



Responsible use of carbon credits: How project developers can mobilise buyers

DRAFT FOR PUBLIC CONSULTATION

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About the Voluntary Carbon Markets Global Dialogue

Fulfilling the promise of the Paris Agreement will require the widespread adoption of more ambitious mitigation commitments and significantly scaled-up flows of finance, technology, and capacity to developing countries. Well-designed voluntary carbon markets can help to achieve both aims.

The Voluntary Carbon Markets Global Dialogue helps to identify how voluntary carbon markets can drive mitigation activities that support national climate plans, local priorities with additional benefits for communities and businesses, unlock greater levels of private investment, and help motivate more corporates to reduce their emissions and to neutralize their remaining emissions. The Global Dialogue team is led by Climate Focus, the Indonesia Research Institute for Decarbonization (IRID), SouthSouthNorth (SSN), and Transforma, with assistance from an inclusive team of leading carbon market experts and analysts, and with the support of Verra.

Tibumana Waterfall in Bali
Credits: Shawn Ang / Unsplash



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Introduction

This guide offers a set of criteria against which the credibility/quality of buyers of carbon credits can be evaluated by project developers that want to minimize the risk of seeing their carbon credits mis-used. Likewise, it can be used by resellers of carbon credits pursuing those same goals. It helps to address the responsible use of carbon credits as a key pillar of carbon markets. Responsible use of carbon credits means using them as a part of a credible and ambitious decarbonisation strategy, staying clear of greenwashing.

This guide has been developed and tailored for developers of carbon credit projects across the globe. In addition, this guide provides additional guidance for organisations and companies that develop projects based on Nature Based Solutions (NBS): actions that aim to address significant societal challenges by protecting, sustainably managing or restoring nature, while benefiting both human well-being and biodiversity.¹ Developers of NBS projects may have specific concerns who they are selling to, for instance how buyers address land-use emissions in their own value chains. Examples of NBS include the protection and restoration of forests, wetlands and other ecosystems.

¹ The International Union for the Conservation of Nature (IUCN) The IUCN Global standard for NBS. Available [here](#)

Why this guide?

Right from the start of carbon markets, its primary narrative that emissions in one place are compensated by emission reductions or removals elsewhere, has been questioned. The narrative of 'carbon neutral' or 'climate neutral' products or services sells well to consumers, but too often critics uncover weak spots in the carbon credit chain. In 2023, carbon markets were subject of exceptional scrutiny. Allegations²³ against the integrity of South Pole⁴'s Kariba project and recognized standard setter Verra⁵ of adverse impacts and hollow claims damaged the fragile popularity of the carbon credit. As a result, several companies stopped using carbon credits as part of their climate strategies, and the overall demand for credits plummeted.

The quality of a carbon credit is generally considered the weakest link in the chain: inflated baselines, forged additionality arguments and doubtful accounting have shed doubts on the integrity of the product by which large corporations compensate their real emissions. In response to these risks, independent carbon credit standards⁶ have developed procedures and checks to avoid adverse social and environmental impacts. Most notably, in 2023, the Integrity Council for the Voluntary Carbon Markets (IC-VCM) finalized the ten Core Carbon Principles⁷ (CCP), a widely consulted, science-based, global benchmark for high-quality carbon credits. Over two decades of practices, high quality standards have been developed, and efforts are continuously being made to make them even more stringent.

The Kariba example shows that the need for continuous improvement remains.

What a carbon project developer cannot be held responsible for however, is how their sold credits are used. Yet, when a buyer of carbon credits is blamed for greenwashing, eyes often turn to the producer of the carbon credit, routinely assuming that a potential cheat in a carbon neutral claim can be found in the quality of the carbon credit. This foregoes that greenwashing often starts by mis-use of carbon credits: when companies continue their emissions-as-usual while claiming to be climate heroes on the basis of using carbon credits. Guidance on proper use of carbon credits alongside the deep decarbonization that is required to address climate change has emerged only recently.

Many developers of carbon credits have been subject to scrutiny and criticism following mis-use of carbon

credits by buyers. Such scrutiny is not only costly and time consuming, it can also be harmful to the project's reputation even if high quality criteria have been met, potentially resulting in lower demand for the project's carbon credits and a lower price.

In other commodity markets, such unbalanced risk distribution would be unheard of. Greenwashing by the buyer should not be a project developer's risk. Imagine calling out a cocoa farmer because his cocoa beans ended up in a chocolate that was sold to obese children?

On a broader scale, the damage of greenwashing allegations goes beyond the concerned carbon buyer and project developer. Inflated carbon or climate neutral claims seriously affect the credibility of Voluntary Carbon Markets (VCM). Trust is at the root of carbon markets and the compensation narrative.

² Follow the Money (2023). Prestigeproject van 's werelds grootste CO2-handelaar leidde juist tot meer uitstoot. available [here](#).

³ On 18 January 2023, The Guardian published a damning article stating that 90% of carbon 'offsets' verified by Verra were worthless or caused adverse environmental or social impacts. Article available [here](#). Verra response available [here](#)

⁴ South Pole is the world's largest carbon project development firm. www.southpole.com

⁵ On 18 January 2023, The Guardian published a damning article stating that 90% of carbon 'offsets' verified by Verra were worthless or caused adverse environmental or social impacts. Article available [here](#). Verra response available [here](#)

⁶ Including the Verified Carbon Standard (VCS). available [here](#) the Gold Standard. available [here](#)

⁷ The Integrity Council for Voluntary Carbon Markets (IC-VCM) Core Carbon Principles. Available [here](#).

The compensation narrative is about consumers and other stakeholders believing that the company they buy from does the right thing, and trusting the math behind the carbon neutral claim to be correct. A violation of that trust erodes the compensation narrative and with that the VCM bit by bit, until being fully replaced by distrust and aversion. As painfully demonstrated in 2023, publications by The Guardian⁸ and Investigative Collective ‘Follow the Money’⁹, on the adverse impacts of the Kariba Project and Verra verified credits, resulted in a collapse of the carbon market.

Carbon markets are a critical source of financing for protection and restoration of ecosystems, both of which are essential to achieving global climate goals (see Box 1). Rebuilding trust in the VCM is thus key, and ensuring both high quality of the

carbon credits as well as responsible use of carbon credits is inherent to this trust.

Against this backdrop, this guide wishes to support carbon project developers to better understand how potential buyers of their carbon credits may use the carbon credits. By delivering guidance on the responsible use of carbon credits within corporate climate action, project developers have the option to start making informed choices on whom they are selling their carbon credits to. Furthermore, this guidance aims to empower project developers to stimulate carbon credit buyers to use carbon credits responsibly in corporate climate strategies.

⁸ On 18 January 2023, The Guardian published a damning article stating that 90% of carbon ‘offsets’ verified by Verra were worthless or caused adverse environmental or social impacts. Article available [here](#). Verra response available [here](#).

⁹ Follow the Money article – available [here](#).



Box 1.

Why carbon markets are key to achieve the 1.5 degree goal

Protecting and restoring ecosystems is critical to limiting global temperature rise to 1.5°C.¹⁰ This requires an unprecedented amount of financing that governments cannot fully provide within the short available timeframe until 2050. The Voluntary Carbon Market (VCM) offers a unique opportunity to channel international and domestic private investment into landscape conservation and restoration, complementing and strengthening government targets in achieving a state of net-zero emissions by 2050. The estimated mitigation potential of land-based NBS, by avoiding and reducing CO₂ emissions and enhancing carbon sinks, amounts to around 10 Gt CO₂e

per year, or 27% of global annual CO₂ emissions.¹¹ The VCM is currently only untapping a small portion of this potential. To date, a little under 0.5 Gt CO₂e has been issued as carbon credits from NBS since inception of the market.

Only 3% of public climate change mitigation funding is allocated to NBS, compared to 38% to renewable energies alone.¹² For the specific case of forest protection and restoration, funding only reaches, at best, 5% of the estimated total needed to align the land sector with the Paris Agreement's 1.5°C target.¹³

¹⁰ Wetlands (2022) Policy Paper - The voluntary carbon market (VCM) for safeguarding and restoring our wetlands. Available [here](#)

¹¹ P.M. reference

¹² Buchner, B., Baysa Naran, & de Aragão Fernandes, P. (2022). Global Landscape of Climate Finance 2021. Climate Policy Initiative (CPI). Retrieved from <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/>.

¹³ NYDF Assessment Partners. (2021). Taking stock of national climate action for forests. Retrieved from <https://forestdeclaration.org/resources/taking-stock-of-national-climate-action-for-forests/>

NBS currently receive USD 154 billion/year in finance flows.¹⁴ This is less than half of the USD 384 billion/year investment in NBS needed by 2025, and only a third of investment needed by 2030. Governments provide 83% of this NBS finance, yet will not be able to meet the required jump in finance. Private sector

investment in NBS, for instance through carbon markets, could fill the gap. To complement non-nature-based mitigation actions, cumulative (2022-50) investment in NBS required to achieve the 1.5°C target in line with the Paris Agreement is at least USD 11 trillion.¹⁵

¹⁴ United Nations Environmental Programme (UNEP) (2022): Doubling finance flows into nature-based solutions by 2025 to deal with global crises. Available [here](#)

¹⁵ United Nations Environment Programme (UNEP): (2022): State of Finance for Nature- Time to act: Doubling investment by 2025 and eliminating nature-negative finance flows. Available [here](#)

For whom is this guide?

This guide has been developed for developers of carbon credit projects and for resellers of carbon credits. There is a wide diversity among carbon project developers: operating globally or locally, for profit and/or for impact, run by communities, governments, foundations or by shareholders. While their approaches to developing projects and selling carbon credits may be different, this guide provides insights and ideas to each of them.

In addition, this guide provides tailored considerations for NBS project developers, as these developers often have specific requirements with regard to socio-environmental performance of the buyers.

The degree in which project developers are interested in how carbon buyers use their carbon credits varies. Developers rooted in environmental protection and sustainable development cooperation may consider the proper use of carbon credits essential to a project design that aims to contribute to net global emission reductions.

Other developers may prioritise price maximisation and optimisation of contract conditions, focusing instead on the benefit to the project's beneficiaries.

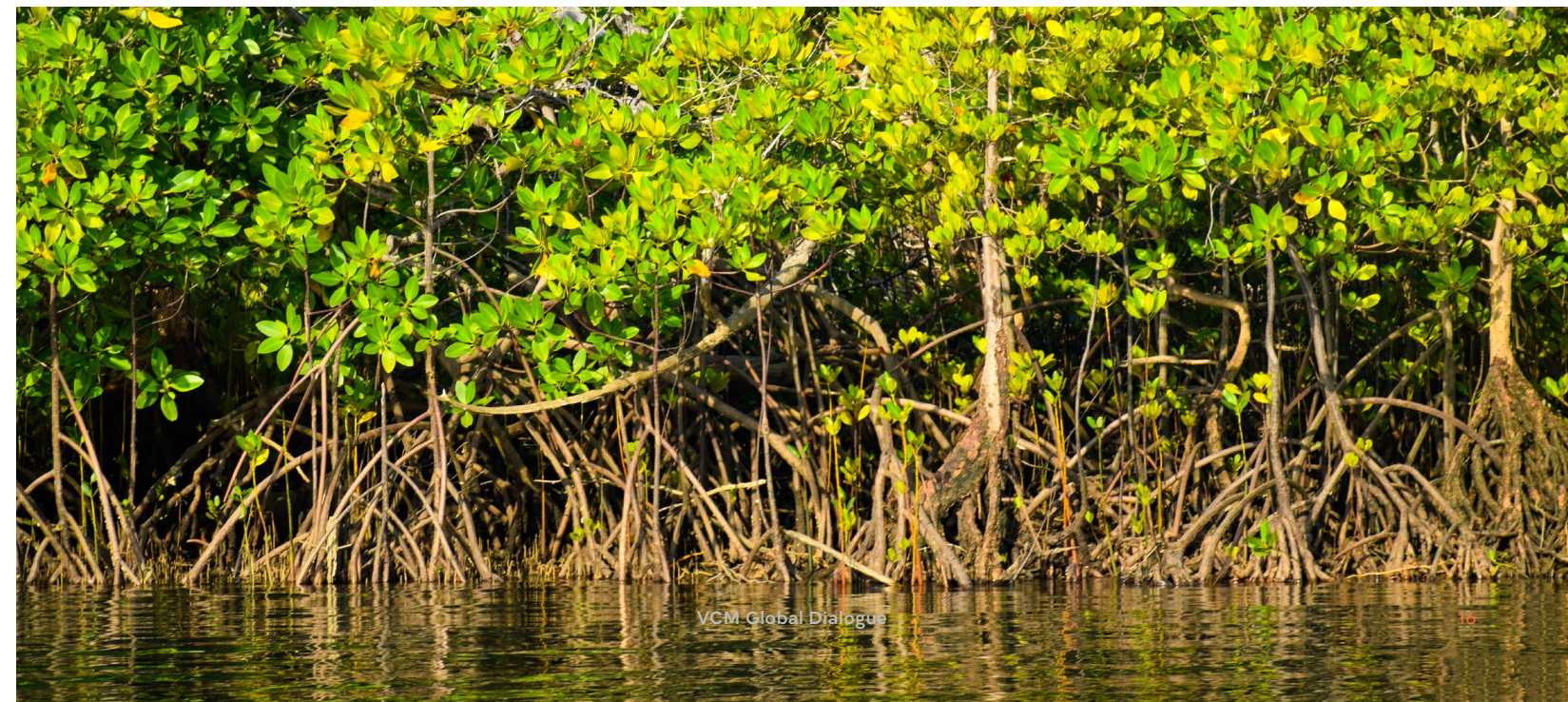
Not all projects have the same power to enforce proper use of carbon credits. Negotiation power comes with the attractiveness and the size of the project. Small niche projects with high visibility, ample co-benefits and the possibility of endearing pictures for buyers' websites offer strong negotiation positions and can be selective in whom they sell their carbon credits to. Volumes of carbon credits from this type of project are typically low, meaning project developers can deal with one single buyer with whom they have opportunities to agree on the use of the carbon credits and how the project is presented in the buyer's corporate communication. Developers of large projects with sizeable volumes of carbon credits tend to rely on diversified selling strategies, that can include different forms of sales over the counter (OTC) once carbon credits have been issued. Offering large volumes of carbon

credits, project developers of large project often deal with multiple buyers, each purchasing a share of the offered volume of carbon credits. Carbon credits from large projects are also more likely to be traded intensively in secondary markets before a final buyer uses and retires the credits. Imposing requirements on the use of carbon credits may be more challenging, hampering their attractiveness to some sales channels.

Not all project developers know carbon markets well or boast the same carbon credit selling experience. Large globally operating development companies employ dedicated teams for whom carbon markets barely have any secrets. Others, for

instance newcomers or developers presenting one single project may feel intimidated, or even lost when entering the carbon market for the first time. For the first group this guide may bring some new ideas. For the latter one, this guide may be a welcome introduction to the subject and a support when dealing with skilled and professional buyers.

