

Green Goal: Soccer Enters the Carbon Markets

by Steve Zwick

*Organizers of the World Cup Soccer tournament are looking to a voluntary 100,000-ton carbon offset agreement to help them achieve their "Green Goal" for the world's most-watched sporting event. The **Ecosystem Marketplace** gets the details.*

Martin Comes says he wasn't exactly panicking on the eve of the United Nations Climate Change Conference last November, but he wasn't toasting the return of Eden, either. "We needed to find a Gold Standard project in South Africa to offset 65,000 tons of carbon," he recalls, "and we needed it fast."

Comes' employer, a German non-governmental organization (NGO) called the Ökoinstitut (Ecology Institute), had persuaded both the German Soccer Federation (DSF) and soccer's world governing body, the Federation Internationale de Football Association (FIFA), to adopt an ambitious plan to make Germany's 2006 World Cup the most environment-friendly prolonged sporting event in modern history.

They had a war chest fortified with backing from the DSF, the German government, the German Environment Foundation (Bundesstiftung Umwelt), and some of the blue ribbon companies that had signed on as official World Cup sponsors; but the lion's share was coming from FIFA itself.

They also had a catchy name: the "Green Goal", a play on soccer's sudden-death overtime "golden goal".

All they lacked was a way to achieve one of their most important objectives – namely, offsetting an estimated 100,000 tons of additional carbon emissions generated by shuffling millions of soccer fans around the country.

Although official figures are a closely-guarded secret, the budget for carbon neutrality is estimated at one million euros, half of which was raised at a charity soccer match for victims of the 2004 South East Asian Tsunami. That comes to an average price of ten euros per ton of carbon offset – roughly 1/3 the going rate for allowances on the European Union's Emissions Trading Scheme (EU-ETS), but well within striking distance of the \$15 per ton carbon regularly traded in the European voluntary carbon markets.

Going for Gold

Climate neutrality is important to the "Green Goal" organizers because it was one of the key selling points of the initiative to sponsors, organizers, and even other NGOs – many of which are skeptical of market-based solutions to environmental problems. That meant that whatever the Green Goal did on climate, it had to be well above the stench of greenwash.

"We felt we were launching a project that would set the standard for all World Cups to come," says Christian Hochfeld, the Ökoinstitut project manager who spearheaded the Green Goal initiative. "We decided to look for projects in the developing world, and we wanted them to meet the highest standards out there – the CDM Gold Standard."

The Gold Standard was developed by WWF and is administered by the Basel Agency for Sustainable Energy (BASE). It sets an independently-audited, globally applicable best practice methodology for carbon offset projects. The criteria are detailed, stringent, and difficult to achieve.

"I was against it," laughs Sascha Lafeld, managing director of Dresdner Allianz spin-off 3C Climate Change Consulting GmbH in Frankfurt. He'd contacted Ökoinstitut three years ago, after first hearing of the project. "They gave me this list of criteria that I figured would be too difficult – not to mention expensive – to implement." Despite these misgivings, he took on the task of certifying that Ökoinstitut's projects reduce global carbon emissions by an amount equal to the increase generated by added traffic in Germany. As the tournament nears, he's acting as an agent for FIFA, buying the emission reduction certificates on their behalf.

The first project came easy.

"We had set our sights on implementing one project in a region impacted by the tsunami," Hochfeld says.

"Coincidentally, a women's organization in Tamil Nadu, India – in the tsunami region – had gone to BASE looking for financing on a project to renovate houses and villages destroyed in the tsunami. BASE sent the women to us."

Although the emissions reduction purchase agreement (ERPA) has yet to be finalized, the shape of the project is clear. "We will buy small biogas plants – either 850 or, if the scaling effect proves worthwhile, 1000," says Lafeld. "Either way, the project will, at the very least, provide cooking for 1,000 houses, offsetting roughly 35,000 tons of carbon emissions over the next 30 years."

And at 500,000 euros, its cost fits the amount budgeted for tsunami aid. Unfortunately, the project achieves just 35% of their targeted reduction, with a price per ton estimated at between 13 and 14 euros. Still, Lafeld says it's worth it: "One reason is that the carbon component covers 100% of the cost of technology, which means the entire project is financed through the certificates. That's a huge benefit, because certificates usually cover just five to 15% of a project's cost."

"This project met Gold Standard criteria for transparency, accountability, and additionality – which is a project's ability to keep on giving," says Hochfeld. "A baseline analysis showed that implementing the project would generate quantifiable environmental benefits, because diesel, kerosene, and wood-burning stoves would be replaced by climate-neutral biomass power."

And the project is also stimulating the local economy. "These aren't high-tech gizmos imported from Germany," says Hochfeld. "They're the simplest type of device, manufactured locally."

"Approximately half of the payment is up front and the rest is upon delivery," explains Lafeld. "We define delivery as presenting a verification report that the intended reduction has been realized."

In addition to auditing the projects and negotiating on FIFA's behalf, 3C adds value by reducing risks. "In the ERPA, we add an article that states that if the project developer cannot deliver, he guarantees that he delivers the same amount of comparable credits from another project," Lafeld says. "But in this case, because the up-front that we are paying in is so high, we are also negotiating with an insurer for an upfront payment insurance in case the project blows up. This adds between 6% and 10% to the reduction credit price, but at least we're covered."

While the India project was progressing better than planned, however, the other leg was floundering. "We'd set our sights on South Africa, because the next World Cup is slated to take place there in 2010," Hochfeld says. "But there was a problem."

