Non-offset claims:

How to make a robust climate claim?

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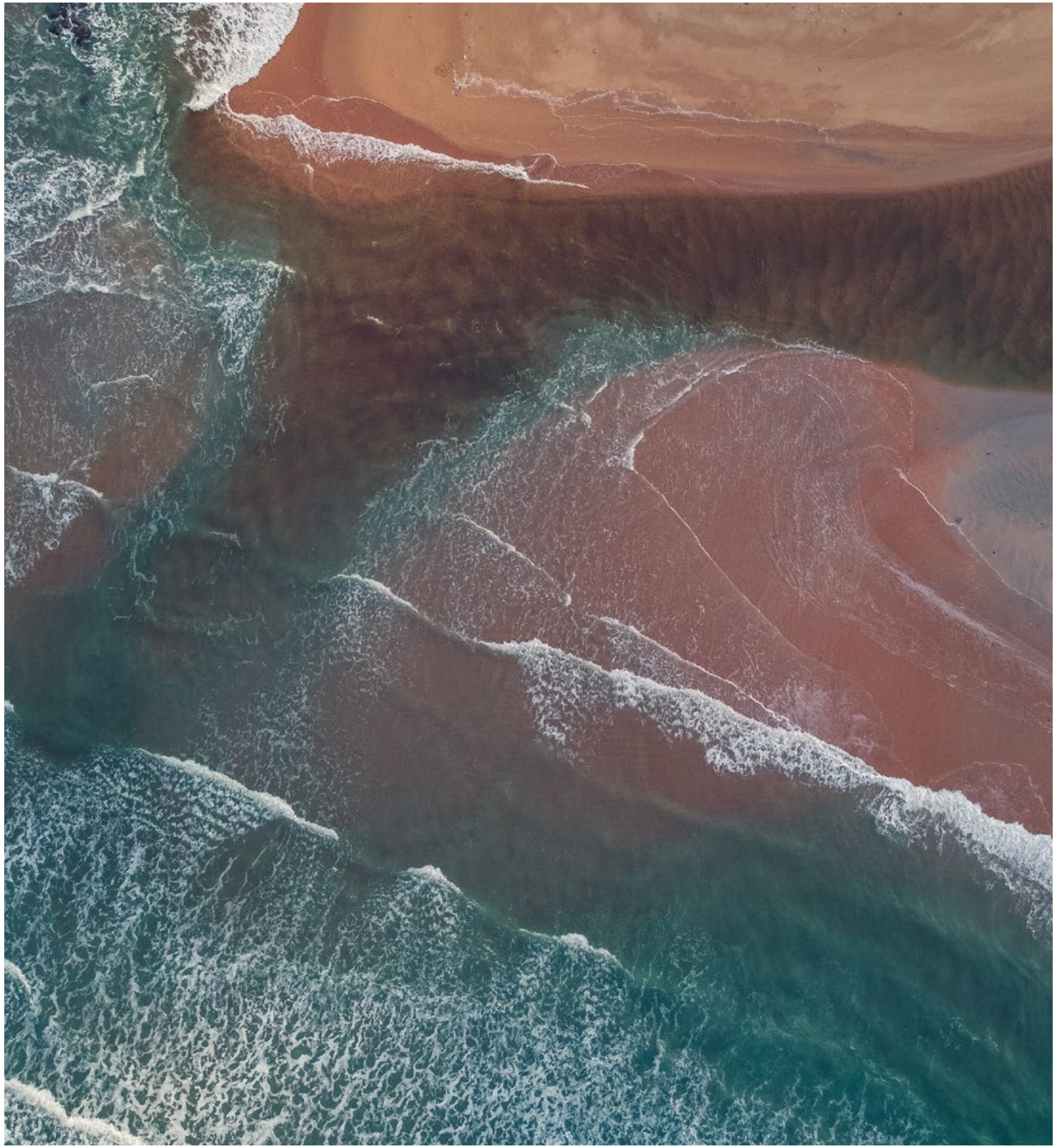

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New climate claims are gaining traction

Organizations are setting climate targets and using voluntary carbon markets and carbon offsetting to leverage their carbon neutrality and net zero strategies.

