriented projects exist because the public sees value in development assistance and people are willing to pay contributions to projects which, they are assured, provide benefits to people in distant places (MacKerron et al. 2009). Standards have contributed to the creation of processes designed to enhance development outcomes and safeguard from harms. Notably the Gold Standard has more rigorous requirements for stakeholder consultation, as well as smaller operators such as the Climate, Community and Biodiversity Alliance standard (Chapter Five – Designing Development, pp.114-117). The additional requirements can make some difference to project impacts, and they chart a trajectory which reformists believe could lead to CDM and voluntary offsets delivering sustainable development (c.f. Bumpus & Cole 2010).

However, there are reasons to be sceptical of the ‘development delivered’ pro-offset account. Retailers, standards and project developers all have a clear commercial interest in creating a narrative around development benefits which can enhance the market price of their credits (Chapter Seven – Describing Development). Where standards are operating supposedly to guarantee development impacts are positive, the conditions imposed can be quite limited, involving for example only a more effective stakeholder consultation process. Sometimes standards can make a difference in development terms, but the seal of a

standard is not always a guarantee that relevant issues of justice in implementation have been resolved (Marion Suiseeya & Caplow 2013). Through standards, the complexities of development programming are transferred in to checklist forms that might not be appropriate (Blowfield & Dolan 2008). More empirical research into the operation of different standards and their requirements for practical implementation of sustainable development mechanisms for carbon offsets would be valuable (de la Plaza Esteban et al. 2014; c.f. Busch 2000).

Even well-intentioned projects that may be registered with a standard can go wrong (Chapter Six – Fairness to Failures, pp.143-146). Mismanagement, carbon price declines, or unanticipated consequences can lead to project failures. Methodological constraints can lead project developers, even against their wishes, towards problematic project management styles such as uniform private plantations or ‘fortress’ forms of forest conservation (Leach & Scoones 2013). Projects that lay claim to ‘community development’ may actually be using the discourse to up-sell their credits, while using the practice of development as a governing technology that manages the tensions that arise from project implementation (Westoby & Lyons 2016; c.f. Dolan 2007). Smaller projects working with community-based organisations can struggle to navigate the carbon market, including its technicalities and its high-cost consultancy, auditing and retail actors, many of which have commercial interests and legal rights overseas.

Even if voluntary standards and development-oriented projects reliably achieved positive outcomes, these standards and projects only occupy a small market niche. More rigorous procedures for sustainable development have not been introduced to the CDM. One explanation for this is that adding more requirements would ‘act as drag on the overall accumulation rationale of the CDM by raising costs for all project developers and/or polluters, while eliminating the financial benefits of eco-labelled offsets as they are currently designed’ (Bryant et al. 2015, p.2050). So too, sovereignty concerns undermine attempts to regulate for sustainable development benefits or safeguards at the international level. Because buyers are price sensitive, ‘premium-quality’ high-price offsets can get squeezed out of the market (Chapter Six – Buying without Bothering, pp.147-154). Either there will be no buyers, or the project has to accept a lower price point, both of which have

negative implications for project management. The search for low costs is what drives development programming in to a small market niche. The advent of portfolio mixing in the voluntary market further enhances the niche effect, as buyers lay claim to the development story without paying for many of the more expensive credits (Chapter Six – Pricing Pretty Portfolios, pp.150-154).

Thus, even though there are some genuine efforts to implement carbon finance for development purposes, there are many reasons to be sceptical of the scale of its potential. These include limitations of standards, an inability to regulate at the CDM level, problems with project management and implementation, commercial incentives to over-state development benefits in marketing, and purchasing strategies that aim for least cost options. The difficulties with development match the challenges of reform. It is hard for market actors to reform meaningfully in response to critiques of offsetting. So instead actors engage in a process of constructing offsetting as an ethical activity despite its problems, as the next section discusses.

8.3. Constructing the Ethical

Chapter Seven (Sustaining the System) described the justification strategies and ethical narratives that carbon market actors promote to construct an ethical status for offsetting. But the justifications and narratives conflict with the evidence of Chapter Six (Corruption in and of the Concept) which gave evidence of many negative responses to moral concerns. For that reason, it is important to deconstruct justification strategies and question the claims of ethical behaviour found in markets that its advocates believe to be moral. The first sub-section reiterates the limits of justification strategies identified, helping to contribute to their deconstruction. In the second sub-section, I then offer an explanation as to why such ethical discourses were constructed. I argue that it is partly a means of enhancing offsetting's economic value, and partly a reflection of actors' genuine sense of normative enthusiasm for offsetting. The third sub-section then considers how market actors have achieved this. I argue that power over information and narrative are central. Carbon market actors have the capability to construct ethical identities and to create a

dangerous mythical view that offsetting provides a cheap and easy solution to climate and development problems. Research outputs such as this thesis should help deflate unfounded ethical claims, expose moral myths, and explain why we have them in the first place.

