The Industry Agenda: Carbon Offsets

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RDP's Industry Agenda series explores how different industries seek to influence executive personnel and policy decisions.

Introduction

What are Carbon Offsets?

Every element of the carbon offset industry is either invisible or intangible. Carbon in this context refers to carbon dioxide (CO_2), the primary greenhouse gas emitted by human activities, which causes much of the planet's heating. Offsetting means either removing or "preventing" CO_2 emissions, and is quantified in metric tons. (In some cases, offsets can actually target emissions of other greenhouse gasses, like methane, in which case they are measured in metric tons of CO_2 equivalent.) Carbon offsets represent a certain amount of emissions purportedly prevented or removed from the atmosphere, and are bought and sold at variable prices.

The basic premise of carbon offsets is that nations and industries who are heavy polluters can pay others to prevent or remove CO_2 emissions elsewhere. The theory behind offsets acknowledges that greenhouse gasses cause global heating and climate breakdown, and attempts to limit the overall CO_2 emissions released into the atmosphere. Some carbon trading systems adhere to an estimated emissions "budget" that assumes humans can emit a certain amount before the worst effects of climate change will come to bear, and issue emission "allowances" within that budget. Corporations also voluntarily purchase carbon offsets in order to meet their net zero pledges without fully decarbonizing their operations.

Critics of carbon offsets have pointed out that their underlying premise is fundamentally flawed, because it validates the continued combustion of fossil fuels by its pool of buyers. These critiques are laid out in detail in the *Chasing Carbon Unicorns* report from Friends of the Earth International; the *Not Zero: How 'net zero' targets disguise climate inaction* report from a coalition of climate justice organizations; Steffen Böhm & Siddhartha Dabhi's book, *Upsetting the Offset: The Political Economy of Carbon Markets*; and elsewhere.

Fundamentally, those who purchase carbon offsets aren't changing their own planet-heating behavior. They're outsourcing that responsibility to someone else—usually people in the Global South, who bear little responsibility for the climate crisis in the first place—while continuing to pollute as usual. (The majority of carbon offset projects are located in the global south, and financed by the global north.) Carbon offsets can in effect be a neocolonial project, when high-polluting countries and corporations come to dictate land and resource use in low-polluting countries to meet their own net-zero goals, while maintaining their high-polluting, extractivist economies.

Climate scientists know that we need to get to zero emissions to preserve our priceless planetary ecosystem. So putting a price on emissions—especially one that's easily paid—in lieu of mandated emissions cuts is dangerously self-defeating. Zero emissions is not the same as net-zero emissions. Net-zero implies that carbon removal techniques, many of which would be funded as carbon offsets purchased by polluters, can be used to counteract continued pollution. But the carbon removal technology at the scale required by net-zero pledges simply does not exist, and will not exist in time for it to matter if drastic reductions don't happen in the near term. Net-zero is a fiction that we buy into at the planet's peril, to avoid actually cutting emissions at the scale needed to avert disaster.

What are Carbon Markets?

Carbon offsets are just one element of a broader "carbon market," which includes various systems for carbon pricing and trading. The carbon market can be split into two types: compliance and voluntary markets. These market types have different players (governments vs companies and individuals), different incentives (complying with regulations vs meeting corporate and individual sustainability goals), and different regulatory systems (or lack thereof). The regulatory systems for compliance markets in the US include a patchwork of state and regional bodies, and the UN's evolving global carbon market schemes. The private, voluntary carbon market is largely unregulated.

World leaders have attempted for over two decades to manage the global climate crisis by implementing international carbon trading schemes. In these schemes, countries buy and sell carbon credits to meet their nationally determined contributions to global emission reductions. The actual rules and terms for participation are set via treaties and international agreements, including the Kyoto Protocol and the Paris Agreement. This market framework is intended to provide an economic opportunity for low-polluting countries to sell carbon credits to high-polluting countries.

But it has historically been an outright failure. The flaws of the UN's first carbon trading scheme, the Clean Development Mechanism, have been obvious since it "essentially collapsed" a decade ago. A 2017 report found that 85 percent of the CDM's carbon offsetting projects failed to reduce emissions. Yet as recently as COP26 in November 2021, global leaders still clung to a revamped global carbon market as a primary mechanism to fight climate change, despite the glaring loopholes that remain. (The nature of those loopholes is discussed further below.)

The United States lacks a national compliance scheme. Some states have created state and regional systems: Washington, Oregon, California, Pennsylvania and Massachusetts each have a statewide emissions trading system, and there are two overlapping regional initiatives among several East Coast and Mid-Atlantic states, the RGGI and the TCI-P. These emissions trading systems, commonly known as "cap-and-trade" systems, issue allowances for a certain amount of carbon emissions which collectively add up to the overall pollution limit (cap). These allowances can be traded among companies, theoretically incentivizing companies to lower their emissions so they can sell allowances instead of buying them.

