



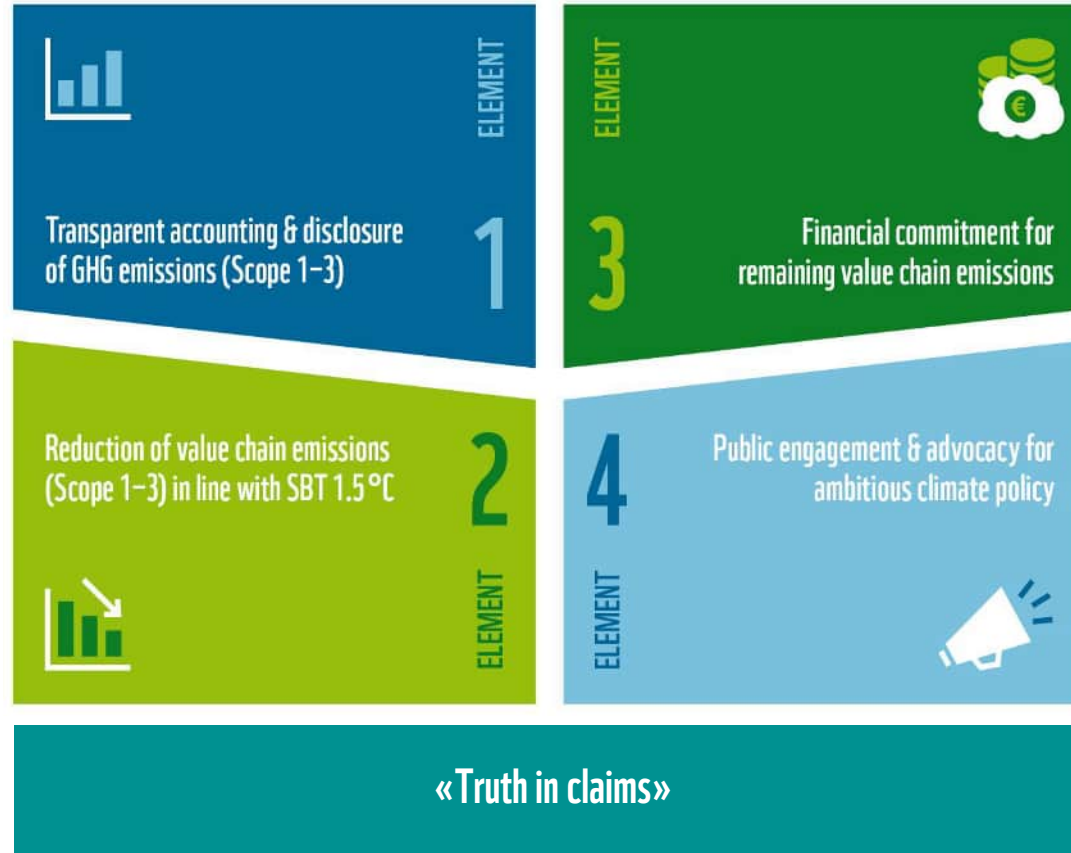
# Credible and effective corporate climate strategies

Spotlight on climate action within and beyond value chain / SBTi  
Lene Petersen, WWF Switzerland, 24.08.2023

# Elements of a credible and effective corporate climate strategy



- Greenhousegas inventory including value chain (Scope 1-3)
- Annual update and disclosure of inventory
- Application of global standards (Greenhouse Gas Protocol, CDP)
  
- Science-based targets: reduction targets on a 1.5°C pathway (according to SBTi)
- Roadmap: Planning of measures to achieve target(s)
- External validation of progress

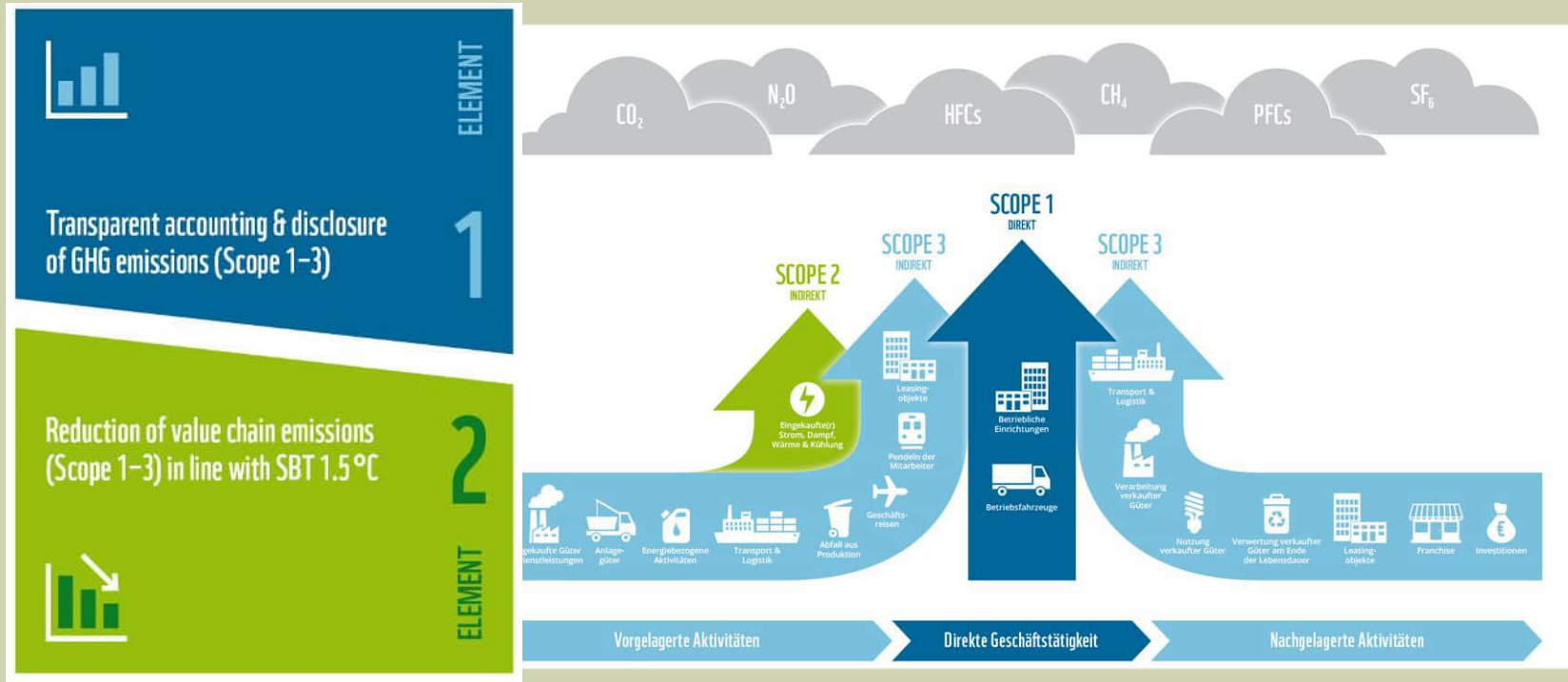


- Moving away from compensation («ton-for-ton»)
- Pricing of remaining emissions with the social costs of carbon
- Investment of the budget with maximum impact for people, nature and climate
  
- Mobilization of employees, suppliers, industry partners, customers, etc.
- Effective advocacy program for progressive climate legislation
- Withdrawal of support for climate-destructive activities

# Responsibility within & beyond value chain



Decarbonization 'within value chain' (corporate net zero)



Engagement 'beyond value chain' (contribution to global net zero/goals)



# Part 1: Science-based reduction targets (SBTi)



# The Science Based Targets initiative (SBTi)



SCIENCE  
BASED  
TARGETS



- **Defines and promotes best practice** in emissions reductions and net-zero targets in line with climate science (and the Paris Agreement).
- **Provides technical assistance and expert resources** to companies who set science-based targets in line with the latest climate science.
- **Brings together** a team of experts to provide companies with independent assessment and validation of targets.
- **Engages companies** to position themselves for a transition to a zero/low-carbon economy.