Justification Deconstructed

This sub-section discusses the content of the first section of Chapter Seven (Discursive Defending, pp.157-173), which described how carbon market actors attempt to justify carbon offsetting, despite its problems. The justification strategies identified all have their weaknesses. For that reason, the thesis engages in critical deconstruction of the justificatory discourses encountered in interviews, which is all part of the project of studying moral economy.

A key task of studying moral economy is to unearth and examine the legitimations that market actors offer for their behaviour, subjecting these to critical assessment (Sayer 2007; Sayer 2015). Chapter Seven (Discursive Defending) performed this task as it subjected interviewees' justificatory discourses to scrutiny, highlighting ways in which actors deploy language to further prevailing ideology and to extend power relations (Sum & Jessop 2013; Fairclough 2013). Existing research has demonstrated that carbon market elites aim to justify and legitimise their accumulation by bringing in normative arguments of different kinds (Paterson 2010). The actors' aim is to normalise or naturalise the institutions of the market in ethical terms (Sayer 2007). The forms of justification identified did not conform to Boltanski and Thévenot's framework for understanding justification in terms of multiple 'orders of worth' (Boltanski & Thévenot 2006). Unlike Nyberg and Wright's research on business responses to climate change, I did not find that the coding of interviews conducted for this research matched the French theorists' conceptual schema (Nyberg & Wright 2012, p.1825). Rather, the justification tactics of the market actors turned out to have limited credibility, relying frequently on diversions, weak logic, and rhetoric. Chapter Seven (Discursive Defending) therefore has more parallels with Lohmann's work deconstructing carbon market actor discourse (Lohmann 2011b) than it does with efforts to fit interview data into a model of legitimacy maintenance, mainly because the model did not resonate with the data at hand (c.f. Patriotta et al. 2011).

Most interviewees acknowledged the existence of problems with offsetting but then went to great lengths to isolate their own activities from those difficulties. Actors portrayed problems as historic, as limited, as an issue facing other people, and as something to be resolved through reform (sub-section Normalising Problems, pp.165-169). Actors cited specific reforms including the introduction of voluntary standards and conducting due diligence as means of overcoming problems (sub-section Retail Standards, pp161-165).

The defensive strategy has limited credibility because problems remain current and widespread. Most actors are involved with projects that face moral problems of non-credible emissions reduction claims and non-beneficial impacts in local areas. These problems do not just afflict a minority of ‘carbon cowboys’. They are systemic. And while reforms can be beneficial, they are limited. Voluntary standards continue to use problematic methodologies and are designed to be market-enabling rather than overly stringent. Due diligence is not always as systematic and thorough as retailers claim. And the structural problems of offsetting – the profit motive, the power over information, the baseline and credit system – cannot be easily reformed away.

Other forms of justification identified in Chapter Seven serve to diminish the discursive power of critical perspectives on offsetting. Actors play down the significance of offsetting’s problems by comparing them to other scandals and examples of malpractice in development programming (sub-section Normalising Problems, pp.165-169). Offsetting advocates dismiss critics as utopian, unhelpful or irrelevant, framing opposition to offsets as though it requires an impossible alternative based on non-feasible socialistic ideals (sub-section Normalising Problems). Where concerns linger, market actors employ positive sounding words as rhetorical flourishes that link in combinations of the justification strategies identified (sub-section Caring for the Concept, pp.169-172). These strategies aim to fend off the conclusion that offsetting is unhelpful overall, that offsetting itself is problematic.

None of these strategies are particularly compelling. Comparing offsetting to worse scandals and problems carries little weight, just as a thief comparing theft favourably to murder would not excuse a burglary. Critics often provide accurate and important critiques

of the structural problems of offsetting which cannot be settled by reform. People involved in development and environmental programming may not appreciate such critiques, which are often not actionable, but the critiques are nevertheless valuable (Li 2013). The absence of alternatives narrative is not compelling first because feasible alternatives to offsetting exist, and second because opposition to offsetting only requires the very real possibility of 'not offsetting'. The rhetoric can be persuasive, but it does not provide a valid argument in itself. Thus, in pulling apart the elements of the justifications, the content can be deconstructed and its limitations exposed.

Explaining Ethical Identities

It is worth considering why actors are advancing justification strategies that are distant from credibility and truth. In this sub-section I argue that there is an economic case for defining offsetting as ethical. More subtly, there is an identity struggle involved in maintaining a sense of morality in professional lives. Actors selectively interpret the normative issues associated with offsetting and come to accept prevalent discourses that are mixed up with marketing messages that urge trust in the ethical status of the offset product.

