



Responsible use of carbon credits: Guidance for mobilising and vetting buyers

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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 The Nature Conservancy (TNC), with assistance from an inclusive team of leading carbon market experts and analysts.



1

Introduction



This guide introduces the emerging concept of responsible use in the carbon market, bridging the gap between novel ideas and practical application. It serves to draw project developers, resellers, and other stakeholders together to develop a shared understanding of what responsible use means, why it's vital, and everyone's role in it. As a reference manual, it empowers you, the project developer, to initiate discussions with potential buyers, guiding them – and you – towards clear, actionable steps for responsible engagement with the Voluntary Carbon Market (VCM). The guide has been written over the course of a year, incorporating sector developments and market actor opinions. Additionally, six stakeholder consultations were held across three continents to get a wide range of visions on how best to provide guidance on responsible use. The feedback received is included in this most recent update.

By outlining the steps for project developers to vet potential buyers, and the ways in which to engage in meaningful dialogue, the guide positions project developers not just as sellers but as champions of market integrity. It is a tool to prevent buyer misuse and the potential fallout it can bring, fostering an environment where every transaction bolsters the market's trust and integrity. Through this guide, project developers gain the leverage to protect their projects and, by extension, elevate the market's credibility.

Box 1.

What is responsible use of carbon credits?

In this report, we provide you with eight components that together indicate the fullest expression of responsible use of carbon credits, according to emerging thinking and the practices of leading standards in the VCM. Nevertheless, before diving into these eight components, we succinctly define responsible use for you, namely:

A company or organisation using carbon credits as a complimentary part of a strategy in which the primary objective is to reduce its own emissions in an ambitious, credible, and on-going way.

Efforts to reduce emissions come in different shapes and forms but can be summarised as:

1. Adequate accounting of own emissions,
2. Proper target setting, and
3. Transparent communication on progress.

This means that organisations should be aware of their own scope 1, 2 and 3 emissions, have set an ambitious target for reducing these, and are already taking active steps to reduce emissions in line with its target. Carbon credits can complement these reduction efforts when high-quality credits are used, communicated transparently, and ideally, in line with authoritative claims guidance.

We understand that becoming a responsible user is a journey that requires time to implement all necessary measures. Therefore, it is crucial for organisations to acknowledge and clearly communicate their current status on this journey, their future goals, and the timeline for achieving these objectives. By doing so, they can demonstrate their commitment to responsibility even if they have not yet met all the requirements.

Why this guide?

From the inception of carbon markets, the premise that emissions can be offset elsewhere has been under the microscope. “Carbon neutral” claims are attractive to consumers, but often come under fire for weak links in the credit chain. In 2023, the carbon market faced intense scrutiny. High-profile criticisms of projects and standard-setting bodies shook public confidence, prompting some companies to retreat from using carbon credits and causing a market slump.

Yet, while a project developer crafts high-integrity credits, they traditionally do not influence how they are used. At the same time, misuse by buyers, leading to accusations of greenwashing, can quickly reflect on the developers, even when they have adhered to rigorous standards.

High-quality projects can suffer from the offences of buyers, as in the court of public opinion, a bad buyer too often suggests a bad seller. Instead of challenging large companies with the capacity for legal retaliation,

media scrutiny often falls on the smaller project developers, who lack the resources to fight back against mischaracterisations or defend their good work.

This guide confronts that issue head-on, providing project developers with a defence against this reputational risk. The guide does this by equipping project developers with the necessary know-how to discern how buyers might deploy their credits, and providing tools that they can utilise to promote responsible use that aligns with robust climate strategies.

When trust in the market is compromised, it reverberates through the VCM, impeding its role in funding ecosystem protection and restoration - critical for meeting global climate goals.

By fostering informed dialogue with buyers, developers can safeguard their projects from reputational damage and from being collateral damage in the broader battle against greenwashing, whilst also promoting a high-integrity and thriving VCM.

Box2.

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.¹ This requires an unprecedented amount of financing that governments cannot provide within the short available timeframe until 2050. The Voluntary Carbon Market (VCM) offers a unique opportunity to channel international and domestic 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 GHG emissions and enhancing carbon

sinks, amounts to around 12 Gt CO₂e per year.² The VCM is currently only tapping into 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.³ 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.⁴

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

2 Ibid

3 Buchner, B., Baysa Naran, & de Aragão Fernandes, P. (2022). Global Landscape of Climate Finance 2021. Climate Policy Initiative (CPI). Retrieved from [here](#)

4 NYDF Assessment Partners. (2021). Taking stock of national climate action for forests. Retrieved from [here](#)

NBS currently receive USD 154 billion/year in finance flows.⁵ 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. Cumulative (2022-2050) investment in NBS required to achieve the 1.5°C target in line with the Paris Agreement is at least USD 11 trillion.⁶

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

6 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 is crafted for both the developers of carbon credit projects and the resellers. Whether you're working globally or locally, for profit or impact, whether you are part of a community, a government initiative, a foundation, or a company driven by shareholders. This guide provides insights you will find useful for participating in the dialogue on responsible use and the role that you can play.

Interest in how buyers use credits can vary. If your project's roots are deep in environmental protection or sustainable development, you will likely see the proper use of credits as critical. Others might zero in on getting the best price or the most beneficial contract terms for their community or cause. Engaging in responsible use dialogue amongst all relevant stakeholders can advance each of these aspects.

And if you are new to the carbon market or juggling just the intricacies of one project, entering discussions on responsible use can feel a bit overwhelming. Big players with dedicated teams have this down to a fine art. No worries, though — this guide aims to even the playing field, offering fresh insights for veterans and a solid start for newcomers.

Ultimately, managing buyer-related risks is in everyone's interest. Awareness is key — the more we all know about how credits are used, the more responsibly they will be used, and ultimately, the more trust in the integrity of the market as a whole will grow.

How to use this guide?

If you are a seller aiming to foster responsible use, it is essential to discern, engage with, and transfer your credits to buyers who are committed to genuine decarbonisation efforts.

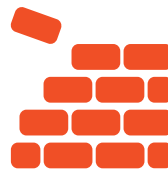
The processes of discerning buyers, engaging in negotiation, and finalising a sale, present the primary means through which you can influence how your credits are used. It's through the negotiation process, and the stipulations you include in sales agreements, that you can steer how buyers, and ultimately how the end-users who retire credits, use your credits.



START THE CONVERSATION:

The idea of guiding buyer behaviour through negotiations and sales may seem novel to you as a seller. It's possible to think this level of influence is unattainable, perhaps

due to technical complexities or the market's tendency to favour buyers. Yet, these guidelines are crafted to equip you with the ability to engage in detailed discussions with buyers — a process that not only retains their interest but can also lead to more meaningful interactions where the value of your project's credits is amplified.



OFFER CONSTRUCTIVE GUIDANCE:

We recognise that buyers are at various stages of their decarbonisation journey, with differing levels of understanding and capability regarding the responsible utilisation of carbon credits. Many are still coming to terms with what decarbonisation means for their businesses, and how they will be impacted by regulatory changes and market dynamics. Many companies are conscious of the risk of greenwashing but might lack the

knowledge to avoid it effectively. As a seller, engaging positively and offering constructive guidance can cast you in a favourable light. Consequently, buyers are more likely to procure your credits at a premium, perceiving this choice as a step toward managing their risks and contributing to a positive trajectory in their environmental stewardship.



