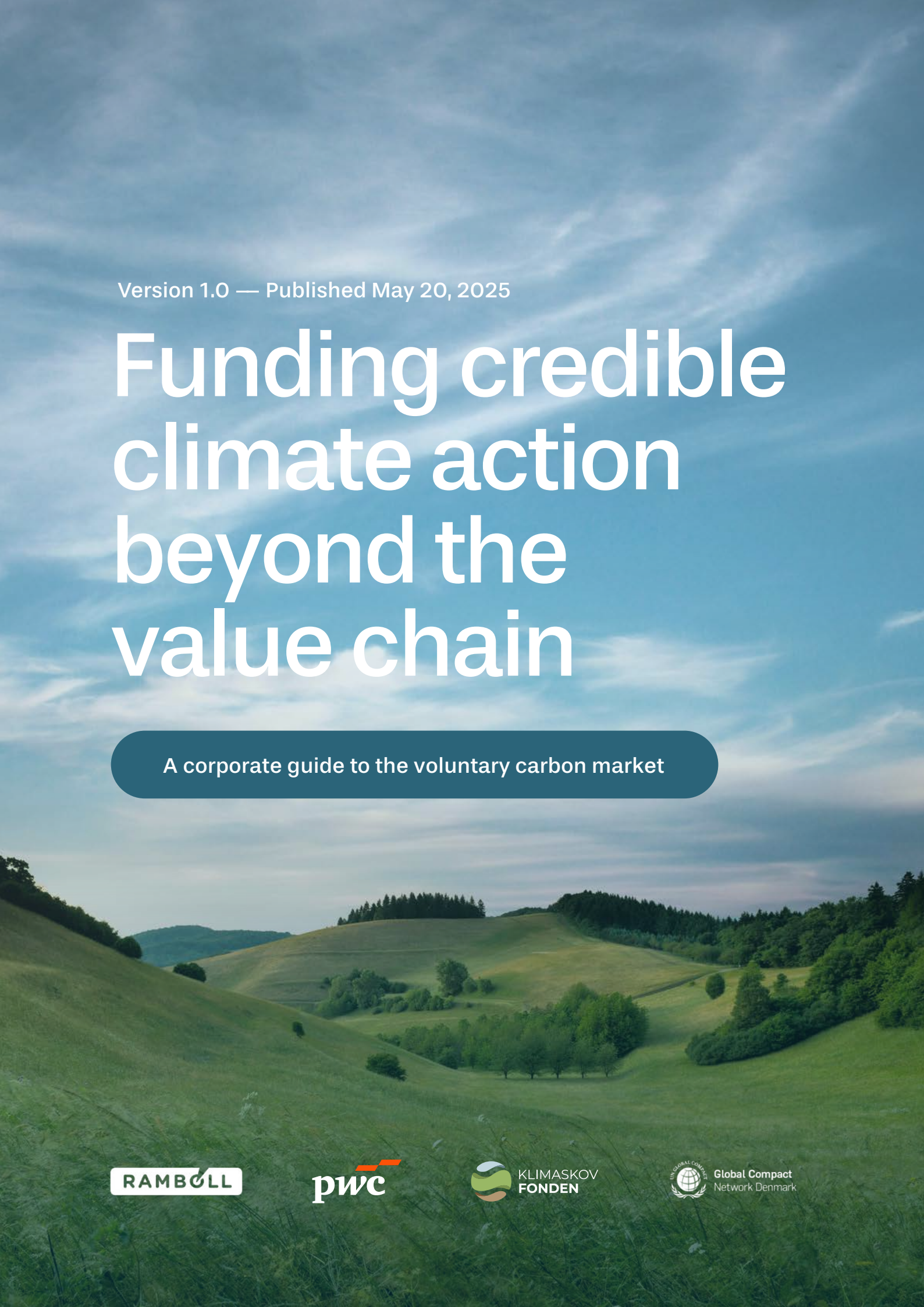


Version 1.0 — Published May 20, 2025

Funding credible climate action beyond the value chain

A corporate guide to the voluntary carbon market

RAMBØLL

pwc

KLIMASKOV FONDEN

Global Compact Network Denmark

Before you read

This white paper is intended as a guide for decision-makers in companies aiming to fund credible climate action beyond their value chains. It describes the regulatory context in which companies operate and current initiatives available for collective action.

However, it should be noted that it is a dynamic and complex environment and that some of the recently introduced regulations referenced in this white paper, notably the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards, are subject to change as part of the EU Omnibus simplification initiatives. Similarly, the Science Based Targets initiative has recently launched version 2.0 of its Corporate Net-Zero standard for companies.

Other legislation is in its making as we write. We therefore recommend readers to always consult the latest communication from the authors and other authoritative sources prior to implementing new initiatives in this space.