On one level, justification serves to enhance economic value. Justification can be read as a form of marketing which aims to enhance public perceptions of the ethical use value of carbon offsets. Maintaining the exchange value of credits relies on sustaining a discourse about offsetting's moral value (Cavanagh & Benjaminsen 2014). Distancing from problems helps to increase the financial value of favoured credits and to avoid or reduce decline in demand. Justification is linked to the creation of favourable narratives about the 'quality' of offsets (Chapter Seven – Selling Stories, pp.173-185), and this is performed for the sake of sales, profit, and maintaining economic value. Acknowledging some limited problems and insisting that they need reform is also a means of reinforcing the economic position and power of technocratic actors who are engaged in reform efforts (c.f. Ferguson 1994; Lohmann 2008).

On another level, justification contributes to individuals' belief in the moral value of their enterprise. People seek to justify the ways that they act so as to reflect their concern about normative issues (Sayer 2005). Interviewees expressed enthusiasm for offsetting's rationales, claiming frequently that they feel inspired by the environmental and developmental potential of offsetting. The carbon market actors I spoke to were sincere when they professed moral motivations for involvement with offsetting (Chapter Seven – Moral Motivations, pp.186-189). Interviewees made appeals to moral ideas such as environmental integrity, fairness, due process, and co-benefits, indicating that they aimed to include such principles in their work. The discourse of market actors remains substantially normative (Descheneau & Paterson 2011). Interviewees expressed care, ethical concern and normative evaluation in their discussions, indicating that offsetting matters to them in moral terms (Sayer 2011). Criticism can threaten this identity that actors have of themselves as a moral person, so it makes sense that the interviewees were resistant to critical ideas and that they sought to justify their activities.

Professionals can be adept at finding justifications for their activity, however problematic. For example, Nyberg and Wright describe a senior coal industry executive who argued that increasing coal mining and combustion was a necessary means of providing 'an economic foundation for the long term switch to a low-carbon economy' (Nyberg & Wright 2013, p.419). People with genuine desires to do good are expected to operate in professional contexts wherein business priorities apply. Market actors have jobs to perform and wages to collect (Chapter Seven – Payments for Professionals, pp.192-195). In these situations, discourses of justification are part of a careful crafting of an individual's identity (Wright et al. 2012). Crafting a moral identity from the situation at hand, from the structured field in which the individual operates, is easier than rejecting the situation which is found morally problematic and confronting it as a matter of principle. The cost of a principled stand can include the loss of one's job and the ending of relationships with friends and colleagues (Chapter Seven – Difficulties in Defiance, pp.195-197). It is easier to twist ideas than it is to manage the financial and relational implications of changing a career. And even if an individual pursued an exit strategy for principled reasons, other people with less qualms take over as functionaries.

The discourse of ecological modernisation helps reinforce the perception among elite groups that offsetting can be ethical. Ecological modernisation discourses help confirm a prevalent view that markets are effective in regulating most areas of society, suggesting that environmental progress can be made without needing to question the fundamental basis of modern life, with the bonus prospect of economic opportunity in a ‘green economy’ (Bailey et al. 2011). As such, adherence to ecological modernisation perspectives is associated with individuals’ and organisations’ economic and political interests in the sustenance of high-consumption and growth-oriented economic systems (Blühndorn & Welsh 2007). Insistence on ecological modernisation helps its advocates to avoid the lifestyle modifications and economic risks associated with the implications of more critical, environmentally ambitious perspectives advocated through climate justice discourse (McAfee 2016). Carbon market actors interviewed here are mainly the middle-class, highly-‘educated’ groups that Lohmann complains struggle to grasp the ‘essential issues of political inequality, technical equivalences, colonialism, commodification, property rights and so on’ that are associated with critical perspectives on carbon trading (Lohmann & Böhm 2012 p.82). Lohmann notes that in his experience, in contrast, audiences of villagers and activists from working class communities are readily capable of exploring those very concepts of oppression and injustice that elite groups struggle with (Lohmann & Böhm 2012). So the positionality of the actors interviewed matters because they are less able to accept the full implications of the climate justice discourse which drives the critique of offsetting, and are more comfortable considering more palatable ecological modernisation ideas.

Furthermore, the complexity of offsetting means that some of the problematic issues will not always be readily apparent, especially to people working in less technical parts of the supply chain, such as in retail or among voluntary buyers.⁵⁹ The obscurity of technical accounting details that are only understood by a small number of insider experts can actually help the market to retain credibility, especially if non-experts are willing to trust in their more scientific colleagues, believing them well-meaning (although this would be a mistake, since many actors are deploying their power over information for financial gain).

⁵⁹ According to interviewee 25, who worked as an auditor and on a retailer’s procurement desk, ‘as you move down the supply chain, if you like, things get a lot less technical’.

Also the difficulty of knowing about the actual impacts of projects in distant locations means that people cannot easily perceive any negative effects. The offset market comes to rely on forms of ignorance where technical obscurities keep the public out of the debate (Lohmann 2008).

