

Getting the claims right

The role of compensation in corporate climate claims





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How to make credible and transparent **net zero** or **carbon neutrality** claims?

Corporate climate claims such as carbon neutrality, climate neutrality, and net zero, structure and define corporate climate action nowadays.

This presentation summarizes the key findings of the Compensate Foundation’s white paper: [Getting the Claims Right - the Role of Compensation in Corporate Climate Claims.](#)

Answering these five questions will help companies to make credible and high integrity claims:



Why corporate climate claims matter

In order for corporate climate claims and targets to be relevant in the fight against the climate crisis, we need to understand how they are constructed. We need to find common definitions for corporate climate claims and increase transparency around them.

Transparency and understandability would help consumers to make responsible choices. It would help critical stakeholders to address companies that are merely greenwashing.

Empty promises won't affect the amount of greenhouse gases in the atmosphere.

Ideally corporate climate claims would be a tool to keep companies accountable for their role in mitigating the climate crisis



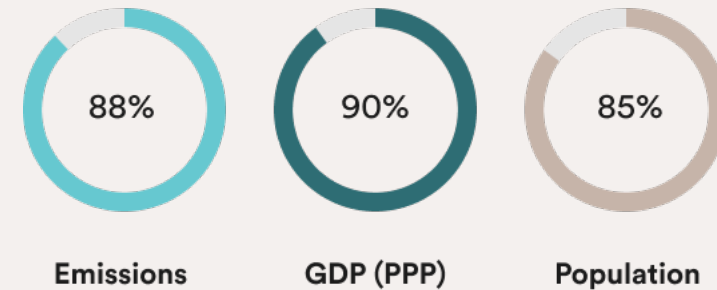
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Companies committing to net zero

Despite some ambiguity of definitions, more and more companies are committing themselves to a net zero target. Most are aiming to reach net zero emissions by 2050, which is also the target year for global emissions to reach net zero if we are to limit global warming to the 1.5 degree goal set in the Paris Agreement.

According to Net Zero Tracker, 699 companies, out of the 2,000 largest publicly-traded companies in the world by revenue, have made net zero commitments.

Global net zero coverage



Net zero companies

699 / 2000

2,000 largest publicly-traded companies in the world by revenue



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Current net zero commitments fall short



Recent studies have found that:

- Actual measures to reduce emissions are not in line with commitments.
- Companies that have net zero goals decades away, have not set near emission reduction targets.
- Major companies routinely exaggerate or misreport their progress towards net zero targets.
- Lack of consensus about the scope of emissions that should be included.
- The role of compensation is often unclear and the mitigation hierarchy doesn't always support the primary role of emission reductions.
- Non-alignment between carbon neutrality and net zero targets.