Contents

Version 1.0 — Published May 20, 2025

Collaborating partners

The Danish Climate Forest Fund (KSF) is an independent, state-owned administrative body under the Ministry of Green Transition, and is managed by an independent board appointed by various ministries. The fund's main objective is to contribute to the national CO_2 emission reduction targets by funding afforestation projects and the extraction of carbon rich land from rotation (rewetting of peatland). KSF essentially functions as a revolving fund by selling CO_2 units from the projects as contribution credits to companies that wish to contribute to the Danish climate effort.

Ramboll Management Consulting is a value-focused, people-centric consultancy with a Nordic origin and a global impact. As one of Ramboll Management Consulting 's key business areas, Ramboll Management Consulting is part of a foundation-owned company with offices in 35 countries, encompassing over 18,000 people. With interdisciplinary links between management consultants, environmental specialists, and technical experts, Ramboll Management Consulting is a one-stop shop consultancy with a special hallmark in strategic sustainability and ESG services.

At **PwC**, we help clients build trust and reinvent so they can turn complexity into competitive advantage. We're a tech-forward, people-empowered network with more than 370,000 people in 149 countries. Across audit and assurance, tax and legal, deals and consulting we help build, accelerate and sustain momentum.
PwC is committed to achieving net zero by collaborating with clients, reducing operational emissions, engaging supply chain partners in setting science-based targets, and continuing research and collaboration to support the transition to a net zero economy.

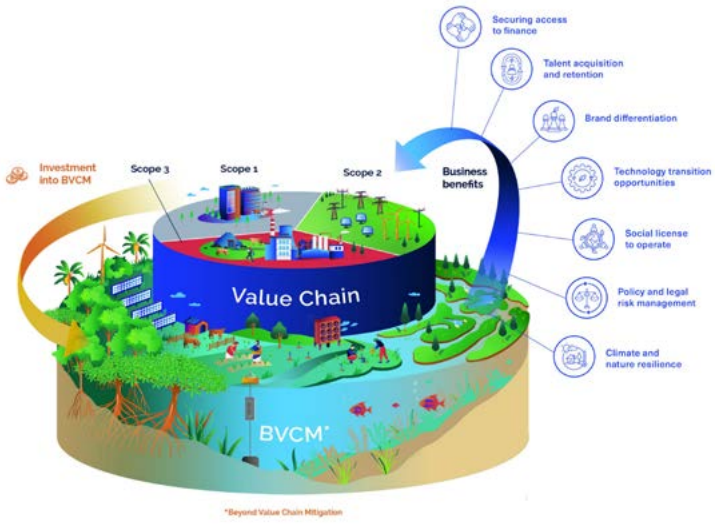
UN Global Compact Network Denmark is the official local network of the United Nations Global Compact, the world's largest voluntary initiative for corporate sustainability. Representing businesses, organisations, and stakeholders across Denmark, the network supports members in integrating the Ten Principles on human rights, labour, environment, and anti-corruption into their strategies and operations. Through local engagement, learning platforms, and collaboration opportunities, UN Global Compact Network Denmark empowers Danish companies to drive sustainable business practices and contribute to the UN Sustainable Development Goals (SDGs). UN Global Compact is a founding partner of the Science Based Targets initiative (SBTi)

Key contents

This white paper is intended as a guide for decision-makers in companies aiming to fund high-quality climate action beyond their value chains. In the context of the climate emergency, there is a need to demonstrate robust action towards reducing emissions footprints so as to be seen as a credible organization. The white paper outlines the guiding principles of quality carbon credits, which serve as a useful tool for funding climate action. These principles help organisations determine which credits to purchase as part of a credible strategy to take responsibility for unabated greenhouse gas emissions. The BVCM approach supplements – but does not replace – organisations' efforts to decarbonise their own value chains.

Engage in climate action: Beyond value chain mitigation (BVCM) is a mechanism by which companies can go above and beyond their SBTi targets and additionally fund high-impact climate action activities that accelerate progress towards a climate secure and sustainable world.

Follow the mitigation hierarchy (avoid, reduce and take responsibility for value chain emissions): Companies should prioritise addressing emissions within their own operations and value chain. Additionally, they are encouraged to invest in mitigation activities outside their value chains, such as purchasing high-quality carbon credits within the voluntary carbon market (VCM) or investing in collective action funds such as the Climate Transformation Fund (CTF). The effects of BVCM will be to mobilise finance towards urgent carbon removal, decarbonisation, and nature restoration projects.



SBTi https://sciencebasedtargets.org/beyond-value-chain-mitigation

Grow financial commitment: To meet global climate mitigation needs, annual finance must exceed USD 7.5 trillion between 2024 and 2030. Private companies' investments in BVCM can significantly contribute to closing this financing gap[1].

Prepare for legislation and reporting: EU legislation, the European Green Deal, which includes the directives such as; CSRD, EU Taxonomy, ESPR, PPWR and Green Claims Directive (to name a few), is driving corporate climate engagement and transparency. Mandatory ESG reporting is becoming more prevalent, with a focus on auditability, governance, and quality control.

