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TYPES OF CLAIMS AND BEST PRACTICE PRINCIPLES

Organisations often use carbon credits purchased from voluntary carbon markets to substantiate climate-related claims associated with their entities, products, and services. Nevertheless, there has been significant uncertainty surrounding the generation of these credits and the assertions tied to them. In addition, companies face a spectrum of risks, ranging from reputational damage due to accusations of overstating climate performance to potential legal consequences, including fines and litigation if such claims are found to be false or deceptive. Guidance on Best practices is being developed by several organisations and in consultation with stakeholder groups to provide clarity on the matter often emphasising that credible claims related to offsetting and contributions should be grounded in mitigation outcomes meeting internationally established criteria. In accordance with environmental claim regulations, these assertions must be clear, truthful, unambiguous, and verifiable; otherwise, they risk being perceived as deceptive or engaging in "greenwashing."

What types of claims are out there?

Offsetting Claims

Offsetting refers to the action of counterbalancing the climate impact of specific GHG emissions by an equivalent reduction in global net emissions, thereby their aggregate impact on global net emissions amounting to zero. Carbon credits are often referred to as “offsets”; however, this is misleading, as not all carbon credits are used to offset GHG emissions.

below).

However, this practice is not without criticism and pitfalls. The ambiguous terminology surrounding carbon offsetting, including terms like "carbon compensation," can also contribute to confusion and skepticism among the public and stakeholders. Actors engaging in such endeavours have often faced reputational risks and had to work to address the potential misuse of their carbon credit purchases. Moreover, it is increasingly questionable to what extent this approach is globally effective, especially if the emission reductions achieved in the offset projects lead to double counting under the Paris Agreement.

Non-offsetting claims "Mitigation contribution" "Climate finance contribution" claims

Contribution claims represent a different approach to utilising carbon credits compared to offsetting or achieving carbon neutrality. Instead of solely focusing on offsetting emissions or achieving carbon neutrality, contribution claims aim to support broader corporate climate goals. The aim of this type of claim is to support the achievement of the Sustainable Development Goals, contribute to a host country climate pledge, or to collective climate targets. Companies cancel the carbon credits they have purchased through the VCM with the relevant carbon standard and electronic registry. Companies or organisations often make a public statement where they explicitly state that the cancelled credits will credits is to support broader mitigation efforts as opposed to being used for offsetting.

The contribution claim approach represents a departure and alternative from traditional offsetting models by emphasising private financial contributions to global climate initiatives. Numerous organizations advocate for this approach as a viable and feasible option to mitigate the risk of greenwashing and compromising domestic mitigation efforts in the country where the emission reduction project is situated, owing to the potential risks of double claiming.

Ensuring the integrity of claims

Public claims made about the use of carbon credits must provide a clear and truthful picture of their impact on the global climate. This includes avoiding double claiming, wherein the same credits are claimed multiple times, such as against both national mitigation targets and individual emissions reductions.

Differentiated claims should be made for the use of carbon credits, depending on their purpose:

- (i) Helping a country meet its existing mitigation targets.
- (ii) Exclusively offsetting the impact of specific emissions.
- (iii) Contributing to global mitigation efforts beyond national targets without offsetting specific emissions.

Carbon neutrality: Best practice claims about carbon neutrality involve ensuring that the remaining direct and indirect greenhouse gas (GHG) emissions attributed to an actor, product, or service have been fully offset by using high-integrity mitigation outcomes. These outcomes should be exclusively claimed by the actor, such that their combined contribution to global GHG emissions is zero.

Criteria for Carbon Neutrality Claims:

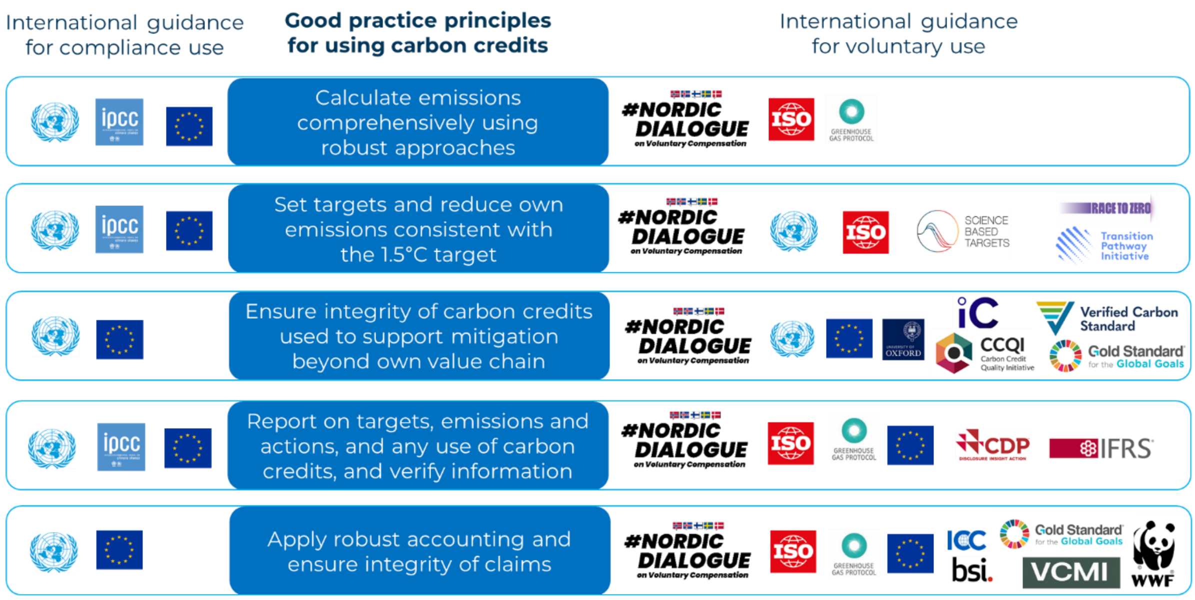
Organisations making carbon neutrality claims must be reducing their direct and indirect GHG emissions in line with a 1.5°C-aligned pathway. This indicates a commitment to reducing emissions in accordance with scientific recommendations to limit global warming.

By adhering to these best practices, organisations can provide accurate and credible information regarding their use of carbon credits and their contributions to mitigating climate change. This promotes transparency and accountability in climate action efforts.

Current recommendations regarding the voluntary use of carbon credits and associated claims

An increasing number of guidelines are available, offering recommendations for the voluntary use of carbon credits and the associated statements and claims that entities should credibly make about their purchase and retirement. These documents vary in scope, with some being international and others national. They address a range of elements related to best practices, including emissions quantification, organisational climate targets, prioritisation of organisational emissions reductions, minimum criteria for carbon credits, marketing practices and claims, as well as reporting. Some guidelines provide a comprehensive overview in general terms, while others concentrate on specific elements in greater detail. The figure showcases the main body of advice regarding the use of carbon credits for both compliance and voluntary market segments.

Figure 1: Best practices and global guidance for the voluntary use of carbon credits.



Source: Perspectives Climate Group, adapted from [Laine et al. 2023]

The list below links to the key documentation published by various groups of actors and organisations aiming to provide clarity and guidance on best practices regarding the use of carbon credits.

- International Civil Aviation Organisation (2019): CORSIA Emissions Unit Eligibility Criteria.
- International Civil Aviation Organisation (2023): CORSIA Eligible Emissions Units.
- Ahonen et al., (2022): Harnessing voluntary carbon markets for climate ambition. An action plan for Nordic cooperation.
- University of Oxford (2020): The Oxford Principles for Net Zero Aligned Carbon Offsetting.
- World Wildlife Fund (2020): WWF position and guidance on voluntary purchases of carbon credits.
- International Carbon Reduction & Offset Alliance (2024): ICROA Code of Best Practice. Available in English at: https://www.icroa.org/_files/ugd/653476_d76cf631001143069f0d64a075d90efd. pdf.
- Gold Standard (2022): Claims guidelines.
- VCMI (2023): Claims Code of Practice.
- The British Standards Institution (2023): PAS 2060 - Carbon Neutrality Standard and Certification.
- International Organisation for Standardisation (2023): ISO/DIS 14068: Greenhouse gas management and climate change management and related activities — Carbon neutrality.

Implications and key takeaways

Credible claims should be based on the complementary use of carbon credits in addition to science-aligned reductions in own value chain emissions.

Double claiming between national targets and voluntary claims must be avoided by using ITMOs for voluntary offsetting claims and non-authorised carbon credits only for contribution claims.

To avoid a race to the bottom, the VCM requires PA/Art. 6 alignment through common criteria for integrity of carbon credits, voluntary claims should be regulated in line with good international practice.

- To promote a race to the top, good practices should be continuously developed, shared and aligned across the VCM and Article 6.
- National Art.6 frameworks / legislation increasingly cover VCM

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