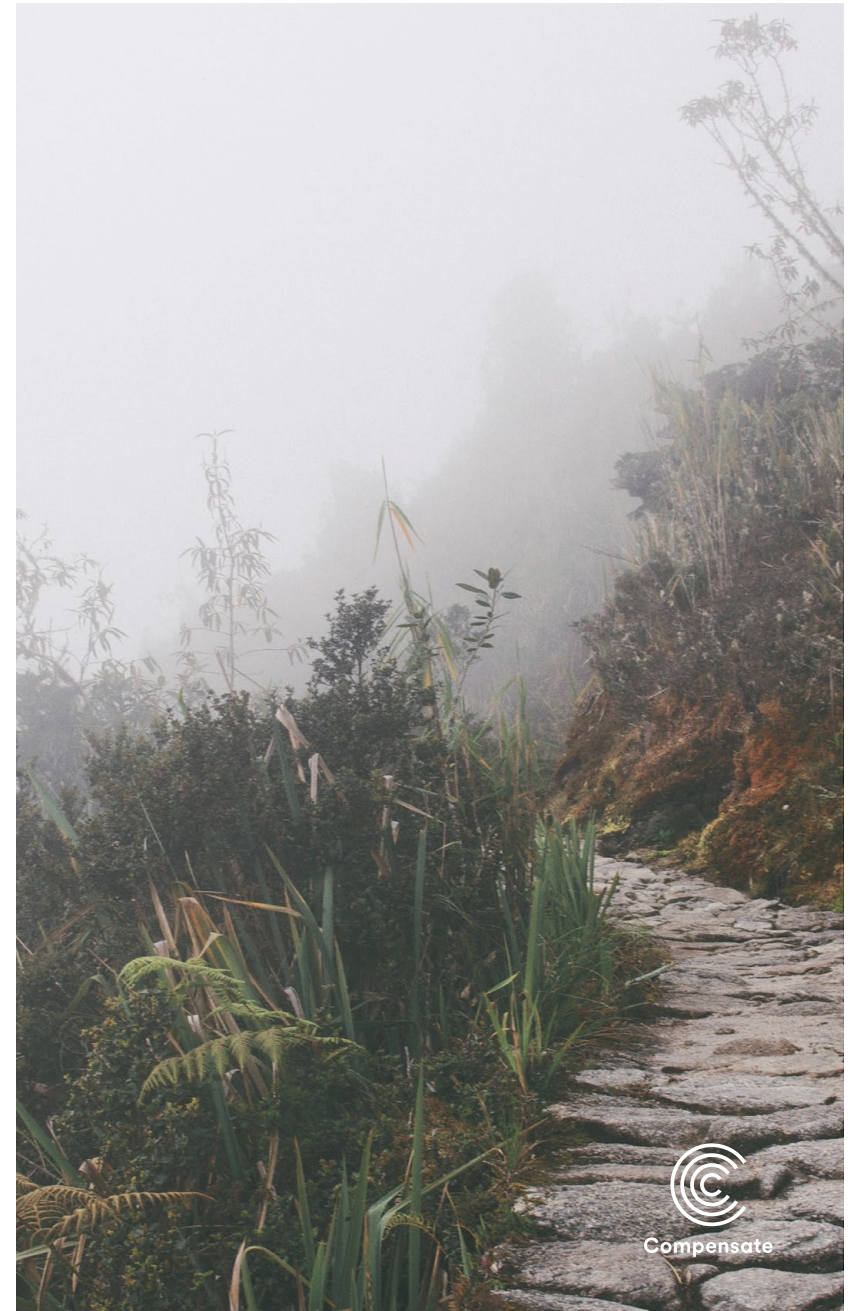
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Net zero vs carbon neutrality

Net zero and carbon neutrality claims have in recent years started to diverge into different paths in terms of how they are constructed.

Carbon neutrality claims can be made today with the appropriate use of compensation. Net zero claims require deep decarbonisation to have happened before a claim can be made.

In both claims, aligning emission reduction pathways with the goals of the Paris Agreement puts compensation “in the right place”, as a last resort solution when all reasonable measures to reduce emissions have already been exhausted.



Corporate climate standards

The Science Based Targets initiative (SBTi) and the Race to Zero Campaign have become the two leading standards defining corporate net zero commitments.

→ Science Based Target initiative

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It has in recent years become one of the leading climate action frameworks in the corporate sector by providing companies with a framework to align themselves with climate science and the goals set in the Paris Agreement.