DISTINGUISH YOURSELF IN THE

MARKET: As market dynamics evolve, adopting these principles of responsible use can set you and your project apart in a positive way, potentially attracting buyers willing to invest more for your quality credits and the way in which you distinguish yourself as a seller with deep integrity.



INVEST IN BUILDING YOUR

CAPACITY: Embarking on this process as a seller will not be without its hurdles. For many, this is uncharted territory, and we

recognise the potential constraints in knowledge, capacity, and resources that can make this seem like an intimidating new task. However, it is critical for sellers to be aware of the changing market. Being left behind is a risk in an evolving landscape. We urge sellers to invest in understanding how to champion responsible use by applying these guidelines.



INTEGRATE WHAT YOU CAN, WHERE

YOU CAN: Recognising that sellers differ in their capabilities, these guidelines are not prescriptive. Instead, they offer foundational knowledge and a suite of adaptable tools, allowing customisation to your journey's current stage. Initially, integrating just one or two elements from the guidelines into your processes, such as undertaking buyer due diligence, can be a significant first step. Do not retreat if other parts appear too complex; as you advance, revisit the guidelines to embrace the more intricate due diligence aspects we propose. No matter your starting point, these guidelines provide a pathway to deepen your practice in promoting responsible use.

How is this guide structured?

As a point of departure, the guide provides a start to unpacking the different kinds of buyers in the market. Most of the time, end-buyers connect with project developers through intermediaries. For you, the developer, it is crucial to know whom you are dealing with—understanding who is on the other side of the table is your first step in any negotiation.

Secondly, we discuss what responsible use of carbon credits actually looks like. As of the first half of 2024, the conversation is still active. A common understanding is that responsible use should complement a user's own efforts to reduce emissions directly. This guide highlights eight hallmarks of responsible credit use, pulled from the most recognised guidance out there.

Also, this guide is a tool to help you do your homework on your buyer—essentially assessing how much greenwashing risk you might be facing and offering tips to keep things clean and above-board, contractually, and beyond. You will find a real-life story here that sheds light on how it all works. Plus, for those of you working together in developer collectives, this guide has pointers on how to steer the carbon credit use in the right direction, making sure everyone plays fair and contributes positively.

Lastly, by diving into this guide, other players in the market, from resellers to buyers and onlookers, will understand why we need top-notch buyers to maintain trust in the market and how sellers are empowered to create the positive shifts we all want to see in the market

2

What is responsible use of carbon credits?



Informed by existing and emerging guidance from a variety of VCM actors (see Annex D), we have identified eight components of responsible use of carbon credits.

8 Key components of 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 recognises and communicates on the benefits of NBS project types, and commits to promote their diligent use

These eight components can be utilised to start a conversation with buyers to determine where along their emissions reduction journey they currently find themselves, which direction they are heading in, and how they are likely to use your credits as part of their journey.

In this section, we provide a brief overview of each of these components of responsible use so that you can familiarise yourself with the terrain. Thereafter, we proceed to provide operational guidance so that you can understand how to apply these components in practice. To aid you in this regard we provide a guidance matrix that indicates how you can assess the policies and practices of a buyer against these components in practice. The matrix provides more technical detail that we think you will find handy when going through a buyer due diligence assessment process.

The matrix is underpinned by an even more detailed technical section in Annex B that will be useful for you to reference when making sense of how each of the components is considered and assessed. So, if you're looking to

wrap your head around what you read in the matrix, heading over to Annex B would be the thing to do.

To kick things off, let's take a look at each component of responsible use in brief:

COMPONENT 1: BUYER DEMONSTRATES WIDER ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

For carbon credit transactions to be deemed responsible, it is essential that buyers not only comply with environmental and social guidelines, like the VCMI Claims Code of Practice, but also actively engage in responsible business practices, such as following OECD Guidelines. They should be positive agents for change, advocating for progressive environmental policies and setting ambitious non-carbon nature targets. When selecting buyers, project developers might choose to favour or exclude certain sectors based on ethical considerations or their potential for greenwashing, particularly in contentious areas like the fossil fuel industry. Furthermore, developers, especially those involved in Nature-Based Solutions, should

vet buyers for their commitment to reducing land-use related emissions, aligning the sale of credits with the broader ecological goals of their projects.

COMPONENT 2: BUYER EMPLOYS ROBUST AND COMPREHENSIVE QUANTIFICATION OF SCOPE 1, 2, AND 3 EMISSIONS

A credible decarbonisation strategy hinges on a comprehensive greenhouse gas (GHG) inventory in accordance with the GHG Protocol, encompassing scope 1, 2, and 3 emissions. For buyers, robust accounting of all three scopes is crucial, with a particular challenge presented by scope 3 due to its expansive range. This level of quantification supports responsible credit use and ensures buyers' emissions strategies are rooted in transparent and verifiable data, setting the stage for legitimate decarbonisation efforts.

COMPONENT 3: BUYER HAS DEVELOPED A PARIS AGREEMENT ALIGNED EMISSIONS REDUCTION TARGET APPROVED BY A RECOGNISED STANDARD

Buyers must align their emissions reduction targets with the Paris Agreement, as endorsed by recognised standards like the Science Based Targets initiative (SBTi), ensuring their efforts are geared towards achieving a net-zero state. Adhering to the mitigation hierarchy, buyers should prioritize avoiding and reducing emissions within their own operations and value chains while compensating any remaining emissions through carbon credits. This approach underscores the comprehensive and incremental steps toward net-zero, advocating for carbon credits' role as a supplementary measure in the path to decarbonisation, rather than the primary solution. It further supports the notion that investments in carbon credits for beyond value chain mitigation can aid in accelerating climate action (see Figure 1 below).

