



Comando Carabinieri per la Tutela Ambientale e la Sicurezza Energetica

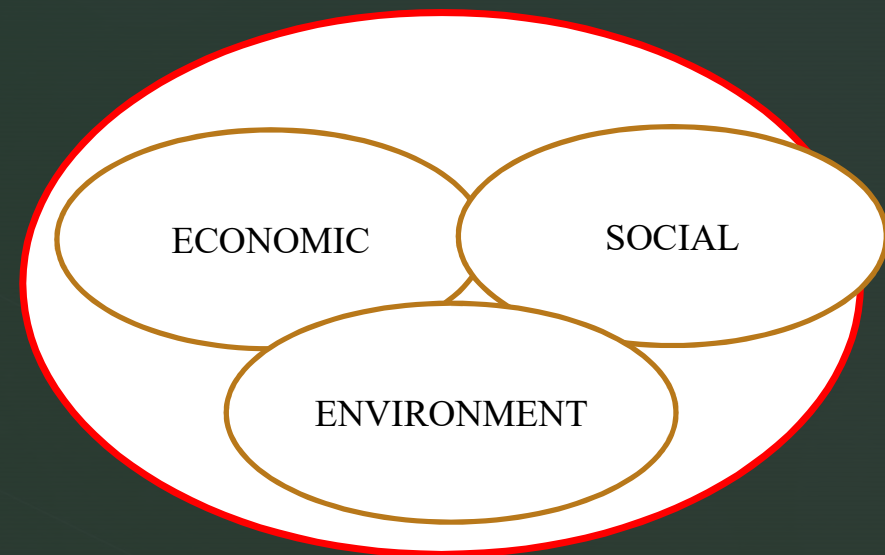


▶ **Voluntary Carbon Markets**



The greenwashing policies and the sustainability issue

UN 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT



INTERCONNECTED - INDIVISIBLE - INCLUSIVE



The greenwashing policies and the sustainability issue

**RELATED RISKS
WRONG MANAGEMENT : RISK ASSESSMENT/RISK
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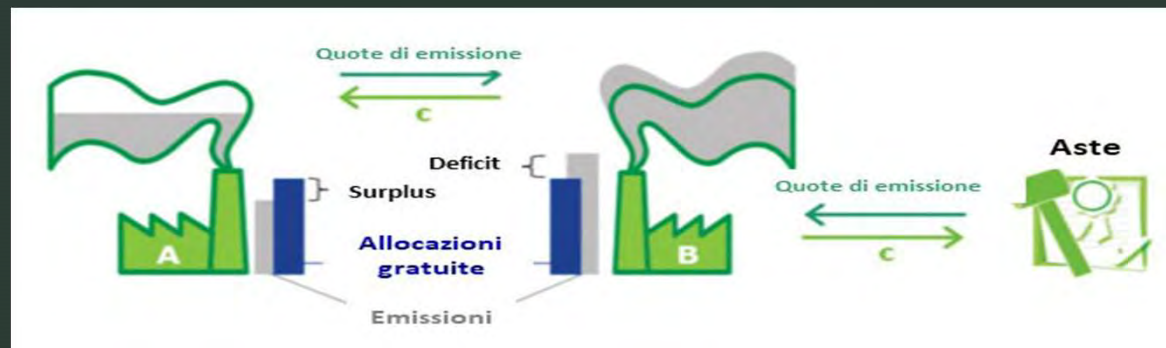
GREENWASHING

BRAND REPUTATION



Development of energy efficiency processes

THE ETS SYSTEM AND CO2 CREDITS



IL CARBON BORDER ADJUSTMENT MECHANISM





The Kyoto Protocol

The Kyoto Protocol, which entered into force in February 2005, was the first international climate treaty to have as its objective the reduction of greenhouse gas emissions worldwide.

By adhering to the protocol, 191 states in the world, including those of the European Union, have made a commitment to reduce emissions of polluting gases into the atmosphere by the year 2030.

The reduction objectives to be achieved have been staggered into four phases: 2005-2007; 2008-2012; 2013-2020; 2021-2030.

We are currently in phase IV.



How to achieve goals

The protocol provides that, in order to achieve these objectives, the adhering countries can adopt "flexible mechanisms", putting in place suitable tools to achieve the reduction of emissions, for example:

- using less polluting techniques in production processes;
- promoting and supporting environmental projects that generate CO₂ credits.



The European Union

As part of the flexible mechanisms envisaged by the protocol, the European Union has adopted the EU-ETS (Emission Trading System) as its main instrument - that is, a system that imitates the market - and through which the exchanges of emission credits are realized.

The subjects that have been required to follow the ETS directive since 2005, and for whom, therefore, the reduction targets are mandatory, are all the plants in the production sectors that, due to the large volumes of emissions produced, have a strong environmental impact.



Obligated subjects

The EU Directive 2018/410 obliges:

- electricity and heat production plants;
- energy-intensive industrial sector plants (oil refineries, steel mills, production plants of petroleum, cement, lime, glass, ceramic, pulp, paper, cardboard, acids and large-scale organic chemicals);
- civil aviation companies.



EU Directive 2018/410

The EU assigns each member state a package of emission allowances that they can dispose of. This package of quotas corresponds to the amount of greenhouse gases that the assignee State "is authorized" to emit within a year. The quantity is expressed in tons and must not be exceeded.

Each State "redistributes" its package of quotas to the production plants falling within the scope of the Directive.