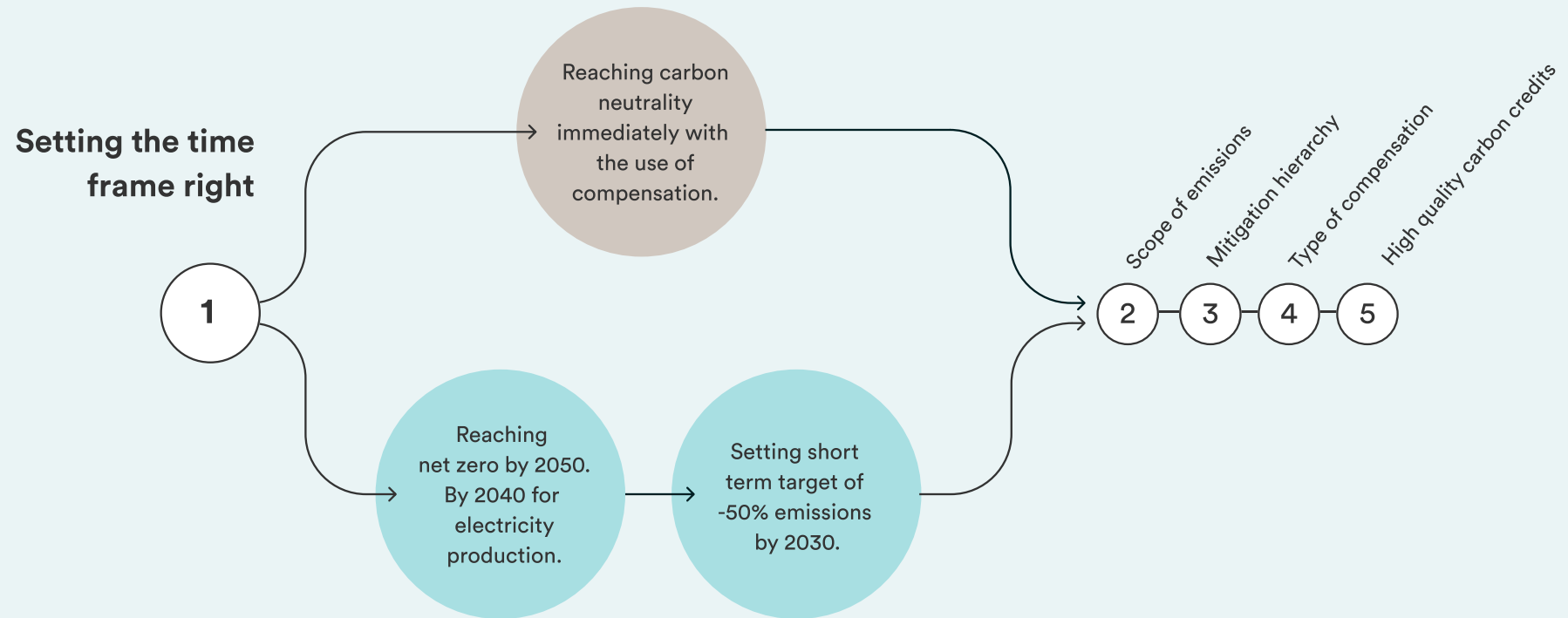
→ Race to Zero

The United Nations-led Race to Zero Campaign, launched in 2020, is working with businesses, cities, regions, investors, and financial and educational institutions to commit to achieve net zero carbon emissions by 2050 at the latest. Thus far over 5,000 businesses have signed the campaign pledge.

Carbon neutrality claims have less standardisation and there is a lot of variability on how these claims are constructed. This presentation introduces Compensate's views on how to construct a high integrity carbon neutrality claim, that can be used alone or aligned with a net zero target.



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How to set the time frame of the claim?

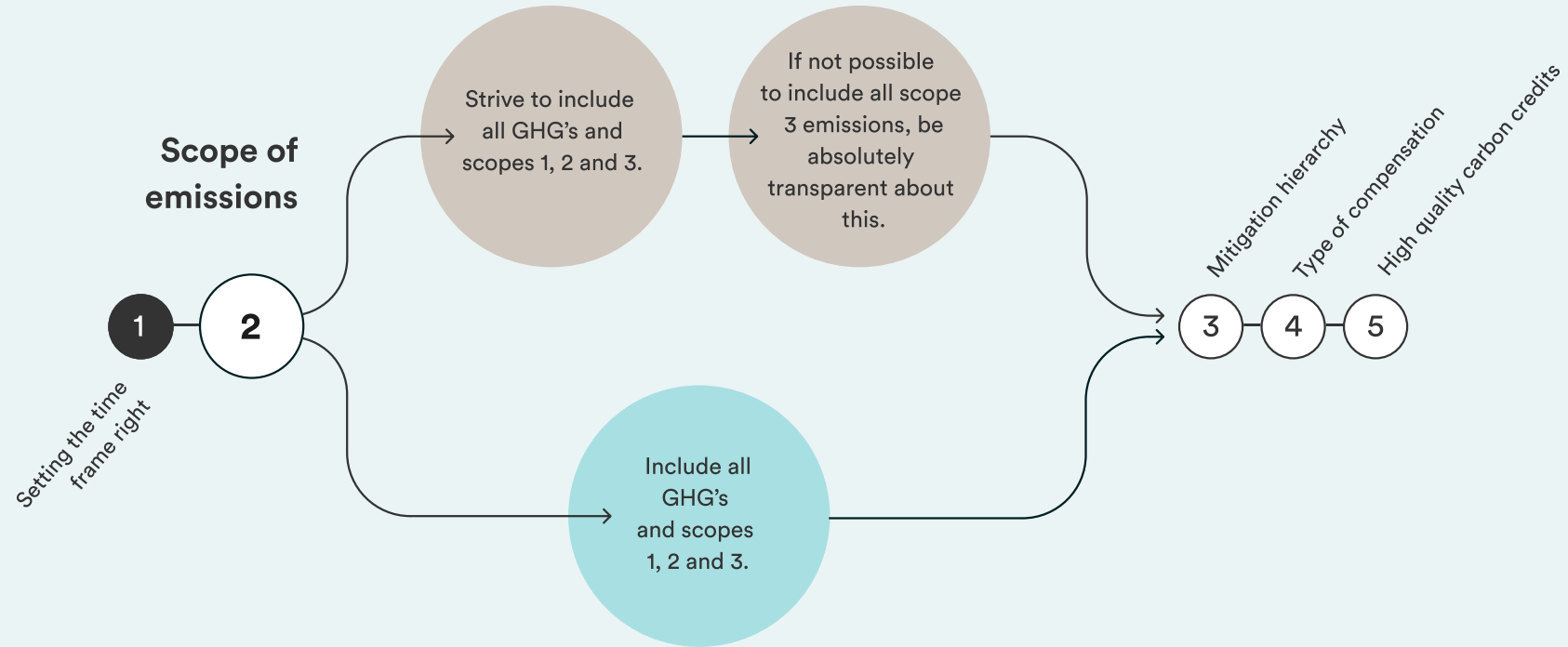
Net zero and carbon neutrality differ on when the target should be reached. Net zero should be reached latest by 2050.