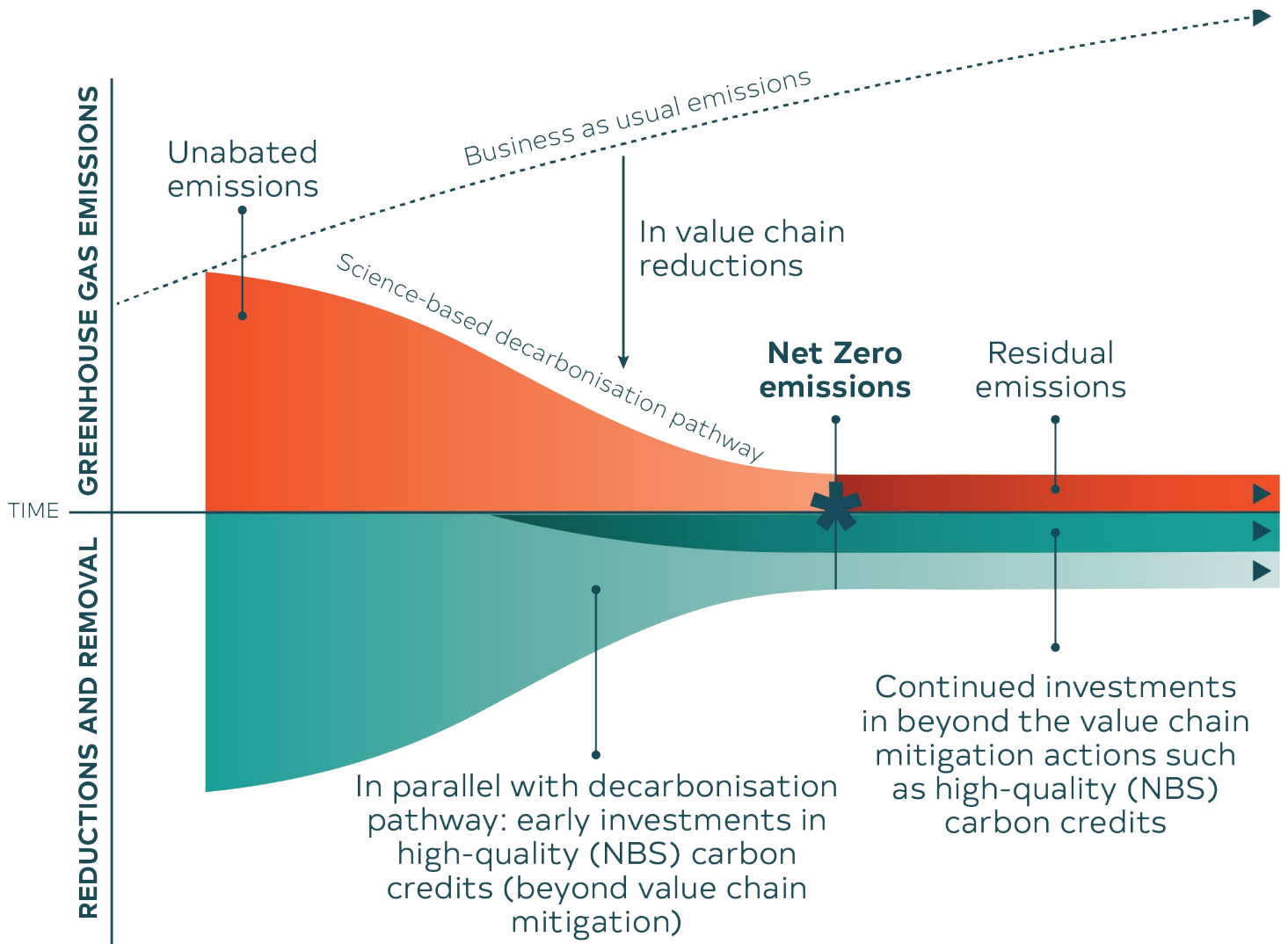


Figure 1: Paris Agreement-aligned decarbonisation pathway and the role of carbon credit

Box3.

Ecosystem protection and restoration are both pivotal in combating climate change

Carbon projects avoid or reduce emissions, or capture and store GHGs 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.

A removal credit refers to withdrawing GHGs 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 Nature Based Solutions, 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 recognised for being vast carbon stores, but they can become a huge source of emissions upon degradation creating an urgent need to restore them.⁷ For example, peatland degradation amounts to 4% of global emissions⁸ more than the aviation and shipping sector combined. However, in the case

⁷ Wetlands (2022) Policy Paper - The voluntary carbon market (VCM) for safeguarding and restoring our wetlands. Available [here](#)

⁸ Wetlands (2022) Policy Paper - The voluntary carbon market (VCM) for safeguarding and restoring our wetlands. Available [here](#)

of wetlands, both conservation and restoration result in very 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.

Current funding options for interventions such as afforestation and the protection of intact ecosystems, like wetlands and peatlands, are limited due to market preferences. Target-setting and target-vetting initiatives, such as those promoted by the SBTi, tend

to favor carbon removal credits over avoided emissions. This bias towards carbon removal—stemming from difficulties in modelling counterfactual avoided-emissions scenarios, and consequently a preference for more easily measurable projects that directly capture and sequester carbon—undermines critical efforts to protect and restore threatened pristine nature.

Afforestation interventions, while vital for preventing emissions as well as promoting environmental benefits such as reduced loss of biodiversity and protected ecosystems services, often struggle to attract sufficient funding despite their significant contribution to climate goals.

COMPONENT 4: BUYER IS ON-TRACK TO MEET PARIS AGREEMENT ALIGNED EMISSIONS REDUCTION TARGET AND REPORTS TRANSPARENTLY AND ANNUALLY ON DECARBONISATION PROGRESS

Responsible buyers should not only set ambitious emissions reduction targets but also actively pursue and transparently report on their progress annually. While current enforcement for such reporting may be inadequate, leading to limited insights for project developers, adherence to this practice is a clear marker of a buyer's commitment to the Paris Agreement. By providing annual, quantifiable progress reports, buyers validate their mitigation activities and ensure they're on track to meet their reduction targets, reinforcing the trustworthiness of their environmental claims.

COMPONENT 5: BUYER INVESTS IN HIGH-QUALITY CREDITS VERIFIED BY RECOGNISED STANDARDS

Buyers should curate portfolios that prioritize high-quality carbon credits across the board, avoiding the common pitfall of bulking up on lower-end credits. With the Integrity

Council for the Voluntary Carbon Market's (IC-VCM) launch of the Core Carbon Principles (CCP), a new benchmark for credit quality has been set. Buyers should align with these standards, moving away from questionable credits and instead supporting high-impact projects, fortifying the credibility of their portfolios.

COMPONENT 6: BUYER COMMUNICATES TRANSPARENTLY ON CARBON ACCOUNTING

Clear and unambiguous carbon accounting is vital to avoid the pitfalls of double counting and double claiming, which can undermine the integrity of carbon markets. Buyers must ensure that used credits are retired in a way that prevents their reuse and clearly communicate how these actions contribute toward host country emissions reductions. While approaches to addressing double claiming vary, transparent communication and reporting are essential to maintain market credibility.