At the same time, new forms of corporate climate action are gaining ground.

Companies are communicating actions such as climate contributions, beyond value chain mitigation, climate finance, and climate action. New claims accompany the traditional offset claims.

Offset vs. non-offset claims

Offset claims (**carbon neutrality** and **net zero**) are based on the idea of counterbalancing an organization's emissions.

Non-offset claims enable companies to take responsibility for their climate impact but do not include a statement about equivalence between specific emissions and the supported climate action.

A company may say it finances a mitigation action but does not claim to have compensated for its emissions.

Non-offset claims cover climate action broadly, from financing carbon removal projects to supporting non-governmental organizations.

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Non-offset claims

→ **National mitigation contribution** and the **contribution claim** refer to situations where the company uses certified carbon credits to help a country to reach its national climate targets. The company does not claim to counterbalance its emissions.

→ The terms **contribution, national contribution, mitigation contribution**, and **climate contribution** are other terms used with the same meaning.

→ In addition, the term 'contribution' is being used more broadly (e.g., funding NGOs and R&D).

→ **Beyond value chain mitigation (BVCM)** refers to a company supporting mitigation action beyond its value chain, contributing to the global 1.5 °C target.

→ **Climate finance, climate action,** and **donations** are broad terms often used to communicate an organization's support for climate action. These terms cover diverse approaches.

→ **Insetting** refers to financing climate change mitigation across a company's supply chain, e.g., climate-smart agroforestry, restoration, and environmental protection activities.

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Why make non-offset claims?

→ Avoiding double claiming

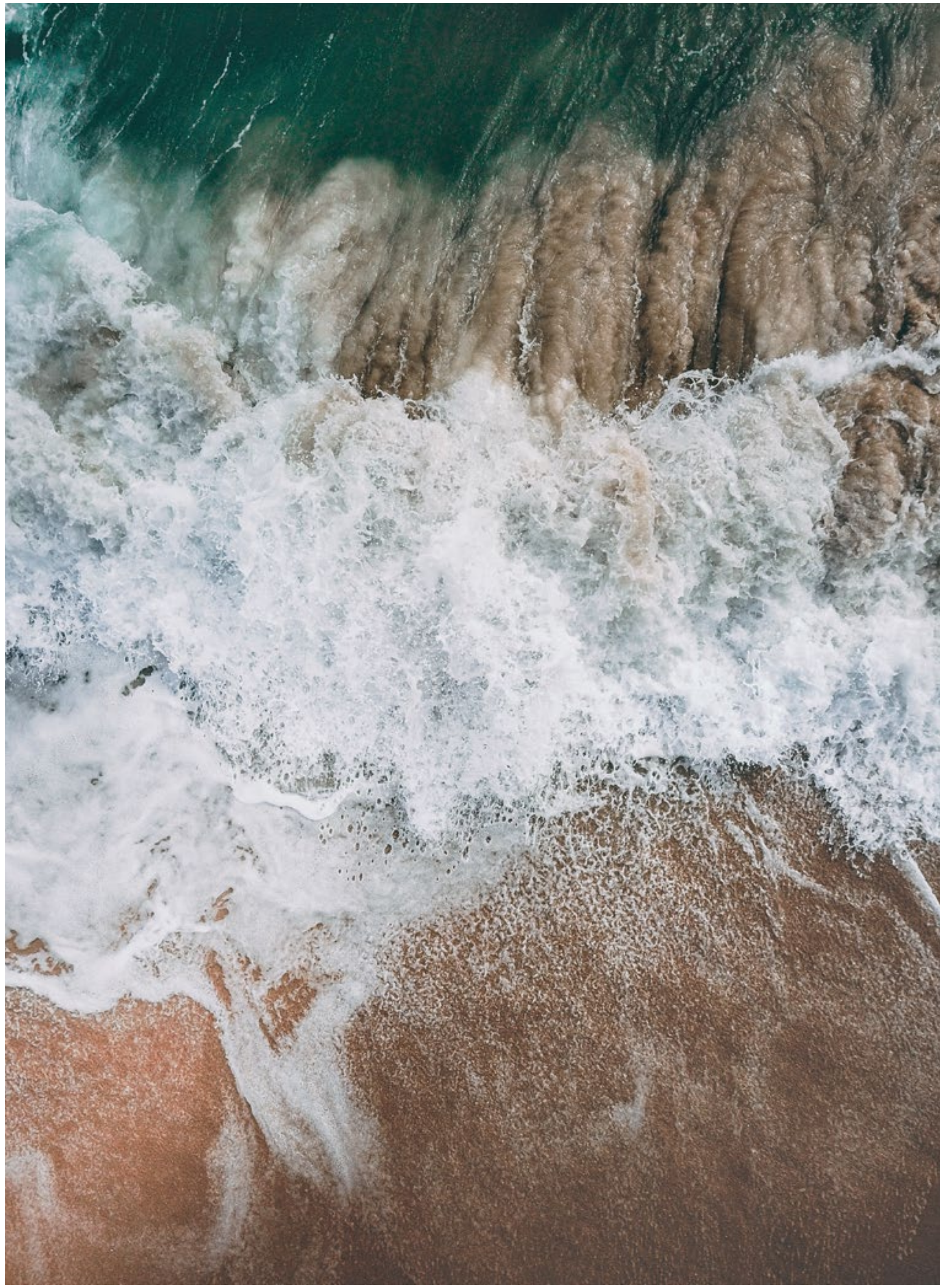
→ Corporate motives for non-offset claims

