

Carbon offsetting

Purpose of this note

This note has been prepared to provide more evidence to support the position being proposed not to include a mechanism for carbon offsetting in the local plan.

Use of carbon offsets

Carbon offsets have been used by planning authorities to provide a mechanism for developers to achieve standards on carbon emissions in new developments that go beyond the those in the Building Regulations. The carbon offset mechanism provides an alternative way of meeting the targets to address issues such as technical challenges for certain building types, particular sites or around viability. The money collected from the carbon offset payments is then used to deliver carbon reductions elsewhere, such as through retrofitting existing buildings.

It is important to note that existing carbon offset schemes relate to only regulated emissions. These are the emissions covered by building regulations and related to the elements of the building that the developer is in control of through the design and construction of the building i.e. space heating, cooling, hot water, lighting and ventilation. There are a number of reasons for this which include the level of responsibility and control that the developer has over these as well as the standardised calculation methodologies and third-party checks on those. These are an existing requirement under the building regulations, and therefore make assessment much simpler, resulting in less resource and cost implications for both the developer and the local planning authority.

Basis for the proposal not to use carbon offsets

1. General criticisms

There have been concerns that carbon offset schemes could, if not set at the correct value or not implemented correctly, create a cheaper way for developers to meet planning targets, thereby reducing what is delivered on-site. Also, in terms of actually operating these schemes, there have been concerns around how the money is spent, particularly the overall success in using the funding to deliver projects, the effectiveness of the funding (in terms of cost per tonne saved), the cost and complexity of running the schemes and the additionality of those projects¹.

2. Reduced case for offsets due to the forthcoming changes building regulations

The introduction of new building regulations standards are likely to limit the need and role for carbon offset schemes in the way they have been used to date. The Future Homes Standard (FHS) is expected to be published soon and when in place will require all new homes to be net zero ready. This means new homes will produce 75–80% less regulated carbon emissions than those built under current standards through both further fabric and energy efficiency measures as well as requiring low carbon heating systems. A

¹ <https://www.theguardian.com/environment/2025/apr/26/london-councils-yet-to-spend-130m-in-local-climate-funds>

similar standard will also be introduced for non-domestic buildings (the Future Buildings Standard), although there will be some variation in this to reflect the wider variety of building types.

The implication of the new standards is that there will be less case for local policies to require developers to go beyond this (and therefore less case for an offset scheme to provide a mechanism for compliance with those higher standards). In a Written Ministerial Statement in December 2023 the Government stated that in the context of the forthcoming standards “the Government does not expect plan-makers to set local energy efficiency standards for buildings that go beyond current or planned buildings regulations”². Even if a requirement was set to go further, because the residual carbon emissions associated with regulated emissions would be so small, any further reduction would be limited and the benefit of a carbon offset scheme would be marginal unless the price per tonne was set much higher, which could result in viability issues for limited gains.

3. Complications associated with changing the scope of the offsets

As described above, the current carbon offset schemes are limited to regulated emissions. There are other sources of carbon emissions associated with new developments including unregulated emissions associated with occupant energy use from appliances etc and process loads in non-domestic buildings as well as embodied carbon emissions associated with the materials and manufacturing or assembly processes used in construction. These could potentially be brought into a carbon offset scheme but there would be significant issues associated with this. Fundamentally there is the issue of responsibility and control on the part of the developer that is less clear in those other areas but perhaps more complicated is the practical aspect of calculating and assessing these in the absence of the same standardised methodologies and verification processes that exist for regulated emissions. This could result in significant cost and resource implications for both developers and LPAs associated with the calculations, reporting and assessment against these additional requirements. Where some LPAs are looking into or actively assessing these areas it is generally for reporting purposes only and we are not aware of any that currently require offset payments.

4. Complications associated with operating an offset scheme

Lastly there are significant practical issues and complexities associated with operating an offset scheme so there needs to be a strong case for and clear benefits associated with creating a scheme to justify the cost, resources and implications that would follow. These implications include the work required to develop a scheme including the work on an evidence base and assessments of the impact on viability; the cost and resources involved in implementing an offset scheme; and perhaps most complicated, the implications of delivering the projects using the funds collected. The latter has been a challenge for many of the local planning authorities that have set up funds. The complications include identifying practical projects, making effective use of the funding, ensuring additionality (which might preclude the lower cost and simpler projects) and delivering equivalent carbon savings in practice. There is a significant amount of resource, experience and knowledge required for all of this that would need to be made available to ensure such a scheme was successful and didn't result in issues later down the line, which could have potential political consequences.

² <https://questions-statements.parliament.uk/written-statements/detail/2023-12-13/hlws120>

Conclusion

Based on the issues described above, with the current understanding of the upcoming changes to regulations and the impact this will have on the benefit and relevance of a carbon offset compared to the costs, resource implications, challenges and risks associated with creating one, a carbon offset scheme is not being proposed for inclusion in the local plan.