This lack of understanding and lack of perception is enhanced because the industry promotes favourable narratives about the positive impacts of offsetting. As Chapter Seven argues, sympathetic narratives and evocative descriptions (sub-section Narrative Connections, pp.174-178) help allay concerns about technical issues and put a positive spin on development impacts (sub-section Describing Development, pp.178-182). Surveys show that many people know only a little about carbon offsetting, but that if they are given a briefing about it they may see it very positively as a good thing (Nakamura & Kato 2013; Becken 2004; Lindman et al. 2013). The marketing discourses of the industry are effectively providing this positive briefing. This marketing can be done for economic motives. Buyers will buy, policy-makers will approve, and workers will strive harder if they believe in what they are doing. Thus power is exercised through ethical discourse (Sayer 2007). But equally ethical narratives may be promoted because of a genuine belief in the moral value of offsetting (section Conviction – Identity Work, pp.185-198).

Carbon offsetting is thus related to wider processes in which the moral self is invoked through market practices of production and consumption, such as can be found in markets for fair trade, organic or other certified ‘ethical’ produce (Barnett et al. 2005). Ethical meanings such as fairness or environmental responsibility can be inscribed on commodities through material and semiotic strategies to produce an imaginary of socio-ecological care (Dolan, 2007; Goodman, 2004). Market actors, especially retailers, are creating a ‘political ecological imaginary’ that encourages consumers, the public and others involved with offsetting to view the market as providing an ethical product (Goodman 2004). This is necessary to enable offsetting to form part of corporate social responsibility strategies designed to enhance public perception of business as a legitimate actor or a moral force for good (Newell 2008). Those with a stake in enhancing the financial value of offsets inscribe cultural and ethical ideas on to them, to enhance the perception of their moral worth (c.f. Sayer 2003).

Associating a product with morality is not easily achieved because public audiences can be sceptical, so there is a need to generate trust (Chapter Five – Conclusion, pp.120-122). Indeed trust is a moral precondition for economic functioning (Sayer 2007, p.265). Standards help to enhance trust in the quality of the offset product because it has been ‘certified’ (Chapter Seven – Retail Standards, pp. 161-165). Standards start to act thereby as ‘stewards of virtue’, defining what counts as ethical in collaboration with the project developers and retailers that seek to fashion it (Blowfield & Dolan 2008). But as noted above, standards should not always be trusted as their procedures can lack credibility (Marion Suiseeya & Caplow 2013). So too, for reasons described above, buyers should not always trust retailers in their due diligence, retailers should not always trust standards, standards should not always trust auditors, and auditors should not simply take project developers at their word. The business logics these actors follow can push them into creating or enabling moral problems. Yet all these actors seek to portray themselves as trustworthy so the market can keep on functioning through the supply chain, so the system can be sustained.

Mythical Meanings

Every individual has a selective way of looking at and thinking about the world around them which is conditioned by broader cultural factors. As Sum and Jessop describe it:

Actors can only ‘go on’ in the world because they adopt, wittingly or not, specific entry-points and standpoints to reduce complexity and make it calculable. This involves selective observation of the real world, reliance on specific codes and programmes, deployment of particular categories and forms of calculation, sensitivity to specific structures of feeling, reference to particular identities, justification in terms of particular vocabularies of motives. (Sum & Jessop 2013, p.479)

Thus the perceptions of the market actors, like those of any individual, are limited and confined. The selective reading of offsetting is partly what enables the construction of offsetting as an ethical product. The resultant discourse, that offsetting is ethical, in turn has implications for public culture and for individual identities.

For actors who believe in the moral case for offsetting, the agenda of ‘informing the public’ about offsetting in the context of climate change and development challenges is considered a moral rationale in itself (Chapter Four – Inappropriate Awareness, pp.74-77). The awareness raising rationale has some merit, especially when it involves encouraging individuals or firms to take steps to reduce their carbon footprint. Significant behaviour change at individual and collective levels is increasingly necessary in developed countries if climate budgets are going to be met (Anderson et al. 2014). Individual and corporate support for emissions reduction is needed to help meet this major challenge (Hale 2010).

However, the industry’s awareness raising activities are too often rendered unhelpful because of the myths it spreads about carbon offsetting. The awareness raising rationale is undermined because of the false information about emissions reductions and development impacts that is being peddled for the sake of commercial agendas. Where ‘neutrality’ is ascribed to an organisation’s activities, and the offsets used to make this claim lack environmental integrity, then this should be considered greenwash (irrespective of any ‘reduce then offset’ strategies).⁶⁰ Similarly, for individuals who may wish to engage in some high carbon activities while retaining a sense of environmental responsibility, offsets that lack environmental integrity offer a form of indulgence. Offsets of poor quality will reverse the climatic forcing about as much as a medieval church pardon will: a sense of righteousness can be restored in return for a token payment.