→ Lack of high-quality carbon credits

→ Contributing to national climate targets

→ Beyond value chain mitigation

→ Developing policy environment



The problem of double claiming

Double claiming happens when an organization offsetting emissions and the project's host country claim a carbon credit simultaneously.

Since 2021, all signatories to the Paris Agreement are reporting on their Nationally Determined Contributions (NDCs).

Two ways of dealing with double claiming:

⟶ **Corresponding adjustments**. The CO_2 reductions or removals claimed by carbon credit buyer are excluded from the project host country's NDCs.

⟶ **Non-offset claims**. Changing the claim from offset claims to non-offset claims.

As most countries do not have the readiness to implement corresponding adjustments, non-double-counted credits are getting scarce.

There is an **increasing interest in non-offset claims.**

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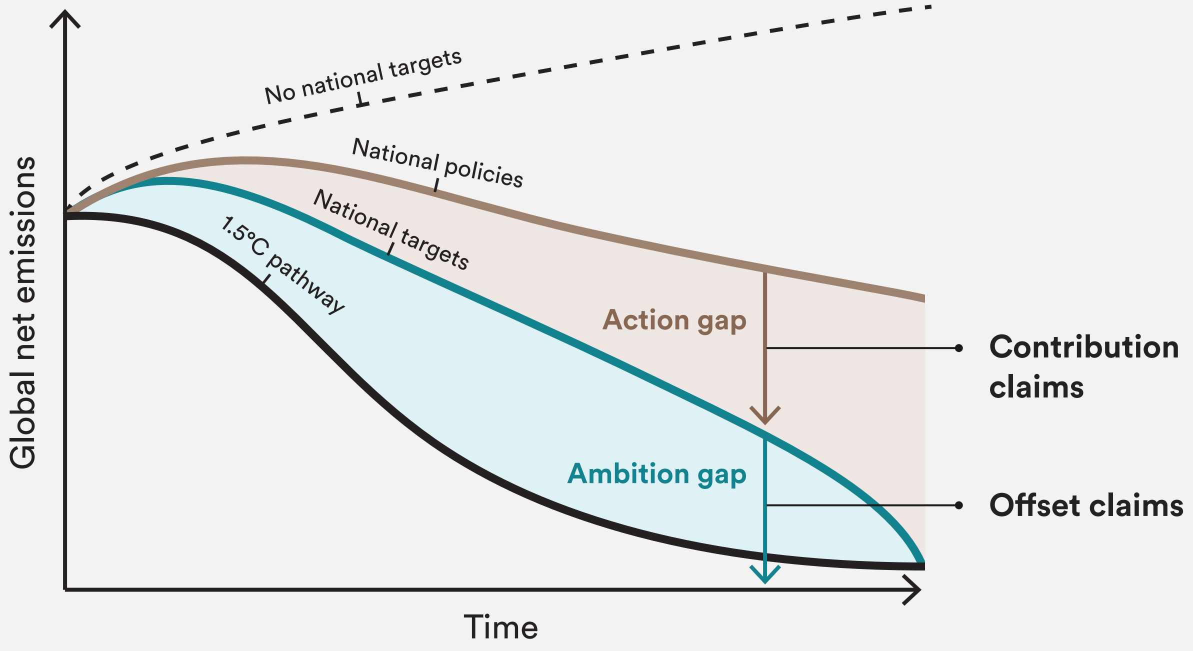
Contribution claims (national mitigation contribution)