In cap-and-trade systems, the total number of carbon allowances is supposed to gradually decrease, driving the price of each remaining allowance upward, so that buying allowances eventually becomes more expensive than converting to renewable energy and sustainable practices. But in practice, as discussed in greater detail below, these systems grant so much leeway to corporate polluters that they feel little financial pressure to change. The rampant fraud documented in the EPA's current biofuel credit trading program also foreshadows the potential for any future nation carbon trading system to be widely corrupted.

How is Corporate Influence Involved?

The extensive lobbying of fossil fuel companies has diluted the power of cap-and-trade systems. For example, California's cap-and-trade program is one of the oldest and most lauded emissions trading systems. But evidence shows that oil and gas companies have actually polluted more since the program began, in large part because California has "bestowed the biggest possible financial cushion to every polluter in the state for the entirety of cap and trade's existence." Environmentalists rightly view fossil fuel companies' insistence on being regulated by market mechanisms alone with suspicion; such mechanisms are easily manipulated in the name of profit. Advocating for weak regulation, instead of opposing regulation outright, is a fairly well-recognized tactic for corporations to reduce and control regulatory threats.

Then there are the voluntary, private-sector carbon markets, where individuals and companies can buy carbon offsets from nonprofit and for-profit offset retailers. These retailers create portfolios of different carbon-offsetting projects for private buyers to choose from. Projects range from building solar arrays to planting trees; from funding fuel-efficient cookstoves to preventing trees from being cut down. Most offsets do nothing to tangibly decrease existing emissions, with many simply being promises to not create more emissions or intentionally harm the environment (i.e., we are not clearcutting this forest, so give us money). (And the carbon capture projects that claim to do so have been found to emit more CO_2 than they remove.)

Even when the projects are real, like building a solar array, there remains a pervasive problem with "additionality." Carbon offset credits are supposed to fund *additional* emissions reductions; when companies purchase carbon offset credits instead of cutting their emissions, and the project they funded was already going to occur regardless, the offsets are worse than meaningless. No new emission reduction actually occurred to offset the new activity undertaken by the offset purchaser, so even under the best assumptions, the net effect is just more pollution with no counteragent. There is also the rampant problem of double counting, where both the actor buying the offset and the actor selling the offset take credit for the emissions reduction, or where a company and a government both claim a single offset credit.

Voluntary carbon markets are largely unregulated and historically have been extremely unreliable. So far, the only way of measuring the quality of carbon offsets has been through third-party verifiers like the American Carbon Registry, the Gold Standard, and the Verified Carbon Standard, each with their own verification methods. Since their invention, carbon offsets have been far more effective at greenwashing than reducing emissions; their flaws and frauds are well-documented.

To improve carbon offsets' reputation, private sector efforts are being made to scale up and standardize the industry, including a taskforce to create a new governance body for all voluntary carbon markets. Climate activists and indigenous groups protested the taskforce in November 2021 as a greenwashing scam that could doom the goal of limiting global temperature rise to 1.5 degrees Celsius. While the taskforce's founding sponsors include large NGOs like the Environmental Defense Fund and the Nature Conservancy, its member consultation groups include The Oil and Gas Climate Initiative (which is led by the CEOs of Aramco, BP, Chevron, CNPC, Eni, Equinor, Exxon, Occidental, Petrobras, Repsol, Shell, and TotalEnergies), Chevron, Shell, Blackrock, Goldman Sachs, Bank of America, JPMorgan Chase, Citi, and Boeing, among others. (All five banks are consistent climate hypocrites, both members of the Net Zero Banking Alliance and among the world's top financiers of coal and other fossil fuels.)

Bank of America anticipates that the offset market would need to grow by a factor of 50 to meet 2050 net-zero goals—goals which, as we know, are themselves inadequate. The idea that the environmental devastation caused by expansionist capitalism could be solved by an expansive new market scheme is a dream for greedy companies and a devastating mirage for people and the planet. Rather than investing in real-zero climate solutions, governments and industries entertain the illusion of being able to save the planet while preserving the economic status quo. Now in their third decade as a favored climate change mitigation strategy of the global elite, carbon offsets embody a willful blindness to the necessity of sweeping structural change if we are to avoid near-future ecosystem collapse.

How is the Executive Branch Involved?