In the end, buyer related liabilities are a risk to all, and every project developer will benefit from at least being aware of them. Furthermore, we are convinced that increased awareness on how carbon credits are used, will in the end contribute to more responsible use of carbon credits.



How to use this guide?

In the first place, this guide can be used as an introduction and as a reference manual to understand who is purchasing carbon credits and what constitutes responsible use of carbon credits:

- Who is purchasing carbon credits? The landscape of carbon credit buyers is wide and diverse. Only a limited number of end-buyers is able to directly transact with project developers: in most cases, end-buyers will find primary sellers of carbon credits through intermediaries. From a project developer's perspective, knowing who is at the other end of the table is the starting point of every negotiation, including knowing how much – and how – this other party can influence the use of the carbon credit on offer.
- What is responsible use of carbon credits? The discussion on responsible use of carbon credits is ongoing at the moment of publishing this guide, (second half of 2023). Many would agree that a pre-condition for responsible use of carbon credits includes how this action relates to the user's direct decarbonisation activities, whereby compensation should come as an add-on to the user's efforts to bring emissions down in its own value chain. This guide identifies eight characteristics of responsible use of carbon credits, distilled from the most applied and authoritative guidance documents.

Secondly, this guide can be used as a support to carrying out due diligence on the buyer's use of the carbon credits. This leads to an estimate of the greenwashing risk a project developer is exposed to when selling to that buyer. The guide also provides suggestions for risk mitigation, both in contracts and otherwise. The due diligence guidance is illustrated through several insightful case studies.

Thirdly, this guide provides suggestions how collectives of carbon

project developers may help steering the use of carbon credits in the global voluntary carbon market in the right direction.

And finally, this guide can help increasing awareness with other market participants, including resellers, buyers and observers, that this market needs higher quality buyers in order to secure its credibility.



Young mangrove
Credits: Joeri Borst / Wetlands International

2

Understanding Carbon Credit Buyers

The starting point in steering the responsible use of carbon credits within corporate offsetting strategies is understanding the demand side of the VCM. The channel through which project developers access the VCM impacts their ability to negotiate pricing and delivery conditions. It also impacts the degree to which project developers – acting as primary sellers of carbon credits – have insight about the end-user of the carbon credits, and the opportunities project developers have for carrying out due diligence to confirm the end users' alignment with best practices on the use of their credits as part of a buyer's corporate climate strategy.

In light of the expanding possibilities for project developers to bring carbon credits to market, this section proposes a typology of carbon credit buyers with the aim of characterising different buyer profiles against a project developer's ability to conduct due diligence on the end-user of transacted carbon credits.

Each buyer type is characterised by three attributes:

- General profile, including the organisation type and motivation for sourcing carbon credits;
- Characteristics of the sale transactions associated with the buyer type;
- Implications of the buyer type on the buy-side due diligence process.

Only when selling directly to end-users of carbon credits, project developers can directly assess how the credits will be used and to what extent such intended use can qualify as responsible use of carbon credits. This assessment comes with a time-sensitive nuance, as continued due diligence until credit retirement would have to be undertaken to make sure an end-user's intentions do not change. This is particularly relevant for forward transactions, in which case deliveries and ensuing credit retirements are spread over several years.

2.1 End-users



Figure 1: Typology of carbon credit buyers, and their relationship with end-users of carbon credits

Profile

- End-users of carbon credits are buyers that source carbon credits for use in their climate strategies, with the motivation of generating a claim associated with the use of the purchased carbon credits.
- The typical buyer is a multinational corporation that has the capacity to directly deal with carbon project developers and has the ambition to build longer-term carbon credit offtake relationships.
- Carbon credits are either delivered directly to the end-user, or the project developer cancels or retires an agreed volume of carbon credits.

Transaction characteristics

- Transactions allow for direct negotiation on price and delivery conditions with the end-user of the carbon credits, avoiding transacting through one or several middlemen.
- Direct transactions with end-users permit for greater involvement of the buyer in the carbon asset development process. Buyers may be involved from the very beginning of a carbon project, allowing for the project developer and the buyer to agree on certain design elements of the carbon project and tailor the delivery schedules to the buyer's needs.
- Buyers may also forward part of the future payment for generated carbon credits to support the project development process, covering a share of the capital expenditures. As such, purchase agreements may also stipulate financing obligations on the buyer and other requirements.

When pursuing the other sales channels, given current standard practices employed by aggregators, brokerage and trading firms, and investment funds, there is currently limited transparency on how the

carbon credits are used. Section 4.2 of this guide presents ideas about how a due diligence process can be instituted in a setting where there is no direct link to an end-buyer of the carbon credits.

2.2 Aggregators

Implication on buy-side due diligence

- A direct seller to end-user relationship provides the highest level of transparency and visibility for project developers over the final use of the transacted credits, including the type of claim applied.
- Direct bilateral agreements also allow for the highest contractual control, presenting opportunities for project developers to include conditions associated with the use of transacted carbon credits.
- A distinction should be made between a situation where the buyer in this transaction strategy retires the entire volume of the purchased carbon credits, and where the buyer retires only a portion for own use, and then on-sells the remaining share to another party. In the latter case, the character of the buyer changes from being a direct end-user to that of a trader.

Profile

- Aggregators/carbon credit retailers are companies that have offtake agreements with numerous project developers and sell generated carbon credits to corporate end-users. Their motivation for contracting long-term supply of carbon credits is to offer clients access to a selection of different project types and offtake structures.
- Aggregators may in part also act as project developers and complement their sales with carbon credits offered by other project developers.
- Carbon credits are typically first delivered to the aggregator, which then forwards the carbon credits to the end-user or directly retires them on behalf of the end-user.

Transaction characteristics

- Aggregators can offer a range of transaction structures to buyers, ranging from spot transactions that relate to already issued carbon credits, to forward contracts that relate to future deliveries.
- Transactions generally do not allow for closer involvement of the end-user in the carbon asset development process, which is either controlled by the project developer or the aggregator. Some aggregators may, however, offer their clients opportunities to offer future payment for generated carbon credits to support the project development process, but the process is typically mediated by the aggregator.
- Transactions are typically governed by carbon credit purchase agreements that besides pricing, volume, and delivery timeline conditions, may also stipulate financing obligations on the buyer and other requirements.



Group members of Fiqie Nature Conservation Association dig terraces to reduce erosion at watershed of Abijatta-Shalla Lakes in Ethiopia
Credits: Elizabeth Wamba / Wetlands International

2.3 Brokers and traders

Implication on buy-side due diligence

- The aggregator is the one that will normally hold the contractual control. The project developer acting as the primary seller may know the next buyer, but as such will have little contractual control to define the "final use" of the carbon credits.
- In cases where project developers and aggregators have an ongoing relationship, the aggregator may offer possibilities for project developers to include conditions associated with the use of transacted carbon credits, although this is uncommon in the current market.
- A number of aggregators helps their clients developing and implementing decarbonisation strategies, complemented by neutralising any ongoing emissions with carbon credits from their portfolio. When selling to these aggregators, project developer may get reasonable assurance of responsible use of carbon credits.

Profile

- Brokerage and trading firms are companies that match sellers of carbon credits with buyers in a decentralised market, where transactions are directly negotiated with the help of these firms rather than traded on a centralised exchange.
- While typically not having long-term offtake agreements with primary sellers, brokerage firms and traders will establish sourcing connections with a large number of project developers and aggregators to offer their clients access to a wide choice of carbon credit types.
- Brokerage firms typically realise transactions back-to-back, meaning that the firm acts as a transfer vehicle between the two sides, and settlement of obligations takes place within a matter of days on both sides of the transaction. Brokers earns a margin that represents the difference between the agreed offer price from the project developer and the price paid by the end-buyer.
- Trading firms typically take on more risk in transacting carbon credits as they can take a longer-term position on the asset and profit from timing the market. As such, traders may not have a direct end-buyer in mind when securing supply from a primary seller.

Transaction characteristics

- Transactions can relate to both spot sales that relate to carbon credits that have already been issued, and to forward sales that relate to carbon credits that will be issued by project developers in the future.
- Transactions do not allow for closer involvement of the buyer in the carbon asset development process, which is typically controlled by the project developer or an aggregator.



Peatland in Bleaklow Ridge, England
Credits: Peter Blakely

2.4 Investment funds

Profile

- Transactions are typically governed by simple carbon credit purchase agreements that stipulate pricing, volume, and delivery timeline conditions. Transfer of contracted credits occurs between the carbon credit account of the project developer and the trading account of the broker or trader.

Implication on buy-side due diligence

- Project developers as primary sellers may face a lack of transparency when transacting through brokers or traders, with these middlemen controlling information about on-sale prices and the identities of the end-buyers.
- At the same time, especially in established trading relationships, brokers and traders may be prone to be influenced by the primary seller's negotiating power and cater for specific seller demands when it comes to end-user types. As such, there may be possibilities for project developers to impose certain conditions on whom they will or will not transact with.

- Funds represent an investment vehicle through which buyers gain exposure to carbon credit assets overseen by specialised investors. Funds pool financial resources from investors with the aim of either generating returns, or offering investors direct access to carbon credits.
- By pooling capital from numerous entities, funds are effective at managing investments risks associated with individual carbon projects. This diversification is attractive for buyers, as it provides greater certainty around future delivery of carbon credits.
- Long-term offtake agreements signed between the fund and its investors allow buyers to hedge exposure to carbon price volatility and gain access to different types of carbon assets (e.g., standards, project types, geographic locations).
- Fund managers may operate under various compensation structures. Often these include an element of fixed management fees, and a claim on financial returns in excess of an agreed benchmark. Funds can be open-ended, allowing ownership of the shares to change, or closed-ended, whereby investors are locked in for a specified period of time.
- Investment funds come in two main categories. Typical carbon investment funds invest into carbon projects in return for a share of credits which then are passed onto investors as their dividends. And then there are carbon off-take funds that sign long term off takes with developers because they want exposure to carbon price but then resell those credits on the market and the investors receive cash returns.



Old mangroves in the Saloum Delta, Senegal
Credits: Joeri Borst / Wetlands International

2.5 Exchanges

Transaction characteristics

- Transactions generally do not establish a direct link between the project developer and the investor, with the fund overseeing the carbon asset development process.
- Conditions around delivery volumes, schedules and pricing are negotiated between the project developer as the primary seller and the fund, without the involvement of the investor.
- Funds generally offer longer-term forward contracts to investors, which allocate capital to the fund that invests pooled resources into a diversified basket of carbon projects.

Implication on buy-side due diligence

- Dependent on the scope of a fund and the level of transparency under which the fund operates.
- Carbon investment funds are interesting as the investors are typically end-users, even though the investors might end up reselling a portion of the credits if they don't need them. Project developers can typically see who are the investors of the fund and decide whether those are considered responsible end users.
- In carbon off-take funds final users are not known. The transparency of end-use of these funds would resemble selling to traders. Funds like these are typically set to give full control or choice to its investors. This is because these structures are built on the back of road-shows to convince buyers to engage and anchor investors join in. After that, any substantive changes will require convincing all anchor investors. This means that agreements on responsible use need to be incorporated from the onset.

Profile

- Exchanges represent centralised platforms that match sellers of carbon credits with buyers. These digital platforms typically feature a range of standardised carbon credit products, including spot deliveries and futures products, as well as differentiating between project types (e.g., NBS versus other types), eligibility criteria (e.g., CORSIA), or vintages.
- The infrastructure of these exchanges makes them suitable for large-volume trades, yet the liquidity on the various exchange platforms available differs and to date much of the transactions have been going through decentralised channels.
- A recent addition to the exchange-trade is the blockchain powered exchange that tokenises carbon credits in order to further standardise the asset. This delivers homogeneity among tokens with the idea of increasing the liquidity of the market.

Transaction characteristics

- Exchanges offer standardised carbon credit offerings to buyers, which include spot, futures or derivatives products.
- Transactions do not establish a link between the primary seller and the buyer, with the exchange platform establishing that connection digitally and without exposing any details on transacting partners.
- Conditions around delivery volumes, schedules and pricing are standardised upon entering into a transaction of the offered trading product, thereby not allowing for any deviations from the agreed specifications.

Implication on buy-side due diligence

- Currently, exchanges offer a low level of visibility and control as transactions relate to standardised products and do not report on the buyers of the traded credits.
- There are however first signs of exchange-driven products to begin developing standardised clauses to qualify carbon credits, with the London Stock Exchange's Voluntary Carbon Markets solution proposing to offer only carbon credits certified by standards endorsed by the International Carbon Reduction & Offset Alliance (ICROA), and aligning with the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles, once issued. There are unfortunately no signs yet of developing standardised qualifications for buyers and their use of carbon credits.

3 What is responsible use of carbon credits?



Guidance on responsible use of carbon credits has emerged in a fragmented landscape. At this time, late 2023, the most prominent guidance documents for high-integrity corporate climate claims has been developed by the Voluntary Carbon Markets Integrity Initiative¹⁶ (VCMI), the Nordic Dialogue on Voluntary Compensation¹⁷, and the Gold Standard.¹⁸

Furthermore, organisations including the International Organisation for Standardisation¹⁹ (ISO) and the European Union High-Level Expert Group on Sustainable Finance²⁰ (HLEG) are developing guidance for responsible use of credits. Additionally, the growth of the voluntary carbon market in past

decade sparked a proliferation of private sector initiatives offering 'climate neutral' or 'carbon neutral' claims, such as the Climate Neutral Group²¹, South Pole²², Natural Capital Partners²³, Climate Partner²⁴ and the Carbon Trust²⁵. These entities offer pathways for companies to make climate and/ or carbon neutral claims. The future validity and applicability of such claims are uncertain, as new laws are emerging. In January 2023, France enforced a regulation that limits the use of 'greenwashing' claims. In the Netherlands, the Consumer Market Authority (ACM) is preparing a similar recommendation. The European Union recently (EU) adopted a law that will ban the use of climate neutral claims by 2026, while preparing mandatory reporting

requirements for companies in the Corporate Sustainability Reporting Directive (CSRD).

Additional considerations for the use of carbon credits from NBS are proposed amongst others by the We Mean Business Coalition²⁶, the International Union for the Conservation of Nature (IUCN)²⁷, the World Resources Institute²⁸ (WRI), Oxford University²⁹, the New Climate Institute³⁰ (NCI), and the Natural Climate Solutions (NCS) Alliance³¹.

Informed by launched and emerging guidance, this guide argues that

responsible use of carbon credits means that end-buyers of carbon credits use these credits as part of a credible and ambitious decarbonisation strategy, and stay clear of misleading claims or outright greenwashing. We propose eight criteria that characterise such responsible use of carbon credits, distilled from the emerging guidance and initiatives. These eight criteria are listed below. Annex A provides an overview how of the assessed standards reflect the eight proposed criteria.