Offset claims and contribution claims



Contribution claims:

Support for emissions reductions and carbon removals counted as part of national climate targets

⟶ Action gap

Offset claims:

Support for emissions reductions and carbon removals exceeding national target levels

⟶ Ambition gap

Adapted from: Guide to good practices for supporting voluntary carbon markets. Supporting voluntary mitigation action with carbon credits (Finnish Government, 2023)

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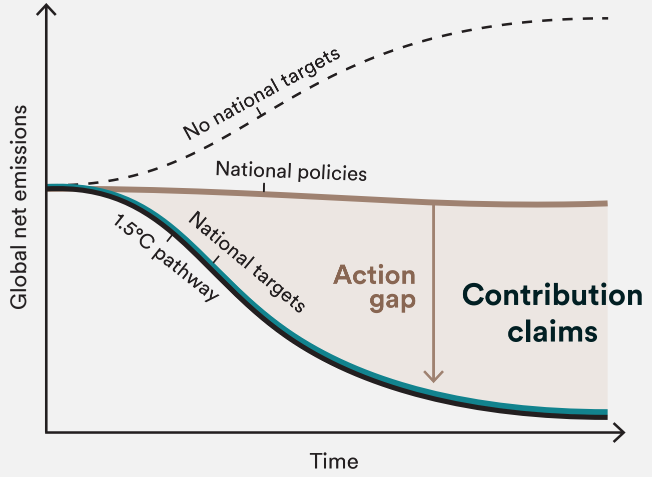
Claims and different host countries

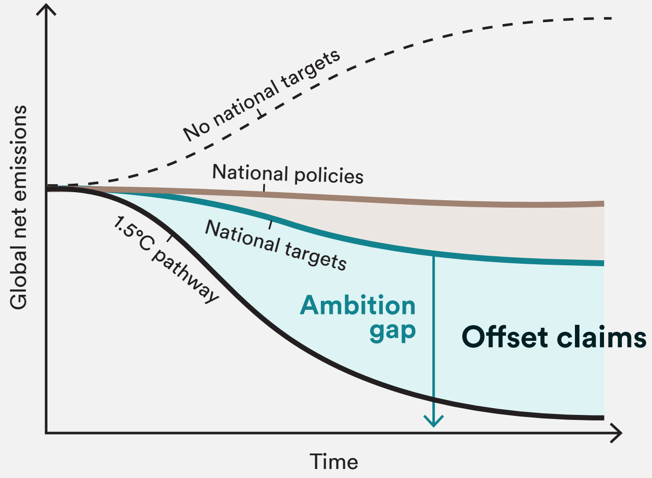
Example A:
Country with ambitious national climate targets



- The national targets are aligned with the global 1.5°C pathway
- There is no ambition gap or it is very small
- The supported climate action should help the country to reach its targets (filling the action gap)

Contribution claim has a big potential for climate impact.

Example B:
Country with unambitious national climate targets



- The national targets are insufficient for the global 1.5°C pathway
- The ambition gap is big
- The supported climate action should have an impact beyond the national targets (filling the ambition gap)

Offset claim has a big potential for climate impact.