Compensate firmly believes that carbon neutrality should be reached immediately with the appropriate use of compensation.

- Carbon neutrality path
- Net zero path



2



What emission should be included?

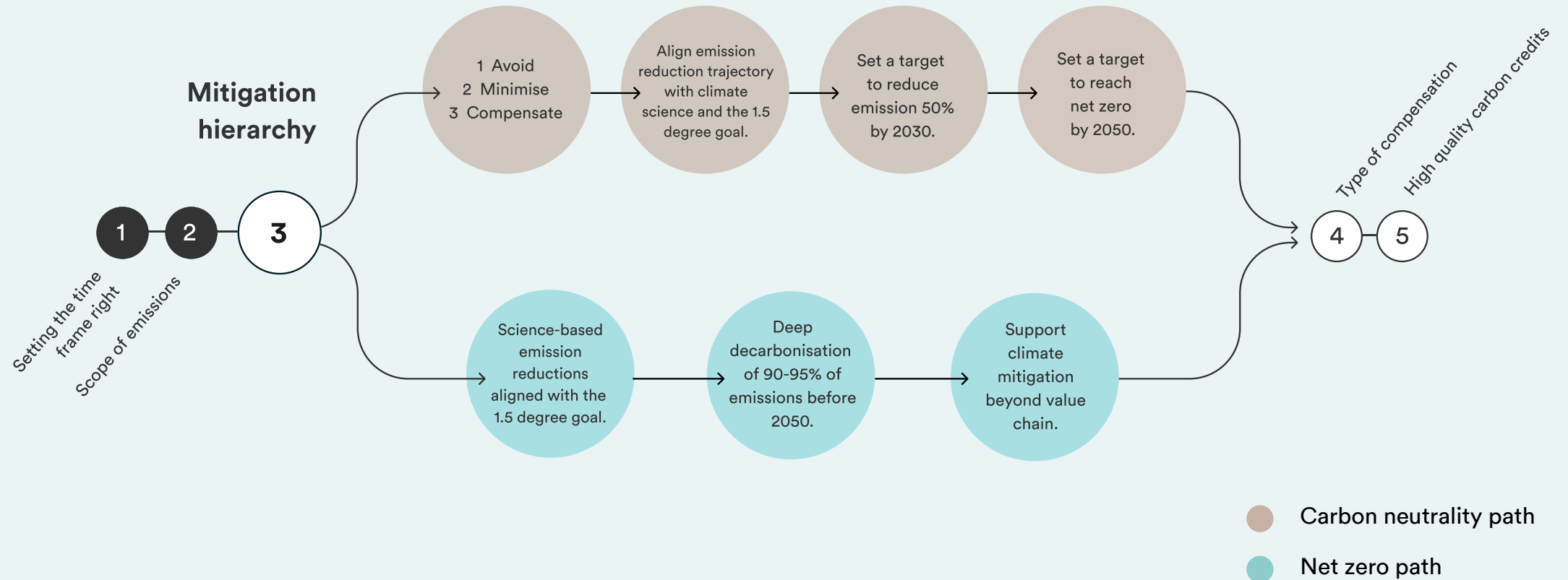
All greenhouse gases (GHG's) and all emissions scopes should be accounted for. Making claims without any Scope 3 emissions is not credible. Thus companies should strive to include Scope 3 emissions whenever they are significant and can be reliably calculated.