It is not clear to what extent offsetting has *sustained* consumption practices or other high carbon emitting activities (Lovell et al. 2009). There is no clear evidence that offsetting encourages people to consume more or fly more than they might have otherwise done. Nevertheless, it is a dangerous message to say that continued consumption, flying and economic growth can be ‘climate neutral’, provided you pay this fee, because it encourages a culture of complacency around lifestyle choice which is unhelpful (Dhanda & Hartman 2011, p.5). More broadly in a situation where individuals are beginning to question the

⁶⁰ Interviewee claims that it is ‘not greenwash’ to claim ‘neutrality’ when internal, domestic, voluntary reductions have been made (Chapter Seven – Normalising Problems) are not credible. Only offsets can lead to the neutrality status, so voluntary reductions are irrelevant. It is still a case of claiming an environmental status that is unwarranted.

environmental implications of their behaviours and associated social structures, carbon offsetting can serve as a psycho-social device that encourages reconciliation to capitalism (Ervine 2012). Rather than awareness, what is being promoted is a world of myth and greenwash (c.f. Wright & Nyberg 2014).

Conclusion

Capitalism functions mainly on the basis of profit, not on principle, which is why it may seem odd to describe capitalist markets as examples of ‘moral economy’ (Sayer 2007). The first section of this chapter argued that actors in offset markets use their power to pursue profit making opportunities to the detriment of environmental and developmental quality, allowing elite groups to accumulate at the expense of others. So why even talk of a moral economy?

Morality remains central. Moral rationales were necessary to the creation of offsetting in the first instance. Ideas of cost-efficient emission reduction, development cooperation, climate change awareness, and ecological modernisation were all central to the case for implementing offsetting as an international policy mechanism and as a voluntary scheme for responsible citizens, individual and corporate.

Critics have had power in the offset market because they have demonstrated that the practice of offsetting has failed to live up to its claimed moral rationales. Decline in demand for offsets and regulatory reforms and bans demonstrate that policy-makers and voluntary actors did not sign up for offsetting purely for the sake of its ability to provide profit and power for elite groups. For the general public and for policy-makers, principles matter. If the public perceives that offsetting practice is deficient in principle, then the market is under threat.

Market actors have come to realise that, as Paterson puts it, ‘legitimacy is becoming the condition of possibility of accumulation’ in the carbon offset market (Paterson 2010, p.361). Reform efforts that aim to enhance the environmental integrity and development

qualities of offsets are a means of reinstating public trust in offsetting. Reforms may be implemented in good faith. Yet the conditions of offsetting remain resistant to reforms which are market-enabling and which struggle to truly challenge project developers' ability to exploit their power over information.

Although limited, reform helps to keep up moral appearances and holds out the possibility of redemption through resolution of moral problems, however distant that prospect is in reality. Reform gives a semblance of credibility to justification strategies and narratives that aim to construct an ethical identity for offsetting and for the people that engage with it. Upon further scrutiny, the justifications prove weak. The ethical narratives are advanced as part of marketing strategies designed for sustenance of the market's production of economic value.

Market actors buy into the ethical identities that are available. On one level it is a choice to believe in offsets' moral value, and it can suit people that have an economic stake in offsetting to reconcile their professional lives with their moral consciences. On another level, the individuals' buy-in can be seen as an effect of the power of businesses in the modern economy to shape individual and collective understandings of moral issues. Shamir (2008) – quoted in the epigraph to this chapter – notes the trend towards 'responsibilization' under neo-liberalism, in which morality is increasingly seen as part of the domain of market-based, economic rationality. The case of offsetting should serve as a warning: delegating moral authority to the market is dangerous because of the opportunistic manner in which powerful market actors operate. Moral discourse disguises the opportunism and the politics of the market. People pursue profit, covering themselves in the name of principle. Morality becomes a tool of market power.

Chapter Nine: Conclusion

Wall Street took a good idea, [the] mortgage bond, and turned it into an atomic bomb of fraud and stupidity that is on its way to decimating the world economy ... We live in an era of fraud in America, not just in banking but in government, education, religion, food, even baseball. I thought we were better than this, I really did, and the fact that we're not does not make me feel all right and superior – it makes me feel sad ... I just know that at the end of the day average people are going to be the ones who have to pay for all this because they always, always do.

- *Steve Carell as 'Mark Baum' in The Big Short (McKay 2015).*

The fictional Mark Baum of the epigraph is a Hollywood portrayal of hedge fund manager Steve Eisman, who predicted the crash in value of mortgage securities which led to banking sector collapse and government bail-outs in 2008. The epigraph refers to wilful failure to recognise the potential for widespread mortgage defaults in the run up to the financial crisis. Mortgage brokers were presenting risky loans as secure assets, packaging them into profitable financial instruments. This was a case of fraud, according to 'Mark Baum'. If fraud is understood as 'wrongful deception intended to result in private gain', then that view has credibility. When the lack of value of many mortgage bonds became apparent – when the systemic fraud was detected – the bonds' value collapsed bringing financial ruin. Governments responded by socialising banks' losses, imposing the costs of reckless but highly profitable lending on to the public, such that 'average people' were the ones who paid. Even so, these actions were framed in moral terms in debates about the ethics of lending, justifications of salaries, and acceptability of bail-outs (Fourcade et al. 2013).

