

California AB-1305 Voluntary carbon market disclosures – GoodShipping disclosure

Background

The state of California AB-1305 Voluntary Carbon Market Disclosures Act was enacted on 1 January 2024 (however presumed to be enforced from 1 January 2025) and adds a new part (Part 10 - Voluntary Carbon Market Disclosures) to Division 26 (Air Resources) of the California Health and Safety Code.

The text of the Act can be found here:

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240AB1305

Each clause of the Act places requirements on different parties: either on businesses marketing or selling offsets (44475), businesses purchasing/using offsets and making net-zero type claims (44475.1), and businesses making net-zero type claims (44475.2).

Applicability of the Act to GoodShipping insetting

FincoEnergies Carbon Management B.V. (“**FincoEnergies CM B.V.**”) markets and sells GoodShipping insets (GoodShipping is a brand of FincoEnergies CM B.V.) in the state of California and insets appear to fall within the Act’s definition of offset. Therefore, this Act appears to be applicable to GoodShipping inset marketing and sales in California, with website disclosures subsequently required by FincoEnergies CM B.V. under clause 44475.1.

Note that FincoEnergies CM B.V.’s GoodShipping proposition is fuel-switch *insetting*, which is distinct from *offsetting* in the common and wide-spread use of these terms. However, the Act appears to capture insetting within its definition of offsetting. Given the fundamental differences between the two, some of the Act’s clauses appear somewhat not-applicable to insetting. However, FincoEnergies CM B.V. has nevertheless undertaken a best endeavours effort to respond to each clause.

Review and disclosure location

This disclosure document is updated annually and disclosed on the GoodShipping website (www.goodshipping.com) via a link. The document history is recorded below.

Document history

July 2024	First version
...	Updated

Clause of Californian AB1305 – Voluntary Carbon Market Disclosures	FincoEnergies CM B.V.’s disclosure regarding GoodShipping insetting
Section 44475. A business entity that is marketing or selling voluntary carbon offsets within the state shall disclose on the business entity’s internet website all of the following information:	-
(a) Details regarding the applicable carbon offset project, including all of the following information:	-
(1) The specific protocol used to estimate emissions reductions or removal benefits.	<p>GoodShipping facilitates a fuel-switch through what is called ‘insetting’ (reducing scope 3 emissions in the same sector as they have been emitted). At a high level, GoodShipping insetting occurs via the following process:</p> <ol style="list-style-type: none"> 1. GoodShipping assists the customer to calculate their transport scope 3 emissions and determine their desired emission reduction. 2. GoodShipping facilitates a fuel-switch from fossil to truly sustainable biofuels on behalf of its clients in another transportation asset that would have otherwise run on fossil fuel (i.e. deep-sea vessel) 3. After 3rd party verification, the exact desired CO₂ emission reduction achieved through the fuel switch is allocated to the customer and a verified certificate is issued for this customer. <p>As discussed in the response to clause (a)(7) below, insetting is a relatively new field and as such lacks a mature standards environment. However, FincoEnergies CM B.V. assesses that its GoodShipping methodology aligns well with the Smart Freight Centre’s Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting (2023).</p> <p>Refer to response to clause (c) below for details on inputs and calculations.</p>
(2) The location of the offset project site.	The bunkering of biofuels upon which the scope 3 inset generation is based all takes place within the Netherlands.
(3) The project timeline.	<p>GoodShipping’s insetting proposition occurs on a continuous basis, with the scope 3 insets being continually generated from the regular bunkering of biofuels into ships. This is in contrast to the often more discrete nature of offsetting projects.</p> <p>However for the purposes of this disclosure, FincoEnergies CM B.V. has taken 1 calendar year of the insetting process to be the ‘project timeline.’</p>
(4) The date when the project started or will start.	As stated in (a)(1), GoodShipping is a continuous process but for the purposes of this disclosure, 1 calendar year has been taken as the project timeline, therefore the start date each ‘annual project’ is 1 January.
(5) The dates and quantities when a specified quantity of emissions reductions or removals started or will start, or was modified or reversed.	As stated in (a)(1), GoodShipping is a continuous process so this appears to be not-applicable. However, the dates and quantities would be linked to the regular bunkering events from which the scope 3 insets are generated. The specific date and quantity of the bunkering that a specific GoodShipping scope 3 inset is generated from is stated on the GoodShipping inset certificate provided to the customer.