The bare minimum requirement is to be extremely transparent about what scopes are included.

- Carbon neutrality path
- Net zero path



3

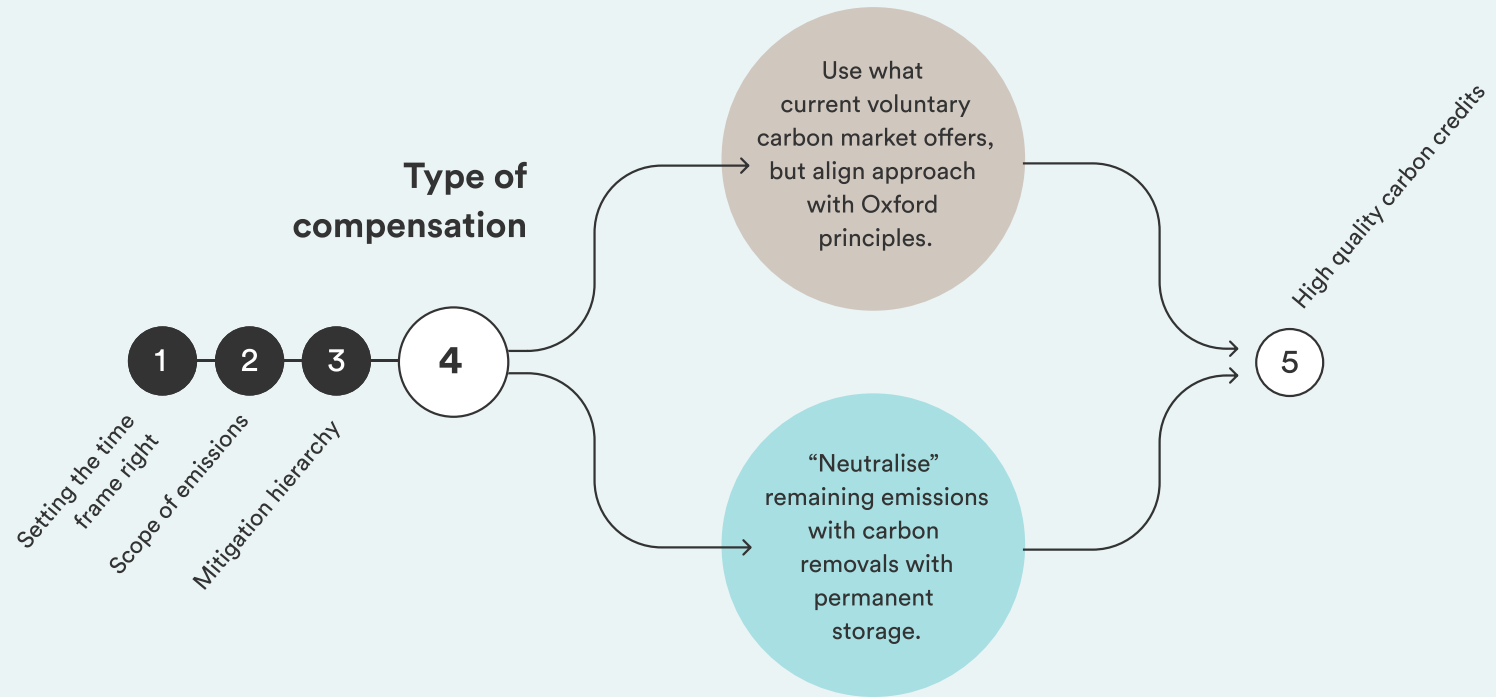


How to define the mitigation hierarchy?

Emission reduction measures and targets should be aligned with climate science and the 1.5 degree goal of the Paris Agreement. Compensation is always supplementary to these measures, not a substitute for them.



4



What type of compensation can be used

Net zero claims require compensation based on the removal of carbon from the atmosphere by human activities.