COMPONENT 7: CORPORATE CLAIMS RELATING TO CARBON PROJECT INVESTMENTS ADHERE TO AUTHORITATIVE CLAIMS GUIDANCE

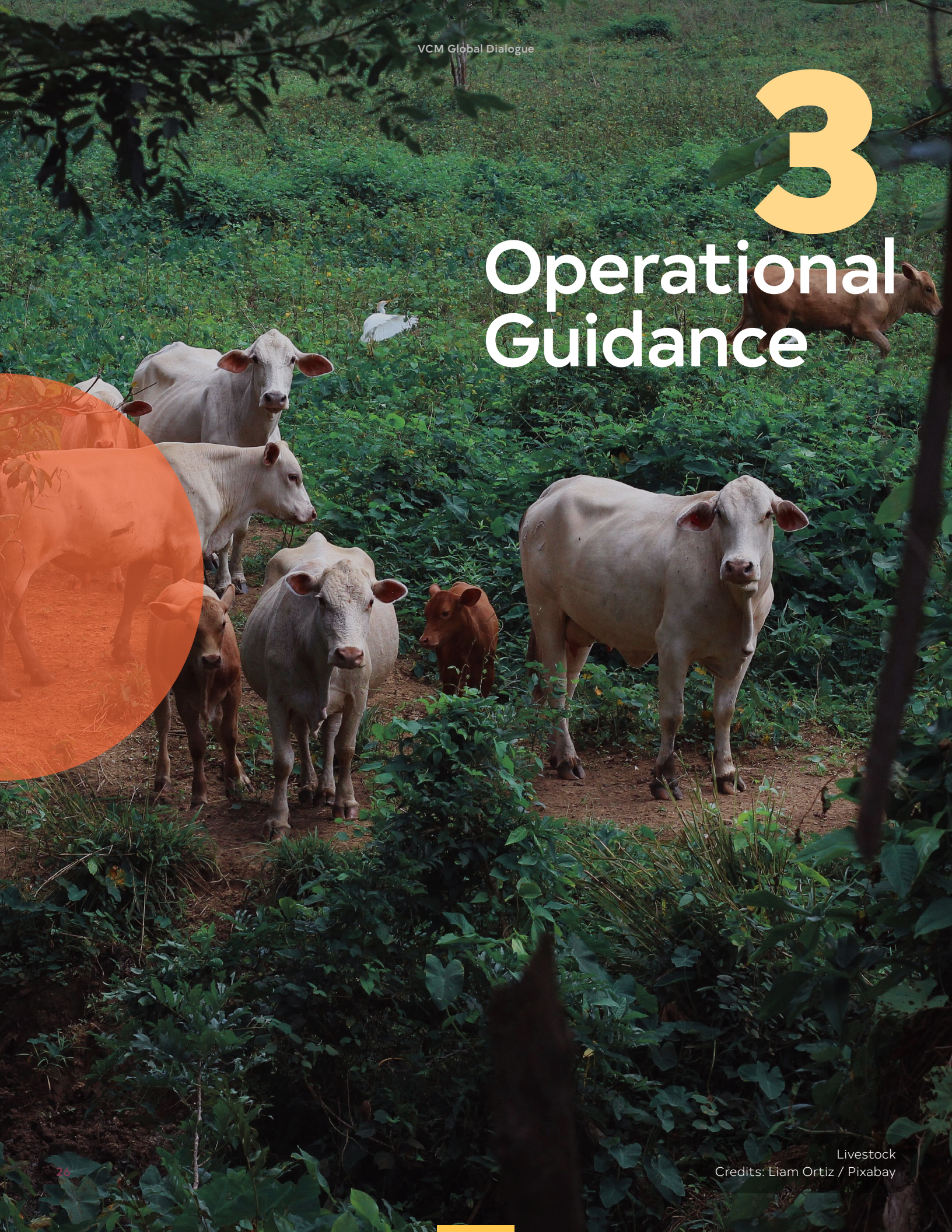
When making claims related to low-carbon products or services, it is crucial for buyers to adhere to the guidance provided by recognised standards. Transparency in these claims, as outlined by bodies such as the VCMi and the Gold Standard, ensures that buyers do not overstate their impact. This transparency also requires that buyers accurately reflect how their actions contribute to broader climate goals, with VCMi categorizing claims based on the extent of their impact relative to the company's emissions.

COMPONENT 8: OPTIONAL COMPONENT: BUYER IS AWARE OF AND COMMUNICATES ON NBS PROJECT TYPES AND THEIR RESPECTIVE BENEFITS

Buyers should have a deep understanding of Nature-Based Solutions (NBS) projects and their broad benefits, from biodiversity to human well-being. Knowledge of different NBS project types and their specific local impacts allows for a responsible and balanced credit portfolio. Recognising and communicating the unique value and potential co-benefits of these projects, as well as their risks, particularly to local communities and Indigenous Peoples, signifies a buyer's nuanced approach to investing in carbon markets, in line with best practices from reputable institutions.

3

Operational Guidance



In this chapter, you'll find a fusion of insights on buyer profiles and the essence of responsible carbon credit use crafted into a practical tool. In 3.1 we outline a comprehensive due diligence assessment matrix that can be customised to suit your own processes for engaging directly with potential buyers and for conducting your own due diligence processes.

We note that end-users constitute only a small part of buyers in the carbon market, likely representing up to 10% of all transactions. Most sales in the market involve intermediaries who will resell the credits - here developers may have less visibility into their ultimate application. This group can include brokers, aggregators or retailers aiding clients with climate neutrality claims.

Figure 2 describes the five different buyer types and the type of contact and relationship the project developer and end-user are expected to have.

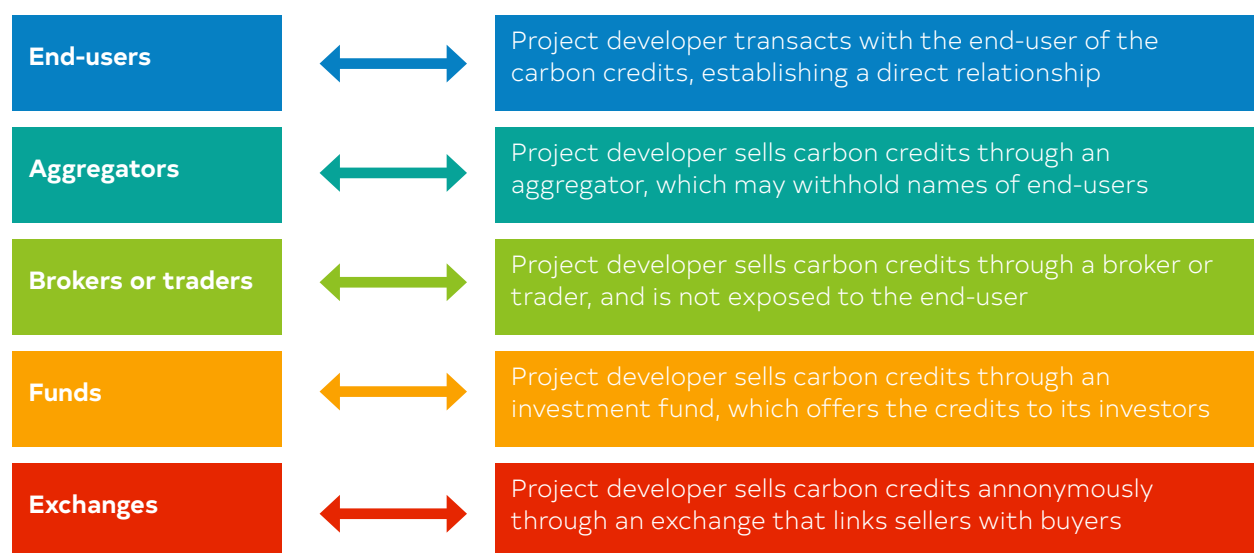


Figure 2: Typology of carbon credit buyers, and their relationship with end-users of carbon credits

For a full description of the five buyer types, and the impact on the sale transaction and due diligence process, please refer to Annex A where we provide more detailed insights.

At this point, it is important to note that intermediaries exist across a spectrum. Those buyers nearer to the end-user will be more readily able to engage with you on the notion of responsible use, determine where they are in their emissions reduction journey, and by conducting some form of due diligence process, you will be able to determine how likely they are to use your credits as part of a legitimate emissions reduction strategy.

With those buyers further along the intermediation spectrum, applying

a full due diligence process will be unlikely as end-users will enjoy a larger amount of anonymity and there is often limited transparency on how the carbon credits are used. This is due to current standard practices employed by aggregators, brokerage and trading firms, and investment funds. In these instances, the sales agreement is a critical lever at your disposal to influence whether your credits are sold to end-users who are likely to use them responsibly. In section 3.2 we provide detailed strategies you can apply when transacting through resellers to promote responsible use. Using these strategies as part of your sales negotiation and contracting process is a good way to take steps towards promoting responsible use of your credits.

Box 4.

Rewilding Europe - case study on adopting responsible use guidelines

Rewilding Europe serves as a prime example of how adopting responsible use guidelines can enhance NBS-project development and buyer engagement.