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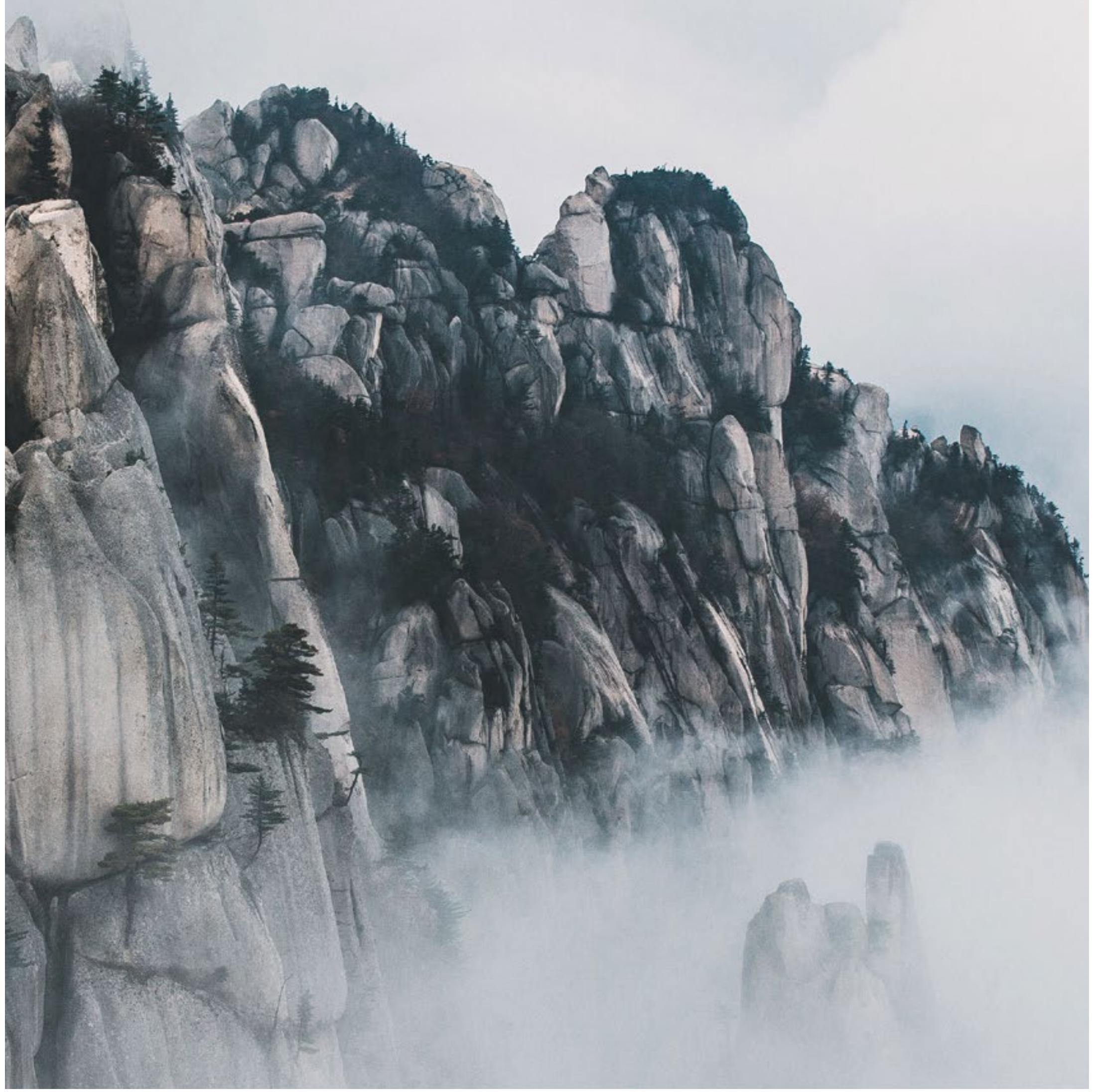
Beyond Value Chain Mitigation (BVCM)



- → Beyond value chain mitigation (BVCM) refers to actions or investments outside a company's value chain.
- → The SBTi's Net-Zero Standard advises companies to prioritize rapid emission reductions with near-term and long-term targets and neutralize residual emissions.
- → In addition, the standard advises companies to take climate action **beyond** their value chain emissions.

BVCM allows organizations to take even more responsibility than included in their carbon neutrality or net zero targets and to support the global 1.5°C target.