Engage with the voluntary carbon market (VCM): The VCM is rapidly evolving and is becoming an integral part of corporate climate strategies. The voluntary carbon markets Integrity Initiative provides a rulebook for how companies can use carbon credits transparently and what they may claim about their use to avoid greenwashing. Companies should follow the guiding principles of quality carbon credits, such as additionality, credible baseline, monitoring, permanence, and avoiding leakage.

Private companies' investments in beyond value chain mitigation (BVCM) can significantly contribute to closing the financing gap towards net zero.

Avoid double claiming: Double claiming can impact the additionality and effectiveness of mitigation efforts. Companies should avoid double claiming to ensure the integrity of their climate actions.

Be prepared for the Directive on Empowering Consumers for the Green Transition that, as of September 2026, will ban claims that a product or service has a neutral, reduced, or positive impact on the environment if these claims rely on offsetting.

Know the business case for BVCM: Beyond value chain mitigation can unlock various opportunities for companies, including brand differentiation, resilience enhancement, scaling carbon removal technologies, talent attraction, and maintaining social license to operate.

Define BVCM goals and principles: Companies should aim for high-impact and high-integrity BVCM activities. It is important to define strategic objectives for BVCM, such as enhancing brand value alongside supporting climate action.

Start reporting on BVCM: Companies should transparently report on their BVCM activities, investments, and outcomes. Leveraging EU reporting requirements can help demonstrate climate leadership and ensure data quality.

Driving corporate climate action

Within and beyond your value chain

The SBTi proposes to strengthen incentives for companies that voluntarily take responsibility for their unabated emissions while working toward full decarbonisation. The goal is to encourage further emission reductions and mobilise climate finance at scale. This white paper guides decision-makers on where to start.

In 2015, world leaders united to sign The Paris Agreement, a legally binding international treaty aimed at limiting global temperature rise to well below 2°C, with efforts to cap it at 1.5°C. This ambitious goal is crucial, as the UN's Intergovernmental Panel on Climate Change warns that surpassing the 1.5°C threshold could lead to severe climate impacts, including more frequent and intense droughts, heatwaves, and heavy rainfall[2].

To achieve this target, global greenhouse gas emissions must peak by 2025, then decrease by 43% by 2030 and 84% by 2050, compared to 2019 levels[3].

However, despite these targets, man-made emissions reached an all-time high in 2023 and the full implementation of unconditional and conditional NDCs reduces expected emissions in 2030 by 10% compared with 2019 levels[4], highlighting the urgent need for more robust action.

Companies play a pivotal role in this global effort. The Science Based Targets initiative (SBTi), launched in 2015, supports companies in setting climate targets based on the latest scientific recommendations. Initially, the SBTi introduced a framework for short-term ambitious targets and, in 2021, launched the Corporate Net-Zero Standard to guide companies in setting both short- and long-term goals for their net-zero transition.

More than 10,000 companies globally have set targets and/or commitments with SBTi, of which more than 3.000 are committed to reaching net-zero by 2050[5].

The 'mitigation hierarchy' is central to reducing emissions. Companies are encouraged to address emissions within their own operations and value chains as a first order priority. Additionally, they should invest in beyond value chain mitigation, such as purchasing high-quality carbon credits in the voluntary carbon market[6].

The Climate Policy Initiative estimates that annual climate mitigation finance globally needs to exceed USD 7.5 trillion between 2024 and 2030, compared to the current USD 1.3 trillion[7].

Companies' BVCM investments are vital in closing this financing gap, accelerating global progress towards net-zero, and taking responsibility for their unabated emissions during their transition[8].

Legislation and reporting requirements are also driving corporate climate engagement. EU legislation, namly the European Green Deal which includes the directives such as; CSRD, EU Taxonomy, ESPR, PPWR and Green Claims Directive (to name a few), are enhancing company and product transparency and making ESG reporting mandatory[9]. This shift emphasises governance, quality of data, and auditability, moving ESG reporting responsibilities towards CFOs as well as enhancing the focus of management and executive boards[10].

We understand that the voluntary carbon market (VCM) is complex and rapidly evolving. Companies navigating the VCM can gain significant advantage by understanding emerging trends and avoiding potential investment pitfalls or misconduct in their use of carbon credits.

This white paper aims to guide corporate decision-makers who wish to engage with the VCM. We help you navigate the market and facilitate decision-making by highlighting the major drivers of change and exploring the business opportunities arising from BVCM investments. Our goal is to foster corporate climate financing beyond value chains to support the global net-zero transition.

Based on SBTi guidelines, the principles in this white paper can be adopted by any company committed to reducing greenhouse gas emissions and contributing to mitigation beyond their value chains.

We hope you find this white paper insightful and inspiring.

UN Global Compact Network Denmark

Ramboll Management Consulting

PwC

The Danish Climate Forest Fund

Drivers of change in the voluntary carbon market

The voluntary carbon market (VCM) is a tool for companies to invest in high-quality carbon credits that fund projects reducing or removing greenhouse gas emissions. It allows companies to take responsibility for their unabated emissions, supplementing their efforts to decarbonise their own operations and value chains.