A Hot Commodity

"All the South African projects were sold out," Comes recalls. The Group of Eight Industrialized Nations (G8) had just wrapped up a carbon-neutral summit in Gleneagles, Scotland, and the summit achieved carbon emission neutrality by buying up all certificates on the first-ever CDM Gold Standard project near Cape Town, South Africa, as part of Tony Blair's pledge of support to the continent.

The Ökoinstitut had ruled out buying carbon allowance credits on the EU-ETS, which would have enabled them to pay for their pollution by purchasing allowances out of the national caps allotted to European Union countries under the terms of the Kyoto Protocol.

"There were several reasons for not going that route," says Lafeld. "First, carbon credit allowances on the EEX [one of the markets trading EU carbon allowances, EUAs] are currently trading at 27 euros per ton, which would have cost nearly three million euros to offset."

Another reason: you don't want to make enemies. "The allowances trading on EEX exist to enable companies to come into compliance with statutory limits," says Lafeld. "If we bought them to comply with a voluntary reduction program, we'd be adding to the scarcity and driving up prices."

And a third reason: marketing. "It's more attractive to have a real emissions reduction project you can point to, like building biomass generators in India, than it is to buy credits on some exchange," he says.

So, why not fund forestry projects? After all, trees have been touted as ideal carbon-capturing machines – so-called "carbon sinks" – and who doesn't love trees?

"I have no problem with trees, but planting them as carbon sinks doesn't get at the root of the problem, if you'll forgive the pun," says Renat Heuberger, a broker for MyClimate, a Switzerland-base NGO and environmental services provider. "We argue in favor of reduction credits, which come in the form of certificates that prove you have cut off emissions before they got into the air, as opposed to allowance credits, which say it's OK to make a problem as long as you also make allowances for correcting it later."

Then, there's the so-called "scientific" argument: "By planting trees, you don't offset carbon emissions," he says. "You just store them, and as soon as the tree is harvested, the CO₂ is out in the atmosphere again – unless you can prove it went into a building or something, in which case it's there until the building is removed."

And that brings up the third problem: accounting. "If we implement a wind farm, then every second it runs, you are offsetting CO₂," says Heuberger. "But you can't really account for forestry – and you aren't really given CERs (Certified Emission Reduction credits), but rather temporary CERs – so-called t-CERs [one of the official structures established by the Kyoto Protocol's Clean Development Mechanism (CDM) to deal with forestry carbon]."

Lafeld agrees – to a point. "Using forestry to offset carbon emissions is an idea whose time isn't here yet," he says, "but it will definitely come – both in voluntary programs and in the international climate policy negotiations." And that brings up the biggest negative of all: forestry projects are not recognized by Gold Standard.

By late November, however, with no South African Gold Standard projects in sight, forestry didn't seem like such a bad idea.

"We were drawing blanks on the eve of Montreal," recalls Comes, referring to the November-December United Nations Climate Change Conference in the Canadian city.

He'd e-mailed perhaps one hundred other participants before hitting the event, and arranged to meet scores of people at side events there. One of those people was MyClimate's Heuberger, who presented a portfolio of South Africa projects.

"We're a non-profit foundation with a for-profit section," Heuberger explains. "I work for the for-profit section, and my job, in part, is to buy projects as cheaply as I can and sell them as high as I can."

The section makes money for the foundation by acting both as brokers, traders, and project managers of Gold Standard endeavors. "As brokers, we find projects that have fixed prices and then go out and find buyers; while as traders, we try to buy projects low and sell them high." As project managers, they provide audits and quality assurance.

Comes came back from Montreal with six projects, two of which the committee dropped because baseline analyses indicated the world wouldn't lose much in the way of environmental functionality if the projects weren't implemented. Another was dropped because certain numbers just didn't add up. "Some of these groups are trying to sell the same project three or four times," says Hochfeld.

They've now whittled it down to three projects, two of which had been presented by Heuberger, who is haggling on behalf of the projects, while Lafeld is haggling on behalf of FIFA. Two of the projects are renewable energy efforts similar to Tamil Nadu, and the third is a wind project. Beyond that, details will remain scarce until the deal is hammered out. "We're not sure which we'll ultimately end up doing, or if we're doing a combination of them," says Hochfeld.

Even sponsors are laying low. Of course, you can guess at who will be tacking their name to Green Goal, since only companies recognized as official World Cup sponsors can do so, but the plan is to go public with a coordinated PR blitz once the details are all pinned down – probably in early March. The only company to openly tout its participation so far is Deutsche Telekom.

Hochfeld says the city of Vancouver is monitoring the project, in the hope of finding a template for the 2012 Olympics. He's also gotten strong interest from several major sporting organizations, including the Union of European Football Associations (UEFA), which sponsors European Champion's League soccer.

Clearly, Germany's "Green Goal" will set carbon neutrality precedents for dozens of sporting events to come, so Hochfeld and Comes want to make sure they get things right. They are keenly aware that their work needs to "score" on all fronts: economic, environmental, and social. Additionally, any and all deals that are signed as part of the initiative are likely to be closely scrutinized, not just by skeptical environmentalists and the climate change

community, but also by potential sponsors of future events, as well as potential sellers of future projects. But this does not bother Hochfeld and Cames; indeed, it is what they want. They want to both set a high bar for 2010 World Cup in South Africa, at the same time that they provide the organizers of that event with the tools they need to meet – and perhaps even surpass – any and all precedents set this year.

So, while they may not be panicking, neither are they totally stress-free. Perhaps they will rest once the last game of this carbon-neutral World Cup draws to a close later this summer... Perhaps.

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