How to make a robust non-offset claim?

⟶ Set science-based climate targets

⟶ Choose the right claim

⟶ Ensure integrity and quality

⟶ Avoid greenwashing

⟶ Set internal carbon fee

The same quality criteria used for offsetting should be applied to other types of mitigation action:

Additionality: The project would not have happened without carbon credit revenue, other financial support, or in the business-as-usual scenario.

Reliability: Projects should not be based on unrealistic and exaggerated predictions of the potential deforestation threat.

Permanence: Permanence refers to the stability of the carbon sink or storage born in the project.

Double counting: All forms of double counting (double claiming, double issuance and double retirement) should be avoided.

Realized climate impact: The claim should be made ex-post, meaning that the carbon removal or emission avoidance occurs before the claim is made.

Net positive social, biodiversity, and environmental impacts:
For carbon projects to be sustainable, they should have net positive impacts on local communities, biodiversity, and the environment.

Diversification: Risk diversification is one of the best ways to mitigate risks related to the projects.

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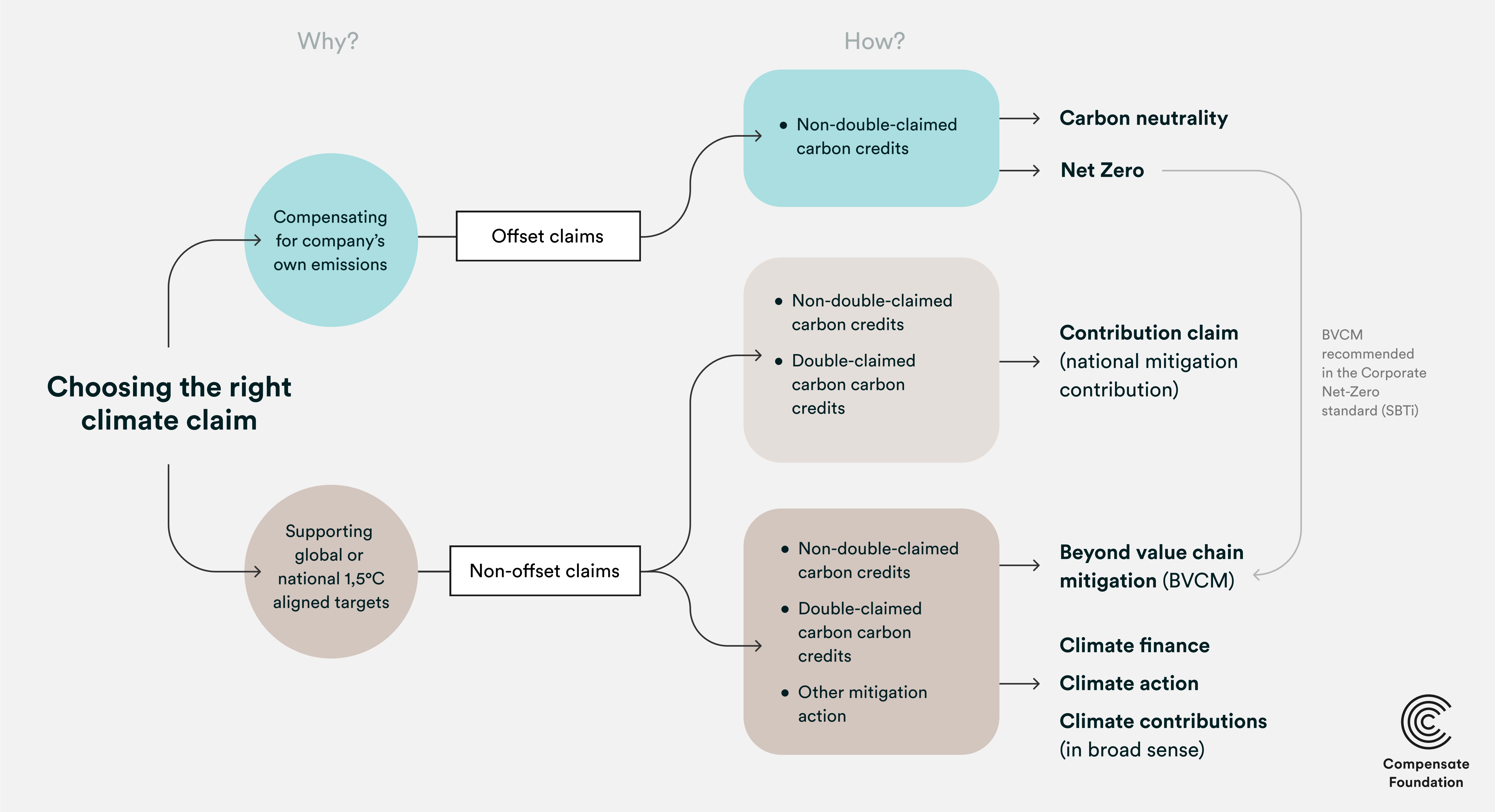
Why?
How?
Choosing the right climate claim
Compensating for company's own emissions
Offset claims
Non-double-claimed carbon credits
Carbon neutrality
Net Zero
Supporting global or national 1,5°C aligned targets
Non-offset claims
Non-double-claimed carbon credits
Double-claimed carbon carbon credits
Contribution claim (national mitigation contribution)
BVCM recommended in the Corporate Net-Zero standard (SBTi)
Non-double-claimed carbon credits
Double-claimed carbon carbon credits
Other mitigation action
Beyond value chain mitigation (BVCM)
Climate finance
Climate action
Climate contributions (in broad sense)
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Benefits and Shortcomings: Offset claims