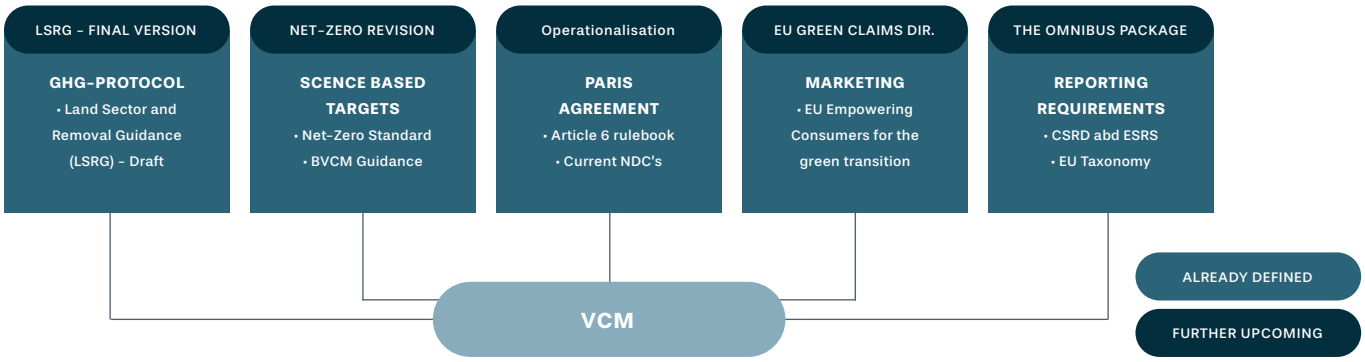
The rapidly evolving VCM is an umbrella term for the voluntary issuance and/or use of carbon credits. Companies navigating the VCM can benefit greatly from understanding the unfolding trends and tendencies, avoiding potential investment pitfalls or unintentional misconduct in their use of carbon credits. This chapter introduces the key drivers of change in the VCM.

The Voluntary Carbon Markets Integrity Initiative (VCMI) provides a rulebook on how companies can use carbon credits transparently and what they can claim about their use to avoid greenwashing.

Carbon market actors and bodies such as VCMI and IC-VCM have developed guidelines to enhance the quality, integrity, and scaling of voluntary carbon markets. However, recent influences from external actors, policies, and legislation have significantly driven changes in the VCM.

By understanding these major frameworks and legislative influences on the VCM, companies can better navigate the market and contribute effectively to the global net-zero transition.

Figure 1 – Five major drivers outside the voluntary carbon market



1: Greenhouse Gas Protocol (GHG)

The Greenhouse Gas Protocol serves as the climate accounting framework for most companies globally. The release of the Land Sector and Removal Guidance introduces accounting rules, new credit targets (compensation vs. contributions), and minimum quality criteria for carbon credits. Although still in draft form (expected release is Q4 2025), these guidelines establish ground rules influencing the VCM.

2: Science Based Targets Initiative (SBTi)

The SBTi's Corporate Net-Zero Standard (v1.2, March 2024) requires companies to neutralize residual emissions and encourages beyond value chain mitigation (BVCM), with the voluntary carbon market (VCM) identified as a useful tool. As companies face long-term obligations to offset residual emissions and increasing pressure to finance BVCM immediately, integrating VCM into climate strategies is becoming essential.

The SBTi is revising the Corporate Net-Zero Standard and recently published a first draft of V2 of the standard for public consultation. The draft standard is both more rigorous and more practical. The final revision of the Net-Zero Standard is expected later this year (2025).

The SBTi's Corporate Net-Zero Standard requires companies to neutralize residual emissions and recommends beyond value chain mitigation measures. The VCM is a helpful mechanism for achieving these goals.

3: Transition from Kyoto Protocol to Paris Agreement

The shift from the Kyoto Protocol to the Paris Agreement has brought significant changes to the VCM. All supporting countries must submit geographically-bound climate accountings (NIRs, National Inventory Reports) and set targets bound to increase in ambition over time (NDCs, Nationally Determined Contributions[11]). This transition necessitates new and diversified VCM carbon credit products and claims[11] to avoid double counting and false claims. The operationalisation of Article 6 regarding voluntary cooperation to reach climate targets within the Paris Agreement continues to influence the VCM.

4: Marketing green claims

Enhanced regulatory focus on marketing green claims underscores the need for transparent, trustworthy, and well-documented communication from companies. The EU's Directive Empowering Consumers for the Green Transition bans product-level claims based on offsetting, such as 'carbon neutrality.' The forth coming Green Claims Directive will further distinguish between product-level and company-level claims, differentiating contribution claims from offsetting claims with higher requirements for the latter.

5: EU reporting requirements

Reporting requirements under CSRD and the EU Taxonomy provide companies with relevant reporting opportunities within the VCM. The first CSRD-compliant sustainability statements have been published, supporting the trend of integrating VCM into corporate climate strategies.