Any federal government support for voluntary or compliance carbon markets would be a boon to carbon offset and fossil fuel industry stakeholders. One current issue industry actors are surely following is the Growing Climate Solutions Act of 2021, which is proposed legislation to authorize the Department of Agriculture to create a program that reduces entry barriers into voluntary carbon markets for farmers, ranchers, and private forest landowners. This means that farmers would be paid by polluters to practice sustainable farming. While such a shift in farming practices is imperative, tacking it to a carbon offset system allows polluters to keep polluting, rather than cutting their emissions. It also perpetuates a false equivalency between the carbon stored in soil as part of the organic carbon cycle (and released by tilling, plowing, clearcutting and other destructive land uses), and the excessive carbon released through fossil fuel combustion, which cannot just be stuffed back into the earth. Environmentalists have opposed the bill on these and further grounds, noting that the bill might pave the way for a national cap-and-trade program.

Another piece of legislation carbon market stakeholders are watching is AMAZON21, House Majority Leader Hoyer's proposal to create a "trust fund" in the Treasury overseen by the

Secretary of State to support carbon sequestration in “developing countries” and assist their governments and landowners in participating in voluntary and compliance carbon trading systems.

While many of the policies that would undergird an expansion of carbon markets would be legislative, there are a plethora of executive branch powers that could be used independently or in conjunction with congressional action to dictate whether the United States’ climate policy is based on carbon trading or real solutions. Through the Department of Agriculture, the Bureau of Land Management, and other agencies, the executive branch manages or influences how millions of acres of land are used. As such, many building projects, whether for expanded renewable energy generation or carbon offset projects, would need approval to operate on federal land. Choosing to prioritize the renewable energy transition is critical. The Department of Energy also plays a critical role in facilitating new energy technologies and programs and should take a proactive role in promoting renewables over continued fossil fuel reliance mitigated by offsets.

The executive branch must exercise its full suite of enforcement powers to regulate the financial systems that are necessary to trade offsets and to protect consumers from marketing campaigns that “greenwash” products and brands. As it stands, financial regulators are poised to develop just the kind of oversight required to keep fossil fuel companies’ favorite new assets from proliferating. The SEC’s current rulemaking on climate disclosures could potentially curb deceptive net-zero pledges if, among other things, it required companies to disclose their real emissions and their purported offsetting separately. Other agencies are well-suited to promote consumer and investor awareness of the fraud risks associated with offset purchases, and to take on fact-checking and research promotion to protect consumers and investors from buying into false climate solutions.

What are the executive branch issues the carbon offset industry cares about?

Financial Regulation

As financial regulators create new guidelines for banks and investors to assess the climate risk of their investments, and for corporations to measure and disclose the substance of their climate pledges, the legitimacy of carbon offsets hangs in the balance. If regulators seek more stringent disclosure of carbon offset reliance, including separating companies’ real emissions from their offset purchases; differentiating between offsets which claim emissions reduction, prevention and removal; and disclosing the specific offset project purchased, the lack of standardization, transparency, and proven efficacy in the carbon offset industry will become impossible to ignore.

If regulators decide to weigh in on the equivalency of purchasing carbon offsets and decarbonizing one's operations and/or investment portfolios, it would have a massive impact on the carbon offset industry's future. Across industry sectors, firms are purchasing thousands of carbon offsets to cancel out their fossil fuel investments and/or greenhouse gas emissions rather than decarbonizing their investments and operations. Some banks are launching their own voluntary carbon marketplace, hoping to capitalize off of increased awareness of climate financial risk. The carbon offset industry will be looking to financial regulatory bodies like the Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Commodity Futures Trading Commission to see whether their climate guidance supports or undercuts carbon market growth.

Consumer Protection And Deceptive Marketing

The carbon offset industry relies on individuals, corporations, and government actors believing that offsets are what they say they are. But carbon offsets (and net-zero pledges reliant on them) often stray into greenwashing territory, making misleading claims or creating a false impression of their environmental impact. Environmental advocacy groups have adopted a new tactic against greenwashing: several groups filed a complaint in 2021 against Chevron with the Federal Trade Commission (FTC), alleging that the oil company misled consumers about its environmental impact. The FTC has the ability to penalize companies that issue unfair or deceptive ads. The FTC's Green Guides set guidelines for what constitutes deceptive "green" advertising, including misleading or false carbon offset claims. Back in 2008, the carbon offset industry came under FTC scrutiny for consumer fraud in green marketing, but that scrutiny didn't lead to enforcement action. Many of the same industry problems remain 14 years later, which means the offset industry will be working diligently to avoid the FTC's scrutiny as the FTC undertakes its 10-year review of its Green Guides in 2022.