This conclusion starts with the case of the banking sector, rather than discussing carbon offsets, because I believe the dynamics of 'moral economy' apply to other sectors as well as that of (supposed) climate change mitigation. Referring to some other cases helps the conclusion to draw out some wider implications from this study. In what follows, I begin by emphasising the links between fraud in the banking sector and the case of carbon offsetting. In both of these, gains have been privatised whereas costs have been imposed

on the public. And yet despite the problems of offsetting, which I briefly re-cap, there have been substantial efforts to define offsetting as a morally worthy activity. My argument is that this attempted definition can be powerful in so far as it makes practices resistant to critique and helps obscure serious problems. Some examples from other economic sectors help to illustrate this point. Consequently, my conclusion is that critique is of central importance to the deconstruction of inflated claims about moral activity. Continuation of critique is especially important in the context of ongoing efforts to resurrect carbon offset markets in policy and practice.

Just like in the mortgage bonds sector, in the case of carbon offsetting there are many incidents of wrongful deception intended to result in private gain, which can otherwise be referred to as fraud. Creative carbon accounting, in which project developers and consultants exploit structural defects of the baseline and credit system, especially its features of additionality-testing and baseline-reckoning, lead to the crediting of offsets that lack environmental integrity. The prevalence of fraudulent activity, insufficiently challenged by commercially and politically compromised auditors, undermines the moral case in favour of offsetting. The fraud creates moral problems because credits that lack use value are being used as a source of revenue for various market actors, while the losses fall on the general public. The public are to suffer the worsening impacts of climate change and the externalised negative effects of offset projects in developing countries. The producers and buyers of the credits have limited incentive to ensure the quality of the offsets because the assets are supposed to represent public goods: emission reduction and sustainable development. When these goods are not provided, as is all too frequent, the public bears the absence (Gillenwater 2011, p.6).

My findings support the contentions of critics who maintain that offsetting 'is without scientific legitimacy and is dangerously misleading' (Anderson 2012c). In line with the evaluative component of the moral economy research approach, my evaluation of moral rationales and problems gives a clear picture of offsetting as a scheme which is regularly failing to fulfil its avowed objectives. Carbon offsetting has undermined climate change policy, as credits that lack environmental integrity have been used to 'comply' with regulation. Offsetting has similarly encouraged misleading claims about green 'climate

neutral' behaviour. And while market advocates talk positively about sustainable development, the actual record of carbon offsetting in development terms is far less commendable.

As such my work contributes to critical scholarship on carbon offsetting by providing more evidence of the many problems involved in offsetting practice. Interviews with market actors have shone light on the mechanisms through which project developers, consultants and auditors undermine environmental integrity and avoid development programming. I have highlighted the purchasing strategies, driven by price considerations, which ignore problems. My analysis also suggests limited potential for reform. Changes to methodologies, audit practices and standards can make limited improvements as I have highlighted. But the fundamental trouble is that carbon offsetting, as a baseline and credit trading system, is easily manipulated for gain. Beyond identifying problems, I have offered explanations for them, situating malpractice within the broader political and economic structures of the market. The revenue seeking behaviours of commercially oriented actors explain much of the misuse of this scheme: a finding with disconcerting implications for broader efforts to implement market-based responses to pressing environmental challenges.

Even as responses to moral concerns involve exploiting opportunities for private gain, substantial efforts have been made to define offsetting as an ethical practice. The attempt to define carbon offsetting as an ethical practice is part of an effort to construct a powerful, hegemonic view about the legitimacy of the carbon market which can enable interested parties to continue to exploit opportunities to achieve private gain. The case of carbon offsetting is not exceptional. It is just one example of economic activity in modern capitalism that is defined as moral in order to contribute to the production of hegemony. Even violence and war can be promoted, justified and sustained – or ended – on the basis of normative cultural beliefs about the legitimacy of armed force and punishment (Hamilton 2011; Peffer 2008; Neumann 2004). Trends towards 'fair trade', 'eco-tourism' or 'corporate social responsibility' have started to contribute new definitions of morality. But moral framings depend on selective readings of situations. Commercially interested parties encourage the 'moral gaze' to be directed at certain features of the world, but not

others. For example in eco-tourism, visitors are encouraged to think about environmental care when diving in coral reefs or cultural sensitivity in tropical forest retreats, while their attention is diverted from more problematic aspects – the environmental impact of long distance travel (c.f. Cohen & Higham 2011), the sewage and waste run-off affecting marine life from tourist developments, the commodification of affect among hotel staff expected to conform to western cultural standards (Carrier 2010). In another case, the chemicals industry promotes normative ideals of family, community and environment to encourage gardeners to buy chemicals to create an aesthetically pleasing lawn – a tactic which succeeds despite significant consumer concern about the environmental and health risks of lawn chemicals (Robbins & Sharp 2003). The mobilisation of particular ethical desires, obscuring others, aligns with commercial agendas to sustain economic activities and the associated power of privileged groups that have an interest in sustaining hegemonic world-views.