Other drivers of the VCM

There will be other frameworks influencing the VCM. The EU's CRCF regulation (Carbon Removal Certification Framework) establishes a voluntary framework for certifying carbon removals, carbon farming, and carbon storage in products across Europe. It sets EU quality criteria for quantifying carbon, additionality, long-term storage, and sustainability, and outlines monitoring and reporting processes. The CRCF aims to create a trustworthy and transparent certification market to facilitate investment in innovative carbon removal technologies and sustainable carbon farming solutions, including forestry, while also addressing greenwashing.

SBTi's Net-Zero Standard & the Mitigation Hierarchy

Key take-aways from this chapter

- While abating value chain emissions towards net-zero alignment is necessary and foundational, the current level of climate action is insufficient to meet the Paris Agreement targets in time.
- BVCM is finansing mitigation outside of a company's immediate operations, while neutralisation involves balancing any residual emissions at net-zero with e.g., the purchase of credits from carbon removal activities.
- Follow Ramboll Management Consulting 's step-by-step approach to integrate SBTi mitigation approach alignment into your corporate strategy.

Essentials of SBTi's Net-Zero Standard (v1.2)

To meet the global objective of limiting global warming to 1.5°C above pre-industrial times, it is imperative to achieve global net-zero GHG emissions by 2050. This shift demands bold leadership from the corporate sector, which must radically redefine business models. Companies must develop robust climate transition plans and establish a clear path towards achieving operations that are compatible with a net-zero future.

Science-based targets are a foundational pillar of climate transition plans as they offer a measurable, verifiable path to ensure that corporate strategies are attuned to the latest developments in climate science. Against this backdrop, the SBTi's Corporate Net-Zero Standard is designed to help companies develop future-proof climate strategies that align with credible science-based emission reduction trajectories.

The SBTi's Corporate Net-Zero Standard includes objectives, guidance documents, and tools for setting near-term targets, near to medium-term beyond value chain mitigation goals, and long-term net-zero targets and neutralisation. These actions are summarised in the SBTi's mitigation approach covering the different mitigation interventions to ensure a rapid and steep trajectory toward decarbonisation (Figure 2).

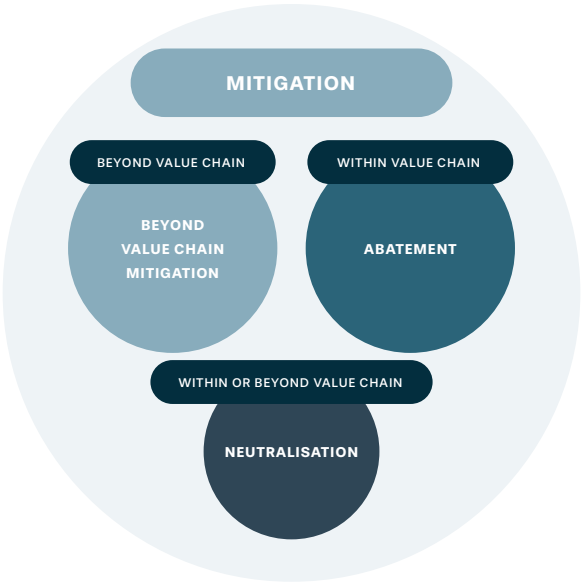


Figure 2: The key terms of the SBTi mitigation approach. Near-term and long-term abatement must be a company's main priority. BVCM targets emissions reductions outside the company's immediate operations, while neutralisation involves balancing any residual emissions at net-zero by purchasing credits from carbon removal activities.

1: Abatement is the main priority

Abatement refers to the rapid reduction of GHG emissions within a company's value chain (scopes 1, 2, and 3). Near-term and long-term abatement must be a company's main priority. These types of targets consist of four main critical elements in target development: defining the GHG scope boundary, specifying the ambition of the target, selecting the timeframe for the target, and deciding on the target types (Figure 3).

	Boundary	Ambition	Timeframe	Target Types
Near-term Science-Based target	Scope 1+2: 95% Scope 3: If 40 % of total emissions, 67 % coverage	Scope 1+2: 1.5°C Scope 3: Well-below 2°C	5-10 years from the date of target submission	Cross-sector absolute reduction Sector-specific absolute reduction Sector-specific intensity convergence Renewable electricity (scope 2) Physical intensity reduction (scope 3) Supplier/customer engagement targets (scope 3)
Long-term Science-Based target (Net zero)	Scope 1+2: 95% Scope 3: 90%	Scope 1+2+3: 1.5°C	2050 at the latest	Cross-sector absolute reduction Sector-specific absolute reduction Sector-specific intensity convergence Renewable electricity (scope 2 maintenance) Physical intensity reduction (scope 3) Supplier/customer engagement targets (scope 3)

Figure 3: Comparison of the four key elements of near-term and long-term targets.
Adapted from the figure on Page 30 of the SBTi's Corporate Net Zero Standard V1.2 (March 2024)

Note that based on the consultation draft of the SBTi guidelines (March 2025), one of the changes in the recommended guidelines concerns that the boundaries have changed from fixed target-setting boundary (67% for near-term targets and 90% for long-term targets to explicitly incentivise companies to prioritise action on the most relevant sources of emissions in their value chain. Therefore, if not changed upon public consultation, the boundary parameter of the target development guidelines in SBTi will need to be revisited.