¹⁶ VCMI Provisional Claims Code of Practice (2022). Available [here](#)

¹⁷ The Draft Nordic Code of Best Practice for Voluntary Compensation of Greenhouse Gas Emissions. Available [here](#).

¹⁸ The Gold Standard Claims Guidelines. Available [here](#)

¹⁹ International Organisation for Standardisation Net Zero Guidelines. Available [here](#)

²⁰ UN High Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. Available [here](#)

²¹ Climate Neutral Certification Standard. Available [here](#)

²² South Pole: Climate Neutral Label. Available [here](#)

²³ Natural Capital Partners: The CarbonNeutral Protocol. Available [here](#).

²⁴ Climate Partner checklist. Available [here](#).

²⁵ The Carbon Trust: Route to Net Zero Standard. Available [here](#).

²⁶ <https://www.wemeanbusinesscoalition.org/wp-content/uploads/2022/12/Guiding-principles-for-corporate-climate-leadership-on-the-role-of-nature-based-climate-solutions.pdf>

²⁷ <https://www.iucn.org/our-work/nature-based-solutions>

²⁸ The World Resources Institute: Guidance on the Voluntary use of NBS Carbon Credits through 2040. Available [here](#)

²⁹ The Nature Based Solutions initiative. Available [here](#)

³⁰ New Climate Institute: Corporate Responsibility Monitor 2022 Report. Available [here](#)

³¹ Natural Climate Solutions Alliance and Boston Consulting Group (2022): (Draft) A Buyer's Guide to Natural Climate Solutions Carbon Credits. Available [here](#)

8 Key criteria for responsible use of carbon credits

1. Buyer demonstrates environmental and social responsibility
2. Buyer employs and discloses robust and comprehensive quantification of scope 1, 2, and 3 emissions
3. Buyer has developed a Paris Agreement aligned emissions reduction target and associated corporate strategy approved by a recognised standard
4. Buyer is on-track to meet Paris Agreement aligned emissions reduction target and reports transparently and annually on decarbonisation progress
5. Buyer invests in high-quality carbon credits verified by recognised standards
6. Buyer communicates transparently on carbon accounting
7. Buyer's claims relating to carbon project investments adhere to authoritative claims guidance
8. Buyer recognizes and communicates on the benefits of NBS project types, and commits to promote their diligent use

3.1 Criterion 1

Buyer demonstrates wider environmental and social responsibility

First and foremost, any responsible use of carbon credits can only take place when companies adopt, embrace, and live up to a general environmental and social responsibility. Of the assessed guidance documents for high-integrity corporate climate claims, only the VCM Claims Code of Practice explicitly reflects this first criterion in its foundational criteria, which are to be complied with before making a claim according to this guidance.

HLEG and the ISO Net-Zero Guidelines encourage buyers to take an active role in Paris Agreement-aligned lobbying, assuming a sector leadership role and mobilizing their industry peers.

A first means to apply this criterion is to restrict/limit the sale of carbon credits to companies that conduct business responsibly, i.e. by adhering to local laws, paying taxes, staying away from child labour and forced labour and committing to non-bribery. A generally accepted set of guidelines applied by internationally operating companies comes from the OECD and is known as the OECD Guidelines for Multinational Enterprises.³² OECD furthermore provides specific guidance on responsible business conduct in selected sectors, including minerals, extractives and agriculture.

Optional additional filters could be e.g. positive listing, exclusion of certain sectors and additional requirements related to land use impact.

³² OECD Guidelines for multinational Enterprises (2011), view here: <http://mneguidelines.oecd.org/guidelines/>

Positive listing

Beyond meeting minimum criteria verified by recognised standards, buyers could demonstrate environmental and social leadership in their sectors. This includes:

- Transparently communicating about the company's social and environmental impact
- Setting stricter – and not only carbon related – nature targets such as commitments to zero deforestation, zero drainage and/ or becoming nature positive
- Advocating a progressive environmental policy, and make efforts to influence national or regional policy making.

To demonstrate this, buyers could develop a sustainability strategy and publish an annual sustainability report.

Some project developers may aim to select only the best performing companies and sectors and can develop a so-called 'positive list'.



Coastal and Marine wildlife in Japan
Credits: Wetlands International

Exclusion

Some project developers might choose to exclude (blacklist) certain sectors to sell carbon credits to from the outset, for considering them unethical. These can include the weapons industry and the tobacco sector.

Notably, there is a fierce debate on selling carbon credits to companies in the extractive industry such as the oil and gas sector and the coal industry, that rely on exploring and extracting new fossil resources. Given that the carbon in existing fossil fuel production would already take us beyond the globally agreed climate goals, some developers argue that responsible climate action can not involve opening up new fossil resources.

Moreover, these companies are large emitters of GHGs in the first place, and considering their scope 3 emissions – emissions from burning oil products, gas and coal by their clients – they are the biggest contributors to global warming. It is therefore no coincidence that companies in the

oil and gas sector rank among the larger buyers of carbon credits. Often they are criticised for greenwashing, not having Paris Agreement-aligned climate commitments and sometimes actively lobbying against effective climate policy. Some stakeholders argue that allowing these companies to purchase carbon credits and claim carbon neutrality provides them with an excuse to delay structural changes in their business models and frustrate decarbonisation.

Conversely, others counter that emissions from the oil and gas sector are the most difficult to abate and allowing companies in these sector to offset scope 3 emissions is the best way to maximize the impact of carbon markets in mitigating climate change. Not allowing them to do so would still result in the release of large amounts of GHG to the atmosphere while doing nothing to balance that, thus ultimately having a worse impact for climate change. Project developers may decide not to exclude this sector, but instead require incremental progress and or pose limitations on

the claims associated with the use of credits, which is further discussed in criterion 7.

Without taking position, this guidance encourages its users to acknowledge the debate, consider the arguments, and take a decision most aligned with own views and mitigation strategy. Some project developers may intentionally choose to collaborate with heavy emitters

to provide an incentive to improve. Others find that if you do not embrace these sectors you will have no impact at all (and lose out on a lot of funding). Yet others may limit collaboration to scope 3 and there are also project developers that exclude collaboration with this sector completely arguing any cooperation would continue to drive climate change.

Sectors with land-use impact

Developers of NBS projects may find it particularly relevant to check the track record of a potential buyer on dealing with destruction and degradation of ecosystems before selling carbon credits from protection and restoration of exactly these kind

of ecosystems. Carbon buyers from sectors with a land-use impact should have a clear policy on reducing land-use related emissions, including for example zero deforestation or zero drainage commitments.

3.2 Criterion 2

Buyer employs robust and comprehensive quantification of scope 1, 2, and 3 emissions

A credible and ambitious decarbonisation strategy starts with a thorough Greenhouse Gas (GHG) emissions inventory. All of the assessed carbon credit guidance initiatives require such a GHG emissions inventory.

The most applied way to do so, is following the guidance of the GHG Protocol.³³ It categorises three groups of corporate emissions: scope 1, 2, and 3. Scope 1 emissions are direct emissions from sources that are owned or controlled by the entity. Scope 2 emissions are indirect emissions from the production of energy that is purchased but not owned or controlled by the entity. Scope 3 emissions are those occurring upstream and downstream in the entity's value chain.

For many companies, scope 3 makes up the majority of emissions. At the same time, scope 3 emissions are the most difficult to account for, as they occur outside a company's

direct operations. The GHG Protocol has developed sector-specific guidance that facilitates robust GHG accounting across scope 1,2, and 3. The GHG Protocol is currently developing specific Land Sector and Removals Guidance³⁴, which explains how companies should account for and report GHG emissions and removals from land management, land use change (e.g. deforestation, afforestation, wetland conversion), biogenic products, carbon dioxide removal technologies, and related activities in GHG inventories. This guidance will be important to correctly account for nature-based emissions and mitigation. Note that following the guidance of the GHG Protocol typically works well for large companies, but could be too cumbersome for smaller emitters. But then again, smaller emitters would likely purchase modest volumes of carbon credits only and might therefore not be the first buyer of choice.

³³ The GHG Protocol Corporate Standard. Available [here](#)

³⁴ The GHG Protocol Land Sector and Removals Initiative. Available [here](#)

3.3 Criterion 3

Buyer has developed a Paris Agreement aligned emissions reduction target approved by a recognised standard

At the time of writing, the Science Based Targets initiative (SBTi)³⁵ offers the most authoritative guidance for setting corporate emission reduction targets, including net-zero targets.³⁶ SBTi guidance is relevant for large companies with 500 employees as a minimum threshold. The SBTi defines net-zero for a company as 'achieving a state in which the activities within a company's value chain result in no net impact on the climate from GHG'.³⁷ To achieve net-zero, companies must reduce their value chain emissions in line with a 1.5°C pathway.³⁸ SBTi guidance is sector specific. Most claims guidance documents refer to SBTi when it comes to setting emission reductions targets.

A key starting point in any decarbonisation strategy is adherence to the mitigation hierarchy. This means any company's primary responsibility is to avoid and reduce the GHG emissions in its own value chain.

Any remaining emissions at the end of a decarbonisation strategy should be neutralised, e.g. by removing an equivalent volume of CO₂ from the atmosphere and storing it permanently. Typically, this would be done by purchasing and retiring *removal* credits (see Box 2). This final decarbonisation state is typically referred to as net zero and is the only claim SBTi endorses.

Emissions that are not yet abated, on the way to achieve net zero, can be compensated/offset by purchasing and retiring carbon credits. These carbon credits are typically emission reduction or removal credits (see Box 2). Currently, such compensation makes up the largest part of demand in voluntary carbon markets. This is where claims such as carbon neutral and climate neutral arise that are the

focus of the emerging claims guidance documents.

SBTi itself – and a few others – rather refer to Beyond Value Chain Mitigation (BVCM) when it comes to the use of emission reduction carbon credits other than for neutralisation and a company's net zero target and do not allow any offsetting claim from this use.

³⁵ The SBTi is a collaboration between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature

³⁶ SBTi: The Net Zero Standard. Available [here](#)

³⁷ SBTi (2020) Foundations for Science-Based Net-Zero Target Setting in the Corporate Sector. Available [here](#)

³⁸ SBTi (2020) Foundations for Science-Based Net-Zero Target Setting in the Corporate Sector. Available [here](#)



Box 2.

Ecosystem protection and restoration are both pivotal in combating climate change

Carbon projects avoid or reduce emissions, or capture and store CO₂ from the atmosphere. The resulting carbon credits are reduction or removal credits. A reduction credit comes from interventions that reduce the duration, intensity, or extent of emissions that cannot otherwise be avoided. Removals refer to withdrawing CO₂ from the atmosphere and storing it permanently, such as enhancement of biological carbon sinks or the use of technological interventions to achieve long-term removal and storage.

In the case of NBS, both conservation of remaining ecosystems (often associated with emission reductions) as well

as restoring degraded ecosystems (often associated with removals), are crucial to keep climate change within the agreed limits while also securing biodiversity and creating healthy environments for humans. Both intervention types are in dire need of finance.

Wetlands are particularly recognized for being vast carbon stores, but they can become a huge source of emissions upon degradation creating an urgent need to restore them.³⁹ For example, peatland degradation amounts to 4% of global emissions⁴⁰ more than the aviation and shipping sector combined. However, in the case of wetlands, both conservation and restoration result in very

³⁹ Wetlands (2022) Policy Paper - The voluntary carbon market (VCM) for safeguarding and restoring our wetlands. Available [here](#)

⁴⁰ Wetlands (2022) Policy Paper - The voluntary carbon market (VCM) for safeguarding and restoring our wetlands. Available [here](#)

significant emission reductions, while removals are relatively minor. This is because most wetlands have very carbon rich soils that continue to emit GHG upon conversion and degradation until they are restored. Upon restoration, emissions are reduced or halted and soil carbon sequestration can occur, albeit slowly.

Consequently, when preference is given to removal carbon credits, such as promoted by SBTi, this might limit funding for wetlands since both their conservation and restoration mostly generate emission reductions.

Figure 2 illustrates key elements of a Paris-aligned decarbonisation pathway and the role of compensation and neutralisation.

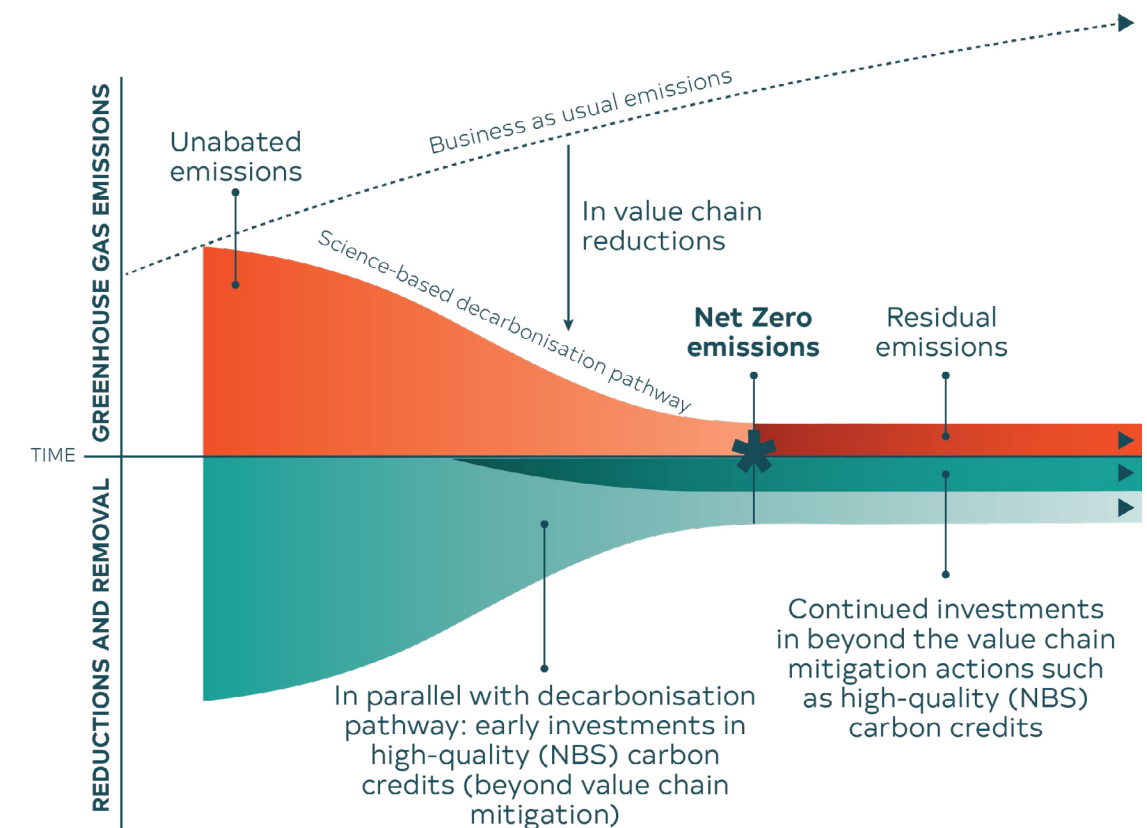


Figure 2: Paris Agreement-aligned decarbonisation pathway and the role of carbon credit

3.4 Criterion 4

Buyer is on-track to meet Paris Agreement aligned emissions reduction target and reports transparently and annually on decarbonisation progress

The activities laid out in the net-zero strategy should be implemented according to a proposed (and eventually verified) time schedule. To demonstrate this progress, buyers should report annually and transparently on their mitigation activities as well as any compensation and neutralisation efforts.

