auditel

THE BOTTOM LINE

How to Invest in Carbon Credits

Carbon credits are a type of environmental commodity that companies can purchase in order to offset their carbon emissions. By doing so, businesses can reduce their environmental impact and demonstrate their commitment to sustainability. But how do carbon credits work, and how can businesses purchase them?

WHAT ARE CARBON CREDITS?

Carbon credits represent the right to emit one metric ton of carbon dioxide or its equivalent in other greenhouse gases. They can be bought and sold in order to help companies meet their emissions reduction targets. In order to be effective, carbon credits must be traceable, permanent, additional, and verified.

Traceability means that each carbon credit must be linked to a specific unit of emissions. This ensures that the credit represents a real reduction in emissions. Permanent means that the reductions achieved by the carbon credit must last for at least 100 years. This is important because we need immediate reductions in emissions in order to prevent catastrophic climate change. Additional means that the reductions achieved by the carbon credit must be over and above those that would have occurred without the credit.

This is important because we need to make sure that the carbon credit is actually achieving emission reductions and not just displacing them elsewhere. Verification means that an independent third party must verify that the reductions have been achieved. This is important because it provides assurance that the reductions are real and permanent.

HOW DO BUSINESSES PURCHASE CARBON CREDITS?

Carbon credits are traded on various exchanges around the world. The two largest exchanges are the Chicago Climate Exchange (CCX) and the European Climate Exchange (ECX). In addition, there are a number of voluntary markets where businesses can purchase carbon credits. The most popular voluntary market is the Clean Development Mechanism (CDM), which was established by the Kyoto Protocol.

The price of carbon credits varies depending on supply and demand conditions in the market. Generally speaking, when there is an excess supply of credits, prices will fall, and when there is a shortage of credits, prices will rise. The price of a carbon credit also depends on its quality; for example, a carbon credit that represents a real and permanent reduction in emissions will be worth more than a carbon credit that does not meet these criteria.

CONCLUSION

Investing in carbon credits is one way for businesses to offset their carbon emissions and demonstrate their commitment to sustainability. Carbon credits represent the right to emit one metric ton of carbon dioxide or its equivalent in other greenhouse gases, and they can be bought and sold in order to help companies meet their emissions reduction targets. When choosing carbon credits, it is important to make sure that they are traceable, permanent, additional, and verified in order to ensure that they are effective in reducing emissions. Carbon credits are traded on various exchanges around the world, and the price of a carbon credit depends on supply and demand conditions as well as its quality.

If your business or organisation is interested in offsetting your carbon footprint to reach carbon neutrality and make your way towards net zero emissions, please visit our carbon solutions page to find out more.