See below for a list of currently supported target-setting methodologies for both near-term and long-term targets covering both **absolute reduction targets** (where total emissions are reduced from current level) and **intensity targets** (where total emissions are reduced per relevant physical or economic unit).

Target-setting methodologies in the SBTi Net-Zero standard*

• Cross-sector absolute reduction: This is also known as 'absolute contraction' and is the most widely used target-setting methodology. It is relevant for all scopes and all types of companies. Such targets lead to absolute emission reductions through annual linear reduction rates. For near-term targets minimum reduction is 4.2% per year for scopes 1 and 2 and 2.5% for Scope 3. For long-term targets, overall emissions must be reduced by a minimum of 90%.

• Sector-specific absolute reduction: This is applicable for certain sectors, and absolute emissions are reduced by a minimum amount consistent with a sector-specific pathway. It is applicable to near-term and long-term targets across all scopes. For agriculture (FLAG), the minimum reduction is 72% for long-term targets. For the power, cement, steel and buildings sectors the minimum reduction is at least 90% for long-term targets.

• Sector-specific intensity convergence: This approach, also known as 'sectoral decarbonisation approach' (SDA), is possible for specific heavily-emitting sectors and industries for all GHG scopes. It is applicable to near-term and long-term targets across all scopes. For near-term targets, the minimum ambition is calculated using the SDA formula. For long-term targets, the target intensity is equal to the sector's emissions intensity goal.

• Physical/economic intensity targets: This approach is only applicable for Scope 3 and is particularly relevant for growth companies. Companies define their own physical intensity metric (e.g, CO_2 per production output) or economic intensity metric (e.g, CO_2 per value added). For near-term targets, the minimum intensity reduction is a 7% year-on-year reduction. For long-term targets, the minimum reduction is an overall 97% reduction.

• Renewable electricity targets: The renewable electricity (RE) method is an alternative to Scope 2 emission reduction targets. Companies set targets to actively procure at least 80% renewable electricity by 2025 and 100% renewable electricity by 2030 using renewable energy certificates (RECs) or virtual power purchase agreements (vPPAs). Companies can set near-term targets and long-term maintenance targets to ensure the level of renewable electricity.

*Please note that if baseline year is later than 2020, an adjustment of the near-term targets is often required.

• Supplier and/or customer engagement targets: Companies set a target for suppliers or customers to set their own science-based targets. This method only applies to Scope 3, near-term targets. Engagement targets may be set around any credible relevant upstream or downstream Scope 3 category where engagement efforts could lead to reduction in emissions.

2: Invest in beyond value chain mitigation

The second mitigation action recommended by the SBTi is BVCM. Beyond value chain mitigation encompasses the broad suite of mitigation measures that companies can perform outside their direct operations and value chain (i.e., outside scopes 1, 2, and 3). Such actions may involve setting an internal carbon price to allocate funds for the purchase of high-quality carbon credits or for investing directly in projects that foster climate benefits.

The selected projects should contribute to measurable climate change mitigation, offer additional environmental and social benefits, promote climate justice, and focus on underfinanced solutions.

Applicable high-quality carbon credits for companies' BVCM effort cover both credits that are eligible for offsetting and non-offsetting claims, as well as credits that generate removals or avoid/reduce future emissions (see more in chapter Navigating the voluntary carbon market). Companies are expected to transparently disclose their BVCM efforts annually in their sustainability reports.

3: Neutralize residual unabated emissions

Once a company has achieved its long-term reduction target (e.g., 2050), it must neutralize any residual emissions to reach net-zero. Neutralisation should be performed by counterbalancing any unabated emissions (including any emissions excluded from the GHG inventory) through the permanent removal and storage of carbon from the atmosphere, such as the purchase of high-quality durable carbon removal credits. Further guidance is expected from SBTi on this matter.

It is critical to highlight that any purchase of carbon credits cannot be used to meet near- or long-term reduction targets and that a company cannot claim to have reached net-zero until the long-term science-based target for all scopes is achieved and the company has neutralized any residual emissions.

Integrating the SBTi mitigation approach into corporate climate strategy: a step-by-step approach

Building on the three mitigation measures, Ramboll Management Consulting has designed a step-by-step approach to guide companies from their current emitting status towards neutralisation.

Incorporating the SBTi mitigation approach into a company's climate strategy provides a credible, science-based plan to achieve net-zero (Figure 4). The plan outlines a clear and pragmatic emissions trajectory, starting with an assessment of the company's current GHG emissions as a baseline.