My work suggests that invocations of morality in the carbon offset market are being used to obscure, and thereby sustain, activities that are problematic. The value of the ‘moral economy’ approach to carbon offsetting becomes most evident where it gives insight into some of the causes of sustained carbon market dysfunction. Moral justification, normatively charged marketing, and ethical identities contribute to a portrait of carbon offsetting which makes it seem like an ethical practice. To some extent the portrayal has been definitively successful. For example, in a survey of ‘ethical tourist behaviour’ practices, researchers from a department of marketing describe purchasing carbon offsets, without supporting argument, as ‘an ethical behaviour whose adoption requires considerable financial commitment’, making it ‘the most extreme ETB [ethical tourist behaviour] item’ in their survey (Ganglmair-Wooliscroft & Wooliscroft 2016, p.2716). Equally, many carbon market actors embrace a view that carbon offsetting is normatively highly valuable, as I have described. As such, the thesis contributes to an understanding of carbon market governmentality, in which carbon market actors face strong incentives to align their personal beliefs and moral understandings with the prevalent discourses about the normative value of their enterprise. The thesis contributes thus to the wider literature by unpacking and showing the moral underpinnings of the cultural political economy of carbon offset markets.

The wider danger involved in this cultural construction of morality – in its creation of hegemony and its ability to exert governmental power over individuals involved in the carbon market – is that appeals to moral concern and ethical identity can endow firms, organisations and individuals with a sense of moral authority that gives them more power and makes them resistant to criticism. This can be seen in other sectors too. For example, corporate social responsibility initiatives can extend corporate management into intimate realms, as documented in the case of regulating sexual conduct through HIV prevention schemes in South African mining companies (Rajak 2010). Power such as this can become naturalised if businesses are granted status as the arbiters and stewards of justice (Blowfield & Dolan 2008). In another example, constructions of charity and corporate philanthropy take on moral meanings in the case of action against breast cancer (King 2006). This makes it difficult to raise criticism of such actions (because they have assumed a normative emotional power) even when serious questions of effectiveness and legitimacy need to be raised (Ibid.). The creation of a sense of moral authority can serve to stifle and limit critique (Dolan 2010). It can help legitimise a social order (Brei & Böhm 2011). When visions of fairy-tale moralities are deployed through diffuse cultural forms, this offers a technique for ‘fostering and managing subjectivities’, for producing ‘regimes of truth’ (Igoe 2013, pp.38 & 44).

The most effective response to these processes is to identify them and provide critique and challenge where needed. Morality needs to be reclaimed from those parties that have a private interest in defining it in some particular ways so as to obscure problematic practices. The moral economy approach to research which I have set out and implemented in this thesis holds value in that respect across a range of economic sectors. Its commitment to deconstruction of moral justifications of capitalist economic practices, plus careful evaluation of their rationales and problems, is important because it is potentially liberating. Critique can help us see through the mythical aspects of the moral narratives of the rich and powerful, helping us to challenge relations of domination and their ill-effects (Sayer 2014). Indeed, efforts to construct hegemony and exert governmental power are always incomplete, never total, as people have the ability to resist these forms of power.

Consequently, I hope that my work can enhance the purchase of critical perspectives on carbon offsetting. In contributing an analysis of the justification strategies that carbon market actors deploy to discursively defend the moral status of carbon offsetting, I have been able to highlight some of their argumentative weaknesses. For example, much justification depends on a normalisation of capitalist relations, implicit ridiculing of critics that take a non-reformist attitude, and an argument that problems (presented as minor and insignificant) can be dealt with through reform. The reformist attitude is the most effective means of defending offsetting from the effects of criticism because reform efforts have indeed been implemented and have led to some improvements. But my examination of responses to moral concerns – in a situation when they can easily become black-boxed – suggests that reforms have not been effective enough to properly address problems that are related to the basic structures of the carbon offset markets.

In terms of policy recommendation, I can only advise resisting the pursuit of offsetting options at a time when efforts to employ carbon offsets as part of future national or international climate policies and market-based mechanisms continue (Wuppertal Institute 2015). The International Civil Aviation Organization, under pressure to rein in the dangerously rapid growth of greenhouse gas emissions from the air travel sector (Bows-Larkin 2015), is looking towards emissions trading and offsetting as means of outsourcing responsibility for climate change mitigation at the time of writing (Garside & Szabo 2016). Not only does emissions trading risk locking in long term emissions from aviation (Lawson 2012), the offsetting provision risks undermining any commitments to reducing emissions, threatening to replace direct action with non-credible offsets. Some NGOs and researchers have responded to the aviation offsetting initiative with lobbying for quality standards, proposing that some offset project types get screened out and made ineligible in case of environmental integrity or human rights concerns (Bailis et al. 2016; International Coalition for Sustainable Aviation 2016). Other NGOs have reacted more critically by signing a letter describing offsets as a ‘false solution’ and ‘a significant distraction from real measures to reduce aviation emissions’ (Lang 2016). My findings support the latter NGOs’ contention that experience with the CDM and other schemes has ‘deeply discredited the notion that offsets provide climate benefits’ (Ibid.).