All assessed standards and initiatives require annual reporting on decarbonisation progress based on internationally recognised reporting standards.

At the moment of publishing this guidance, few companies report annually on progress in quantitative terms relative to Paris agreed targets. SBTi does require annual progress reporting, but enforcement of this criteria is lacking. This means that project developers have limited insight currently into a company's progress towards their Paris aligned target.

3.5 Criterion 5

Buyer invests in high-quality credits verified by recognised standards

Carbon credit users often build up portfolios of different classes of carbon credits, differentiated by technology type, geography, marketing value and price. Too often, the bulk of a carbon credit portfolio consists of carbon credits at the lower end of the price range with limited additional benefits. High-quality projects with good marketing value are then used to upgrade the carbon credit portfolio and communicate ample sustainable development benefits to consumers and other stakeholders.

Portfolios with a bulk of renewable energy carbon credits registered with the Clean Development Mechanism (CDM) registered and started in the early 2010's come at the lower end of the carbon credit price range and are often regarded with scepticism,

largely due to questions about additionality.

Almost all of the assessed guidance documents disapprove of such an approach and require use of high-quality carbon credits across the entire portfolio. During the time spent writing this guidance, the definition of a "high-quality credit" has evolved.

In 2023, the Integrity Council for the Voluntary Carbon Market (IC-VCM), launched the *Core Carbon Principles*⁴¹ (CCP): a set of science-based, widely consulted criteria, which form the new global benchmark for high quality carbon credits. The IC-VCM's CCPs intend to raise minimum standards in the market, and are designed to spearhead an ongoing process of continuous

⁴¹ IC-VCM: Core Carbon Principles. Available [here](#)

improvement. To be considered CCP-Eligible, a carbon-crediting program⁴² is required to comply with the criteria and requirements set out in the IC-VCM's Core Carbon Principles (CCP) Assessment Framework. The IC-VCM offers a fast-track assessment of programs already endorsed by ICROA.

In parallel to assessing carbon credits on program level, the IC-VCM assesses carbon credits per category (fast-tracked, submitted to a multi-stakeholder working group for deeper assessment, or unlikely to meet requirements) against the CCP Assessment Framework. A carbon credit will only receive the CCP-approved label once both its carbon-crediting program and applicable carbon credit category criteria are met. So far, three carbon standards have applied for CCP-eligibility, according to the IC-VCM website:⁴³ Gold Standard, Climate

Action Reserve, and Social Carbon. Verra has updated the Verified Carbon Standard⁴⁴ (VCS) to better align with the CCP, while also maintaining alignment with ICROA. Verra submitted an application for CCP approval of the VCS scheme in November 2023.

Like before the launch of the CCP, most retail standards still refer to ICROA-endorsed standards⁴⁵ as a definition of high-quality credits. Most carbon market participants consider the quality of the leading carbon standards Verified Carbon Standard⁴⁶ (VCS) by Verra and the Gold Standard⁴⁷ sufficient. Verra also covers the widest array of ecosystems and land uses, serving as an umbrella organisation to the Jurisdictional and Nested REDD+ framework (JNR)⁴⁸, the Climate, Community & Biodiversity (CCB) Standards⁴⁹, the Sustainable Development Verified

Impact Standard⁵⁰ (SD VISTa), and LandScale.⁵¹ Another example is Plan VIVO, which has developed quality criteria for measuring additional benefits associated with NBS activities. These standards can serve as additional confirmation of high quality of carbon credits. It is likely that in new iterations or updates to these standards, the CCP will be included.

Beyond the program- and category level assessment of carbon credits by

CCP, carbon credit rating agencies give a nuanced insight into multiple aspects of quality at the level of an individual carbon project. Examples include Calyx⁵², BeZero⁵³ and Sylvera⁵⁴.

Most of the analysed claims guidance initiatives offer a list of endorsed carbon crediting standards for buyers to align their portfolios with. VCMi is the first to require buyers to buy CCP-approved credits as they come available, and until then allows for ICROA-eligible credits.

⁴² Carbon credit program: A standard setting program that registers mitigation activities and issues carbon credits.

⁴³ IC-VCM: Core Carbon Principles: consulted on 13 November 2023. Available [here](#)

⁴⁴ Verra Verified Carbon Standard. Available [here](#)

⁴⁵ ICROA endorsed standards, available [here](#)

⁴⁶ Verra Verified Carbon Standard. Available [here](#)

⁴⁷ Gold Standard. Available [here](#)

⁴⁸ Jurisdictional and Nested REDD+ Framework. Available [here](#)

⁴⁹ Climate, Community and Biodiversity Standards. Available [here](#)

⁵⁰ Sustainable Development Verified Impact Standard. Available [here](#)

⁵¹ Landscale is an assessment framework using a digital platform that enables landscape-scale initiatives to measure, monitor and transparently report on sustainability outcomes. Available [here](#)

⁵² Calyx Global. Available [here](#)

⁵³ Be Zero Carbon. Available [here](#)

⁵⁴ Sylvera. Available [here](#)

3.6 Criterion 6

Buyer communicates transparently on carbon accounting

Accounting of emissions and emission reductions takes place on various levels and in different systems.⁵⁵ Corporates typically account for the GHG emissions linked to their operations and report them in their annual sustainability report. Governments account for GHG emissions, reductions, and removals that occur within their jurisdictions. They capture emissions in GHG inventories and report these under the United Nations Framework Convention on Climate Change (UNFCCC). The different goals, scopes, and scales of accounting lead to overlapping GHG measurement and reporting which has been a source of heated debate.

Most of the debate centres around the concept of *double counting*: the situation in which an emission reduction or removal ends up in two

countries' reporting to the UNFCCC: the host country's and that of a country that purchases the carbon credit. This is addressed by requiring a so-called corresponding adjustment when carbon credits are traded between countries.

Double counting in voluntary carbon markets can occur when one carbon credit is used by multiple end-users to compensate their emissions. To avoid this situation, it is paramount that an end-user provides clear instruction to the carbon credit registry to retire a used credit unambiguously in the name of the end-user. Next, the corresponding registry numbers of the retired carbon credits should be referred to in the end-users carbon accounting.

Between voluntary carbon markets and host country emissions reporting,

there is often a situation of *double claiming*: the host country may include an emission reduction caused by a carbon credit project in its UNFCCC reporting ("claiming" its climate benefits) while the private buyer may claim the same climate benefit in its own carbon accounting, that's not linked to a country's UNFCCC reporting.⁵⁶ Some argue double claiming should be as much avoided as double counting, fearing that emission reductions from voluntary carbon projects would be a disincentive for countries to implement their own emission reduction policies. In their view, "exports" of voluntary carbon credits should therefore be deducted from national emissions reporting – through *corresponding adjustments* – and treated in a similar way as carbon credits that are used in other countries' UNFCCC reporting. Others argue that most developing countries simply rely on private finance to reach their climate ambitions in the first place and that requesting corresponding adjustments on such transactions would actually prevent the activities from taking place.

Guidance from UNFCCC leaves it up to the host country how it wishes to treat the voluntary carbon market and associated claims.

The analysed claims guidance documents offer slightly different views on double claiming. The Nordic Code and the Gold Standard differentiate claims based on whether the mitigation associated with the carbon credits contributes towards or beyond existing national targets. VCMI allows both types of carbon credits (i.e., those counted towards vs beyond national targets) to be used for the claims. VCMI does not require corresponding adjustments for credits, recognizing that many countries do not yet have the administrative and transparent processes in place to facilitate this. VCMI requires companies to publicly communicate whether the mitigation outcomes associated with the carbon credits may also count towards the host country's target – now, or in the future.

The VCMI Claims Code of Practice does stipulate that companies

⁵⁵ A clear explanation on double counting, double claiming and other accounting issues is given in the VCM primer www.vcmprimer.org, in particular in chapters 3 and 4.

⁵⁵ For a full explanation of double counting, see the VCM primer [here](http://www.vcmprimer.org)

should purchase CCP-approved carbon credits as soon as they come available. The CCP states not to allow for double counting, including double issuance, double claiming, and double use. For carbon credits for which a host country issues corresponding adjustments, the CCP features a *CCP Attribute* to recognise this feature. VCMI does not require this attribute however.

Unlike the VCMI, the terminology of the Nordic Code differentiates between *national mitigation* contribution claims (based on mitigation contributing to national targets) and *offsetting* claims

(based on mitigation beyond national targets). The Nordic Code also includes a claim about *overall mitigation in global emissions* to support mitigation beyond existing targets without counterbalancing any specific emissions.

For now given the lack of a generally accepted concept, it is recommended that buyers of carbon credits communicate clearly how the underlying mitigation outcomes contribute toward the host country's NDC, and be transparent in all reporting and communications related to credit use.

3.7 Criterion 7

Corporate claims relating to carbon project investments adhere to authoritative claims guidance

Transparency is key when communicating about carbon project investments. Several standards and certification bodies have developed guidance claims and underlying prerequisites supporting responsible claims. Annex B provides a full overview of existing standards and the claims they endorse.

The Gold Standard differentiates between two different types of voluntary claims:

1. Offsetting claims (related to compensating ongoing or historic emissions)
2. Impact claims (i.e., no offsetting involved, comparable to SBTi BVCM)

The VCMI Claims Guidance only facilitates 'contribution claims'-

similar to Impact Claims and SBTi BVCM. Such claims are not counted as internal emissions towards a company's decarbonization target, but they represent a contribution to both the company's climate goals and the global collective mitigation efforts. When it comes to impact claims, the NCS Alliance argues⁵⁷ that companies should be wary of making claims about project outcomes when purchasing carbon credits. It would not be credible to claim responsibility for the outcomes beyond emission reductions of an entire project when the company has only purchased a portion of the credits responsible for funding it. This is especially true for NBS credits, seeing as they tend to offer additional benefits, such as improved livelihoods or enhanced biodiversity.

⁵⁷ Natural Climate Solutions Alliance and Boston Consulting Group (2022): (Draft) A Buyer's Guide to Natural Climate Solutions Carbon Credits. Available [here](#)

Climate Impact Partners' Carbon Neutral Label guidance adds claims should be factual and transparent, and that clients should also ensure that all claims are consistent with national or regional guidance or legislation that defines and controls environmental claims, such as the US Federal Trade Commission's Green Guides, the UK Competition and Markets Authority's Green Claims Code, the Swedish Consumer Agency (*Konsumentverket*), and the International Chamber of Commerce's Framework for Responsible Environmental Marketing.

The VCMI claims Code of Practice⁵⁸, which looks to become the most authoritative claims guidance, proposes a hierarchy of claims intended to represent in a simple way the company's level of achievement against its long-term commitments to net-zero. This hierarchy includes three tiers of claims:

- **VCMI Platinum** is the highest achievable tier. A VCMI Platinum claim indicates that a buyer's purchase and retirement of high-quality carbon credits is equal to or greater than 100% of its remaining emissions⁵⁹ in the most recent reporting year. Credits should only be used to finance climate mitigation beyond their emissions reduction targets.
- **VCMI Gold** is the mid-level tier. This tier requires a buyer's purchase and retirement of high-quality carbon credits to be equal to or greater than 60%, and less than 100% of a company's remaining emissions. Additionally, the percentage of carbon credits to be purchased and retired must increase in each subsequent year a company makes a VCMI Claim.
- **VCMI Silver** is the most accessible tier. A VCMI Silver claim indicates that a buyer's purchase and retirement of high-quality carbon credits is equal to or greater than 20%, and less than 60% of a company's remaining emissions. Additionally, the percentage of carbon credits to be purchased and retired must increase in each subsequent year a company makes a VCMI Claim.

Compliance with the VCMI Foundational criteria is a mandatory prerequisite to making any VCMI claim. These foundational criteria correspond with criteria 1-4 proposed in this due diligence guidance.

⁵⁸ Note: At the time of writing, VCMI is commissioning market research to determine informative claim names. The outcome of this research may result in a shift away from the current Silver, Gold and Platinum approach.

⁵⁹ The VCMI defines remaining emissions as emissions that remain in a given the year as a company progresses towards the delivery of its near and long-term targets.

Mangrove tree in the sea with small fish and sponges on the roots underwater, split level view over and under water surface in the Caribbean
Credits: Adobe Stock

3.8 Criterion 8

Optional criterion: Buyer is aware of and communicates on NBS project types and their respective benefits

Developers of NBS projects may like to check as well to what extent a buyer understands the value and benefits of their projects. When implementing together with effective safeguards to preserve community rights and interests, NBS can offer a suite of benefits to address societal challenges in an integrated way. NBS facilitate protection, sustainable management, and/or restoration of both natural and modified ecosystems, benefiting both biodiversity, ecosystem degradation, land tenure and human well-being. Whether protection, sustainable management, or restoration measures are most important, depends on the type of land and specific conditions. To develop a responsible and balanced portfolio of carbon credits, a buyer should be aware of

the distinction between NBS project types, and the associated benefits (but also the risks) it involves for the local stakeholders. Of the analysed guidance documents, only the VCM reflects this distinction. In the Claims Code of Practice, it states that companies may invest in carbon credits issued from either emission reduction or removal projects for the global transition to net zero, and that they should prioritize projects based on the quality of the climate mitigation and co-benefit impacts they may deliver. The importance of early investment in carbon removal projects is emphasized in the Claims Code of Practice.

Examples of relevant guidance on high quality project types, implementation, and design of NBS

has been developed by IUCN⁶⁰, the WRI⁶¹, Oxford University⁶², Plan VIVO⁶³, Climate Community and Biodiversity Standard⁶⁴, Gold Standard SDG Impact Tool⁶⁵, Meridian High Quality Blue Carbon Principles and Guidance.⁶⁶

⁶⁰ The International Union for the Conservation of Nature (IUCN) The IUCN Global standard for NBS. Available [here](#)

⁶¹ The World Resources Institute: Guidance on the Voluntary use of NBS Carbon Credits through 2040. Available [here](#)

⁶² The Nature Based Solutions initiative. Available [here](#)

⁶³ Plan VIVO. Available [here](#)

⁶⁴ VERRA: Climate Community and Biodiversity Standard. Available [here](#)

⁶⁵ Gold Standard SDG Impact Tool. Available [here](#)

⁶⁶ The Meridian institute: Available [herehttps://verra.org/programs/ccbs/](https://verra.org/programs/ccbs/)



Fisherwoman harvesting oysters in the Saloum Delta, Senegal
Credits: Joeri Borst / Wetlands International

4

Operational Guidance

This chapter bundles the insights on carbon buyer profiles and responsible use of carbon credits in a tool that project developers can use to evaluate the credibility of the future use of their carbon credits. Furthermore, this chapter provides suggestions on how project developers can influence that use through engagement with carbon credit buyers.