The next step is abatement, which focuses on rapidly reducing emissions through operational changes and innovations within the company's direct control. Abatement is the primary lever for organisations to meet their near-term and net-zero targets.

Abatement is the main lever for organisations to reach their near-term targets and their net-zero targets.

Beyond direct impact, the plan includes beyond value chain mitigation (BVCM) and neutralisation. BVCM targets unabated emissions outside the company's immediate operations, while neutralisation involves balancing any residual emissions at net-zero by purchasing credits from carbon removal activities, such as reforestation or direct air capture.

Ramboll Management Consulting's step-by-step approach offers companies at the beginning of their transition and decarbonisation journeys actionable insights into how companies can practically implement the framework as well as provide an overview of the necessary steps and actions that companies must undertake to transform this into a coherent strategy.

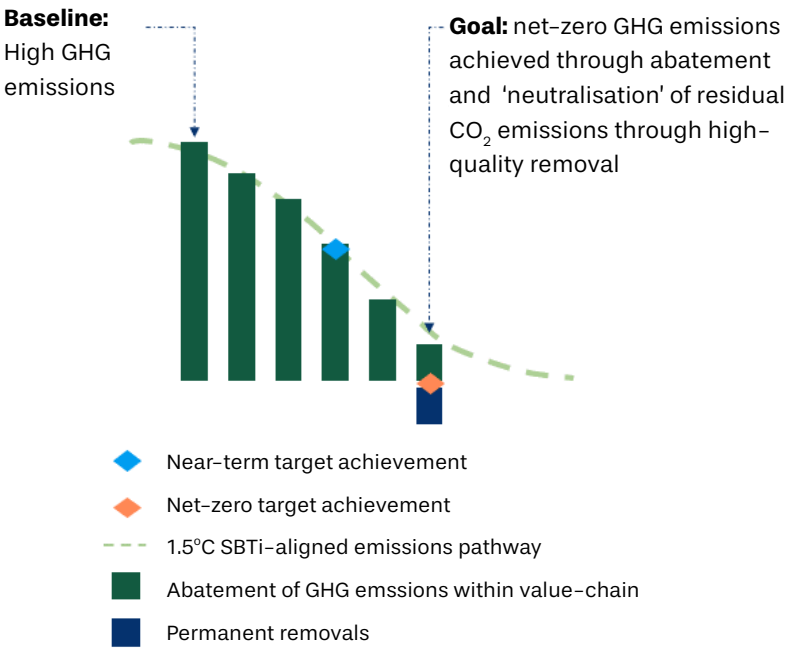


Figure 4: SBTi net-zero targets in practice. Adapted from the figure on page 13 of the SBTi Corporate Net-Zero Standard V1.2 (March 2024)

Ramboll Management Consulting 's step-by-step approach

Step 1: Commitment

Commit your company to the Science-Based Targets initiative (SBTi) for setting long-term net-zero targets.

Step 2: Baseline

Establish your GHG emissions baseline through a comprehensive GHG accounting exercise according to the Greenhouse Gas Protocol across all three scopes. Critically, the SBTi mandates that at least 95% of the emissions inventory must be included in the baseline and target-setting for scopes 1 and 2. And that at least 67% of Scope 3 emissions need to be covered by a target.*

Step 3: Net Zero Target-setting

Set near-term and long-term net-zero targets, using your corporate GHG footprint as the baseline for the targets. Near-term targets must be for 5-10 years** from the date of target submission, while net-zero targets for all scopes must be for no later than

* Note that based on the consultation draft of the SBTi guidelines (March 2025), one of the changes in the recommended guidelines concerns that the boundaries have changed from fixed target-setting boundary (67% for near-term targets and 90% for long-term targets to explicitly incentivise companies to prioritise action on the most relevant sources of emissions in their value chain. Therefore, if approved, the boundary parameter of the target development guidelines in SBTi will need to be revisited.

**Will be standardized to 5 years with the option to align target years to fixed milestone years such as 2030 or 2035 in the Corporate Net-Zero Standard Version 2 Consultation Draft, March 2025).

2050. Companies must also decide at this stage which target-setting method they should or must use. Options depend on sector and size of the company, as well as on most recent applicable guidance from the SBTi.

- Prepare for target development to be a gradual process, typically involving 3-5 iterations exploring and understanding the available target-setting methodologies and options.

- Use this process to assess various ambition levels, ranging from conservative to highly ambitious, and ensure each aligns with the SBTi's trajectory for limiting global warming to 1.5°C.

- Identify which decarbonisation methods and programmes can be strategically implemented to reach these objectives. Examples include fuel switching, adoption of more energy efficient production methods, increased usage of recycled materials.

Step 4: Submitting and communicating Net-Zero targets

Submit targets to the SBTi for validation against the SBTi's formal technical target screening criteria available in the Corporate Net-Zero Standard. Companies must then communicate the approval of their targets to the public and key stakeholders when formal validation occurs (i.e., when targets are posted on the SBTi's website).