Avoided emissions projects can be partially used to achieve carbon neutrality, but aligning compensation activities with the Oxford Principles is highly recommended.

- Carbon neutrality path
- Net zero path



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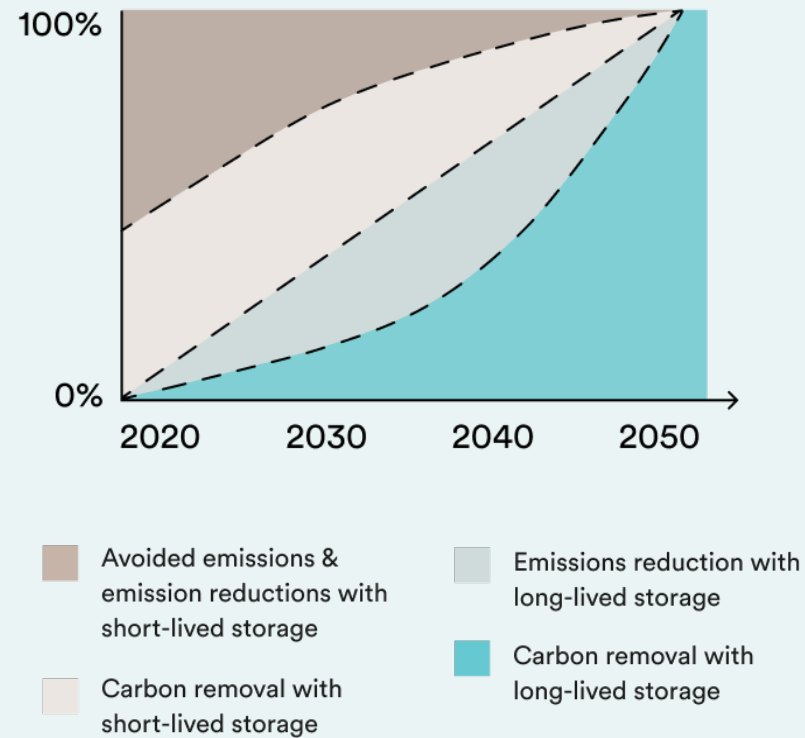
According to the Oxford Principles on Net Zero Aligned Offsetting companies should:

- shift offsetting towards carbon removal, where offsets directly remove carbon from the atmosphere;
- shift offsetting towards long-lived storage, which removes carbon from the atmosphere permanently or almost permanently; and
- support for the development of a market for net zero aligned offsets.

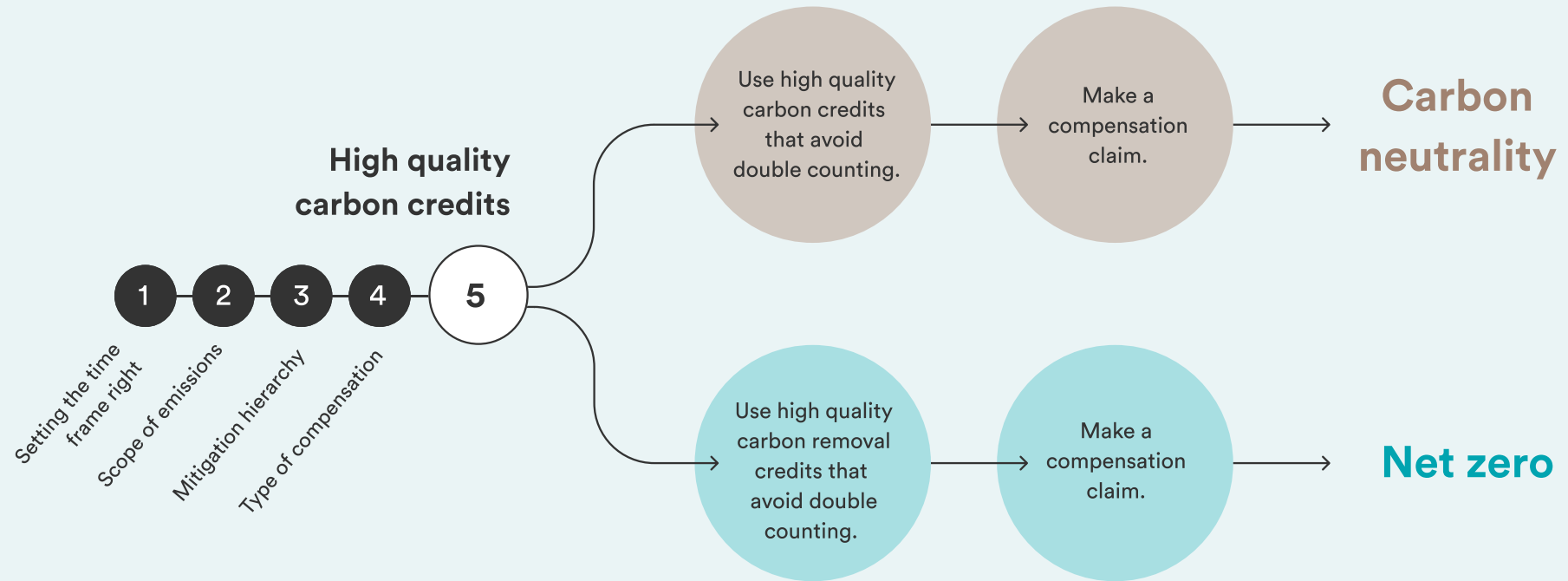
The required shift to longer lived storage of carbon can be illustrated by this graph.