For project developers to have maximum transparency around the intended use of their carbon credits, they should pursue sales strategies that reduce the distance between them and the end-user of the offered carbon credits or agree on due diligence conditions with the reseller. To assess the buyer's intended use of carbon credits, section 4.1 provides a due diligence checklist based on the eight criteria of chapter 3. End-users constitute only a small part of buyers in the carbon market, likely representing up to 10% of all transactions. Developers of high-quality NBS projects often prefer selling to this group, expecting maximum control over how the carbon credits are used, in spite of the considerable effort this process takes.

When selling to an intermediary that will on-sell the carbon credits, a project developer's insight into the use of the carbon credits tends to be restricted. Examples include brokers and traders that arrange a back-to-back transaction with an undisclosed end-user, and aggregators/carbon credit retailers that support clients with their climate neutral strategies. Guidance on assessing these buyers is elaborated in section 4.2.

4.1 Due diligence of end-users

This section provides guidance to do an appraisal of the expected use of carbon credits for a scenario where a project developer and an end-user are negotiating a carbon credit transaction directly. The proposed appraisal is based on the 8 criteria discussed in chapter 3. This appraisal can be part of a larger due diligence process that a project developer may choose to carry out when assessing the backgrounds and reliability of a potential contract partner. Such wider due diligence, which is beyond the scope of this guidance, could include evaluation of a buyer's legal situation (verification of legal establishment and authorised signers), its financial standing (buyer's ability to pay) and any reputational issues.

The proposed appraisal can also be used by resellers, who sell carbon credits on behalf of project developers, and who have agreed with project developers to sell to buyers that use carbon credits responsibly.

Table 1 below presents a checklist for due diligence for end users of carbon credits. It presents the 8 criteria discussed in Chapter 3, their corresponding performance indicators, means of verification, and interpretation guidance. It should be noted that the assessment criteria presented in Table 1 should be interpreted as a spectrum rather than as absolute values. This means that rather than scoring "met" or "not met" on a specific criterion, this checklist provides a framework for continuously assessing the level of credibility and the commitment of the carbon credit buyer with respect to different aspects of its climate strategy. The due diligence checklist aims at helping its user to make their own informed decisions and to assess risks. This approach acknowledges that guidance on responsible use of carbon credits has recently been developed, and that companies are just starting to use this guidance. In future it may be possible to assess the criteria in a binary way (met/not met).

The main emerging global claims guidance⁶⁷ and retail standards⁶⁸ on responsible claims relate in one way or another to the eight criteria presented in this guide. Hence, a lower-effort due diligence is needed for buyers that already adhere to these guidance documents and who have their decarbonisation strategies and ensuing claims verified by independent third parties. Checking the available verification statements can be a convenient starting point to provide assurance of the end-user's responsible use of carbon credits. A number of criteria will still need to be assessed, in particular the buyer's wider approach to environmental and social responsibility (criterion 1), understanding of NBS projects (criterion 8), and the composition of the buyer's carbon credit portfolio (criterion 5). The authors of this guidance acknowledge that this assessment can be costly in terms of time and resources. It may therefore be more relevant for larger transaction than for small ones.

In case an end-user does not yet apply global claims guidance or follows an established retail standard, each of the eight criteria

can be assessed individually. At the moment of publishing this guide, this will be the case in all transactions, as certification of claims is to become available in the course of 2023 earliest. Such assessment will typically require the potential buyer to share documents that demonstrate responsible use of carbon credits. These documents include baseline documents (emissions inventory, emission reduction target and decarbonisation pathway), progress reports, a number of checks of external sources and ideally third-party verification statements.

The practical implementation of the carbon credit use appraisal can take various forms. Often, any carbon contract negotiation starts with agreement of a Term Sheet that features the main transaction details, allowing parties to carry out mutual due diligence for an agreed period until a final contract (often referred to as Emission Reduction Purchase Agreement of ERPA) is signed. The signing of the ERPA can be made conditional upon a satisfactory outcome of the due diligence.

⁶⁷ VCM Claims Code of Practice (2022). Available [here](#), The Nordic Code of Best Practice for Voluntary Compensation of Greenhouse Gas Emissions. Available [here](#), The Gold Standard Claims Guidelines. Available [here](#)

⁶⁸ Climate Neutral Certification Standard. Available [here](#), South Pole: Climate Neutral Label. Available [here](#), International Organisation for Standardisation Net Zero Guidelines. Available [here](#).

In case the buyer is not compliant, or not fully compliant with the eight criteria on responsible use of carbon credits, the project developer may propose implementation of any of the criteria as conditions precedent to the signed ERPA. Consequently, delivery of carbon credits could be withheld until the buyer fully complies with the agreed conditions. However, at the time of publishing this guidance, compliance or non-compliance is rarely clear-cut. Many standards to comply with as well as corresponding verification systems are still in development. Therefore, instead of terminating negotiations in the case of non (-sufficient) compliance, project developers and buyers may choose to agree on corrective actions, a timeline for reaching compliance, or stringent criteria on claims made based on the purchase of these credits. Ultimately, it is up to the project developer to determine the level of compliance they deem acceptable to move forward with negotiations.

Undertaking due diligence on an end-user may pose significant challenges to a project developer. Additionally, individual project developers may not have the power to exert influence

on buyers to whom they sell credits. To increase leverage power for this group, building coalitions of project developers that jointly apply guidance to assess buyers' integrity may be helpful. These coalitions are already emerging. Alternatively, it may be interesting to work with a reseller that is willing to take on the buyer due diligence.

New Climate institute has produced scorecards⁶⁹ on buyers' intentions that are easily accessed by sellers.

In December 2022, AlliedOffsets launched a carbon credit buyer rating system.⁷⁰ Their buyer ratings consider two aspects of the carbon credit buyer: the share of emissions they compensate, as well as the profile of the carbon credits they compensate with. Speaking in terms of the 8 criteria proposed in this paper: the ratings address criteria 2 (emissions inventory), 4 and 5 (quality of carbon credits) and 7 (double counting). As of December 2022, 282 carbon credit buyers have been included in the rating system. Project developers are advised to check the rating of their potential buyer.

⁶⁹ NewClimate Institute (2022) Corporate Responsibility Monitor 2022 Report. Available [here](#)

⁷⁰ AlliedOffsets (2022) Carbon credit buyer rating. Methodology available [here](#) and a demo available [here](#)



Table 1: Checklist due diligence of carbon credit end-users

Criterion	Performance indicator basic level	Performance indicator advanced level	Means of Verification	Interpretation guidance
1. Buyer demonstrates wider environmental and social responsibility	<p>Adheres to OECD guidelines for multinational companies or similar</p> <p>Is not on a black list (e.g. weapons, boycott lists)</p> <p>Refrains from negative climate lobby</p> <p>Optional:</p> <p>Fits a Positive list set by the project developer</p> <p>Exclusion criteria set by the project developer do not prevent engagement with this buyer</p> <p>For sectors with land-use impact: buyer demonstrates intention towards zero deforestation and/or zero drainage commitments or equivalent</p>	<p>Buyer taking on a leading role in its sector</p> <p>Optional:</p> <p>For sectors with land-use impact: zero deforestation or zero drainage commitments in place</p>	<p>Annual social and environmental reports</p> <p>Optional: external communications, presence in sector roundtables/ pioneering initiatives</p>	<p>This is the first filter to apply when doing business with a carbon buyer</p> <p>Part of this filter includes the consideration of whether to do business with heavy emitting extractive, fossil-based or land use sector</p>
2. Buyer employs robust and comprehensive quantification of scope 1, 2, and 3 emissions	<p>Buyer is working on quantification</p>	<p>Established emissions quantification for scopes 1, 2 and 3 as per sector-specific GHG Protocol Guidance</p>	<p>Emissions inventory report / submission to GHG Protocol or to other initiative</p> <p>Third party validation of the document</p> <p>AlliedOffsets carbon credit buyer rating system</p>	<p>For the basic level requirement: estimate if buyer will be able to disclose emissions within the next two years</p> <p>National regulations generally do not require comprehensive GHG quantifications/reporting and scope 3 emissions are often reported on a voluntary basis. The US Securities and Exchange Commission (SEC) recently issued a rule proposal that would require all reporters, except for smaller reporting companies, to disclose their Scope 3 emissions if they are material or if the reporting party has a has set a GHG emissions target or goal that includes Scope 3 emissions.</p>
3. Buyer has developed a Paris Agreement aligned emissions reduction target and associated corporate climate strategy approved by a recognised standard	<p>Decarbonisation target and strategy , at least aligned with a 1.5°C scenario under development.</p>	<p>Decarbonisation target and strategy have been established, aligned with a 1.5°C scenario.</p>	<p>Decarbonisation strategy document / submission to SBTi or other initiative</p> <p>Third party validation of the document</p>	<p>Recommended standards include SBTi Net Zero, ISO IWA 42:2022, PAS 2060, Climate Neutral Certification Standard</p> <p>The standards mentioned warrant a/o that the decarbonisation pathway is sufficiently ambitious, aligned with climate science, and adheres to the mitigation strategy: avoid, reduce, offset</p> <p>If the decarbonisation strategy follows another protocol or was tailored by the buyer, then criterion 3 needs to be checked and justified</p>

Criterion	Performance indicator basic level	Performance indicator advanced level	Means of Verification	Interpretation guidance
4. Buyer is on-track to meet Paris Agreement aligned emissions reduction target	First annual progress report planned in two years latest	Annual progress reports confirm planned emission reductions	Progress reports of the past three years Third party verification of these reports <u>Allied Offsets carbon credit buyer rating system</u>	<p>Recommended standards include: VCM Claims Code of Practice, Nordic Code, SBTi Net Zero, HLEG, ISO IWA 42:2022, Climate Neutral Certification Standard, South Pole's Climate Neutrality Label</p> <p>Some companies don't implement their widely communicated decarbonisation strategies, known as "greenhushing"</p> <p>It should be noted that the demand of three years progress reporting may cut away new buyers with good intentions but who had no chance to demonstrate them. Hence, special considerations may be given to the new market entrants in order to give them a fair chance to prove their good faith</p> <p>This guide does not provide insights on how to develop/evaluate "home-made" methodologies to assess whether the buyer is on track to meet its (intermediary) climate targets</p>
5. Buyers purchases high-quality credits verified by recognised standards	High quality credits at least 50% of the portfolio	High quality credits at least 80% of the portfolio, half of which from NBS	<p>Minimum quality criteria for carbon credits can be ensured by restricting to carbon standards that are CCP-approved OR endorsed by the International Carbon Reduction & Offset Alliance (ICROA), such as VCS, Gold standard and Plan Vivo Standard. In the future, the CCP may become the only eligible quality criteria in the market</p> <p>Carbon credit registries of VCS including Jurisdictional and Nested REDD+ framework (JNR), the Climate, Community & Biodiversity (CCB) Standards, the Sustainable Development Verified Impact Standard (SD VISTa), LandScale; and Gold Standard</p> <p>Additional certification of co-benefits through standards such as the Climate, Community and Biodiversity (CCB) Standard, the Sustainable Development Verified Impact Standard (SD VISTa) and Landscale are recommended</p> <p>Websites of ranking agencies</p> <p>Contracts with other buyers</p> <p><u>AlliedOffsets carbon credit buyer rating system</u></p>	<p>In some cases, buyers use high-quality carbon credits merely as a communication tool to upgrade a portfolio of cheaper lower grade carbon credits</p> <p>This guide considers that no high quality carbon credit claim can be made with the use of carbon credits that are not certified by a standard</p> <p>Carbon credits in buyers' portfolio are consistently of high quality, as ranked by independent ranking agencies like Calyx, BeZero, or Silvera</p> <p>With regard to quality of NBS credits specifically, NBS projects can align with: IUCN NBS Standard, Plan VIVO, Climate Community and Biodiversity Standard, Gold Standard for the Global Goals and Oxford University guidelines, Meridian High-Quality Blue Carbon Principles and Guidance</p>

Criterion	Performance indicator basic level	Performance indicator advanced level	Means of Verification	Interpretation guidance
6. Buyer communicates transparently on accounting	Emissions registry is transparent Used carbon credits are unequivocally retired in the name of the buyer	Explicit communication on the type of carbon credit used (with or without host country's corresponding adjustments).	Buyer's emissions reporting Carbon credit registries of VCS and Gold Standard	Double counting comes in many types, including double issuance, double claiming, double use. There are no formal regulations on linking the voluntary use of carbon credits by corporates and the international emissions accounting under the Paris Agreement. Users of carbon credits are advised however to be transparent about other uses of the carbon credits applied to compensate their emissions, including reporting by the host country to the UNFCCC Developments and discussion on double counting are ongoing and should be closely monitored Recommended standards following this approach include: VCMI Claims Code of Practice , HLEG
7. Buyer's claims relating to carbon project investments adhere to authoritative claims guidance	VCMI Silver or similar Non-carbon claims, or co-benefits -claims relating to project outcomes (improved livelihoods, enhanced biodiversity) are transparent and do not overstate the buyer's impact Self-reporting	VCMI Gold, Platinum or similar	Self-reporting Third party verification reports AlliedOffsets carbon credit buyer rating system	All claims related to climate by the buyer follow guidance by VCMI Claims Code of Practice , Nordic Code , PAS 2060 , Climate Neutral Certification Standard and refer to these standards Gold Standard provides differentiating guidance for offsetting/compensation claims and for impact claims (Beyond the Value Chain Mitigation) VCMI Claims Code of Practice only facilitates making impact claims Compliance with any of the proposed authoritative claim guidance documents, automatically includes compliance with criteria 2, 3, 4, 6 and 7 Emerging guidance on non-carbon claims should be closely monitored and these are often most developed in the context of NBS projects given that these typically deliver co-benefits Assessed standards do not yet address non-carbon claims specifically. Guardrails are being developed by the WRI
8 (optional): Buyer recognises and communicates on the benefits of NBS project types, and commits to promoting their diligent use	Portfolio of carbon credit projects includes both protection and restoration projects	Portfolio of carbon credit projects consists of >50% of NBS credits Portfolio includes both protection and restoration projects, both removals and emission reductions Buyer communicates and promotes NBS through dedicated efforts	Share within portfolio: see means of verification for criterion 5 Expressions in the media Evidence for promotion Carbon credit registries of VCS including Jurisdictional and Nested REDD+ framework (JNR), the Climate, Community & Biodiversity (CCB) Standards , the Sustainable Development Verified Impact Standard (SD VISta) , LandScale ; and Gold Standard Contracts with other buyers	Project developer will have to check this criterion in conversations with buyer

4.2 Strategies when transacting through resellers

When transacting through a reseller, access to information on who the end-buyer is and how this organisation intends to use the carbon credits will initially be restricted. Resellers – both brokers and traders that engage in back-to-back transactions as well as aggregators and investment funds that structure more complex offtake agreements – will be hesitant to share specific details concerning identified counterparties to minimise the risk of circumvention by the seller. Especially in the case of complex offtake agreements, resellers might not have all the end-buyers secured at the beginning. At the same time, to enable a transaction to go ahead, resellers will cater to demands of the seller, opening up opportunities for project developers to specify end-buyer requirements.

