FINAL - Offsets, Carbon removals and the responsible communication of claims

This document lays out the draft suggestions from the working group focused on Offsets, carbon removal & claims.

Questions

- **How, if at all, is this topic currently reflected in the Race to Zero starting line criteria, lexicon, and interpretation guide? What are the strengths and weaknesses of the current starting line criteria approach?**

  - *This topic of offsets, removals and responsible communication of claims is currently not reflected in starting line criteria though addressed in the leadership principles, reflecting Race to Zero's desire to date to focus on absolute emissions reductions rather than relying on offsets.*

  - *In particular, Race to Zero requires its members to focus on absolute emissions reductions, and to neutralise residual emissions to reach an end-state net zero.*

  - *The strengths of this approach are the focus on emissions reductions to the extent possible for an entity, highlighting the urgency of the issue and encouraging ownership and responsibility of each actor in the campaign. Moreover, another strength of this current approach is maintaining the simplicity of the starting line criteria to make the criteria accessible to a wide audience.*

  - *However, a major weakness lies in the fact that offsetting and carbon credits are not proactively addressed enough by Race to Zero, and the campaign is uniquely placed to help drive financial flows towards emerging markets, resilience building and adaptation by engaging more specifically on this topic.*

- **In practice, is this topic addressed consistently across the various Race to Zero partners? What different approaches can be seen? To what extent can a frontier of best practice(s) be defined?**

  - *This topic seems to be addressed in various different ways across Race to Zero Partners, with some Partners who do not allow more than a certain percentage (often 10%) of offsets from their members (i.e. Exponential Roadmap Initiative, SBTi etc.), while others more actively encourage high-quality offsetting (i.e. The Climate Pledge). Still others do*

not stipulate specific guardrails or guidelines around carbon credits or offsetting.

- *What does seem to be most inconsistent is the communication of claims related to carbon credits / removals / offsets across Partners and members, with some members being allowed to claim 'net zero' when they are carbon neutral, on their 1.5C science-aligned pathway to emissions reduction, whilst others claim only carbon neutrality until they will reach an end state 'net'-zero.*

- *In principle, Partners have been encouraged to follow the Oxford Principles on Responsible Offsetting (2020), to promote high-quality, permanent and non-harmful offsets.*

Discussion

- **How can Race to Zero best address this topic in its minimum criteria (the floor below which members may not fall)? And how should Race to Zero encourage leadership on this issue (the stretch goals which members should aim for)? Where do we see inspiring examples of leadership? What guidance can it provide to Partners for driving upward convergence?**

- ***Consensus:***

  - *THE USE OF CARBON CREDITS SHOULD BE SUPPLEMENTARY TO - AND IN NO CIRCUMSTANCES A SUBSTITUTE FOR - DECARBONISATION WITHIN AN ORGANISATION'S VALUE CHAIN*

  - *Move away from language of offsetting (particularly in the context of a ton for ton approach), and instead more explicitly create twin targets with one on absolute (/ real economy / intensity) emissions reductions and another on compensation and neutralisation.*

  - *Require neutralisation of residual emissions at the point of net zero through high-quality carbon removals as a minimum requirement,*

  - *As a leadership principle, explicitly encourage interim compensation by urging actors to mitigate beyond their value chain, in addition to emissions reductions within one's own value chain. Examples of high-integrity beyond value chain mitigation could include:*

    - *Supporting emissions reductions/ removals that would otherwise not happen e.g., beyond value chains and/or in lower income countries in need of financial assistance;*

    - *Supporting the most urgent climate action as defined by science – e.g., decommissioning coal plants or actions which would prevent carbon sinks from becoming sources.*

    - *Guaranteeing safeguards and delivering wider economic and socio-environmental benefits (where applicable).*

    - *Focusing on systems transformation e.g., infrastructure-level R&D or sourcing NBS credits from J-REDD+.*

- *Transparent reporting and not misleading stakeholders.*

- *Supported by progressive climate policy advocacy and lobbying.*

- *Require members to transparently communicate claims relating to both emissions reductions and to carbon removals & investment in beyond value chain mitigation on the pathway to and then at end state;*

- *Incentivize members to use high quality carbon credits on the way to zero, in a transparent fashion, and not in lieu of within value chain mitigation*

- *It was noted that the ICVCM and VCMIi will shortly be providing guidance on carbon credits, communication of claims and other issues relating to this topic.* ==*The group therefore suggests that the Co-Chairs discuss this forthcoming with the Champions and THEN decide on how to proceed to signpost / relate to these guidance pieces.*==

- ***No consensus:***

  - *Disagreement emerging between those who believe Race to Zero should be accessible to corporates / real world entities and keep relatively unchanged the minimum criteria (keep unchanged) which can bring in more actors at a voluntary level (adding significantly greater ambition at the leadership level), thus reaching science-aligned targets in an economically efficient manner, vs those who believe Race to Zero should perhaps more 'radically' align with where the science highlights we need to be now, thus calling to be more ambitious in the shorter term with stricter minimum criteria (increase ambition at the starting level).*

  - *In particular, disagreement around whether the minimum criteria should change at this stage, with some suggesting this will be perceived as shifting the goalposts and, given the voluntary nature of Race to Zero, this will risk losing traction across the existing and potential membership base. Moreover, some members of the group highlighted that long-term 2050 targets are extremely complex to predict now, and therefore focus should remain on short-term targets rather than trying to predict long-term targets. In contrast, others argue that Race to Zero should really align its minimum criteria with the urgency for long-term deep decarbonization starting today that the IPCC AR6 WGIII Report underscores; i.e All Race to Zero members should be required to aim for deep decarbonisation of 90% across their value chain by their end state of 'net' zero, by 2050 at the latest (in line with SBTi Net Zero Standard).*

  - *Disagreements around intensity vs. Absolute vs. Real world emissions targets needed*

- **What prevents entities from making greater progress on this issue? What would address those barriers? As required, give separate answers for cities, regions, companies, financial, healthcare and educational institutions, and other Race to Zero actor-types)**

  - *Shifting goalposts*

  - *Lack of clear consensus on what the right thing to do is*

  - *Lack of clarity on high-integrity BVCM projects*

Other comments

- ***Recommendations for further discussion:***

  - What other beyond value chain activities should be considered beyond ton for ton approaches to compensation (tech deployment, mitigation activities without carbon credits, adaptation projects etc.)? HOW SHOULD THESE BE RECOGNISED
  - More in-depth discussions around removals
  - How may we recognize (label) companies accomplishing deep decarbonisation on accelerated timelines (BUT NOT NECESSARILY ENGAGING IN BVCM ACTIONS)? Would this look different to SBTis?
  - How do we encourage companies to enhance their ambition through progressive claims taxonomies?
  - How does Rtz incentivize companies to move from starting line to leadership criteria?
  - Whether and how corresponding adjustments are treated/considered in RTZ criteria
  - Language used in this document and language in the lexicon needs to be aligned