Carbon Pricing/ Carbon Tax

A national carbon price or tax would impact the price of carbon offsets. If a carbon tax or carbon price is set through legislation, strengthening the capacity of the IRS and other federal and state agencies to enforce corporate compliance will be necessary. While we remain skeptical of the efficacy of carbon pricing to compel actual emissions reductions, rebuilding IRS capacity is essential regardless as a safeguard against the corrupting influence of corporate money in politics.

Greenhouse Gas Regulation

The stringency of greenhouse gas emissions regulation affects the desirability of carbon offsets from a corporate perspective. Any future EPA measures to mandate emissions cuts would make actual operations and supply chain decarbonization higher priority than purchasing offsets.

Accordingly, some carbon market supporters have tied their support of a carbon tax to repealing the EPA's ability to regulate greenhouse gas emissions. Such a move would erode the agency's enforcement capacity, and protect polluters from being held accountable to real emissions reduction standards. Opposition by carbon offset stakeholders to governmental regulation is a red flag, signaling that their carbon offset investment is a strategy to avoid actual emissions reductions.

International Development Climate Initiatives

Federal agencies that fund, implement and support international development initiatives are another sphere in which carbon offset development could be supported and legitimized by the U.S. government. As the Biden administration creates "whole-of-government" climate plans, like the U.S.-International Climate Finance Plan and the Plan to Conserve Global Forests, and specific agencies like the U.S. International Development Finance Corporation (DFC) commit to investing in more climate-related projects, the window for carbon offset industry players to gain more access to federal funding is widening. In some cases, they already have; the Department of State already funds the Offset National Emissions Through Sustainable Landscapes project, and USAID has various climate financing initiatives, including one supporting Colombia's domestic carbon market. The Millennium Challenge Corporation is another agency worth watching for what it chooses to fund, after committing 50 percent of its next five years of funding to climate-related investments.

Which agencies is the carbon offset industry seeking to influence?

Securities and Exchange Commission (SEC)

The Securities and Exchange Commission regulates financial markets and is tasked with protecting investors and overseeing fair and responsible markets. The carbon offset industry has a vested interest in how the SEC regulates voluntary carbon markets, and whether that regulation would firm up institutional confidence in carbon market assets, benefiting market stakeholders, or deter investment in the carbon market. Carbon offsets are already being traded on exchanges, without any rules or an independent governing body in place. Yet attempts to regulate voluntary carbon markets also risk giving an unfixable system a veneer of legitimacy.

The SEC in 2021 requested public comments on the status of climate risk disclosures, created a template to request firms disclose carbon offset assets, and asked a variety of companies to provide climate disclosures. Additionally, they issued a risk alert concerning internal controls related to carbon offsets, noting that examinations, disclosure, governance, and control schemes varied significantly. The alert describes how this confusion is significant given the recent growth in Environmental, Social, and Governance (ESG) investments and notes that the SEC will be moving to ensure that internal controls are strong and that public disclosures accurately reflect ESG portfolios.

The SEC has also made personnel moves which may advance its oversight of carbon markets. They formed an Enforcement Task Force to investigate "material gaps or mistreatments" in reporting under existing regulations, provide analysis of company disclosures related to climate and ESG, and pursue leads, including whistleblower reports, relevant to climate and ESG issues. The commission also appointed Satyam Khanna as Senior Policy Advisor for Climate and ESG. Despite these moves, a Revolving Door Project report found that the SEC lacked sufficient staff and resources to fully implement action on climate change and showed that the SEC Enforcement Division staff under Trump decreased from 477 in 2016 to 393 in 2020, a loss of 17.61%.

Recently, instituting disclosure requirements about climate risk has been delayed, amid disagreements between Chairman Gary Gensler and the other Democratic commissioners over how expansive the requirements can be without opening the SEC up to legal liability. A draft of the climate disclosure rule available for public comment is anticipated in March 2022.

Notably, former SEC commissioner Annette Nazareth (2005-2008) now serves as the operational lead on the aforementioned industry taskforce seeking to standardize the voluntary carbon offsets market. Nazareth is a powerful anti-regulation lawyer in the finance sector, with a track record of leveraging her past at the SEC to protect her clients from government scrutiny. She has historically backed Wall Street interests, including in the aftermath of the Great Recession, when she decried more stringent regulation.

Federal Trade Commission (FTC)

The Federal Trade Commission is an independent federal agency which enforces antitrust law and protects consumers from unfair and deceptive business practices.