Oxford Principles for Net Zero Aligned Carbon Offsetting

Offset portfolio
Breakdown by percent



5



How to ensure the quality of carbon credits?

The vast majority of carbon projects don't meet basic sustainability checks. Acknowledging these flaws is key to understanding the risks associated with carbon neutrality and net zero claims that require the use of carbon credits.

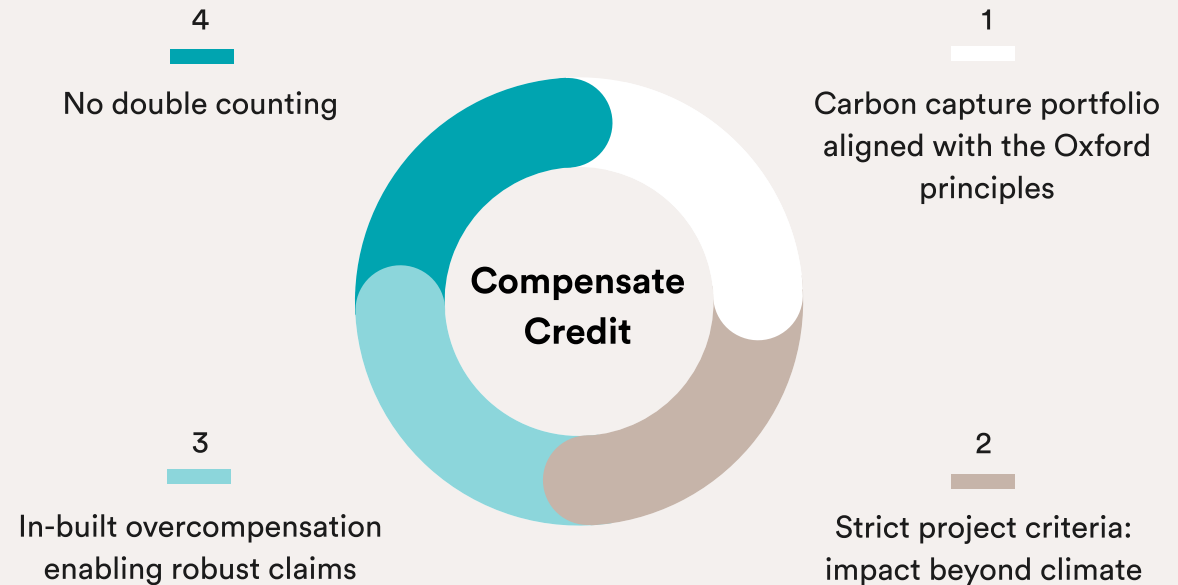
Compensation claims should be factual and unique. It is not acceptable to make a compensation claim using emission reductions or removals that have already been counted and claimed by the host country of the project.