According to Timon Rutten, Director of Rewilding Climate Solutions, these guidelines have strengthened their operation on multiple levels.

Initially, the guidelines facilitated a deeper understanding of their buyers, levelling the playing field and enabling more equitable discussions. Internally, the guidelines streamlined decision-making about potential buyers, fostering a more data-driven approach that ultimately helps to advance organisational strategy.

Moreover, professionalising their due diligence process through the guidelines not only maintained buyer interest but also increased buyer confidence, as the organisation's thoroughness was viewed as a mark of integrity and seriousness.

This strategic adoption of the guidelines has positioned Rewilding Europe distinctively in the market, drawing in discerning buyers ready to invest in high-quality credits, reflecting the organisation's commitment to excellence in both project development and environmental stewardship.



3.1 Due diligence of end-users

Here we introduce a due diligence assessment matrix that sellers can draw from in order to conduct their own appraisal of a buyer's intended use of credits, based on the eight components of responsible use detailed in chapter 2. The matrix provides a nuanced view, mapping out tell-tale indicators of a buyer's commitment to integrating responsible use into their operations and the maturity of their policies.

Although comprehensive, the matrix is designed to be adaptable and to be used as a resource to be tailored by you for your purposes based on your level of familiarity and capacity. Rather than using compliance as a strict checklist, the matrix opens up a dialogue. It is meant to help understand the buyer's current understanding and position on responsible use and their willingness to advance this even further. These discussions are pivotal in shaping the contractual terms that underline responsible use in the sales agreement.

Instead of scaring away buyers, sellers who have applied this integrated buyer due diligence practice indicate

that buyers have actually found this to be a professional and rigorous way of doing business. Sellers working in this way can distinguish themselves as operating at the forefront of a healthy market, which in turn attracts buyers who approach the market with a similar degree of seriousness and who see the value in paying for quality credits from quality sellers. Working through this tool makes clear to the buyer that the price of your credits reflects the integrity of your practices and the seriousness with which you approach the market.

The proposed appraisal components 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.

The practical implementation of the carbon credit use appraisal can take various forms. Often, carbon contract negotiations start 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.

Due diligence and claims guidance

The main emerging global claims guidance⁹ and retail standards¹⁰ on responsible claims relate in one way or another to the eight components 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. Several components will still need to be assessed, in particular: the buyer's wider approach to environmental and social responsibility (Component 1); understanding of NBS projects (Component 8); and the composition of the buyer's carbon credit portfolio (component 5). We acknowledge that

assessing component 5 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 does not yet follow an established retail standard, each of the eight components can be assessed individually. Such an assessment will typically require the potential buyer to share documents that demonstrate responsible use of carbon credits. These documents can include baseline documents (emissions inventory, emission reduction target and decarbonisation pathway), progress reports, several checks of external sources, and ideally third-party verification statements.

We recognise that undertaking due diligence on an end-user may pose significant challenges to project developers with limited capacity. Utilising third-party buyer ratings may be useful in this regard. AlliedOffsets launched a carbon credit buyer rating system in December 2022.¹¹ Their buyer ratings consider two aspects of

9 VCM Claims Code of Practice (2023). Available [here](#), The Nordic Code of Best Practice for Voluntary Compensation of Greenhouse Gas Emissions. Available [here](#), The Gold Standard Claims Guidelines. Available [here](#)

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

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

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 components proposed in this paper: the ratings address criteria 2 (emissions inventory), 4 and 5 (quality of carbon credits) and 7 (double counting). Furthermore, New Climate Institute has produced scorecards¹² on buyers' intentions

that are easily accessed by sellers. Additionally, you may not have the power to exert influence on buyers to whom you sell credits to. To increase leverage power, building coalitions that jointly apply guidance to assess buyers' integrity may be helpful. These coalitions are already emerging. Alternatively, you may be interesting to work with a reseller that is willing to take on the buyer due diligence.

¹² NewClimate Institute (2022) Corporate Responsibility Monitor 2022 Report. Available [here](#)



Spur-winged lapwing in Senegal
Credits: Lammert Hilarides / Wetlands
International

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

| Component | Performance indicator basic level | Performance indicator advanced level | Means of Verification | Interpretation guidance |
|---|--|--|--|---|
| 1. Buyer demonstrates wider environmental and social responsibility | <ul style="list-style-type: none">Adheres to OECD guidelines for multinational companies or similarIs not on a blacklist (e.g. weapons, boycott lists)Refrains from negative climate lobby <p>Optional:</p> <ul style="list-style-type: none">Fits a Positive list set by the project developerExclusion criteria set by the project developer do not prevent engagement with this buyerFor sectors with land-use impact: buyer demonstrates intention towards zero deforestation and/or zero drainage commitments or equivalent | <ul style="list-style-type: none">Buyer taking on a leading role in its sector <p>Optional:</p> <ul style="list-style-type: none">For sectors with land-use impact: zero deforestation or zero drainage commitments in place | <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 | Buyer is working on quantification. | Established emissions quantification for scopes 1, 2 and 3 as per sector-specific GHG Protocol Guidance . | <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 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 | Decarbonisation target and strategy , at least aligned with a 1.5°C scenario under development. | Decarbonisation target and strategy have been established, aligned with a 1.5°C scenario. | <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 component 3 needs to be checked and justified</p> |

| Component | 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> | Recommended standards include: <u>VCMI Claims Code of Practice</u> , <u>Nordic Code</u> , <u>SBTi Net Zero</u> , <u>HLEG</u> , <u>ISO IWA 42:2022</u> , <u>Climate Neutral Certification Standard</u> , <u>South Pole's Climate Neutrality Label</u> Some companies don't implement their widely communicated decarbonisation strategies, known as "greenhushing" 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 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 |
| 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 | 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 <u>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</u> 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 Websites of ranking agencies Contracts with other buyers <u>Allied Offsets carbon credit buyer rating system</u> | In some cases, buyers use high-quality carbon credits merely as a communication tool to upgrade a portfolio of cheaper lower grade carbon credits 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 Carbon credits in buyers' portfolio are consistently of high quality, as ranked by independent ranking agencies like <u>Calyx</u> , <u>BeZero</u> , or <u>Sylvera</u> With regard to quality of NBS credits specifically, NBS projects can align with: <u>IUCN NBS Standard</u> , <u>Plan VIVO</u> , <u>Climate Community and Biodiversity Standard</u> , <u>Gold Standard for the Global Goals</u> and <u>Oxford University guidelines</u> , <u>Meridian High-Quality Blue Carbon Principles and Guidance</u> |