In 2022, the FTC plans to review its Green Guides: the longstanding set of principles designed to reign in misleading marketing claims about a product's environmental impact. The 2012 update of the Green Guides included new guidance on environmental marketing claims involving carbon offsets, but none of its subsequent enforcement actions have pertained to carbon offsets. As noted above, Greenpeace and other accountability groups have jointly filed a complaint with the FTC against Chevron alleging that the oil company misled consumers about its climate actions. This is the first complaint that seeks to spur the FTC into enforcing the Green Guides as a regulatory framework against a fossil fuel greenwashing campaign. If the FTC strengthens its use of Green Guides as an enforcement tool to crack down on greenwashing by big industry players, carbon offset stakeholders may find themselves exposed.

Commodity Futures Trading Commission (CFTC)

The Commodity Futures Trading Commission is an independent federal agency responsible for regulating U.S. derivatives markets. Derivatives are financial instruments whose value is based on other existing assets independent of the derivative. For instance, a "short" is a type of derivative that bets on a stock to fail, and a "future" is an agreement to purchase something at a predetermined price in the future.

Despite the CFTC's patchwork regulatory framework for managing offsets, CFTC jurisdiction and regulations do apply "to both carbon credit futures transactions and the markets underlying the pricing of carbon credits traded on US exchanges." This means that while certain financial products based on carbon offsets and credits may not be subject to such oversight, the CFTC could still regulate the *transactions* of those products.

RDP has previously investigated the CFTC's climate oversight, finding that even as the scope of their climate responsibilities is set to expand under the Biden administration, the commission remains understaffed and ill-equipped to implement its mandated authority over carbon markets. The report goes into further detail on the CFTC's stance on climate-focused financial regulation and potential carbon pricing, accessible here.

Office of the Comptroller of the Currency (OCC)

The Office of the Comptroller of the Currency is the primary bank regulator for all federally chartered banks. The carbon offset industry will be interested in the guidance that the OCC develops for banks regarding climate risks and exposure to carbon taxes and carbon-intensive investments.

The OCC in December 2021 issued draft guidance (targeted at banks with at least $100 billion in assets) about how to manage climate risks. The guidance includes the importance of climate factors in relation to both safety and soundness requirements and fair lending practices. The draft also informs banks that the OCC will be looking to ensure that public facing announcements of climate action are consistent with internal policies, opening the door for enforcement of greenwashing and misleading the public.

RDP has reported on the OCC's capacity for climate oversight, finding that despite recent cuts, relative to other federal agencies the OCC is reasonably well resourced, which will be essential to implementing its climate mandates. The report finds, however, that the OCC's work may be hampered by long-standing regulatory capture and calls on OCC leadership to implement ethics reforms to address the problem.

Environmental Protection Agency (EPA)

As the primary environmental regulatory agency in the United States, the EPA has broad authority to monitor, regulate, and mandate cuts in greenhouse gas emissions, among other responsibilities. Fortunately, it has largely avoided wading into carbon offsets. The agency makes a clear distinction between carbon offsets and renewable energy certificates, the latter of which is a mechanism supported by the EPA's Green Power Partnership program. Though as of yet unexplored, the EPA may also have some authority to permit or restrict carbon offset use through its statutory capacity to regulate greenhouse gas emissions under Section 115 of the Clean Air Act. The carbon offset industry has a vested interest in any action the EPA would take to (de)legitimize offsets.

Bureau of Land Management (BLM)

The Bureau of Land Management oversees 245 million acres of federal public land—one tenth of the United States' landmass—and administers the land's various uses, from recreation and conservation to mining and drilling. Carbon offset project managers will be interested in how the Bureau permits federal land usage, including for potential carbon offset projects. For example, a number of forests whose protection was sold as carbon offsets on the California offset market burned down in 2021 wildfires, an example which could deter such uses of federal forested land.

The carbon offset industry will also be impacted by how the Bureau decides to compensate for greenhouse gas emissions caused by fossil fuel extraction on federal lands, like whether they pursue carbon offsetting or actually cut back fossil fuel development. The 2020 BLM Specialist Report on Annual Greenhouse Gas Emissions and Climate Trends (updated in 2021) follows the deceptive logic of net-zero emissions as opposed to zero emissions, and considers how federal lands can be used to sequester carbon to offset the emissions from further fossil fuel development. The report considers purchasing carbon offsets among the available strategies for the BLM to pursue "compensatory mitigation" for the emissions it allows. The carbon offset industry has a vested interest in the federal government purchasing carbon offsets rather than actually scaling back their polluting activities.

Department of Agriculture (USDA)

The Department of Agriculture is the executive department responsible for overseeing farming and the food market in the United States. It also oversees agricultural land management and regulates food safety and quality.