*“The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.”*

## OUR GOALS

The SBTi's theory of change is based on the diffusion of innovation theory. We work with the assumption that 20% of businesses in a particular territory or sector equals critical mass, so our goals are to reach this 20% threshold by 2025.

This means:

- \$20 trillion of the global economy covered by approved 1.5°C targets.
- 5GT of corporate emissions covered with science-based targets or commitments.
- 10,000 companies commit to or set science-based targets.

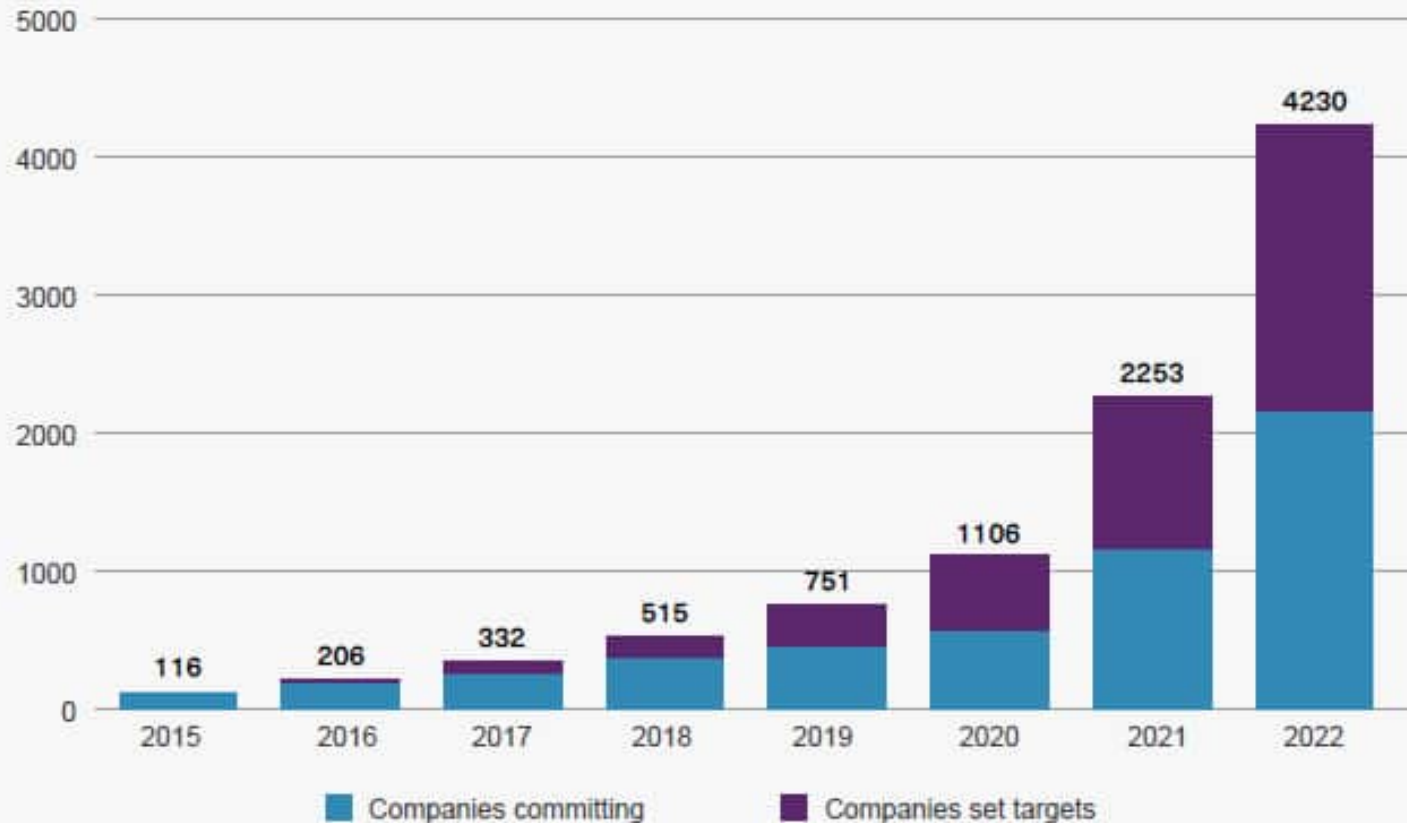


WORLD  
RESOURCES  
INSTITUTE



# Success story SBTi

Annual cumulative number of companies with approved targets and commitments, 2015–2022<sup>10 11</sup>