| Component | Performance indicator basic level | Performance indicator advanced level | Means of Verification | Interpretation guidance |
|--|---|--|--|--|
| 6. Buyer communicates transparently on accounting | <p>Emissions registry is transparent</p> <p>Used carbon credits are unequivocally retired in the name of the buyer</p> | <p>Explicit communication on the type of carbon credit used (with or without host country's corresponding adjustments).</p> | <p>Buyer's emissions reporting</p> <p>Carbon credit registries of VCS and Gold Standard</p> | <p>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</p> <p>Developments and discussion on double counting are ongoing and should be closely monitored</p> <p>Recommended standards following this approach include: VCM Claims Code of Practice, HLEG</p> |
| 7. Buyer's claims relating to carbon project investments adhere to authoritative claims guidance | <p>VCMI Silver or similar</p> <p>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</p> <p>Self-reporting</p> | <p>VCMI Gold, Platinum or similar</p> | <p>Self-reporting</p> <p>Third party verification reports</p> <p>AlliedOffsets carbon credit buyer rating system</p> | <p>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</p> <p>Gold Standard provides differentiating guidance for offsetting/compensation claims and for impact claims (Beyond the Value Chain Mitigation)</p> <p>VCMI Claims Code of Practice only facilitates making impact claims</p> <p>Compliance with any of the proposed authoritative claim guidance documents, automatically includes compliance with Component 2, 3, 4, 6 and 7</p> <p>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</p> <p>Assessed standards do not yet address non-carbon claims specifically. Guardrails are being developed by the WRI</p> |
| 8 (optional): Buyer recognises and communicates on the benefits of NBS project types, and commits to promoting their diligent use | <p>Portfolio of carbon credit projects includes both protection and restoration projects</p> | <p>Portfolio of carbon credit projects consists of >50% of NBS credits</p> <p>Portfolio includes both protection and restoration projects, both removals and emission reductions</p> <p>Buyer communicates and promotes NBS through dedicated efforts</p> | <p>Share within portfolio: see means of verification for criterion 5</p> <p>Expressions in the media</p> <p>Evidence for promotion</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>Contracts with other buyers</p> | <p>Project developer will have to check this component in conversations with buyer</p> |

4.2 Strategies when transacting through resellers

When you, as a project developer, engage with resellers, the flow of information about who the end-buyers are, and their intended use of your carbon credits may be limited. Resellers, including brokers, traders, and aggregators, often guard details about their clients to prevent you from bypassing them. Yet, when setting up transactions, resellers may accommodate your requirements for end-buyer specifications, presenting you with an opportunity to influence the end-use of your credits.

Your approach to specifying conditions for end-use can be a powerful lever in negotiations, potentially affecting the price you can command for your credits. It is important to communicate your expectations about the kind of end-user you envision for your credits. You can make this clear by defining your terms in initial discussions and ensuring that any offers are contingent on the reseller proving that the end-buyer meets your stipulated conditions. This is especially crucial if you prefer buyers

who align with the eight components of responsible use that you value. Keep in mind, though, that the flexibility of resellers to accommodate exclusions will vary.

If the reseller agrees to disclose the end-buyer for due diligence purposes, be prepared to sign a non-circumvention agreement, which safeguards the reseller's role and prevents you from directly approaching the buyer post-evaluation. This step ensures that once due diligence is complete and satisfactory, the transaction can proceed with the reseller's involvement intact.

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 components, 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 components, 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 you. Since standards and verification systems are still in development, the requested information may not be available. In these cases, project developers and resellers may agree 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 – you will not be able to immediately start a due diligence process on an end-buyer. In such cases, you may 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 you as a 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 managed. 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 increases 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, you could choose to simply refrain from dealing with resellers that do not commit to seeking out high-quality end-buyers that perform satisfactorily according to the eight components.



Annexes



Annex A: End-user types

The VCM has several different buyer types that you as a project developer may find yourself dealing with. What are these different types of buyers? And how do the different types impact your ability to guard against the irresponsible use of credits bought from your project?

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.

A.1 End-users

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 deliver 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.

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.



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

A.2 Aggregators

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.

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.



A.3 Brokers and traders

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 earn 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.

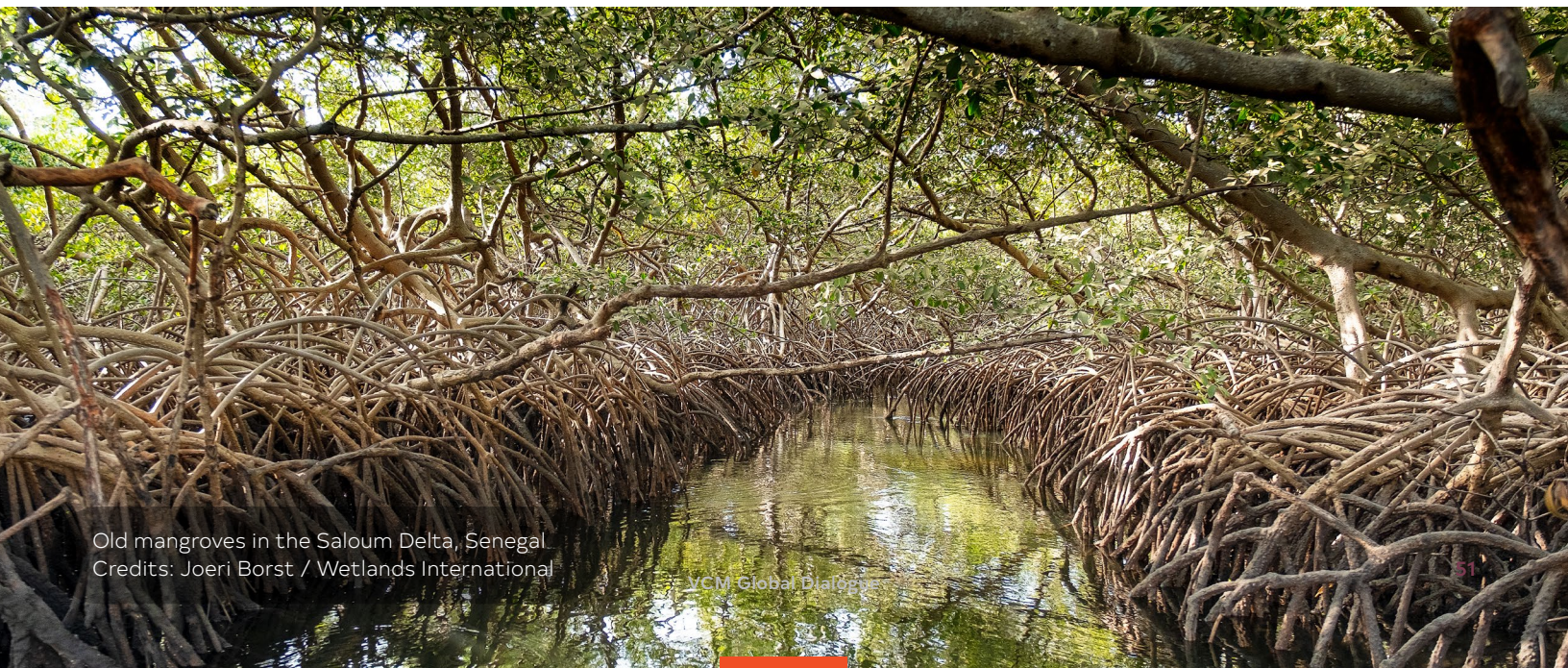
Transaction characteristics

- 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.

- 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.



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

A.4 Investment funds

Profile

- 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.

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.

A.5 Exchanges

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 on quality of 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.



Natural Resources Management (NRM) cross-border dialogue in Todonyang
Credits: Priscilla Kagwa / Wetlands International

Annex B: Detailed Components of Responsible Use

In this annex we briefly highlight some of the sources we utilised in identifying the eight components of responsible use. Our comparative analysis of these sources is provided in Annex D. We then proceed to provide detailed guidance on the way progress against each of the components can be measured and assessed.