Claim	Benefits	Shortcomings
Net zero claim	· The pathway of deep decarbonisation is laid out. · Caused emissions are counterbalanced. · Focus on emission reductions, only residual emissions compensated. · Beyond value chain mitigation recommended.	· Insufficient short-term emission reductions (if interim targets are vague or absent). · Lack of high-quality and non-double-claimed carbon credits.
Carbon neutrality claim	· Caused emissions are counterbalanced.	· Lack of high-quality and non-double-claimed carbon credits. · Risk of 'locking' the emissions (in the absence of ambitious reduction targets). · Product- and service-level claims are particularly prone to be misleading.

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Benefits and Shortcomings: Non-offset claims

Claim	Benefits	Shortcomings
Contribution claim **Beyond value chain mitigation** **Climate finance** **Climate action**	· No double claiming by credit buyers and host countries (as the credit buyer does not claim to have counterbalanced its emissions). · Possibility of supporting high-quality projects not eligible for offsetting. · Supporting global climate targets. · Supports climate action beyond a company's own value chain.	· Risk of avoiding emission reductions (if 1,5°C aligned targets are not set). · Risk of greenwashing due to the insufficient proportionality of contribution / BVCM / Climate finance / Climate action claims compared with emissions. · Risk of concentration of climate action in the industrialized countries (at the expense of the Global South). · Lack of high-quality and additional credits or project activities. · Risk of making unsubstantiated claims, in the absence of formal quality and transparency requirements. · Challenge of quantifying impacts of certain project types.
Insetting	· Reducing emissions in a company's own supply chain. · Supporting vulnerable small-scale farmers in the Global South. · Taking responsibility for company's caused emissions and negative climate impacts.	· Risk of avoiding emission reductions (if 1,5°C aligned targets are not set). · Risk of greenwashing due to the insufficient proportionality of insetting claim compared with emissions. · Risk of making unsubstantiated claims, in the absence of formal quality and transparency requirements. · Challenge of quantifying impacts of certain project types.