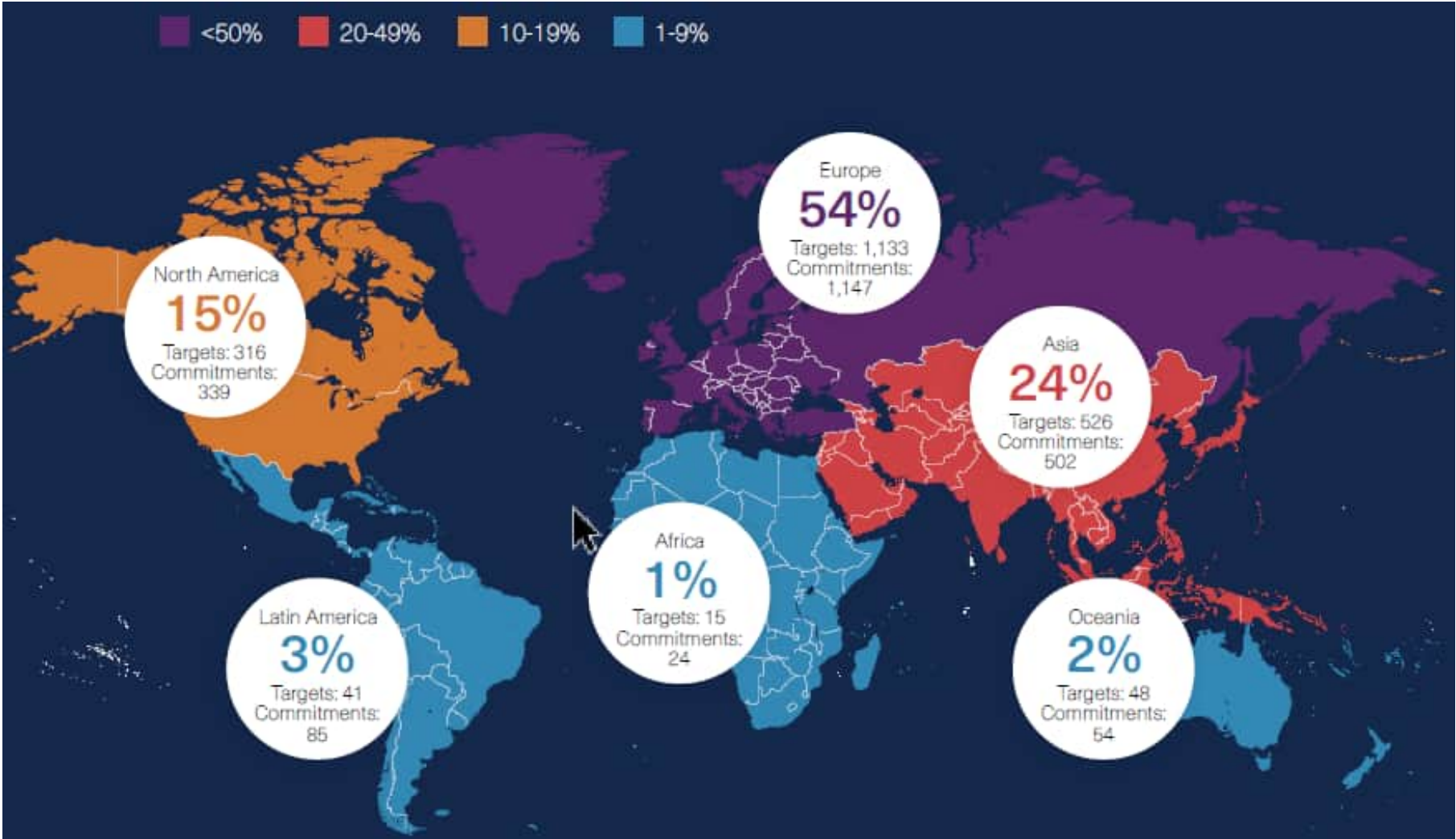


Source: <https://sciencebasedtargets.org/reports/sbti-monitoring-report-2022/>



Source: <https://www.linkedin.com/company/science-based-targets/posts/> 18.8.2023

# Geographic reach of science-based targets



Source: <https://sciencebasedtargets.org/reports/sbti-monitoring-report-2022/>

# Key facts from the latest progress report

- 34% of global economy covered
- 2 billion t CO<sub>2</sub> (Scope 1 & 2) covered
- Average annual emission reduction for SBTi companies: 5.9% (Scope 1 & 2)
- Countries with highest number of companies setting targets in 2022: Japan, UK, US
- Increasing participation of SMEs
- Increasing adoption of Net-Zero Standard

96%

Companies with science-based targets covering scope 3



188 or 38% of all Fortune Global 500 companies have science-based targets or commitments.

5.9%

The typical company reduced their emissions at a linear annual rate of 5.9% between the year of setting targets and 2021

1,097

The number of companies and financial institutions setting science-based targets continued to grow. In 2022, 1,097 companies had their targets validated, a number greater than the total of the previous seven years combined.

1.5°C

As of July 2022, the SBTi has only accepted new target submissions which are aligned with 1.5°C.

34%

By the end of 2022, companies with science-based targets or which had committed to set targets represented over a third (34%) of the global economy by market capitalization.



Japan had the highest number of companies setting targets in 2022, followed by the UK and US. Asia saw the greatest proportional growth in companies setting targets, with Africa and Latin America also experiencing growth.



For the first time, we have observed growth in every continent. Companies in Albania, Malta, Myanmar (Burma), Romania and Tunisia set science-based targets, while companies in Liechtenstein, Morocco, Sierra Leone, and Trinidad and Tobago committed to set science-based targets.

88%

88% of companies listed on France's CAC Index had set or committed to set targets by the end of 2022, compared to 70% on Germany's DAX Index, 69% of companies on the UK's FTSE, 43% on Italy's MIB, 42% of all S&P companies and 40% of companies listed on Japan's NIKKEI Index.

58%

There was significant growth in the number of small and medium-sized enterprises (SMEs) setting targets, with SMEs representing the majority (58%) of organizations setting targets in 2022.

130

130 companies set net-zero targets in 2022, making up 12% of all targets validated that year.

60%

60% of companies setting targets came from the service, manufacturing and infrastructure industries. The materials industry saw the highest growth in the number of companies setting targets, while the three lowest represented industries – power generation, biotech, healthcare and pharma, and hospitality – saw little change.

Source: <https://sciencebasedtargets.org/reports/sbti-monitoring-report-2022/>



# What are science-based targets?



## Carbon Budget

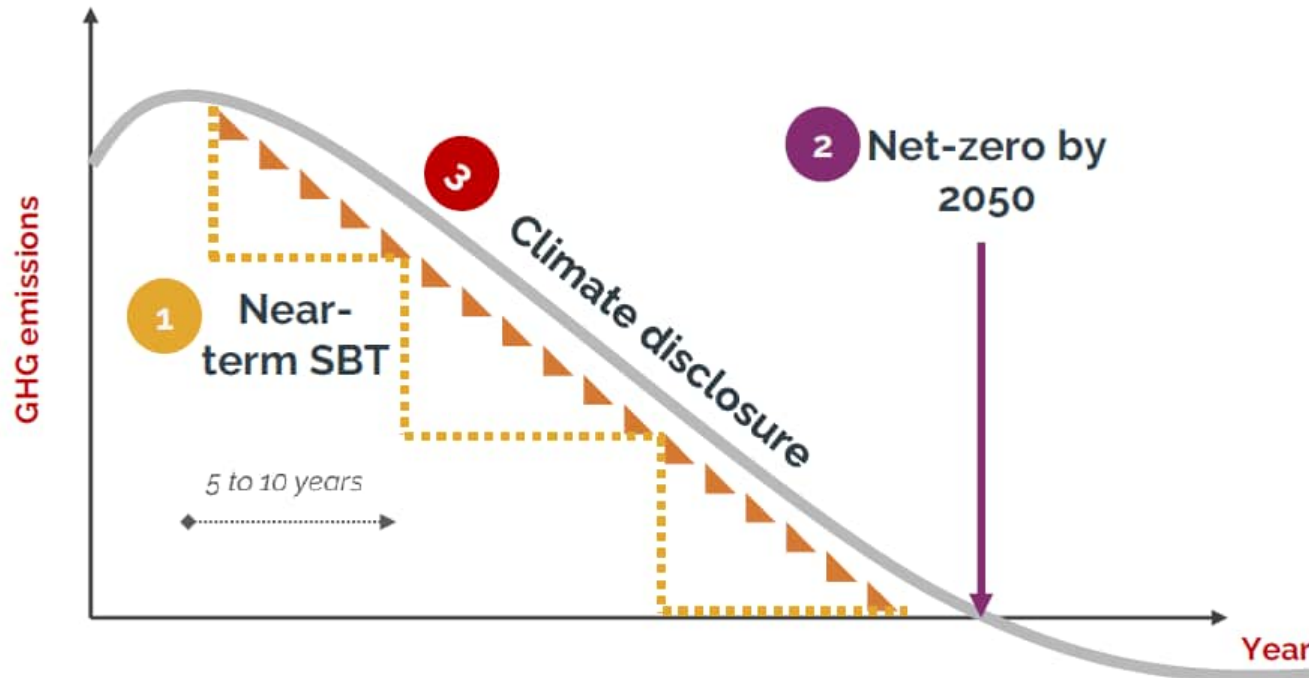
Amount of emittable carbon until reaching a temperature threshold (e.g. 1.5°C).

## Emissions Scenario

Distribution of the available carbon budget over time.