Mid 2024, there have been several prominent guidance documents for high-integrity corporate climate claims. Most notably, these are guides developed by the Voluntary Carbon Markets Integrity Initiative¹³ (VCMI), the Nordic Dialogue on Voluntary Compensation¹⁴, and the Gold Standard¹⁵. Other organisations are also developing guidance on responsible use of carbon credits, like the International Organisation for Standardisation¹⁶ (ISO) and the European Union High-Level Expert Group on Sustainable Finance¹⁷ (HLEG).

Next to these public sector initiatives, retailers that sell carbon credits to companies have been offering corporate decarbonisation

¹³ VCMI Provisional Claims Code of Practice (2022). Available [here](#)

¹⁴ The Nordic Code of Best Practice for Voluntary Compensation of Greenhouse Gas Emissions. Available [here](#).

¹⁵ The Gold Standard Claims Guidelines. Available [here](#)

¹⁶ International Organisation for Standardisation Net Zero Guidelines. Available [here](#)

¹⁷ UN High Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. Available [here](#)

programmes, that include most of the steps of Responsible Use. Among them are the Climate Neutral Group¹⁸, South Pole¹⁹, Natural Capital Partners²⁰, Climate Partner²¹ and the Carbon Trust²². In 2023, most of these retail programmes have shifted towards promoting contribution claims rather than offsetting claims.

Additional considerations have been given for the use of NBS carbon credits. These are proposed amongst others by the We Mean Business Coalition²³, the International Union for the Conservation of Nature (IUCN)²⁴, the World Resources Institute²⁵ (WRI), Oxford University²⁶, the New Climate Institute²⁷ (NCI), and the Natural Climate Solutions (NCS) Alliance²⁸.

Below we provide detailed insight into how each component is constituted as well as how a buyer can be assessed against it.

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

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

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

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

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

23 We Mean business Guiding Principles for Corporate Climate Leadership on Nature-based Solutions. Available [here](#).

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

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

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

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

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

Component 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 component 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 component 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.²⁹ 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.

²⁹ OECD Guidelines for multinational Enterprises (2011), view here: <http://mneguidelines.oecd.org/guidelines/>

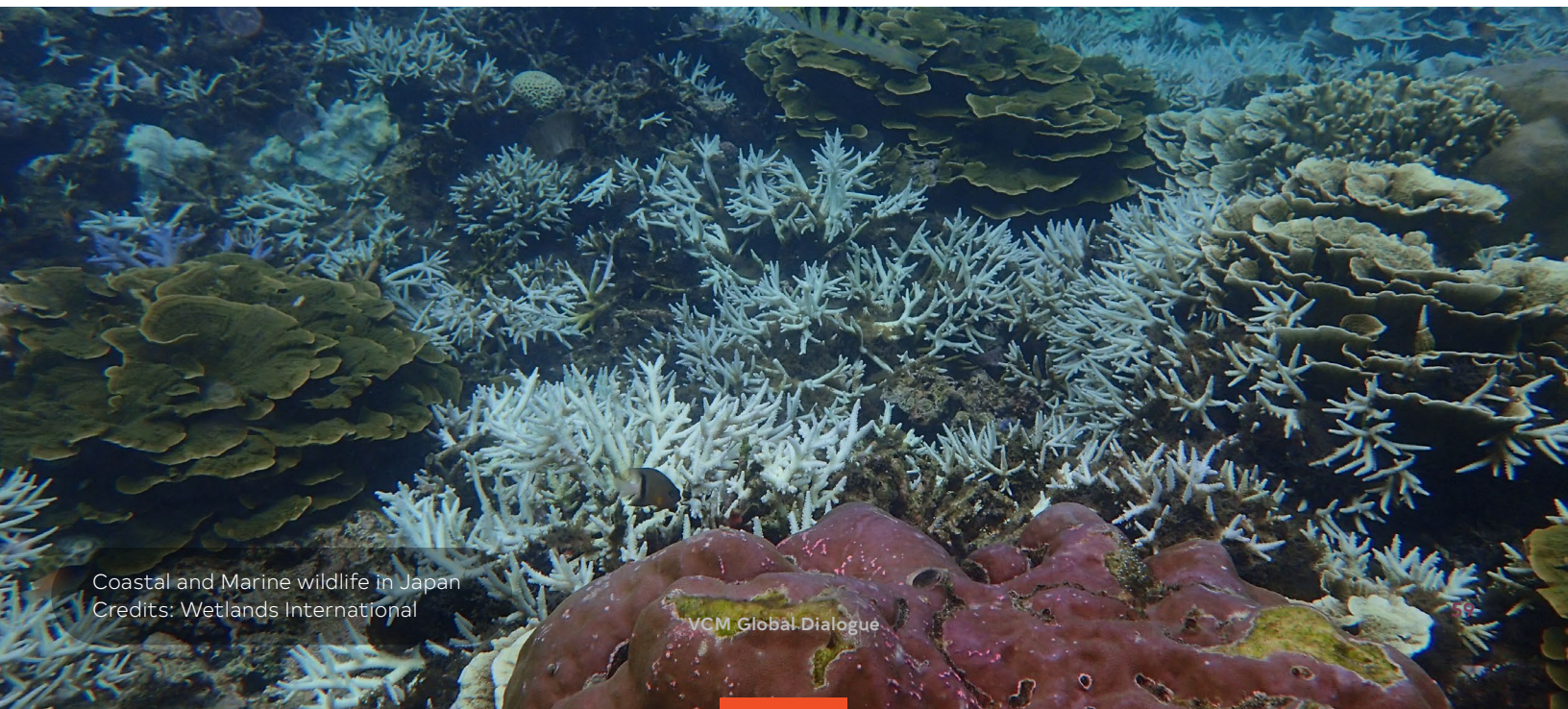
Positive listing

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'.



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 to 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 Component 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.

Component 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.³⁰ 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 Guidance³¹, 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.

³⁰ The GHG Protocol Corporate Standard. Available [here](#)

³¹ The GHG Protocol Land Sector and Removals Initiative. Available [here](#)

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)³² offers the most authoritative guidance for setting corporate emission reduction targets, including net-zero targets.³³ 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'.³⁴ To achieve net-zero, companies must reduce their value chain emissions in line with a 1.5°C pathway.³⁵ 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 3). This final decarbonisation state is typically referred to as *net zero* and is the only claim SBTi endorses.

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

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

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

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

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 3). 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.



Ecological Mangrove Restoration in
Guinea Bissau
Credits: 4x4 electric

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.

Component 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*³⁶ (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 improvement. To be considered CCP-Eligible, a carbon-crediting program³⁷ is required to comply with the criteria and requirements set out in the IC-

³⁶ IC-VCM: Core Carbon Principles. Available [here](#)

³⁷ Carbon credit program: A standard setting program that registers mitigation activities and issues carbon credits.

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 website³⁸: Gold Standard, Climate Action Reserve, and Social Carbon. Verra has updated the Verified Carbon Standard³⁹ (VCS) to better align with the CCP, while also maintaining alignment with ICROA.

Like before the launch of the CCP, most retail standards still refer to ICROA-endorsed standards⁴⁰ as a definition of high-quality credits. Most carbon market participants consider the quality of the leading carbon standards Verified Carbon Standard⁴¹ (VCS) by Verra and the Gold Standard⁴² 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)⁴³, the Climate, Community & Biodiversity (CCB) Standards⁴⁴, the Sustainable Development Verified Impact Standard⁴⁵ (SD VISta), and LandScale⁴⁶. Verra submitted an application for CCP approval of the VCS scheme in November 2023. 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

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

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

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

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

42 Gold Standard. Available [here](#)

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

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

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

46 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](#)

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 including Calyx⁴⁷, BeZero⁴⁸ and Sylvera⁴⁹.