Initially, on the basis of shared rules in Europe, each plant falling within the ETS system is assigned a number of allowances free of charge which represents the maximum amount of emissions that this plant will be authorized to produce in the calendar year. A quota corresponds to the "right to emit" one ton of CO₂ into the atmosphere or the equivalent of another greenhouse gas (GHG)



EU Directive 2018/410

Each individual plant assigned the initial quota package will be required to monitor the emissions produced every year, with particular attention not to exceed the permitted quantities. In order to achieve the percentage reduction targets (national and European), for each reference period, the plant will be required to progressively lower its emissions until the target is reached.



EU Directive 2018/410

If the plant annually emits less than it is allowed, it generates carbon credits, one for each ton of CO₂ not emitted. These credits can be sold to those plants, again falling within the ETS system, whose annual accounts are in excess of what is foreseen.

VER credits are exchanged

through the public auction system

through the sale between private entities



EU Directive 2018/410

The allowances are recorded in the Register of the European Union, a database in electronic format that keeps track of all the changes in ownership of the allowances and allows operators to offset their emissions annually by returning the allowances to the Member States.

CO₂ credits are monetised, and their value is susceptible to changes, similarly to what happens on the official stock exchange.

The system, as it was conceived, actually creates financial products in all respects as the credits generated become real economic investment means.



The voluntary Carbon markets

In recent years, in parallel with the official ETS market, a smaller but constantly growing voluntary carbon credit market has developed. This is the case of all those companies, for example, which want to attract investments, intend to have an eco-sustainable image, declaring to reduce the emissions produced by their production activities by supporting projects, such as reforestation.



The voluntary Carbon markets

There is no legal obligation for these companies - as for those that fall under the EU-ETS system - because they do not belong to those production categories that are obliged to participate in the official system.

In this regard, each country has given itself its own regulation autonomously, for example with national guidelines.



VER Credits : Verified or Voluntary Emissions Reduction

1

They are CO₂ credits generated by voluntary environmental redevelopment projects. Each corresponds to 1 Ton of CO₂ retained

2

They are marketable and comparable to real means of investment

3

Their accounting is detached from that of the EU-ETS official market registers.



VER Credits : Verified or Voluntary Emissions Reduction

The criteria for generating and accounting for the VER credits produced are established by accreditation bodies which should operate according to the technical specifications

UNI 11646/2016



ISO14065



ISO 14064

which represent the recognized international technical standards.

The sales are reported on private registers of associations or research bodies.

It is therefore a question of trading between private entities.



Why buy VER Credits?

1. To attract consumers
2. To have easier access to credit and public funding
3. To gain maximum visibility in the eyes of investors

The phenomenon concerns companies in every production sector.



The non-financial declaration

The non-financial declaration is a report in which aspects of a social and environmental nature are reported

Corporate sustainability

Staff management

Commitment to the fight against corruption and respect for human rights



The non-financial declaration

In Italy, large companies, considered to be of public interest, with more than 500 employees are required to report this information as required by Legislative Decree 254/2016 :

Description of the organizational and management model of the company

Policies adopted by the company regarding non-financial aspects

Risk management

Results

The aim is to ensure greater transparency and maximum accessibility to investors and stakeholders.



ESG Scoring

It is the score that is assigned to the company by evaluating three factors. It represents a synthetic judgment on the sustainability standards:

Environmental

Social

Governance

It is adopted by companies that want to consolidate their position on the market and support their business choices through the positive impact they are able to generate



Who produces VER Credits: The project

In the summer of 2019, an "X" Farm presented to a certification body the project of a bamboo plantation created specifically for the purpose of generating VER credits to be marketed.

Bamboo is in fact counted among the plant species with the highest CO₂ "absorption" capacity.

Who certifies

In this case, the certifying body of the project does not have the ISO 14064 required by international technical standards to certify VER credits deriving from environmental redevelopment projects.

Despite this, it has been calculated and certified that the plantations of the "X" Farm project have produced about 150.000 VER credits.



The co-owners of VER Credits

Company "B" holder of 30% of VER credits certificates for the plantation, and owner of the land



The company was among the assets attributable to a subject under investigation for **416 bis Italian Criminal Code (MAFIA - type association)**



How the plantation really appears

Picture nr. 1





How the plantation really appears

Picture nr. 2





How the plantation really appears

Picture nr. 3





How the plantation really appears

Picture nr. 4





The broker

1. The VER credits produced by the farm's plantations, and falsely certified by the certifying body, were published on the online platform of a prestigious Italian university
2. The online platform, like others of the same type, acts as a showcase for those who want to sell the VER credits generated by their own voluntary projects.
3. The VER credits of the farm project were sold, largely to a trader in Switzerland, and to a small extent also in Italy, to an important food industry



1) VER credits are falsely certified

2) The certificates are published on the online platform
3)

The food company buys them

The trader in Switzerland buys them





Subjects of investigative interest

The subjects belonging to the Farm are all under investigation for **financial crimes, scams, crimes of forgery, money laundering and self-laundering** and they share 20 companies that deal with:

- implementation of projects for the protection of the environment,
- energy efficiency,
- consultancy for the marketing of VER credits,
- design of plants for the production of energy from conventional and renewable sources,
- agricultural activity,
- catering,
- clothing trade,
- constructions and renovations,
- shareholdings in other Italian and foreign companies,
- hydraulic works,
- maintenance of electrical systems.



The «modus operandi»

An environmental redevelopment project is drawn up



The production of VER credits is fraudulently certified



The certified credits are published on an online platform and buyers are found

Illegal gain is made
(if the buyer is unaware)

Money laundering / self-laundering takes place (if the buyer is compliant)

Thank you for
your attention