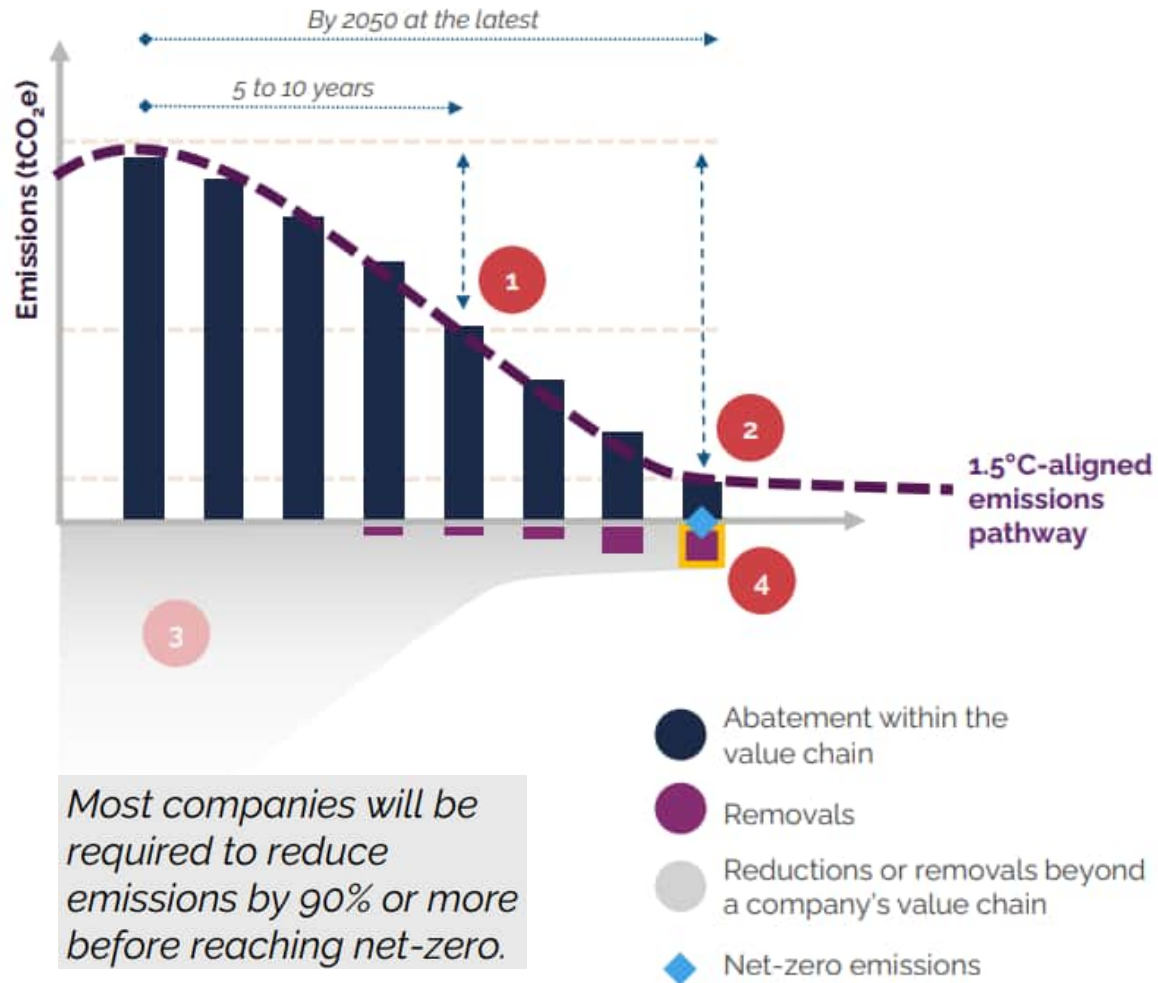
## Allocation Approach

Allocation of the budget to companies (depending on sector).



- 1 (Near-term) science-based target:** Ensures that the company is taking near-term action to reduce emissions at a pace that is consistent with keeping warming below 1.5°C;
- 2 Long-term net-zero target:** Provides clarity about the direction that the company will follow and serves as a north-star for long-term strategic and investment decisions;
- 3 Annual disclosure:** Gives visibility on how the climate strategy is being implemented and provides transparency on progress against targets

# Key elements of the net zero standard



**1 To set near-term science-based targets:**  
5-10 year emission reduction targets in line with 1.5°C pathways

**2 To set long-term science-based targets:**  
Target to reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2050

**Beyond value chain mitigation:**  
In the transition to net-zero, companies should take action to mitigate emissions beyond their value chains. For example, purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture (DAC) and geologic storage

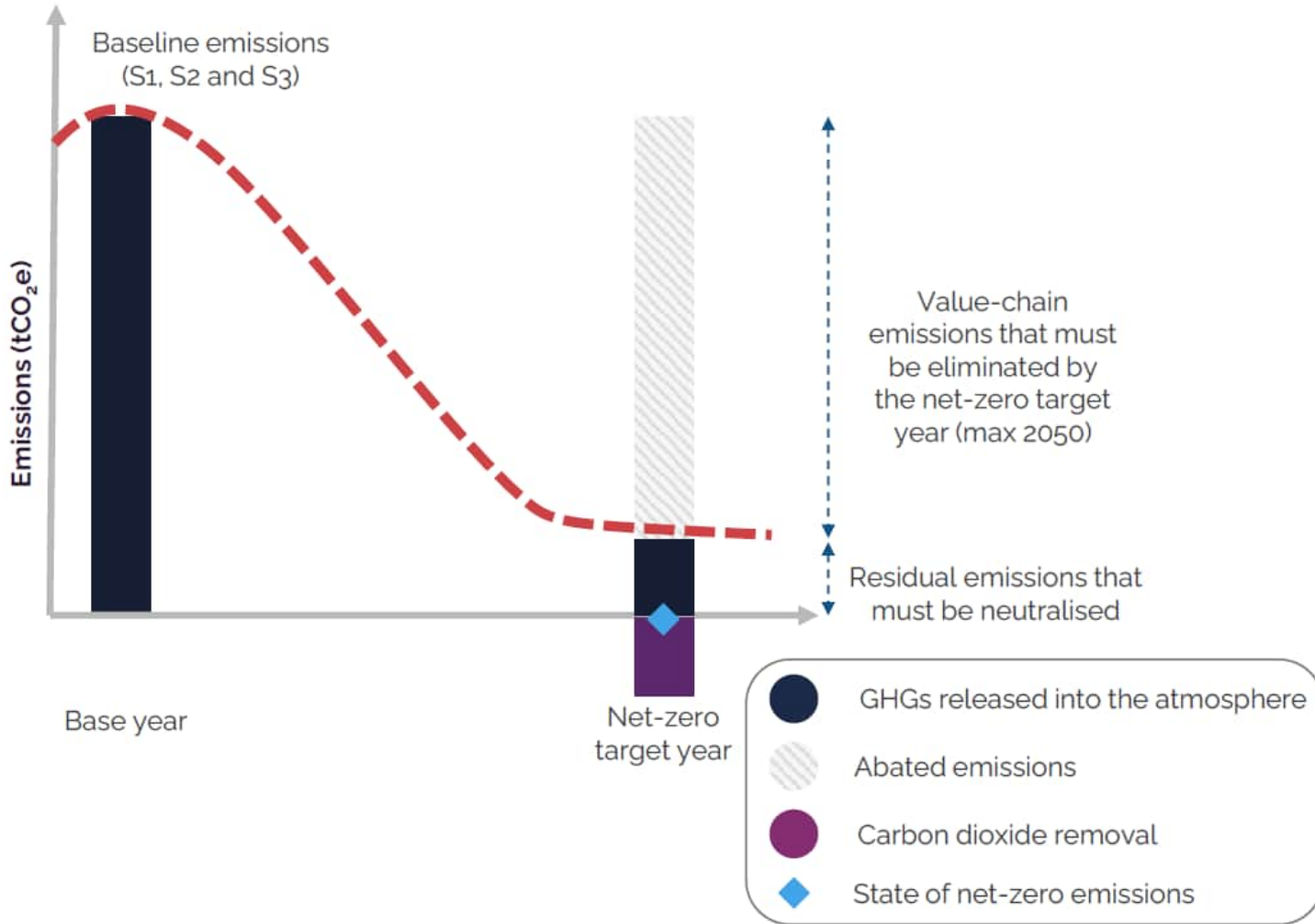
**3**

**Neutralization of residual emissions:**  
GHGs released into the atmosphere when the company has achieved their long-term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere

**4**

Required Recommended

# Net zero claim



Reaching a state of net-zero emissions for a company involves achieving a state in which the company continues to create value to society and to shareholders without causing the accumulation of GHG in the atmosphere.