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

47 Calyx Global. Available [here](#)

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

49 Sylvera. Available [here](#)

Buyer communicates transparently on carbon accounting

Accounting of emissions and emission reductions takes place on various levels and in different systems.⁵⁰ 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 are a source of heated debate.

Most of the accounting 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

⁵⁰ For a full explanation of double counting, see the VCM primer [here](#)

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.⁵¹ 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, recognising 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 now does stipulate that companies should purchase CCP-approved carbon credits as soon as they come available. The CCP state not to allow for double counting, including double issuance, double claiming, and double use. For carbon credits for which a host country issues corresponding

⁵¹ 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.

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 and for 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.



A mangrove tree in clear tropical waters
Credits: Adobe Stock

Component 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 C 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 decarbonisation 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 argues⁵² 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.

52 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 Practice⁵³, 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:

⁵³ 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.



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

- **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 emissions⁵⁴ 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.

⁵⁴ 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.

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 VCMi 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 IUCN⁵⁵, the WRI⁵⁶, Oxford University⁵⁷,

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

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

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

Plan VIVO⁵⁸, Climate Community and Biodiversity Standard⁵⁹, Gold Standard SDG Impact Tool⁶⁰, Meridian High Quality Blue Carbon Principles and Guidance⁶¹.

58 Plan VIVO. Available [here](#)

59 Verra: Climate Community and Biodiversity Standard. Available [here](#)

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

61 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



Annex C: Case studies

We tested the 8 components of the due diligence assessment matrix 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 components for responsible use of credits. We have made use of publicly available sources only.

C.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.⁶² 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 emissions accounting remain. For instance, Apple reports zero scope 2 emissions under a market-based accounting approach, although an

⁶² SBTi (2022) Business Ambition for 1.5°C. Available [here](#)

independent assurance statement revealed scope 2 emissions of 0.89 MtCO₂e using a location-based accounting method.⁶³

Role of NBS carbon credits

As stated their Environmental Progress Report for 2023⁶⁴, 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.⁶⁵ The project is registered under Verra's VCS and includes the Climate, Community and Biodiversity standard (CCB)⁶⁶ 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

⁶³ NewClimate (2022) Corporate Responsibility Monitor 2022 Report. Available [here](#)

⁶⁴ https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2023.pdf

⁶⁵ <https://www.apple.com/newsroom/2019/04/conserving-mangroves-a-lifeline-for-the-world/>

⁶⁶ <https://registry.terra.org/app/projectDetail/VCS/2290>

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.⁶⁷ 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.

⁶⁷ <https://www.apple.com/newsroom/2023/04/apple-expands-innovative-restore-fund-for-carbon-removal/>



C.2 Nestlé

Nestlé, the world's largest food and beverage company globally by revenue⁶⁸, has a large land-related footprint. Almost 95% of Nestlé's emissions occur in scope 3.⁶⁹ 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 2050⁷⁰, 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 Plan⁷¹ that aims to end cocoa-related deforestation and spearhead forest restoration.

Key actions to tackle corporate emissions include sustainably

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

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

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

71 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](#)

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 roadmap⁷² is specific attention for methane emissions.

In their Net-Zero Roadmap⁷³, 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 Principles⁷⁴, which guide interventions of their

Global Restoration Program and their Forest Positive Strategy.⁷⁵ 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.⁷⁶

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 forest conservation and sustainable landscapes.⁷⁷ 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

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

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

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

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

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

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

suppliers along their value chain. This framework also requires that Nestlé's carbon best practice principles⁷⁸ are respected. Nestlé is a leading proponent of insetting 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.

⁷⁸ Nestlé (2022) Nestlé's Carbon Best Practice Principles. Available [here](#)



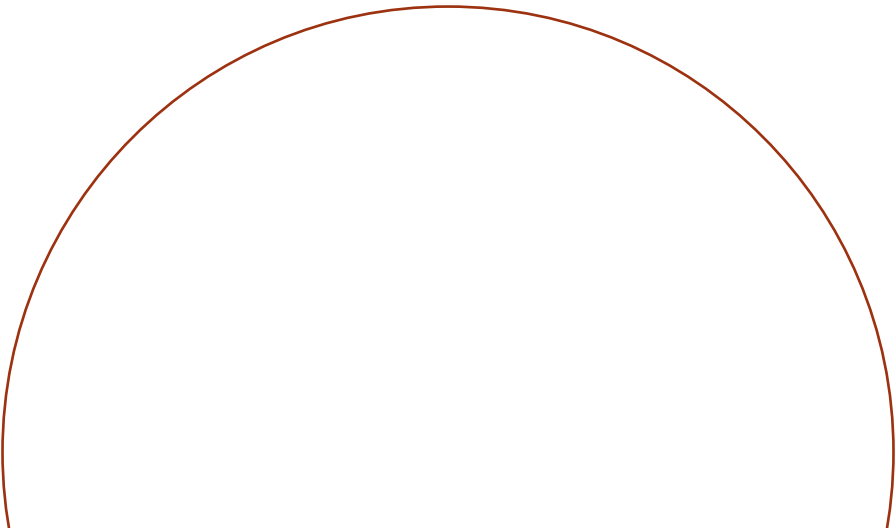
Nestlé's corporate headquarters in Vevey, Switzerland
Credits: Nestlé

Table 2: Apple and Nestle's approach assessed using the eight components for responsible use of credits.

| Underlying components for high integrity claims | Apple Inc. | Nestlé |
|--|---|---|
| 1. Buyer demonstrates wider environmental and social responsibility | <p>Communicate on objective to:¹</p> <ul style="list-style-type: none"> • Make all products carbon neutral by 2025 • use only recycled and renewable materials (products and packaging) • eliminate waste sent to landfill from corporate facilities and suppliers • reduce water impact • eliminate plastic in packaging by 2025 • avoid use of harmful chemicals | <ul style="list-style-type: none"> • 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 • 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. • 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. |
| 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 |

¹ https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2022.pdf

| Underlying components for high integrity claims | | |
|---|--|---|
| | 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 organisations 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 decarbonisation 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. |



Annex D: Analysis of standards against the components for responsible use

1. VCMI 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

Mangroves at Rawa Mati, Pariaman
Credits: Harry Fajry / Unsplash

Table 3: map of 11 analysed standards against the components for responsible use of carbon credits.

| Underlying components 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 components 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 components 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 components 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 |
|---|--|--|---|---|--|--|---|--|---|--|---|
| 7. Buyer's claims relating to carbon project investments adhere to authoritative claims guidance | <p>The VCM 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>VCM Platinum is the highest achievable tier. A VCM 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>VCM 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 VCM Claim.</p> <p>VCM Silver is the most accessible tier. A VCM 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 VCM Claim.</p> <p>Compliance with the VCM Foundational criteria is a mandatory prerequisite to making any VCM 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 E: 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 ¹ 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 |

¹ TSVCМ: 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 |
|---|---|--|--|--|---|--|
| 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) |
| 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. ¹ | 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 |

¹ An International Workshop Agreement can exist for a maximum of six years, following which it is either withdrawn or converted into another ISO document.