<p>(6) The type of project, including whether the offsets from the project are derived from a carbon removal, an avoided emission, or, in the case of a project with both carbon removals and avoided emissions, the breakdown of offsets from each.</p>	<p>The type of 'project' is fuel-switch insetting. GoodShipping insetting achieves a CO₂ reduction by enabling the displacement of fossil fuel with biofuel in maritime shipping.</p>
<p>(7) Whether the project meets any standards established by law or by a nonprofit entity.</p>	<p>Insetting is a relatively new field and as such lacks a mature standards environment. However, FincoEnergies CM B.V. does utilise the relevant standards that are available. For example, GoodShipping insetting:</p> <ul style="list-style-type: none"> • In FincoEnergies CM B.V.'s assessment, aligns well with the guidance in the Smart Freight Centre's Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting (2023); • Aligns with the LCA guideline of the IMO [MEPC.376 (80)] in determining appropriate fossil default values; • Only uses biofuel that is either ISCC or certified by an ISCC accepted scheme (e.g. Proof of Sustainability document); • Utilises the GLEC framework for calculating GHG emissions in transport.
<p>(8) The durability period for any project that the seller knows or should know that the durability of the project's greenhouse gas reductions or greenhouse gas removal enhancements is less than the atmospheric lifetime of carbon dioxide emissions.</p>	<p>Not applicable. GoodShipping insets are not issued in final to the customer for their subsequent use (e.g. in emissions inventory etc) until after the bunkering of biofuel has occurred and a audit by a third-party has occurred. Therefore, once the customer has received their final GoodShipping insetting certificate, the CO₂ reduction is permanent (as once the biofuel is burned in the ship, the reduction is irreversible).</p>
<p>(9) Whether there is independent expert or third-party validation or verification of the project attributes</p>	<p>The GoodShipping insetting process is audited by an independent third-party auditor. The audit includes verification of:</p> <ul style="list-style-type: none"> • Verification of the facilitated fuel switch with biofuels; • Verification of characteristics and sustainability of the applied sustainable solutions; • Calculation of CO₂eq emission reduction; • Prevention of double counting; • Allocation of emission profiles and reductions.
<p>(10) Emissions reduced or carbon removed on an annual basis.</p>	<p>As stated in (a)(1), GoodShipping is a continuous process rather than a discrete offsetting project with projected annual removals. The degree of removal depends on the level of insetting sales in any given year.</p>
<p>(b) Details regarding accountability measures if a project is not completed or does not meet the projected emissions reductions or removal benefits, including, but not limited to, details regarding what actions the entity, either directly or by contractual obligation, shall take under both of the following circumstances:</p>	<p style="text-align: center;">-</p>
<p>(1) If carbon storage projects are reversed.</p>	<p>Not applicable – GoodShipping insetting is not a carbon storage project.</p>

(2) If future emissions reductions do not materialize.	Not applicable as GoodShipping's final issued inseting certificates are not based upon future anticipated emission reductions, they are based upon biofuel bunkering that have already occurred and are only issued after third party verification.									
(c) The pertinent data and calculation methods needed to independently reproduce and verify the number of emissions reduction or removal credits issued using the protocol.	<p>For GoodShipping inseting the key calculation inputs are:</p> <ol style="list-style-type: none"> 1. The volume of biofuel; 2. The energy content of the biofuel; 3. The emission factor of the biofuel; 4. The emission factor of the fossil fuel as a reference. <p>The reference number used is based on the actual fossil fuel being replaced. For the reference number, the Well-to-Wake (WTW) and Tank-to-Wake (TTW) are taken into account.</p> <table border="1" data-bbox="544 555 1279 707"> <thead> <tr> <th>Reference MEPC.376 (80)</th> <th>Marine Gas Oil (MGO)</th> <th>Heavy Fuel Oil (VLSFO)</th> </tr> </thead> <tbody> <tr> <td>Tank-to-Wake (gCO₂eq/MJ)</td> <td>75,08</td> <td>77,46</td> </tr> <tr> <td>Well-to-Wake (gCO₂eq/MJ)</td> <td>92,78</td> <td>94,26</td> </tr> </tbody> </table> <p>The emission reduction is the difference between the emission of the original fuel and the emission of the biofuel. See the formula below this table.</p>	Reference MEPC.376 (80)	Marine Gas Oil (MGO)	Heavy Fuel Oil (VLSFO)	Tank-to-Wake (gCO ₂ eq/MJ)	75,08	77,46	Well-to-Wake (gCO ₂ eq/MJ)	92,78	94,26
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$$GHG\ reduction\ (tCO_2eq) = fossil\ fuel\left(\text{volume replaced}(m^3) * energy\ content\ \left(\frac{MJ}{m^3}\right) * GHG\ emission\ factor\ \left(\frac{gCO_2eq * 10^{-6}}{MJ}\right)\right) - biofuel\left(\text{energy}(MJ) * GHG\ emission\ factor\ \left(\frac{gCO_2eq * 10^{-6}}{MJ}\right)\right)$$