One complication is that communicating the problems of offsetting does not straightforwardly result in termination of the practice. That is partly because offsetting is not implemented just for the sake of environmental protection or sustainable development. Much of the attraction is rather offsetting's accumulation potential (Paterson 2014b, p.576). Whereas offsets can be viewed as a policy failure from a perspective of environmental protection or development goals, they can be viewed as a success from the perspectives of delaying meaningful action, depoliticising the issues, or generating income for privileged groups (Lohmann & Böhm 2012, p.83; Bryant et al. 2015).

Such analysis might suggest a stitch-up, a deliberate Machiavellian plot to secure the interests of Western nations, transnational companies and finance industries irrespective of the public good – a plan akin to Susan George's (1999) satirical *Lugano Report* (in which all values are explicitly sacrificed for elite interests and the preservation of capitalism). However, rather than offsetting being embraced as some cynical ploy, my findings support the view that people make sense of their actions in market situations to themselves and others, including a reconciliation of a sense of moral self-worth, even if the actions performed may seem disconcerting to others (c.f. Shah 2009). Uncomfortable realities can easily be ignored as people avert their moral gaze (Cohen 2001). This selective cultural appreciation of the social world helps carbon market actors to generate their own personal beliefs about the value of offset products. For example, at a UNFCCC side event in 2013, I witnessed the Chair of the CDM Executive Board donning a t-shirt received as a gift from colleagues at the UN which had an image of a beer bottle and a modified version of the well-known marketing strap-line used by the beer brand Carlsberg. It stated: 'CDM – probably the best mechanism in the world'. The marketing of the CDM to policy-makers and the public, which aims to generate trust in offsetting, sutures the very identities of people working in the market.

Movements for a 'climate justice philosophy of praxis' (Pearse 2010) that aim to challenge 'capitalist hegemony and the commodification of nature-society relations' (Wanner 2014) will probably not be expecting the Chair of the Board to embrace a critical perspective. Whoever is the chair, their function demands of them an approved normative orientation (a commodification of affect). The 'lay normativity' of individuals invested in carbon markets is heavily affected by the stake they have in it. But as a researcher the least I can

do is read beyond board members' press statements and other moral narratives to challenge them. The views of the public and of policy-makers – those people less invested in carbon market schemes – are more likely subject to change. Consequently, continued critique can provoke further decline in demand for this problematic practice, and can lead to regulations against offsets. My findings indicate that this process has already begun. Civil society groups, the media, and academia have roles to play in fostering this change. Although it was not my initial goal, my main hope now is that this thesis and the broader communication of its insights and findings can contribute to more effective and very necessary critique.

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Appendix One – Interview Participant Information Sheet



School of Environment, Education and Development, University of Manchester
Oxford Road, Manchester, M13 9PL, United Kingdom
Robert.watt@postgrad.manchester.ac.uk

Interviews – Information Sheet – Carbon Offsetting Research

What are the interview questions?

Interviews take the form of a loosely structured conversation where discussion centres on personal experiences of the pros and cons of carbon offsetting. The questions are geared to this.

How long does the interview take?

The interview usually lasts between 30 minutes and an hour. You are free to cut the interview short if need be.

Is the interview recorded? What happens to the recording?

The interview is audio recorded, provided you are comfortable with this. Later on I will transcribe the interview into written form. The recording and transcript will be kept securely (through encryption) on a password-protected computer. If you would like to know more about how the data is kept secure, please ask or email Robert.watt@postgrad.manchester.ac.uk.

Will you publish my name or the name of the organisation I work for?

Your name and the name of your organisation will be confidential. The details of what you say might be used in publications, my PhD thesis, and in related research projects but the information will be anonymous, so that it cannot be attributed to you or the organisation you work for. This level of anonymity and confidentiality is common practice in academic research and is designed to allow you to speak freely during the interview.

What are the benefits of participating in this research?

The interview is designed to be a rewarding opportunity to discuss interesting issues surrounding carbon offsets, and to reflect on personal experiences.

What happens if I do not want to take part or if I change my mind?

Your participation is always voluntary – please just let me know if you no longer wish to take part.

Who else can I contact?

My academic supervisor is Professor Dan Brockington: dan.brockington@manchester.ac.uk

If there are any issues regarding this research that you would prefer not to discuss with members of the research team, you can contact the Research Practice and Governance Co-ordinator by either writing to 'The Research Practice and Governance Co-ordinator, Research Office, Christie Building, The University of Manchester, Oxford Road, Manchester M13 9PL', by emailing: Research-Governance@manchester.ac.uk, or by telephoning 0161 275 7583 or 275 8093.

Thanks for reading – if you have any questions, please ask!