According to the SBTi Net-Zero Standard, a state of net-zero is reached when the following two conditions are met:

- 1. Condition 1 – Science-based abatement:** Scope 1, 2 and 3 emissions have been reduced to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways;
- 2. Condition 2 – Neutralization:** The company neutralizes any residual GHGs released into the atmosphere at the net-zero target date and thereafter

## Part 2: Climate finance beyond value chain – best practice



# Recap: the problems with the offsetting-system

- The **zero-sum game**: emissions saved in one place are emitted in another place.
- **Wrong incentives** through offsetting and neutrality claims: instead of reducing own emissions, certificates are purchased.
- **Quality problems**, e.g. due to race to the bottom of price:
  - **Baseline Inflation**: overestimated baselines generate far too many certificates (see e.g. [Guardian article](#))
  - **Leakage**: avoided emissions in one place lead to emissions in another place (e.g. deforestation happens somewhere else)
  - **Permanence**: CO<sub>2</sub>-sequestration/reduction does not happen at the same time scale as emission. The emitted CO<sub>2</sub> stays in the atmosphere for about 1000 years, no project can guarantee these time scales. The sold carbon credit does not have the same currency as the emitted CO<sub>2</sub> (**Fungibility**).
  - **Additionality**: the project would have been realized anyway (e.g. renewable energy projects)
- Since Paris Agreement the risk of **double counting & claiming** comes on top: reduction is counted/claimed in the host country and from the buyer of the certificate.
  - 'Corresponding adjustments' only solve the problem to a limited extent as they do not provide an incentive for countries to set ambitious targets (NDCs).



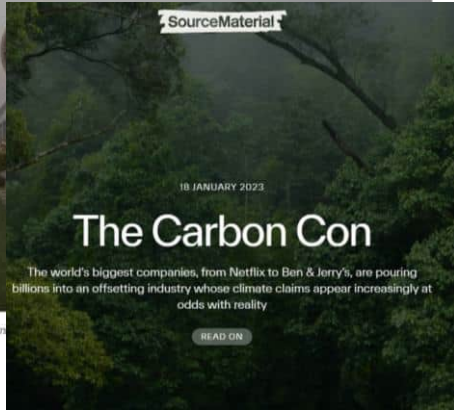
# Increasing critic towards offsetting

## Qatar 2022: Complaints filed over 'misleading' World Cup carbon neutral claims

By AFP • Updated: 02/11/2022



Solar panels stand on grounds in front of Khalifa International Stadium in Doha, Qatar.



Environment   Litigation   Climate Change   Litigation   Energy

3 minute read · March 3, 2022 1:35 AM GMT+1 · Last Updated a year ago

## Environmental groups sue TotalEnergies over climate marketing claims

By Simon Jessop, Gloria Dickie and Benjamin Mallet



### Lawsuit focuses on Evian's carbon-neutral claim



## The EU could be about to take a giant step against carbon-neutral greenwashing

DISCLAIMER: All opinions in this column reflect the views of the author(s), not of EURACTIV Media network.

By Margaux Le Gallou · Nov 29, 2022 (updated: Nov 30, 2022)



Greenpeace hat retweetet



Greenpeace NL @GreenpeaceNL · 1 Std.

Yes! 🙌🙌🙌 @Shell has to stop their 'carbon neutral' petrol advertisements. The Dutch Advertising Code has ruled them 'misleading' after a complaint by 9 students of the Vrije Universiteit Amsterdam, backed by us and @FVReclame. ❤️ #FossilFreeRevolution



## Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows

Investigation into Verra carbon standard finds most are 'phantom credits' and may worsen global heating

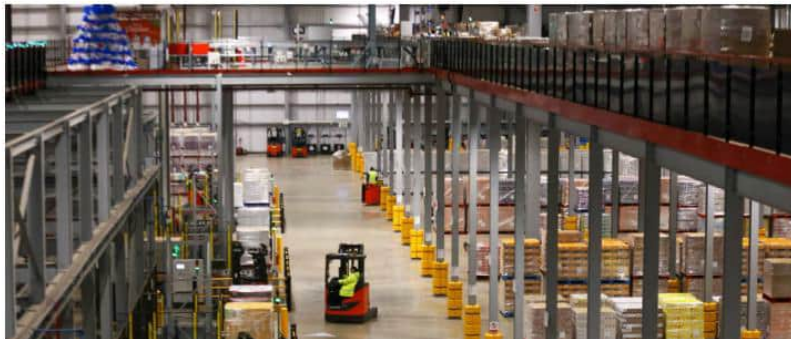
- 'Nowhere else to go': Alto Mayo, Peru, at centre of conservation row
- Greenwashing or a net zero necessity? Scientists on carbon offsetting
- Carbon offsets flawed but we are in a climate emergency



The Alto Mayo protection forest in Moyobamba, Peru, was supposed to be a flagship offsetting

BUSINESS

## The climate pledges of leading global companies don't add up



Advertisement



### Popular articles

Germany running behind its renewable energy ambition

# Exploding legal complaints against companies - Examples

## USA:

- **Danone Waters of America** is facing a class-action lawsuit claiming the company's **Evian Natural Spring Water** labels are providing false information that the product is carbon neutral, highlighting a growing trend of legal questions surrounding sustainability claims.

## Germany:

- The airline **KLM** is facing a court action, supported by ClientEarth, for breaching consumer law with its CO2 compensation marketing.
- Legal action has been filed against **Beiersdorf** for the **Nivea** Naturally Good face care products and German Nivea shower gel range. Both are described as "100% climate neutralized by offsetting CO2 emissions with certified reforestation projects," but the company does not offer sufficient information to corroborate these claims.

## Switzerland:

- Several NGOs jointly filed a complaint for misleading advertising (greenwashing) against the **International Association Football Federation (FIFA)** for using 'carbon neutral' claims.
- The Swiss consumer association recently filed 11 law cases against companies using 'carbon neutral' claims

## Netherlands:

- **Shell** has found itself reprimanded twice in succession, first for advertising 'CO2- neutral' car petrol, then for trying a different claim that carbon credits mean 'CO2 compensation'. On both occasions, the company was unable to persuade the Dutch advertising watchdog that the offsets advertising was substantiated by the evidence.
- The airline **KLM** is facing a court action, supported by ClientEarth, for breaching consumer law with its CO2 compensation marketing.

23 Sep 2022, 10:55 | Isabel Sutton

Company climate claims in court: Pending cases will shape future of 'net zero' pledges



## "Carbon-Neutral" Advertising May Lead to Litigation

Jan 30, 2023



ClientEarth<sup>®</sup>

September 2022

### Briefing: Legal risks of carbon offsets

No such thing as 'carbon neutral' – can laws and ISO standards tame the Wild West of green claims?