Proponents of a carbon bank—a financial exchange system which would facilitate polluters buying carbon credits that pay farmers to change their farming practices—include Secretary of

Agriculture Tom Vilsack, who says that the Department has the authority to create a carbon bank through the Commodity Credit Corporation (CCC), an agency set up during the Great Depression as a part of FDR's New Deal. Vilsack claims the CCC can spend $30 billion on its own before seeking additional funding from Congress, and has broad authority over agricultural subsidies and price controls in addition to farmland management. There is opposition to such a plan, with Senator John Boozman (R-AR), the ranking Republican on the Agriculture Committee, questioning the authority to establish a carbon bank without prior congressional approval. Despite this, Vilsack has said that a priority for his USDA will be judging the viability of creating a carbon bank to help farmers decarbonize.

Vilsack's son, Jess, may also stand to financially benefit from USDA policy. Jess Vilsack now works as the General Counsel for Summit Carbon Management, which is building the world's largest carbon capture and storage pipeline, spanning several Midwestern states. The pipeline will carry emissions from ethanol refineries to central North Dakota, where they will be buried underground. (Ethanol is a biofuel made most commonly from corn, initially thought to be environmentally friendly, but now known to have a destructive environmental impact.) In a statement, USDA said that Secretary Vilsack would recuse himself from deals directly involving Summit. However, even so, the firm will rely on pro-ethanol policies that Secretary Vilsack has championed and will likely stand to benefit indirectly from more such policies.

Notably, USDA sought public comment on its climate policies in 2021 and received an array of input, ranging from arguments in favor of a carbon bank to arguments that carbon markets prop up big agribusiness at the expense of farmers and let polluters off the hook to advocating for local, community-based solutions.

The USDA recently announced that they will invest $1 billion in "pilot projects that create market opportunities for commodities produced using climate-smart practices." It is unclear exactly what this will entail, but probable that some version of carbon offset credits will be created as a method for farmers to further profit from practicing "climate-smart" agriculture.

Department of Energy (DOE)

The Department of Energy is the executive department responsible for overseeing the United States' energy sector and addressing the nation's energy, environmental, and nuclear concerns.

While the DOE is not actively involved in carbon markets, it has invested heavily in the fossil fuel-backed, purported solution of carbon capture technology (CCT). The technology works to a degree, but has a very poor track record and is difficult to deploy at scale. CCT is distinct from, but closely related to, offsets. CCT is a term for any technology which purportedly "captures" carbon emissions from fossil fuel combustion before they are absorbed into the atmosphere. This makes them an example of projects that are used to generate credits, including in Australia, where the federal government is sanctioning the use of CCT as offsets directly. One report found that the DOE spent $1.1 billion on 11 carbon capture projects since 2009, most of which failed. The Government Accountability Office found that the DOE continued to authorize funding to projects that had already failed to meet their benchmarks and circumvented departmental cost controls to authorize some projects' funding. That pattern of heavy CCT funding is unlikely to go away anytime soon, with $123 million earmarked for CCT in the 2021 DOE budget alone.

Another sign that the DOE will continue to fund CCT projects and research is the appointment of Brad Crabtree, a longstanding proponent of expanded carbon capture, to head DOE's Office of Fossil Energy and Carbon Management. Crabtree's congressional testimony also confirms this, with him noting his support for the expansion of carbon capture efforts, along with committing to use additional funding for his office earmarked for CCT in both the Energy Act of 2020 and the Infrastructure Investment and Jobs Act of 2021.

As CCT expands, fossil fuel interests will continue to lobby for its use as an offset, so that they can keep polluting. The more resources are funneled into developing this technology, the more likely that industry investors will continue to play up its benefits, likely with the aim of going the way of Australia where CCT is able to generate carbon credits. This would give the illusion of combating climate change while really serving as a buoy to the dying fossil fuel industry. The more that credits are tied to CCT projects, the less efficacy carbon offset markets will have.

What previous work experience should raise serious questions for Biden's nominees and appointees?

Beyond simply registered lobbying, there are a number of professional and personal activities that should raise concerns or disqualify individuals from serving in an administration committed to effectively regulating carbon offsets. These include:

- Working directly for a fossil fuel or fossil-fuel aligned corporation, especially after previously working in a senior executive-branch position, especially a political appointment.
- Working directly for a carbon offset provider or carbon market player, especially after previously working in a senior executive-branch position, especially a political appointment.
- Working in the financial sector for a firm that is invested in carbon trading or the fossil fuel industry. This includes ties to international financial institutions which continue to subsidize fossil fuels, even those who claim to be taking climate action, like the World Bank Group.

