

The Climate Board publishes report showcasing corporate perspectives on carbon credits; informs latest market guidance from VCMI

A recent report conducted by The Climate Board found that 93% of respondents with developed and set Scope 3 targets are facing critical challenges in reaching their goals. Further, while 70% of global firms acknowledged that the use of carbon credits would likely increase the likelihood that they'd set or maintain their climate targets, only a mere 41% had taken tangible actions to purchase carbon credits as part of their carbon reduction strategies in the past two years. This report helped inform the release of VCMI's additional guidance to its Claims Code of Practice (November 2023), particularly the evolution of VCMI Claims, which bring confidence and credibility to the voluntary carbon market.

25 January 2024, Washington D.C.— The Climate Board (TCB), a leading specialist research and information services firm, and the Voluntary Carbon Markets Integrity Initiative (VCMI) have jointly published a report exploring corporate perspectives on the voluntary carbon market, which highlights the need for wider carbon market participation if companies are to meet ambitious Scope 3 targets. The report, which was developed by TCB with input from VCMI, reflects the participation of 145 global corporations, representing a full spectrum of industries. The report's insights provided a real-time view of corporate executives' sentiment, underscoring some of the operational challenges in executing carbon reduction strategies while highlighting the potential that high-quality carbon credits may have in complementing internal abatement initiatives.

The report found that:

- **More companies could be participating in the carbon market to provide further climate mitigation:** 41% of respondents had purchased carbon credits as part of their carbon reduction strategies in the past 2 years; 19% of respondents had not participated in the carbon market in the same timeframe, but plan to do so prior to 2030; and 40% of respondents either had no plans to participate or were undecided as to when to they might take part in the market.
- **Some companies are hesitant to participate in the carbon market:** The three primary reasons respondents cited for not participating in the carbon market were that companies 1) were focusing on internal operational progress on meeting net zero commitments before participating, 2) were concerned about greenwashing claims, and/or 3) needed more standardization or guidance around high-quality credits.

- **There are critical challenges in reaching scope 3 emissions reductions targets:** 93% of respondents that have already developed and set Scope 3 emissions reduction targets are facing critical challenges in reaching their goals.
- **Companies said they would be more likely to set and maintain climate targets if provided flexibility in using carbon credits:** 70% of respondents said that the use of carbon credits to make progress on a climate target, under specific eligibility criteria to enable a certain degree of flexibility, would increase the likelihood that their company would set/maintain a science-based target.”

The Climate Board’s research was conducted in sequential stages and findings were used to inform and refine VCMI’s Claims Code of Practice (Claims Code), which addresses the use of high-quality carbon credits and associated company claims. Additional guidance to the Claims Code was published ahead of COP28. The Claims Code enables companies to confidently make Silver, Gold, or Platinum claims by using high quality carbon credits to go above and beyond their science-aligned targets, verified under VCMI’s Monitoring, Reporting & Assurance (MRA) framework - channeling finance to mitigate climate change in parallel with their own internal emissions reductions, to meet the 1.5 C temperature goal.

The Climate Board’s research has directly informed VCMI’s new Scope 3 Flexibility Claim. The claim allows a company to make limited use of high-quality carbon credits to close the gap between its estimated Scope 3 greenhouse gas (GHG) emission reduction target level and its current Scope 3 emissions in a given year, as long as it has already taken other steps to reduce its current emissions.

Partnering with TCB allowed VCMI a real-time, independent perspective on the challenges corporate firms face on the ground when it comes to meeting emissions reduction targets. TCB’s research enabled the advancement of VCMI’s core mission: a world on track to achieving net zero emissions by mid-century.

Angela Paulk, CEO of The Climate Board, said:

“As we interviewed executives, we heard a lot about the operational challenges that many sustainability professionals face in meeting regulatory and strategic targets related to climate – as well as their thirst for more information. Such real-time dialogue is key to supporting the evolution of the carbon markets. Our focus on impact – supporting executives with industry-leading actionable insights and best practices – made us the right partner to both capture corporate sentiment and help synthesize the opportunities for VCMI to advance its mission.”

Ana Carolina Szklo, Technical Director – Markets and Standards at VCMI said:

“Through our collaboration with The Climate Board, we’ve delved deep into the complex world of corporate carbon credit practices. The findings underscore a pivotal juncture in our collective journey towards a more sustainable future. As VCMI continues to champion high-integrity

carbon markets, these insights not only highlight the challenges but also pave the way for transformative solutions aligned with the Paris Agreement's objectives. We will continue to forge pathways that not only benefit our planet but also resonate with the aspirations of communities worldwide."

About TCB

The Climate Board (TCB) is a sustainability partner and network for corporate executives. Membership of TCB provides sustainability executives with both on-demand support and the network's insights on pressing strategic issues, regulatory change, and implementation. TCB's global network and cross-disciplinary expertise aim to translate insights into actionable best practices compatible with ambitious climate standards.

About VCMi

The Voluntary Carbon Markets Integrity Initiative is an international non-profit organization with a mission to enable high-integrity voluntary carbon markets (VCMs) that deliver real and additional benefits to the atmosphere, help protect nature, and accelerate the transition to ambitious, economy-wide climate policies and regulation.

To read the entire report follow this link: <https://www.theclimateboard.com/research/vcmi/>