### Carbon Offsets: Want to Get Sued? (greenwashing as illegality)

By Robert Bradley Jr. – October 5, 2022

# Increasing regulatory framework – Examples



## EU Level

The EU Commission has proposed a new ‘anti-greenwashing’ consumer law, which will likely place heightened restrictions on generic claims such as ‘carbon neutral’ respectively ban them.

## France

In France, after a citizens’ assembly called for a ban on ‘carbon neutral’ claims, the legislature enacted a law requiring companies to clarify how emissions are being actually reduced before being offset.

## UK

Companies listed in the UK are prohibited from publishing misleading, false or deceptive information, and may be sued by shareholders who suffer a loss as a result of a scandal linked to a misleading statement published by the company. Use of ‘offsets’ by financial businesses, or by investee companies underlying investment products, implicate financial regulation.

## Regulating voluntary corporate claims on climate



EUROPEAN COMMISSION

Brussels, 30.3.2022

COM(2022) 143 final

2022-0092(COD)

Proposal for a

### DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and better information

(9) Annex I to Directive 2005/29/EC should also be amended to prohibit making generic environmental claims without recognised excellent environmental performance which is relevant to the claim. Examples of such generic environmental claims are: ‘environmentally friendly’, ‘eco-friendly’, ‘eco’, ‘green’, ‘nature’s friend’, ‘biological’, ‘environmentally correct’, ‘climate friendly’, ‘gentle on the environment’, ‘carbon friendly’, ‘carbon neutral’, ‘carbon positive’, ‘climate neutral’, ‘eco efficient’, ‘biodegradable’, ‘biobased’ or similar statements, as well as broader terms such as ‘conscious’ or ‘responsible’ that suggest or create the impression of excellent environmental performance. Such generic environmental claims should be prohibited whenever there is no excellent environmental performance demonstrated or whenever the specification of the claim is not provided in clear and prominent terms on the same medium, such as the same advertising spot, product’s packaging or online marketing interface. For example, the claim ‘biodegradable’, referring to a product, would be a generic claim, whilst claiming that ‘the packaging is biodegradable through home composting in one month’ would be a specific claim, which does not fall under this prohibition.

‘excellent environmental performance’ can be demonstrated by compliance with Regulation (EC) No 66/2010 of the European Parliament and of the Council<sup>27</sup>, or with nationally recognised ecolabelling schemes in the Member States, or compliance with environmental performance for a specific environmental aspect in accordance with applicable Union law, such as a class A in accordance with Regulation (EU) 715/2009 of the European Parliament and of the Council<sup>28</sup>. The excellent environmental performance in question should be relevant to the claim. For example, a



# Consumer misunderstanding

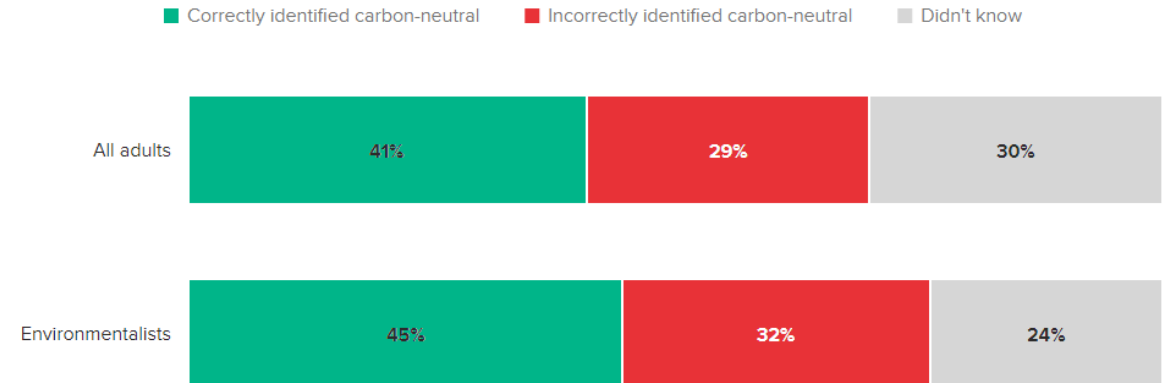


Studies from the US, UK and Germany show:

- Very few consumers know what the term “carbon neutral” actually means.
- This also holds for self-defined ‘environmentalists’.
- Offsetting emissions with CO2 certificates is not enough for a majority of consumers.
- Participants tended to believe that carbon neutral claims implied that an absolute reduction in carbon emissions had taken place or would take place.
- Results suggested need/wish for increased transparency.
- Most consumers would welcome stricter regulation of climate claims.

## Most Americans Don't Know What 'Carbon-Neutral' Means

Respondents were asked, to the best of their knowledge, if they could identify the correct definition of “carbon-neutral” from a list of three options



MORNING CONSULT

Two different incorrect definitions of “carbon-neutral” were presented to respondents, along with the correct definition, and the shares of respondents who selected each incorrect option were combined. Environmentalists are respondents who said they've changed their behavior “some” or “a lot” due to concerns about climate change.

Sources:  
<https://morningconsult.com/2022/08/02/carbon-neutral-consumer-awareness/>  
[www.verbraucherzentrale.nrw/pressemitteilungen/presse-nrw/klimaneutrale-produkte-89-prozent-fuer-klare-regeln-und-geprueftes-siegel-77472](http://www.verbraucherzentrale.nrw/pressemitteilungen/presse-nrw/klimaneutrale-produkte-89-prozent-fuer-klare-regeln-und-geprueftes-siegel-77472)  
<https://www.asa.org.uk/resource/climate-change-and-the-environment-consumer-understanding-of-environmental-claims.html>

# Increasing alignment of civil society



## CAN International Position on Carbon Offsetting

October 2022

*Climate Action Network (CAN) is a global network of more than 1,800 civil society organisations in over 130 countries driving collective and sustainable action to fight the climate crisis and to achieve social and racial justice. CAN convenes and coordinates civil society at the UN climate talks and other international fora.*

Humanity will not limit global warming to 1.5°C without dramatically reducing emissions from burning fossil fuels and land-use change. Whilst CAN strongly advocate financing for climate action, including for the protection and restoration of carbon-rich and biodiverse ecosystems, **CAN rejects the practice of offsetting to tackle the climate crisis. We reject public, governmental and corporate offsetting. There are far better and more valid alternatives for protecting biodiversity than offsetting. These include effective regulations, contributions, donations, protection of the rights of indigenous communities, and other means.**

A broad coalition of over 170 NGOs, advocacy groups, and grassroots organizations spanning the globe released a [statement](#) opposing the usage of carbon offset programs, declaring that carbon offset programs are false solutions that will not solve the climate crisis:

PRESS RELEASE

## Statement: Offsets Don't Stop Climate Change

October 6, 2021 | Statement

Amazon Watch and 170+ other organizations

For more information, contact:

+1.510.281.9020 or [presslat@amazonwatch.org](mailto:presslat@amazonwatch.org)

[View with footnotes](#)

Translations: [Español](#) | [Português](#) | [Bahasa Indonesia](#) | [Française](#)

Climate-driven wildfires, flooding, droughts and other extreme weather events daily impact every corner of the globe.

Yet the fossil fuel industry, big utilities, big agriculture, big finance — and their political allies — are pushing carbon offset schemes to allow them to continue releasing the greenhouse gases driving the climate crisis, harming Indigenous, Black, and other already-marginalized communities, and undermining sustainable farming and forestry practices.

The science is clear: we need to rapidly phase out fossil fuels and emissions-intensive agricultural practices like factory farming, while protecting forests, wetlands, and other natural carbon sinks. Every delay means greater impacts on our climate and more pollution in historically overburdened communities.