- Lobbying on behalf of a fossil fuel-aligned corporation or carbon market stakeholder, either under their direct employ or as a client at a lobbying firm.
- Working for a law firm frequently or currently hired by a carbon offset provider or major purchaser, especially to defend the company on fraud-related or other politically relevant concerns.
- Either investing personally in fossil fuel assets and/or carbon credits, or advising those who do.
- Working for a think tank, philanthropy, or advocacy non-profit funded significantly by a fossil fuel-aligned company or trade association, including so-called climate initiatives backed by fossil fuel interests.
- Conducting academic research funded by carbon offset industry stakeholders, especially research on topics relevant to that actor's interests and which is flattering to the actor overall.
- Leveraging one's professional platform to publicly advocate for reliance on market-based mechanisms for addressing climate change, or for carbon market growth.
- Conducting professional fundraising by targeting and receiving funds from executives and firms connected to the carbon market.
- Working or serving on the board of a company that holds investments in fossil fuels, insures fossil fuels, or encourages others to do the same.

What questions should nominees be required to answer?

In order to ensure all potential conflicts of interest are disclosed, Senators should ask the following questions of Biden's nominees during and after confirmation hearings:

- Have you ever been employed by any carbon market stakeholder, or had a carbon market stakeholder as a client for lobbying, consulting, legal, or other services?
- Do you believe it is likely that any carbon market stakeholders that compensated you marketed their association with you to prospective investors?
- Have you ever provided policy, regulatory, or strategic advice to a carbon market stakeholder? If so, how were you compensated, and how much were you compensated? Which clients have you advised, and what was the content of your assistance?
- Have you ever invested personally in carbon offsets, or professionally advised investors on carbon trading? If so, for how long did you have this financial or advisory relationship,

and are the activities of the firms in which you or your associates invested relevant to the position for which you are now nominated?

- Have you ever advised or been employed by a non-profit organization substantially funded by a fossil fuel company, or which sells or otherwise supports offset credits, such as a think tank or advocacy organization? If so, were you compensated? Has this non-profit organization produced work relevant to the position for which you are now nominated? When did your employment by this organization end, and when did the organization stop marketing their association with you?
- Have you ever conducted research funded by a fossil fuel company or carbon market stakeholder, or investors in fossil fuel-aligned firms or carbon offsets? If so, was such research relevant to the position for which you are now nominated? Were you compensated by the firm(s) or investor(s)?
- If you have ever served in a professional fundraising role, have you raised funds from a fossil fuel-aligned company, or its major executives and/or financial backers?
- If you have answered “Yes” to any of the above questions, in what ways do you expect to govern or regulate on issues relevant to the firms with which you have a past association? Do you predict that these firms will materially benefit from your governance decisions?
- Will you commit now to not pursue nor accept employment, compensation, or other professional benefit from fossil-fuel aligned corporations or carbon market stakeholders after you leave this role? Regardless of your answer to the previous question, what do you predict you shall pursue professionally after your time in government service?
- Do you think an association with a former regulator or political actor helps a firm convince investors or clients that it is legitimate, law-abiding, and effective at lobbying?
- Do you believe fossil fuels — including oil, methane gas, and coal — have a place in a just transition to renewable energy?
- How do you plan to utilize your power to quickly transition the U.S. economy away from fossil fuels, in line with a 1.5℃ warming target?
- Do you believe industry actors — including but not limited to oil, gas, and coal companies — have a role in transitioning our economy to renewable energy? Do you consider industry figures’ claims that they want to be part of a just transition and believe in decarbonization to be made in good faith?
- Do you agree with the statement that market-based solutions are the best way to mitigate climate change?
- Should the United States include investing in carbon offset projects overseas as part of its strategy for reaching net-zero emissions, or should it focus on reducing fossil fuel emissions at home?

- Do you support institutions shifting money away from financial investments that are directly fueling the destruction of our planet?
- Do you support direct regulation of fossil fuel production, with the intended goal of immediately and continually phasing out fossil fuel use?
- Would you support carbon pricing/a carbon tax? How would you qualify your support, if yes? How aggressively should carbon be taxed/priced?
- Would you support the deregulation of greenhouse gas emissions in favor of carbon pricing/a carbon tax?

See also our work on climate questions Senate-confirmed nominees should be required to answer.

Who are the carbon market advocates who seek or hold administration jobs?

The following individuals with connections to or professed support for the carbon market have been floated for or currently hold top jobs in the administration.