- Carbon neutrality path
- Net zero path



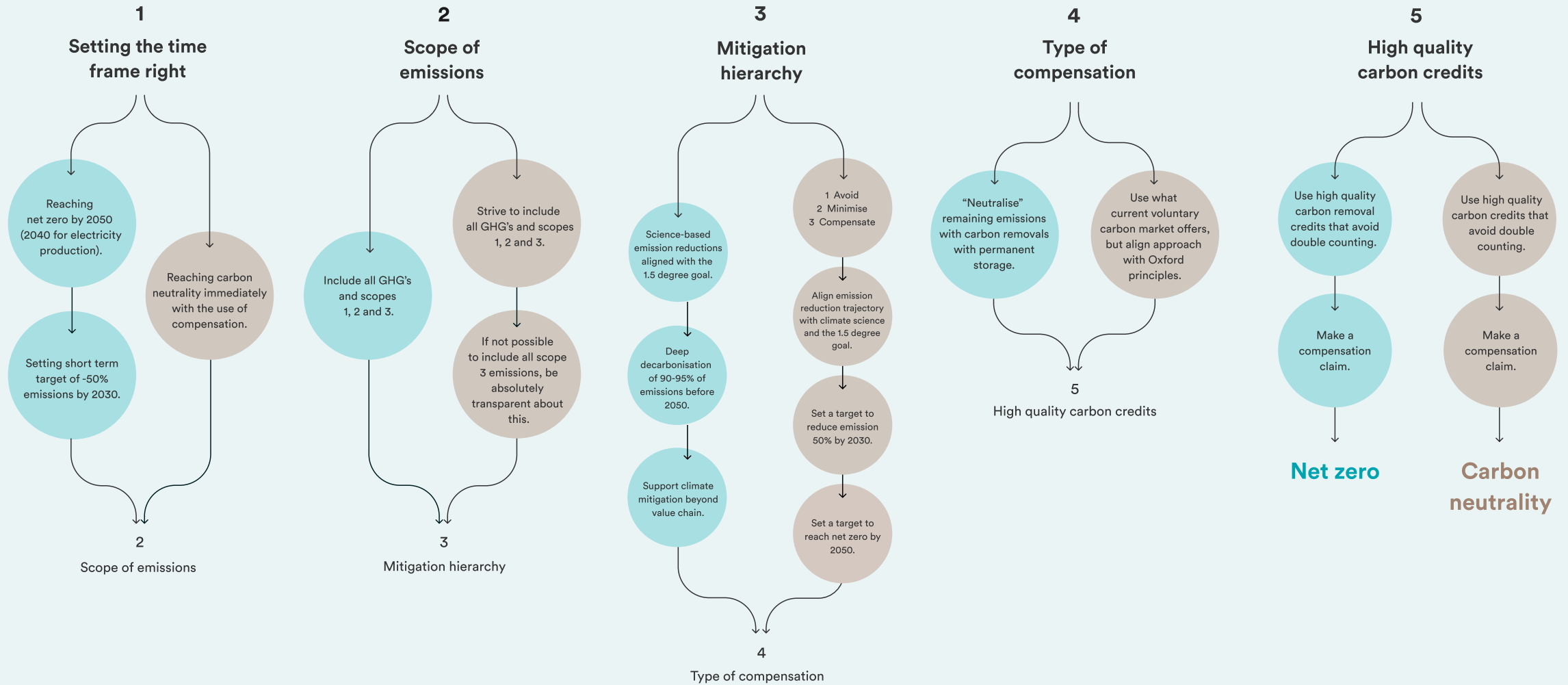
The Compensate Credit

The Compensate Credit is
a new type of carbon credit that is built
on four key elements:



Making a credible claim with current market standards for carbon credits is challenging. Compensate has created a unique solution to tackle the most crucial flaws that the current voluntary carbon market has. It is called the Compensate Credit.





Summary: Pathways to net zero and carbon neutrality

Making a net zero or carbon neutrality claim requires answering five key questions. If companies make high integrity choices when answering these questions, it will open up a pathway to a credible claim.

- Carbon neutrality path
- Net zero path





Compensate[®]

Compensate offers businesses and individuals easy access to high-quality carbon projects. Compensate consists of Compensate Operations Ltd, which runs the day-to-day business operations of the group, and the nonprofit Compensate Foundation, which focuses on advocacy work to improve the integrity of the voluntary carbon market. Compensate Foundation fully owns Compensate Operations Ltd.

Compensate was established in 2019 by Finnish entrepreneur and former member of parliament, Antero Vartia. Today, Compensate works with partners in Europe and North America and is building a carbon marketplace based on full transparency and high integrity to set a new standard for the carbon market industry.



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