*"Genuine climate protection is only possible if consumers receive honest information about the climate impact of products or services. As consumer protection association with the right to sue, we will consistently put a stop to greenwashing with supposed climate neutrality."*

Agnes Sauter, Head of ecological market monitoring,  
Deutsche Umwelthilfe

*"A crucial part of the solution is to let go of the need to claim carbon neutrality"*

Robert Höglund, Manager Climate Transformation Fund,  
Milkywire



# What's happening at the moment?



- Companies turn away from compensation and neutrality claims

## EasyJet to stop offsetting CO2 emissions from December

Airline unveils 'roadmap to net zero' strategy focusing on sustainable fuel and more efficient planes



EasyJet said it would no longer pay for offsets for bookings made after December. Photograph: Peter Nicholls/Reuters

12 Aug 2022, 11:58 Julian Wettengel

## Supermarket chain Rewe stops advertising own-brand products as "climate neutral"

#Climate & CO2 #Carbon market #Company climate claims



- New claims and offers are being developed



myclimate > Get Active > Corporate clients >  
Active climate protection with the myclimate Impact Label

## A Paris-aligned corporate claim for Funding Climate Action

### Active climate protection with the myclimate Impact Label



- It needs more than new claims and higher quality credits
- It needs new mechanisms & solutions and a mind-shift

# The necessary mind-shift



„Carbon neutrality“ of own operations



„Contribution“ to global goals

Are we carbon neutral?

Are our actions aligned with and contributing to a **global net-zero objective**?

Could we **offset** our emissions?

Could we fund an **appropriate mix of measures** in line with global goals?

**How** can we **offset** our emissions?

How can we **maximize** our contribution to global goals, outside our own value chain?

What are the **cheapest** offsetting options?

Which external investments have the **greatest value** in advancing global goals?

# Solution: the contribution model & internal CO2-fees



**Kyoto 1997**  
(gültig ab 16.2.2005)



**Paris 2015**  
(gültig ab 1.1.2021)

Target: compensate footprint



Target: Contribution to global goals & transformation

## compensation

„instead of reduction“

Carbon footprint

Purchase of carbon credits only

FHG-Impact & CO2-Metric

„Race to the bottom“



„Ton for Ton“-Finance

## Financial contribution

„additional to reduction“

Carbon & Nature handprint

Investitionen into nature & climate

Holistic impact metric

„Race to the top“



„Money for Ton“-Finance

„neutrality“  
of the own  
footprint

„contribution“  
to global goals

# Why contributing to climate finance beyond value chain?



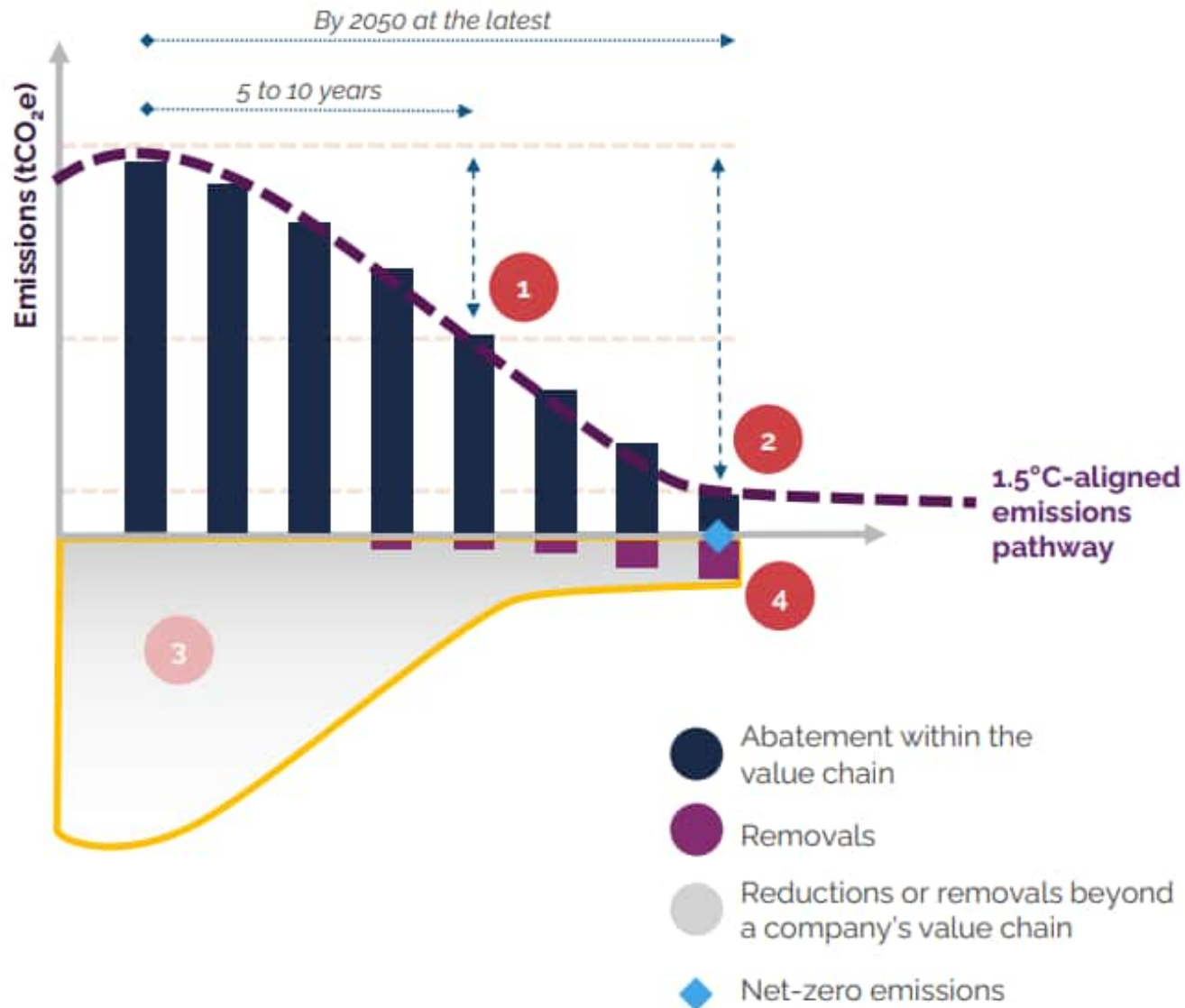
- Contribution to reaching **global goals** (net zero) despite current ambition gaps
- Taking **responsibility** for remaining emission on the way to corporate net zero
- Inspirational best practice for other companies to **scale effective climate finance** beyond cheap offsetting
- Investment in **systemic solutions and transformational activities** lacking finance under current credit-focused VCM offers
- Preventing negative **business impact** by accelerating climate change and its worsening impacts
- Opportunity for **customer engagement** and communication

# Part 3: SBTi BVCM





# Linking climate finance to the SBTi Net-zero standard



**1 To set near-term science-based targets:**  
5-10 year emission reduction targets in line with 1.5°C pathways

**2 To set long-term science-based targets:**  
Target to reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2050

**Beyond value chain mitigation:**  
In the transition to net-zero, companies should take action to mitigate emissions beyond their value chains. For example, purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture (DAC) and geologic storage

**4 Neutralization of residual emissions:**  
GHGs released into the atmosphere when the company has achieved their long-term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere

Required Recommended



## KEY OBJECTIVE

Scale-up of corporate finance in support of global net-zero



## GUIDANCE

Provide guidance on best practice BVCM to give companies the confidence to invest