- Tom Vilsack: Agriculture Secretary Vilsack has voiced support for a federal carbon bank, and the establishment of a new carbon market designed for farmers. He claims that the USDA already has the authority to create a carbon bank, and could potentially steer farm aid money from the USDA's Commodity Credit Corporation towards the creation of a new carbon market.
    - Tom Vilsack's son, Jess Vilsack, serves as general counsel to Summit Carbon Solutions, a company currently building the world's largest carbon capture and utilization pipeline.
- Jennifer Granholm: Secretary of Energy Granholm called funding for carbon capture and storage research "really exciting" and has tweeted that it will "help us fight climate change and create jobs." In a press briefing, Granholm again talked about how excited she was about CCT and talked about how DOE was increasing its investment in the technology, including in a bilateral partnership with the Greek government.
- John Morton: Morton, the Treasury Department's first Climate Counselor to the Secretary of the Treasury, was most recently a partner at Pollination Group, a climate change investment and advisory firm and carbon market stakeholder. Pollination Group approaches nature as a "fundamental form of capital," and helps its clients capitalize off of ecosystems as a revenue source. (See the Revolving Door Project blog post and the Stop the Money Pipeline coalition press release criticizing Morton's appointment.)

- David Hayes: Hayes, who is currently Special Assistant to the President for Climate Policy, expressed qualified support for expanding carbon offsets and national and international cap-and-trade programs back in 2008, but understood even then that it was flawed and insufficient as a mitigation strategy on its own.

- Brian Deese: Director of the National Economic Council, Deese is a former executive at the multinational investment firm BlackRock. His past work for BlackRock has raised red flags, since BlackRock supports the development of global carbon markets and purchases carbon offsets, while refusing to divest from its multi-billion dollar fossil fuel holdings. Thus far, Deese does not seem to be carrying BlackRock's water in government, but ongoing scrutiny is warranted.

- Michael Pyle: Chief Economic Adviser to the Vice President Pyle is a former executive at the multinational investment firm BlackRock. His climate record is troubled in large part due to his work for BlackRock. BlackRock supports the development of global carbon markets and purchases carbon offsets, while refusing to divest from its multi-billion dollar fossil fuel holdings.

- Brad Crabtree: Assistant Secretary of Energy for Fossil Energy and Carbon Management Crabtree has been an advocate for carbon capture technology (CCT) throughout his career. RDP previously covered his nomination here. He founded and served as a director for the Carbon Capture Coalition, a group that lobbies for increased investment in CCT. He is also a proponent of enhanced oil recovery, a process that uses captured emissions to increase oil production, which allows polluters to profit even more off of climate change.

- Ken Salazar: Salazar is currently the U.S. Ambassador to Mexico and was formerly Secretary of the Interior under Obama. During his tenure, Salazar committed the department to scaling up CCT, saying "U.S. companies should be leading the world, developing and exporting to countries like China and India advanced coal technologies that promote carbon capture and sequestration. Interior wants to be a full partner in this job creating effort and will look to scale up carbon capture and sequestration on the public lands that we manage with large-scale demonstration projects." In his current role as ambassador, Salazar may have input into future directions for pre-existing US-Mexico collaborations on carbon capture and storage, and other bilateral climate or energy initiatives.

- Scott Nathan: Nathan, CEO of the Development Finance Corporation, spent two decades working at Baupost Group, a so-called "vulture fund" which holds nearly $1 billion in Puerto Rican debt. Now as DFC CEO, he is in charge of providing loans to developing countries, an increasing number of which will be climate-focused. Nathan has said he is willing to fund fossil fuel development abroad, which, coupled with his private equity ties, signals a worrisome openness at the DFC to expanding funding for fossil fuel-friendly, market-based "climate initiatives," including carbon markets.

Conclusion

Carbon offsets are seen by many as a way to incentivize responsible climate action through market mechanisms, but they are far from environmentally sound. Offsets are a powerful greenwashing tool, enabling fossil fuel companies—already propped up by federal money and tax cuts—and other big corporations to continue polluting as usual. As the Biden administration moves to take aggressive action on climate change, it is imperative that the executive agencies and departments involved refrain from the too-good-to-be-true promises of carbon markets as a way to combat climate change without having to actually change economic and corporate structures and practices. It is vitally important that the administration strengthen its environmental regulations and their enforcement, in land management, energy policy, finance and beyond, if we are to avoid climate catastrophe.

Overall, the Biden administration has given some encouraging signals that it will prioritize actual emissions reductions over purchasing carbon offsets and allowing pollution-as-usual. Continued scrutiny of executive agencies will be essential to ensure that they are not advancing federal investment in false climate solutions. Scrutiny of the Departments of Agriculture and Energy would be particularly well placed, given the carbon offset and CCT proponents currently running those departments. International development agencies should also be carefully watched for how they invest in climate financing abroad. Vilsack, Granholm, Morton and others must not be allowed to skew federal action on climate change away from real solutions in favor of the illusory promise of carbon offsets and the carbon market.