Strategies to secure the end-use of carbon credits when selling through resellers can significantly impact the price a project developer is able

to negotiate. Resellers are typically unwilling or unable to take on liquidity restrictions.

When a reseller is directly brokering a deal to an end-user of the carbon credits, the project developer will need to clarify its position on the desired kind of end-user to the reseller from the beginning, e.g. by clarifying the desired performance level against the eight criteria. The project developer should specify within a term sheet that any transaction is conditional upon the counterparty evidencing that all the conditions imposed by the seller are met by the end-buyer. Note that this ability may vary greatly between resellers. Brokers when brokering deals are able to deal with exclusions but traders who take risk on the inventory would not accept this as it adds liquidity risk for them. It could also be actually illegal for some of the regulated firms.

Provided that at this stage the reseller will need to expose the name of the counterparty for the due diligence to take place, the project developer will most likely be expected to sign a non-circumvention agreement to prevent a situation where following a successful due diligence outcome, the seller bypasses the reseller involved.

Certain resellers will not agree to disclosing any information to the project developer that will expose the name of the counterparty. In such case, the following possibilities exist:

1. The project developer terminates the discussions with the reseller and the transaction does not go ahead.
2. The project developer moves ahead with the transaction based on a confirmation by the reseller that the buyer meets the assessment criteria, without being granted access to supporting evidence. In this case the reseller would be responsible for conducting the due diligence.
3. The project developer engages a third-party that acts as a mediator

that confirms the outcome of the assessment report and approves the transaction in accordance with the assessment criteria, but does not expose the name of the counterparty to the project developer.

In any given negotiation, resellers may not have access or be able to share all information requested by a project developer. Since standards and verification systems are still in development, the requested information may not be available. Project developers and resellers may come to an agreement in these cases to pose limitations on claims made based on the use of sold credits, or propose a timeline for achieving progress on missing elements.

Where a reseller does not know the end-buyer identity upon entering a commercial transaction with a seller – as could be the case in the context of an expanding investment fund or an aggregator that is building its portfolio – the project developer will not be able to immediately commence a due diligence process on an end-buyer. In such cases, a project developer can offer to release its

carbon credits on the condition that a suitable buyer is presented at a future point in time.

Such carbon credit purchase agreements will have to specify which party is responsible for carrying out the due diligence process. When the reseller commits to transacting only with high-quality end-buyers, the due diligence obligation could be taken on by the reseller directly, and the risk that no suitable buyers are found is restricted. This is a preferred scenario. Where the reseller does not have any specific end-buyer criteria, it is more likely that this task would fall back on the project developer. Furthermore, there is a risk that the reseller does not find a suitable buyer, introducing a delivery uncertainty that will need to be contractually governed. Additional complexities will arise where upfront financing has been offered to a project developer

by the reseller, creating a setting where the seller will ultimately need to relinquish control over the commercialisation of (some) of its carbon credits.

Transacting with mis-aligned resellers therefore elevates the risk that either i) the developer will not be able to exercise its due diligence right and carbon credits will in the end be sold to an unsuitable buyer; or ii) unsuitable end-users are offered other carbon credits in the reseller's portfolio, allowing such end-users to circumvent the due diligence process and still gain access to carbon credits offered by the reseller. To avoid such ex-post delivery dilemmas, developers should simply refrain from dealing with resellers that do not commit to seeking out high-quality end-buyers that perform satisfactorily according to the eight criteria.

Case studies

5



We tested the 8 criteria on the decarbonisation strategies and use of carbon credits of two international companies: Apple and Nestlé. Table 2 maps Apple's and Nestle's use of credits against the eight criteria for responsible use of credits. We have made use of publicly available sources only.

5.1 Apple

Apple is an example of a buyer that has aimed at ensuring demand-side integrity. To do this, it has accounted for and disclosed its GHG emissions, set targets aligned with science, and provided a detailed roadmap in how it is achieving its targets. Despite this, it has not made mid-term targets. As Apple has ensured to abate emissions within its operations and production, mostly through direct emission mitigation stemming from energy use, it used NBS credits to compensate its residual emissions. In addition, it has ensured supply-side integrity by aligning and working closely with reputable international organisations, such as Conservation International, to support the development of NBS projects not only focusing on NBS removals but also conservation of carbon sinks, which contributes to societal net-zero.

Apple's decarbonisation strategy and use of carbon credits are in line with leading guidance. At the same time, emissions in the IT sector

are comparatively easy to abate, in contrast to sectors such as land use, cement, chemicals, transport, and steel.

Corporate Climate Strategy

Apple's target for carbon neutrality by 2030 equates to 75 percent emission reductions relative to a 2015 baseline year. SBTi approved the translation of this target to a 62 percent reduction by 2030 from 2019 levels as 1.5°C compatible. This target is part of the Business Ambition for 1.5°C campaign.⁷¹ Yet, Apple does not report its interim targets to achieve this 62 percent reduction goal.

Apple claims to source 100 percent renewable electricity at their offices, retail stores, and data centres since 2018, and to be climate neutral in their scope 1, 2 and part of their scope 3 emissions since 2020. While it offers validation on their renewable electricity construct in their 2023 Environmental Progress report, transparency issues on energy-based

⁷¹ SBTi (2022) Business Ambition for 1.5°C. Available [here](#)

emissions accounting remain. For instance, Apple reports zero scope 2 emissions under a market-based accounting approach, although an independent assurance statement revealed scope 2 emissions of 0.89 MtCO₂e using a location-based accounting method.⁷²

Role of NBS carbon credits

As stated their Environmental Progress Report for 2023⁷³, they plan to invest in high-quality carbon removal projects, prioritizing NBS credits. Apple has stated that it prioritises the protection of ecosystems as a powerful, natural carbon solution that also aligns with rigorous international standards to ensure their impact.

Apple has partnered with Conservation International (CI) to procure NBS credits toward its carbon neutrality pledge. Through this collaboration, Apple has provided support to projects for micro-forestry and savanna restoration in Kenya, as well as mangrove restoration in Colombia.

Apple has steadily increased their efforts to invest in high-quality carbon credits. For instance in 2018, Apple partnered with CI, Colombia's Marine and Coastal Research Institute (INVEMAR), CVS (Corporación Autónoma Regional del Valles del Sinú, the Omacha Foundation and community-based associations of Mangrove users) to protect and restore 27,000 acres of mangrove forest in the Bay of Cispatá in Colombia.⁷⁴ The project is registered under Verra's VCS and includes the Climate, Community and Biodiversity standard (CCB)⁷⁵ and aims to reduce emissions by at least 17,000 metric tons of carbon dioxide in the first two years of operation. This project has become a flagship blue carbon project, as it not only contributes to climate change mitigation but also ensures that local wildlife will be protected, and a healthier mangrove forest will provide more secure employment — not to mention food security, water purification, and better coastal protection against storm surges.

To strengthen their investments efforts, Apple launched their carbon removal investment 'Restore Fund' in collaboration with Conservation International and Goldman Sachs. The fund was initially launched in 2021 with the objective of investing USD 200 million in carbon dioxide removal projects. Yet, in a recently announced expansion of the fund, Apple pledges to invest up to another USD 200 million, doubling the initial number of removals to 2 million tons of CO₂e.⁷⁶ With this fund, Apple wants to finance projects that meet clear social and environmental impact criteria and offer a financial return.

Apple claims that the Restore Fund aligns with international standards developed by organisations such as Verra and the IPCC, which ensure that the carbon stored in forests is being conservatively and accurately quantified. The priority of the fund is to focus on projects that protect lands with high conservation values and use native species to maintain and restore biodiversity. To ensure the integrity of these programs, Apple will rely on independent auditors. Through long-term NBS carbon removals supported through the Restore Fund, Apple aims to reach neutrality for its end-to-end carbon footprint.

⁷⁶ <https://www.apple.com/newsroom/2023/04/apple-expands-innovative-restore-fund-for-carbon-removal/>

⁷² NewClimate (2022) Corporate Responsibility Monitor 2022 Report. Available [here](#)

⁷³ https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2023.pdf

⁷⁴ <https://www.apple.com/newsroom/2019/04/conserving-mangroves-a-lifeline-for-the-world/>

⁷⁵ <https://registry.verra.org/app/projectDetail/VCS/2290>

Apple's ad
Credits: Apple's 2021 video "Every product
carbon neutral by 2030"



5.2 Nestlé

Nestlé, the world's largest food and beverage company globally by revenue⁷⁷, has a large land-related footprint. Almost 95% of Nestlé's emissions occur in scope 3.⁷⁸ In July 2023, following consumer pressure, Nestlé moved away from buying carbon credits to achieve carbon and climate neutral claims for its brands (e.g. KitKat, Nespresso, Garden Gourmet), to shift towards within-value chain emissions reductions. Nestlé now works to reduce their emissions in line with the mitigation hierarchy and invests in carbon removals to remove residual emissions within their value chain. These removal projects are located in the same landscapes where Nestlé sources its raw materials, and include wetlands, forests, and peatlands restoration projects. This a significant change from their 2020 commitment to 'continuously increase the number of "carbon neutral"

brands', and a good example of the impacts of increased public scrutiny of greenwashing claims that rely too heavily on offsetting schemes rather than on actual emissions reductions.

Corporate Climate Strategy

Nestlé is committed to achieving net zero by 2050⁷⁹, and aims to reduce their absolute scope 1, 2 and 3 emissions by 20 percent in 2025 and 50 percent in 2030, relative to 2018. In alignment with the SBTi's Forest, Land and Agriculture (FLAG) guidance, Nestlé has committed to zero deforestation throughout their value chains, which includes the production of various commodities. It also pledged to source 50 percent of its key ingredients from regenerative agriculture by 2030. Nestlé has aligned with the Cocoa & Forest Initiative (CFI) and drafted their *Cocoa & Forest Initiative Action Plan*⁸⁰ that aims to end cocoa-related

deforestation and spearhead forest restoration.

Key actions to tackle corporate emissions include sustainably sourcing ingredients, transforming their product portfolio, using renewable energy for manufacture, evolving packaging, moving towards carbon-neutral brands, and removing carbon from the atmosphere. Nestlé set a goal to remove 13 MtCO₂e from the atmosphere by 2030, which should be achieved through actions like in and off- farm agroforestry, soil management and restoring peatlands and forests, and activities in their Global Restoration Program. A notable change in its 2023 updated Net Zero roadmap⁸¹ is specific attention for methane emissions.

In their *Net-Zero Roadmap*⁸², Nestlé states that they aim to work closely together with farmers that provide agricultural ingredients (which account for nearly one-third of their emissions) to protect and restore

natural ecosystems. One key element is actively promoting Free, Prior and Informed Consent (FPIC) within suppliers to ensure social integrity. Additionally, Nestlé has drafted their own *Carbon Best Practice Principles*⁸³, which guide interventions of their Global Restoration Program and their Forest Positive Strategy.⁸⁴ The latter is informed by an external advisory council composed of leading civil society organisations such as World Resource Institute (WRI), Rainforest Alliance, Sustainable Trading Initiative (IDH), among others.⁸⁵

Role of NBS carbon credits

Instead of supporting its brands to reach carbon neutrality, Nestlé now uses NBS carbon credits to remove residual within-value chain emissions. To do this, Nestlé has initiated NBS projects through their Global Reforestation Program (GRP) to meet their objectives for carbon removals and deliver their Forest Positive programme's long-term objectives of

⁷⁷ Nestlé Net Zero Roadmap (2023). Available [here](#).

⁷⁸ Nestlé Net Zero Roadmap (2023). Available [here](#).

⁷⁹ Nestlé Net Zero Roadmap (2023). Available [here](#).

⁸⁰ Nestlé (2019) Cocoa & Forests Initiative: Nestlé's Initial Action Plan to end deforestation and promote forest restoration and protection in the cocoa supply chain. Available [here](#)

⁸¹ Nestlé Net Zero Roadmap (2023). Available [here](#).

⁸² Nestlé Net Zero Roadmap (2023). Available [here](#).

⁸³ Nestlé (2022) Nestlé's Carbon Best Practice Principles. Available [here](#)

⁸⁴ Nestlé (2022) Becoming Forest Positive. Available [here](#).

⁸⁵ Nestlé (2022) External Advisory Council for Nestlé's Forest Positive Strategy. Available [here](#).

forest conservation and sustainable landscapes.⁸⁶ To guide these efforts, Nestlé drafted the 'Nestlé Scope 3 Removals Framework' – aligned with the GHG Protocol and SBTi FLAG guidance – to help them identify which natural climate solutions to invest in, and implement in collaboration with their partners and suppliers along their value chain. This framework also requires that Nestlé's carbon best practice principles⁸⁷ are respected. Nestlé is a leading proponent of inseting and has spearheaded efforts such as at the International Platform for Insetting, along other companies such as Kering and Migros.

While Nestlé previously contributed to BVCM on a wider scale, it now only allows their brands to purchase high-quality carbon credits that help fund natural climate solutions and other activities outside of Nestlé's value chain – including tree planting, forest protection and, in some cases, social programs for rural communities. These investments are stated not to be a substitution for or a distraction from their corporate plan, as brands are also required to reduce emissions in line with Nestlé's corporate objectives.