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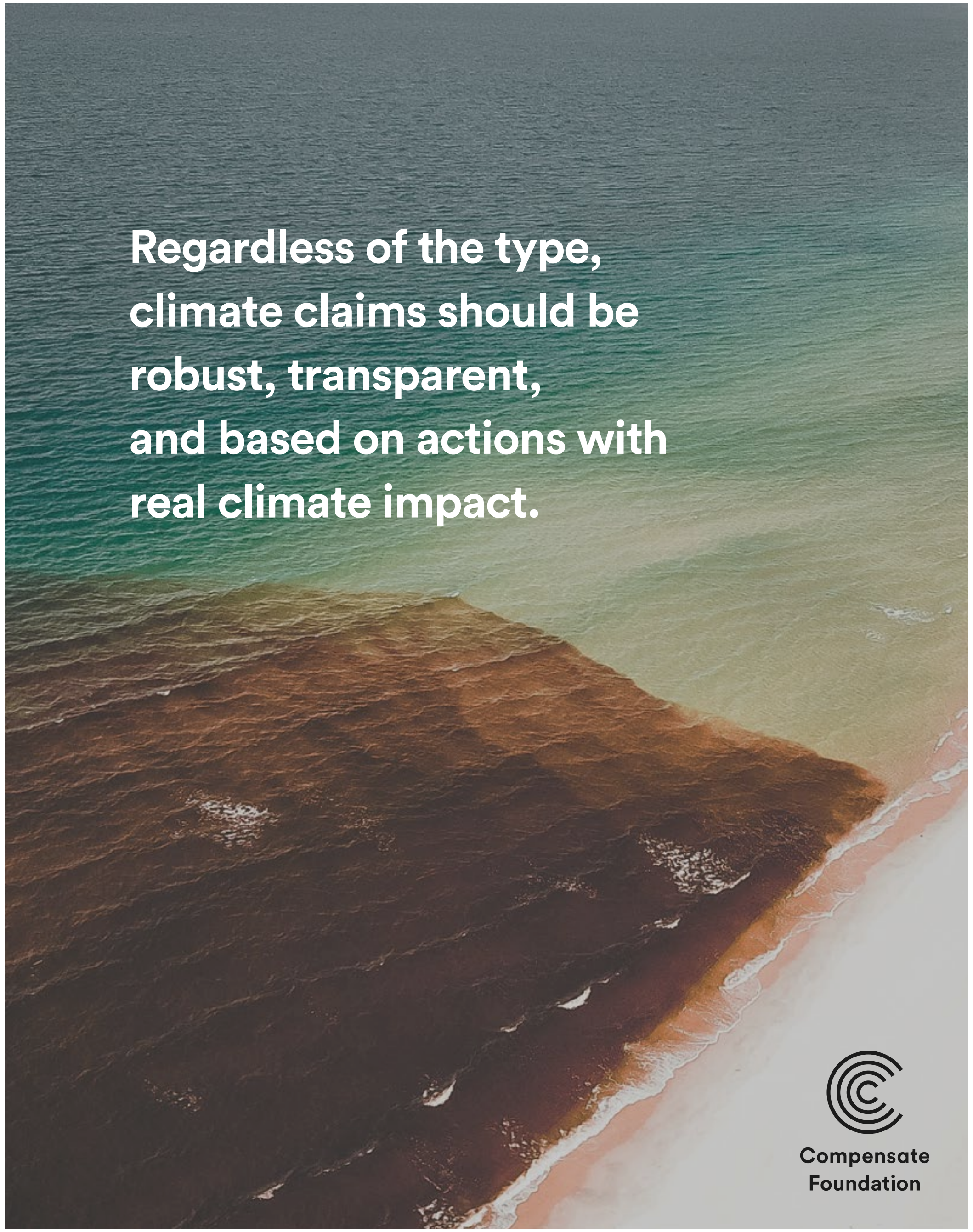
Summary and conclusions

- Non-offset claims provide companies and other organizations with new ways to contribute to climate change mitigation and to communicate this action to their stakeholders.
- New claims are no silver bullet that would automatically fix the flaws in the market.
- No emission reductions, or high-integrity offsetting, should be replaced with vague claims with no measurable impact.
- The quality criteria and requirements developed for carbon offsetting projects apply to non-offset projects.
- The claim should be proportionate to the company's value chain emissions and aligned with science-based climate targets.



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The Compensate Foundation is a Finnish non-profit organization working to improve the integrity of the voluntary carbon market. It was established in 2019 by Finnish entrepreneur and former member of parliament Antero Vartia.

The Compensate Foundation focuses on advocacy work. It operates on a non-profit basis and is funded by grants and donations. The work is supported by the Foundation's Independent Network of Scientific Advisors.

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