## BUSINESS CASE

Clearly articulate the business case and how it applies to different types of companies



## ENGAGE

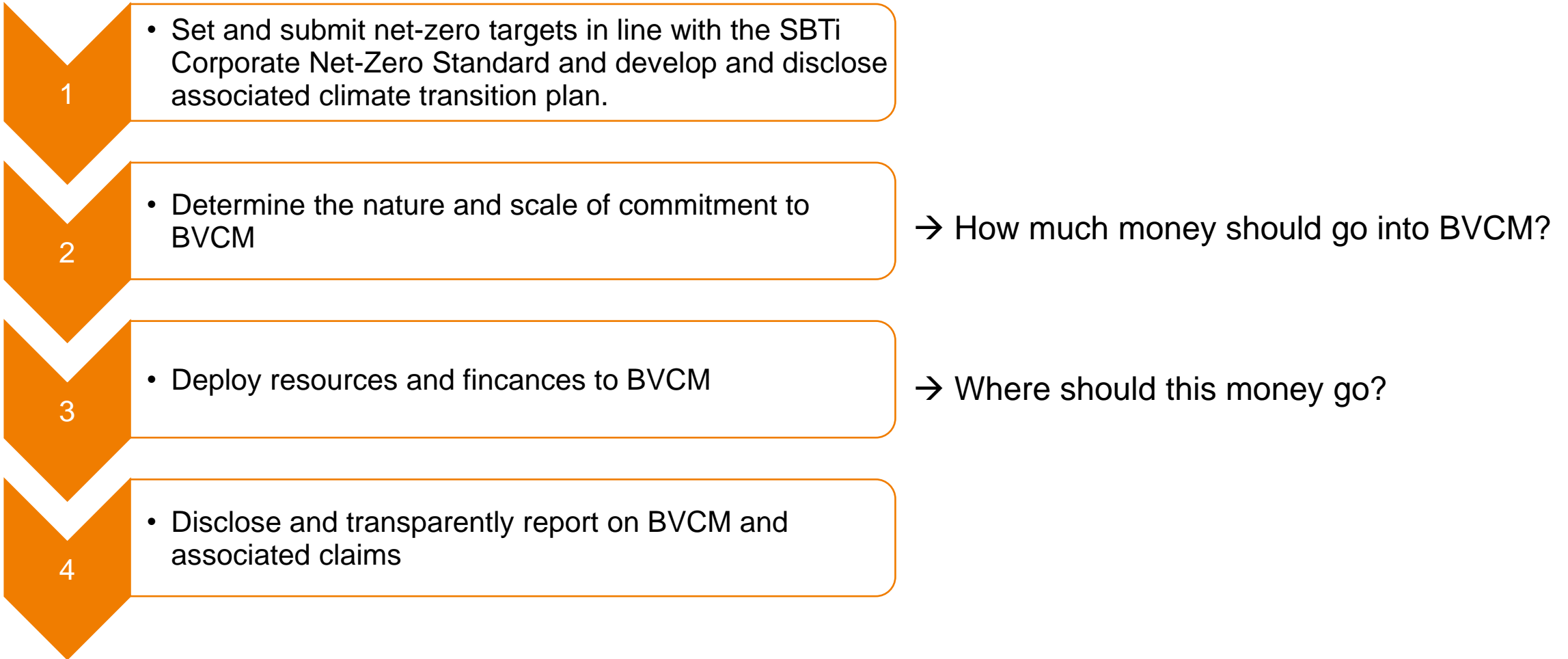
Engage with others (e.g. policymakers, academia, activists etc) that influence wider incentive mechanisms



## SBTi INCENTIVES

Agree SBTi's role in strengthening incentives in the near- and long-term

# Overarching process for BVCM



# Insight from the BVCM public consultation document

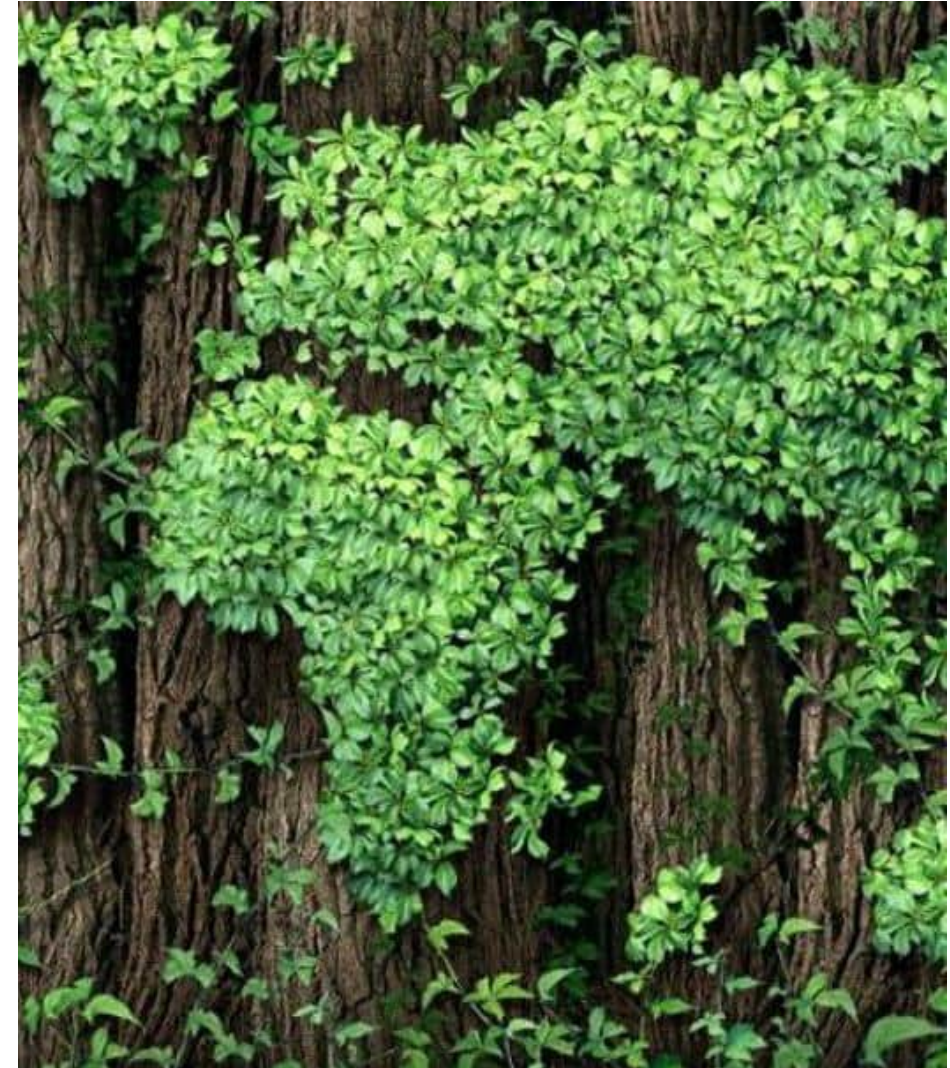


## Methods to determine scale and nature of BVCM:

- Ton-for-ton
- Money-for-ton
- Money-for-money

## Principles for designing the BVCM portfolio:

- **Scale:** maximizing climate mitigation in the near-term
- **Urgency:** Avoiding tipping points and lock-in
- **Transformation:** Innovating for net-zero
- **Financing need:** focusing on underfinanced mitigation
- **Co-benefits:** supporting SDGs
- **Climate justice:** addressing inequality





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# Recommended readings