⁸⁶ Nestlé (2022) Nestlé's Global Forest Program. Available [here](#)

⁸⁷ Nestlé (2022) Nestlé's Carbon Best Practice Principles. Available [here](#)

Nestlé's corporate headquarters in Vevey,
Switzerland
Credits: Nestlé



Table 2: Apple and Nestlé's approach assessed using the eight criteria for responsible use of credits

Criteria for responsible use of carbon credits	Apple Inc.	Nestlé
1. Buyer demonstrates wider environmental and social responsibility	<p>Communicate on objective to:⁸⁸</p> <p>Make all products carbon neutral by 2025</p> <p>Use only recycled and renewable materials (products and packaging)</p> <p>Eliminate waste sent to landfill from corporate facilities and suppliers</p> <p>Reduce water impact</p> <p>Eliminate plastic in packaging by 2025</p> <p>Avoid use of harmful chemicals</p>	<p>Engages in climate-related advocacy to encourage government policies and private sector leadership that enable rapid and sustained reductions in GHG emissions around key areas, aligned with the operational focus of their Net Zero Roadmap</p> <p>aligns climate change lobbying activities align with the goal of restricting global temperature increases to 1.5°C above pre-industrial levels and this translates into specific advocacy efforts at global, regional and country levels</p> <p>Contributes to the LEAF Coalition, a public-private partnership that incentivises jurisdictions to preserve their tropical forests through the offer of a stable floor price in return for verified emission reductions. Nestlé does not claim these reductions however as part of its net-zero strategy</p>
2. Robust and comprehensive quantification of relevant emissions covering scope 1, 2, and 3	<p>Scope 1,2, and 3 emissions following the GHG protocol and audited by APEX (scope 2) and Fraunhofer IZM (scope 3)</p> <p>(!) Apple reports zero scope 2 emissions under a market-based accounting approach, although an independent assurance statement revealed scope 2 emissions of 0.89 MtCO₂e using a location-based accounting method</p>	<p>Scope 1,2,3 emission assessed by South Pole to inform Net Zero Roadmap</p> <p>Reported emission reviewed by EY</p> <p>Nestlé has partnered with South Pole – a consulting firm, aggregator and project developer – to calculate its carbon footprint</p>
3. Buyer has developed a Paris Agreement aligned emissions reduction target and associated corporate climate strategy approved by a recognised standard	<p>Apple's target for carbon neutrality by 2030 equates to 75 percent emission reductions relative to a 2015 baseline year</p> <p>SBTi approved the translation of this target to a 75 percent reduction by 2030 from 2015 levels as 1.5°C compatible and are part of the Business Ambition for 1.5°C campaign</p> <p>(!) Apple does not report its interim targets to achieve its 62 percent reduction goal</p>	<p>2050 net zero commitment, updated in 2023</p> <p>Interim target: Nestlé commits to reduce absolute scope 1, 2 and 3 GHG emissions 20 percent by 2025 and 50 percent by 2030 from a 2018 base year</p>
4. Buyer is on-track to meet Paris Agreement aligned emissions reduction target	<p>SBTi validation 75 percent reduction by 2030 in 2021 suggests that the company is on track to meet its targets and that this target is aligned with the Paris Agreement</p> <p>Transparent annual reporting:</p> <ul style="list-style-type: none"> - Yes, annual environmental progress report 	<p>States 'progress will be measured'. Net zero commitment was updated in March 2023</p> <p>Earlier transparent annual reporting: Yes, with a third-party audited:</p> <ul style="list-style-type: none"> - <i>Creating Shared Value Sustainability Report</i> (2021); - <i>Climate Risk and Impact Report</i> (2021); - <i>Towards a Forest Positive Future</i> (2021); - <i>Tackling Deforestation</i> (2021) - Third party assurance EY and Bureau Veritas

⁸⁸ https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2022.pdf

Criteria for responsible use of carbon credits	Apple Inc.	Nestlé
5. Buyers invests in high-quality credits verified by recognised standards	Apple partnered with Conservation International and Goldman Sachs to launch the Restore Fund to generate offsets for NBS. The projects in the Restore Fund will align with international standards developed by organizations such as the Verified Carbon Standard (VCS), the Climate, Community & Biodiversity Standard (CCBS), and the Forest Stewardship Council (FSC)	Created their own code of best practice for carbon credits Carbon credit sourcing is supported by third party-providers and follow Nestlé’s procurement guidelines that ensure “high-quality credits”
6. Buyer communicates transparently on accounting and double claiming	Not mentioned, alignment with VCS suggests that, to some extent, measures have been put in place to avoid market-based double counting (i.e. credit being claimed by several parties) No mention of measure to avoid/communicate on double counting issues with national registries	Not mentioned. But reliance on international standards (VCS and CCB) for carbon credit sourcing involves that, to some extent, measures have been put in place to avoid market-based double counting (i.e. credit being claimed by several parties)
7. Buyer’s claims relating to carbon project investments adhere to authoritative claims guidance	Apple has partnered with Conservation International (CI) to procure NBS credits toward its carbon neutrality pledge Apple claims that the Restore Fund aligns with international standards developed by organisations such as Verra and the IPCC, which ensure that the carbon stored in forests is being conservatively and accurately quantified	Since Nestlé removed its brand's carbon neutral claims, no new claims have been made. In their net-zero roadmap, Nestlé advocates for clear international claims standards, so companies can make credible claims based on life cycle assessments for products, to allow consumers to engage in the decarbonization efforts of companies
8. Buyer recognizes and communicate on the benefits of NBS project types, and commit to promote their diligent use: protect/avoid, improved management, restore/ remove	In their Environmental Progress Report for 2023, Apple plans to invest in high-quality carbon removal projects, prioritizing NBS credits Apple has stated that it prioritises the protection of ecosystems as a powerful, natural carbon solution that also aligns with rigorous international standards to ensure their impact	Deploys carbon removal NBS activities within their value chain (NBS-insetting) to achieve their interim and final targets



Annexes

Annex A

1. VCM claims
2. Gold Standard Claims
3. Nordic Code
4. SBTi Net Zero standard
5. HLEG
6. ISO Net Zero
7. Climate Neutral Certification Standard
8. Climate Neutral Protocol (Natural Capital Partners)
9. South Pole's Climate Neutrality Label (for companies)
10. Carbon Trust's Route to Net Zero Standard
11. Climate Partner

Table 3: map of 11 analysed standards against 8 criteria for responsible use of carbon credits

Underlying criteria for high integrity claims	VCM Claims Code of Practice	Gold Standard Claims Guidance	Nordic Code of Best Practice for Voluntary Compensation	Net-Zero Standard	HLEG	ISO: Net Zero Guidelines: IWA 42:2022	Climate Neutral Certification Standard (CNG, C-ORG)	The Carbon Neutral Protocol (Natural Capital Partners)	Funding Climate Action labels	Carbon Trust's certifications (Route to net Zero Standard)	Climate Partner
1. Buyer demonstrates wider environmental and social responsibility	Compliance with the VCM Foundational criteria is a mandatory prerequisite to making any VCM claim. Foundational criterion #4 is to Demonstrate that the company's public policy advocacy supports the goals of the Paris Agreement and does not represent a barrier to ambitious climate regulation	Gold Standard claims that its certification process ensures: <ul style="list-style-type: none">- Stakeholder inclusion- rigorous safeguards to prevent unintended consequences and manage trade-offs where needed- Contributions to at least three Sustainable Development Goals (SDGs). Civil society support	The broader environmental and social responsibility in buyers' operations is not required. Buyers are encouraged to "promote sustainable development co-benefits through the voluntary use of carbon credits, using recognised tools to assess, monitor and report sustainable development impacts. Verification of sustainable development impacts by a competent third-party entity is also encouraged."	Not mentioned	Encourages non-state actors to: <ul style="list-style-type: none">- align lobbying and advocacy activities "level the playing field and drive an economy-wide net zero transition"- Promote people and nature in just transition- Invest in just transition- Contribute to accelerating the road to environmental regulation	States that organizations with higher capacity, historical responsibility or high current emissions must take additional and ambitious action to achieve net zero emissions well before the global average. Guideline also highlights a set of criteria/principles related to wider environmental and social responsibility such as: <ul style="list-style-type: none">- prioritize environmental integrity and the protection and enhancement of nature;- safeguard society, human settlements, communities and core human needs- commit to eliminating deforestation, preservation of biodiversity and restoration of land throughout the value chain;- identify and act upon wider impacts at each stage of the net zero plans, minimizing adverse impacts	Not mentioned	Not mentioned	Not mentioned	Not mentioned	Not mentioned
2. Buyer employs robust and comprehensive quantification of relevant emissions covering scope 1, 2, and 3	Compliance with the VCM Foundational criteria is a mandatory prerequisite to making any VCM claim. Foundational criterion #1 requires to Maintain and publicly disclose an annual greenhouse gas emissions inventory in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard, and the forthcoming Land Sector and Removals Guidance, if applicable;.	Users of carbon credits should use and understand the most recent guidance of the GHG protocol.	Best practice requires calculating all direct and indirect emissions to be mitigated and compensated, using recognised tools and guidance.	Companies are required to have a thorough emissions inventory that covers at least 95% of company-wide scope 1 and 2 combined GHG emissions and at least 95% of scope 3 screening. SBTi is the only initiative currently offering tailored guidance for land-based emissions, defining specific criteria for Forest, Land, and Agriculture Companies (FLAG). This is essential to reflect the importance of NBS.	Pledges, targets and pathways to net zero are generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot verified by a third party. Cites: <ul style="list-style-type: none">- Science Based Targets Initiative (SBTi)- the Partnership for Carbon Accounting Financials (PCAF)- The Paris Agreement Capital Transition Assessment (PACTA), The Transition Pathway Initiative (TPI)- the International Organization for Standardization (ISO)	Recommends the use of robust GHG accounting and third-party verification methodology. Cites: <ul style="list-style-type: none">- ISO 14064-1, ISO 14064-2, ISO 14064-3 and ISO 14065.- The GHGP Corporate Accounting and Reporting Standard- GHGP Value Chain (Scope 3) Accounting and Reporting Standard	Baseline emissions ("baseline footprint") calculation is subject to a list of eligible calculation methods and data sources. For some industries, the quantification of GHG emission follows a sectoral benchmarking approach. The process is reviewed by an eligible Certification Body	The GHG Protocol Corporate Standard, ISO 14064-1, the Climate Registry's General Reporting Protocol or similar consistent protocols must be used.	A methodology in line with ISO 14064-1 or the GHG Protocol's 'Corporate Accounting and Reporting Standard' together with the 'Corporate Value Chain (Scope 3) Standard' must be used. A minimum of 95% of emissions need to be covered for a company label.	Methodology not made publicly available	Methodology should be in agreement with the GHG Protocol.

Underlying criteria for high integrity claims	VCMi Claims Code of Practice	Gold Standard Claims Guidance	Nordic Code of Best Practice for Voluntary Compensation	Net-Zero Standard	HLEG	ISO: Net Zero Guidelines: IWA 42:2022	Climate Neutral Certification Standard (CNG, C-ORG)	The Carbon Neutral Protocol (Natural Capital Partners)	Funding Climate Action labels	Carbon Trust's certifications (Route to net Zero Standard)	Climate Partner
3. Buyer has developed a Paris Agreement aligned emissions reduction target approved by a recognised standard	Compliance with the VCMi Foundational criteria is a mandatory prerequisite to making any VCMi claim. Foundational criterion #2 is to set and publicly disclose validated science-based near-term emissions reduction targets, and publicly commit to reaching net zero emissions no later than 2050	Supports companies that adhere to a science-based mitigation target.	The best practice for organisations is to set and implement targets, pathways and plans for reducing their direct and indirect emissions consistent with a 1.5°C-aligned pathway. Organisations are required to apply recognized tools, guidance and/ or standards to demonstrate that the target is aligned with the 1.5°C-aligned pathway.	An essential component of a corporate net-zero strategy is a long-term science-based target that aligns with a 1.5°C-aligned pathway. The Net-Zero standard provides a methodology for Paris agreement aligned target setting. Also, the use of carbon credits may not be counted as emission reductions towards the target. Instead, they may only be considered for neutralizing residual emissions, or as mitigation beyond existing targets.	Targets must include emissions reductions from a non-state actor's full value chain and activities, including: scope 1, 2 and 3 emissions for businesses. Where data is missing for scope 3 emissions, businesses should explain how they are working to get the data or what estimates they13,3 are using;	Organizations set long-term targets to meet net zero by or before 2050, and interim targets to achieve substantial emissions reductions of Scope 1, Scope 2 and Scope 3 emissions by 2030 or earlier. Subsequent targets are no more than five years from the preceding target and support long-term commitments for ongoing action towards and beyond 2050.	Clear target of net zero for 2050, accounting for all own scope 1 & 2 CO ₂ eq emissions + non-attributable scope 3 CO ₂ eq emissions.	No net zero target setting imposed. Instead, organisations are encouraged to use tools (e.g., MAC curve) to identify the right balance between internal reductions and the use of offsets to achieve carbon neutrality cost-efficiently.	Companies must show a reduction plan aligned with the 1.5°C pathway based on near-term SBTs. A long-term target needs to be set within two years. Minimum requirements for emission reduction must be fulfilled.	Three level of certification: Taking Action: <ul style="list-style-type: none">- Historical reductions in operational emissions,- GHG emissions reduction target,- Foundational CO₂e management practices Advancing: <ul style="list-style-type: none">- Science-aligned reductions in emissions,- Science-aligned reduction target,- Advancing CO₂e management practices Leading: <ul style="list-style-type: none">- 1.5°C aligned reductions in emissions,- Net Zero target,- Leading CO₂e management practices	Ideally, the targets should align with the SBTi criteria. No further requirements.
4. Buyer is on-track to meet Paris Agreement aligned emissions reduction target and reports transparently and annually on decarbonisation progress	Compliance with the VCMi Foundational criteria is a mandatory prerequisite to making any VCMi claim. Foundational criteria #3 is to Demonstrate that the company is on track towards meeting a near-term emissions reduction target and minimizing cumulative emissions over the target period. Annual reporting on progress is mandatory.	Monitoring for “on-tracking” not mentioned specifically. Users of carbon credits for offsetting purposes should publicly disclose their reasons for doing so and their underlying calculations, assumptions, limitations, and caveats.	Best practice claims about carbon neutrality can only be made by organisations that are reducing their direct and indirect GHG emissions in line with a 1.5°C-aligned pathway. The best practice for organisations is to publicly report on at least their direct and indirect emissions (including emissions to be compensated), mitigation targets, pathways and plans, annual changes in their (in)direct emissions, action and progress towards targets and pathways, and the use of voluntary compensation, and to verify this information.	Targets must be developed with SBTi align with 1.5°C pathway. The company shall publicly report its companywide GHG emissions inventory and progress against published targets on an annual basis. Companies shall publicly report information pertaining to progress against validated targets, including separately reporting emissions and removals in the annual GHG Inventory, as specified by current SBTi Criteria. Reported data needs to be publicly available.	Pledge (net zero or net zero aligned), targets and pathway to net zero must be generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot verified by a third party. Non-state actors must publicly disclose and report on progress against those targets and plans, ensuring that any claims of being net zero or net zero aligned are based on actions, not just announcements. Any credit transactions must be transparently reported, and associated claims must be easily understandable, consistent and verified (where land-based activities are concerned, they should be geo-referenced).	The organization should set targets consistent with 50 % global GHG emissions reductions by 2030 (from a 2018 global baseline), achieving net zero by 2050 at the latest, and supporting global efforts to limit global warming to 1.5°C above pre-industrial temperatures. Information relating to current emissions status, baseline, targets and plans are comprehensive and publicly reported. [...] Relevant information relating to progress towards achievement of net zero targets by or before 2050 is disclosed to the public regularly (at least annually).	Imposes the setting of an "annual reduction target" defining the trajectory towards net zero GHG emission by 2050, aligned with the Paris Agreement. A climate policy document that contains: the organization' sustainable policy, its emission reduction targets, and a summary of its internal GHG reduction plan must be made public on the organisation website and – if applicable – in the Annual Report.	No target for Paris alignment set. Accounting and reporting requirements which entities must meet to be in conformance with the GHG Protocol Corporate Standard. Claims should be consistent with national or regional guidance and legislation.	The label requires the publication of all relevant information on a personalised landing page (accessible via the label's QR code) to inform interested parties about your climate action vision and achievements. Reduction plan and compensation of emission balancing is made public annually.	Under 3 rd level of certification: "leading": certify the setting of a net-zero target and "1.5°C aligned reductions pathway." Reporting modalities are not specified.	Not specified
5. Buyers invests in high-quality credits verified by recognised standards	Companies shall purchase and retire 'CCP-approved' credits when they become available. Until then, they can purchase and retire CORSIA-eligible Emissions Units approved for the 2021-2023 Compliance Period (Pilot Phase) or the 2024-2026 Compliance Period (First Phase), pending assessment by the ICVCM.	Considers that offsetting claims should be made only where using credits that have robust baseline definitions, are highly likely to be additional, permanent (or adhere to Gold Standard risk procedures and buffers to manage potential loss or reversal) and not double counted, in line with the Gold Standard Product Requirements.	Best practice means that voluntary compensation is based on high-integrity mitigation outcomes that are assessed under carbon crediting programmes, and retired, cancelled or otherwise permanently removed from circulation in a carbon registry. Mitigation outcomes, carbon crediting programmes and carbon registries need to meet respective relevant criteria.	Does not specify.	A high-quality carbon credit should, at a minimum, fit the criteria of additionality (i.e. the mitigation activity would not have happened without the incentive created by the carbon credit revenues) and permanence. Must use credits associated with a credibly governed standard-setting body that has the highest environmental integrity with attention to positive social and economic outcomes.	Only offsets that are high-quality removals can be used to counterbalance residual emissions to achieve net zero Prioritise offsets with environmental integrity and the protection and enhancement of nature (e.g. ending deforestation, supporting afforestation, protecting biodiversity) and the avoidance of adverse impacts. Avoided emissions should not be used to counterbalance residual emissions.	The use of offsets is restricted to standards or domestic offsets projects that are endorsed by ICROA + the compliance to CNG's "additional quality criteria" (e.g. no large-scale renewable accepted) Not restricted to NBS.	Provides a list of 13 approved Carbon Standards. Not restricted to NBS.	Carbon credit use restricted to ICROA endorsed standards.	Not specified	Companies have access to “high-quality carbon projects” selected by ClimatePartner

Underlying criteria for high integrity claims	VCMI Claims Code of Practice	Gold Standard Claims Guidance	Nordic Code of Best Practice for Voluntary Compensation	Net-Zero Standard	HLEG	ISO: Net Zero Guidelines: IWA 42:2022	Climate Neutral Certification Standard (CNG, C-ORG)	The Carbon Neutral Protocol (Natural Capital Partners)	Funding Climate Action labels	Carbon Trust's certifications (Route to net Zero Standard)	Climate Partner
6. Buyer communicates transparently on accounting and double claiming	No double counting: the GHG emission reductions or removals from the mitigation activity shall not be double counted, i.e., they shall only be counted once towards achieving mitigation targets or goals. Double counting covers double issuance, double claiming, and double use.	Differentiates claims based on whether the mitigation associated with the carbon credits contribute towards or beyond existing national targets. Mitigation towards existing targets can be used for supporting collective efforts to meet national targets and making related "contribution/impact" claims, while mitigation beyond existing targets can be used for counterbalancing specific emissions and making related "offsetting" (including carbon neutrality) claims.	Differentiates claims based on whether the mitigation associated with the carbon credits contribute towards or beyond existing actor's, national or global targets. Mitigation towards existing targets can be used for supporting collective efforts to meet national targets and making related "contribution/impact" claims, while mitigation beyond existing targets can be used for counterbalancing specific emissions and making related "offsetting" (including carbon neutrality) claims.	Not specified.	Whether or not the credits used can also be counted towards Nationally Determined Contributions under the Paris Agreement must be transparently reported.	Ensure removals, credits or investments in offsets are not double counted or double claimed by multiple parties and are retired in public registries after single use.	Differentiation between internal decarbonation – following annual reduction targets – and use of offsets for counterbalancing. Offsetting restricted to carbon credit from operational registries to avoid double counting/claiming.	"[...] the certifier must receive full assurances from the party implementing retirement that retired credits are being applied to the Subjects/time periods and cannot in any way be deemed to have been double counted." Future editions of the Protocol will provide updated guidance on Corresponding Adjustments.	Use of ICROA endorsed credit, ensures, to some extend, avoidance of double counting. In case of a company label, credits must be clearly allocated to the company.	Not specified	Not specified

Underlying criteria for high integrity claims	VCMI Claims Code of Practice	Gold Standard Claims Guidance	Nordic Code of Best Practice for Voluntary Compensation	Net-Zero Standard	HLEG	ISO: Net Zero Guidelines: IWA 42:2022	Climate Neutral Certification Standard (CNG, C-ORG)	The Carbon Neutral Protocol (Natural Capital Partners)	Funding Climate Action labels	Carbon Trust's certifications (Route to net Zero Standard)	Climate Partner
7. Buyer's claims relating to carbon project investments adhere to authoritative claims guidance	<p>The VCMI Claims Code of Practice proposes a hierarchy of claims intended to represent in a simple way the company's level of achievement against its long-term commitments to net-zero. This hierarchy includes three tiers of claims:</p> <p>VCMI Platinum is the highest achievable tier. A VCMI Platinum claim indicates that a buyer's purchase and retirement of high-quality carbon credits is equal to or greater than 100% of its remaining emissions in the most recent reporting year, with credits only used to finance additional climate mitigation beyond these targets.</p> <p>VCMI Gold is the mid-level tier. This tier requires a buyer's purchase and retirement of high-quality carbon credits to be equal to or greater than 60%, and less than 100% of a company's remaining emissions. Additionally, the percentage of carbon credits to be purchased and retired must increase in each subsequent year a company makes a VCMI Claim.</p> <p>VCMI Silver is the most accessible tier. A VCMI Silver claim indicates that a buyer's purchase and retirement of high-quality carbon credits is equal to or greater than 20%, and less than 60% of a company's remaining emissions. Additionally, the percentage of carbon credits to be purchased and retired must increase in each subsequent year a company makes a VCMI Claim.</p> <p>Compliance with the VCMI Foundational criteria is a mandatory prerequisite to making any VCMI claim. These foundational criteria correspond with criteria 1-4 proposed in this due diligence guidance.</p> <p>All claims must be verified by a credible, independent third party.</p>	Gold Standard requires third party verification.	Best practice involves verification by a credible, independent third party.	Elaborate internal target validation process.	Demonstrating progress by achieving or exceeding its interim targets with reports that are verified by a credible, independent third party based on publicly available data.	Progress towards interim and long-term targets and associated claims of net zero status are verified through a credible and competent third party.	Two <u>certification bodies</u> accepted: - Ecocert - Preferred by Nature	"Verification is an independent evaluation conducted by an expert third party to the requirements of an recognised verification standard (such as ISO 14064:3 or ISAE 3410) to confirm that the quality of input data, a GHG assessment, or that the use of a CarbonNeutral® certification logo meets the requirements of CarbonNeutral® certification and is in line with the approach and principles of The CarbonNeutral Protocol." The third-party verification is at the discretion of the client. The CarbonNeutral certifier may request third-party verification should its quality assurance review surface concerns about whether the information provided is correct, complete and accurate.	South Pole is setting up third-party verification. Until then, performed by South Pole itself	Not specified. Likely to be performed by Carbon Trust itself	Not specified. Likely to be performed by ClimatePartner itself.
8. Buyer recognizes and communicates on the benefits of NBS project types, and commit to promote their diligent use: protect/avoid, improved management, restore/remove	Companies may invest in carbon credits issued from either emission reduction or removal projects for the global transition to net zero. They should prioritize projects based on the quality of the climate mitigation and co-benefit impacts they may deliver. The importance of early investment in carbon removal projects is emphasized	Not specified	Not specified	Not specified.	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified

Annex B: Claims

Climate standard	Type of standard	Scope included	Purpose of using credits	Type of credit	Credit quality requirements	Claim
SBTi Net-Zero Standard	NGO-led Target setting initiative	Scope 1, 2, and 3	Carbon credits do not count as reductions toward meeting your science-based targets. Companies should only account for reductions that occur within their operations and value chain. Companies can neutralise a small percentage. However, companies are encouraged to use carbon credits for BVCM	Neutralization of residual emission and (encouraged) BVCM through permanent removal and storage (jurisdictional REDD+ and direct air capture (DAC) and geologic storage	'High-quality credits' without detail	Net-Zero (aligned)
VCMI Claims Code of Practice	Code of practice on "credible voluntary use of carbon credits by companies and other non-state actors and associated public claims"	Scope 1,2 and 3	Carbon credit used for: - BVCM (impact claim)	Emission reductions and/or removals	"Companies shall purchase and retire 'CCP-approved' credits when they become available. Until then, they can purchase and retire CORSIA-eligible Emissions Units approved for the 2021-2023 Compliance Period (Pilot Phase) or the 2024-2026 Compliance Period (First Phase), pending assessment by the ICVCM."	VCMI Platinum VCMI Gold VCMI Silver
Nordic code	Inter-government guidance initiative	Scope 1,2 and 3	- Meeting organisation's and/or national targets - Supporting mitigation of global emissions (outside corporate or national targets) - Offsetting remaining emissions along 1.5°C aligned reduction pathways	Emission reductions and/or removals	Annex B provides sets of criteria for mitigation outcomes, carbon crediting programme and carbon registries. The two options for carbon registry criteria: 1. Used quality criteria based on TSCVM Phase II Report ⁸⁹ 2. Use relevant criteria from the Integrity Council for the Voluntary Carbon Markets, once available	Claim good practice in 3 kinds of voluntary compensation: National Mitigation contribution (towards host country's existing target) Overall mitigation in global emission (above and beyond existing target) Offsetting organisation's specific emissions
Gold Standard Claims Guidance	Private standard that claims guidance for buyers, funds, and project developers.	Not mentioned	Carbon credits representing certified emission reductions and removals may broadly be used for three purposes: - impact claims (i.e. no offsetting involved) - Offsetting claim - Compliance (non-voluntary, compliance to a regulation or policy)	N/A	N/A	Three types of claims: Impact claims (i.e. no offsetting involved) Offsetting claim Compliance (non-voluntary, compliance to a regulation or policy)
Climate Neutral Certification Standard (CNG, C-ORG)	Private certifying standard	Scope 1 and 2, partial inclusion of scope 3 ("non-attributable" emissions)	Mitigate annual unabated emissions for organisations on a Paris Agreement-aligned, science-based reduction pathway	Not mentioned	Credits must be certified with ICROA-backed standards	Climate Neutral
The Carbon Neutral Protocol (Climate Impact Partners)	Private certifying standard	Scope 1,2, and part of scope 3 emissions	Mitigate annual unabated emissions. Net-zero / Paris-Aligned pathway not necessary	"The Protocol treats mitigation projects that avoid and reduce emissions and those that remove GHGs from the atmosphere as equal. [...] However, as we get closer and closer to the safe limit of GHG concentrations in the atmosphere, clients should consider an increasing role for removal projects"	Predefined list of (13) eligible standards	Carbon Neutral
South Pole's Funding Climate Action labels (for companies)	Private Certifying Standard	Scope 1,2 and 3. Target setting for scope 3 is required under certain conditions	Compensate for ongoing emission along reduction plan aligned with 1,5°C and near-term SBT target	Not mentioned	ICROA backed carbon credits	Climate Neutral
Carbon Trust's certifications Carbon Neutral	Private Certifying standard	Scope 1 and 2. Scope 3 "encouraged"	Offset remaining emissions alongside reduction plan Can be used as a complement to Route to Net Zero Standard (see below)	Not mentioned	"Purchase high-quality carbon credits/ offsets such as Gold Standard, VCS and Woodland Code UK"	Carbon Neutral (PAS 2060 certified)

⁸⁹ TSVCM: Taskforce on Scaling Voluntary Carbon Markets Phase II Report. Available [here](#)

Climate standard	Type of standard	Scope included	Purpose of using credits	Type of credit	Credit quality requirements	Claim
Carbon Trust's certifications (Route to net Zero Standard)	Private certifying standard	Scope 1, 2, and 3.	Use removal credits to "neutralize" residual emissions. + mitigation beyond value chain encouraged.	Use 'permanent removals'	Use of removals required for the neutralization of residual emissions	Three levels of certification: Taking action (target set, historical reduction) Advancing (Science aligned reduction target and achievement) Leading (1.5°C aligned reduction and Net-Zero Target)
UN's High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (HLEG)	UN-mandated guidance initiative	Targets must include emissions reductions from a non-state actor's full value chain and activities, including: scope 1, 2 and 3 emissions for businesses. Where data is missing for scope 3 emissions, businesses should explain how they are working to get the data or what estimates they are using	Carbon credits use for: - BVCM - Removals for residual emissions - Highly encouraged" to use "high integrity carbon credits" to balance out remaining emissions while meeting 1.5°C aligned interim reduction targets	Use removal to neutralize residual emissions "high integrity carbon credits" for BVCM and balancing of remaining emission while meeting interim targets	A high-quality carbon credit should, at a minimum, fit the criteria of additionality (i.e. the mitigation activity would not have happened without the incentive created by the carbon credit revenues) and permanence. Must use credits associated with a credibly governed standard-setting body that has the highest environmental integrity with attention to positive social and economic outcomes.	Net-Zero / On track to Net-Zero (no certification)
IWA 42:2022: Net Zero Guidelines (ISO) (international Workshop Agreement)	ISO issued Guideline on Net-Zero Claims. ⁹⁰	Scope 1,2, and 3	For BVCM and neutralisation of residual emissions	Avoided emissions should not be used to counterbalance residual emissions	Among other criteria (see sections 10.1 and 10.2): - Based on credible accounting standards - Not double counted - Ensure credits are comparable in durability to the GHG emission being counterbalanced	Net Zero (no certification)
Climate Partner	Private certifying standard	Not defined	Reducing emission in own company and BVCM.	Reduction or removal	Carbon projects are selected by ClimatePartner itself.	Climate Partner certified

⁹⁰ An International Workshop Agreement can exist for a maximum of six years, following which it is either withdrawn or converted into another ISO document.