Step 5: Mitigation

Work towards the abatement aims set by your near-term and long-term SBTi targets and prepare for neutralisation. You may also assess here whether it may make sense for you to develop a combined strategy for BVCM and neutralisation. And, in case it does, integrate step 6.

- Companies can work towards near-term and long-term abatement by setting and implementing sub-targets for decarbonisation which might also include introducing financing mechanisms for specific initiatives.

- For example, companies might establish organisational or departmental sub-targets such as requiring procurement teams to source more climate-friendly products, even if they have a higher cost. These sub-targets could be linked to increased funding from the company budget or even integrated into employee or manager compensation packages.

Step 6: Set voluntary BVCM goals

Decide on whether to establish voluntary near-term and long-term BVCM goals to direct financial resources into scaling up novel climate, carbon reduction/avoidance, and carbon removal solutions which are essential for achieving net-zero by mid-century.

- BVCM goals should be set for a 5–10-year period, based on a science-backed internal carbon price. This carbon price, reflecting the social cost of carbon emissions, should be applied to a company's total annual unabated emissions to create a yearly carbon budget. It is suggested by SBTi that companies use a portion of this budget to deliver ex-post, quantified BVCM outcomes (measured in tCO_2e) equivalent to at least 50% of the company's unabated scope 1, 2 and 3 emissions.
- Once companies decide to set BVCM goals, they must also define quality standards and safeguarding principles aligned to SBTi guidance for BVCM investments to ensure that funding is directed to a robust portfolio of ex-post BVCM outcomes.

Step 7: Report

Publicly report on your annual emissions and progress towards achieving your SBTi targets and BVCM goals. This should be done through transparent sustainability reporting that is aligned to global sustainability standards (e.g., SASB, TCFD, CDP, ESRS, GRI).

Navigating the voluntary carbon market

Key take-aways from this chapter

- Carbon credits are a structured funding instrument designed to support climate action. Carbon credits represent removals and avoidance or reduction of greenhouse gasses (GHGs) in the atmosphere. Credits come with a set of benefits, standards, and methodologies that ensure projects contribute effectively to carbon reduction, enhancing certainty and credibility through stringent quality criteria.

- Double claiming has been a contentious issue within the VCM since the Paris Agreement came into force. Double claiming must be prevented to ensure that counterbalancing claims are indisputable.

- The issue of double claiming can be resolved by creating a market split in the VCM, defining two types of carbon claims based on carbon credits: contribution claims and compensation claims.

- The EU Directive on Empowering Consumers for the Green Transition bans all claims that a product or service has a neutral, reduced, or positive impact on the environment in terms of greenhouse gas emissions if these claims rely on offsetting.

- As legislation and VCM market developments continue to evolve, contribution claims are seen as a 'safe haven' to avoid growing public scrutiny.

The voluntary carbon market (VCM) is a decentralised market where private actors voluntarily buy and sell carbon credits that represent removals, avoidance or reductions of greenhouse gases (GHGs) in the atmosphere. Navigating the VCM can be challenging, with various frameworks shaping corporate climate action. This chapter is a guide to the market, its actors and the frameworks.

The VCM has been rapidly evolving during recent years, and even though it will develop further, crucial elements are beginning to fall into place, creating a more level playing-field and vocabulary.

The carbon market and its actors

The phrase *carbon market* refers to national and international schemes and marketplaces where companies, organisations, individuals, and others can finance, purchase, and sell carbon credits (see below).

A *carbon credit* is a tradable unit that represents one metric ton of greenhouse gas and can derive from emission reductions (avoiding emissions into the atmosphere) or removals (removing and storing CO_2 from the atmosphere).

The VCM is voluntary, operating without legal mandates, meaning companies are not required by law to purchase carbon credits for climate financing. Consequently, the 'rule setting' within the VCM is largely unregulated, aside from common legislation. Typically, rules and standards have been developed and defined by leading actors and cross-sector collaborations within the carbon market. However, in recent years, significant external entities, such as the EU Commission, have begun to influence market developments by taking important stances.

The voluntary carbon market Actors

1. Project owners who implement projects or interventions that generate emission reductions or removals.

2. Standard developers are bodies developing rules, procedures, and methodologies to be followed.

3. Validator and verifiers are third parties validating that rules, procedures, and methodologies are followed and verifying that the expected GHG-mitigation results are achieved.

4. Registries are creating transparency on credit ownership, credit retirements and safeguarding towards double counting issues.

5. Traders and trading platforms give buyers opportunities to purchase or finance credits.

Fostering climate financing outside the value chain

When we describe and define the voluntary carbon market, it focuses on fostering climate financing outside the value chain, hence the term beyond value chain mitigation introduced by SBTi. However, some companies may purchase carbon credits or engage in result-based transition financing within their value chain. This approach offers various opportunities in GHG reporting, green business models, and value chain collaborations. These possibilities are not elaborated further in this white paper, as all VCM activity is considered an outside value chain effort. This perspective is the foundation of the market, making it scalable, flexible, and accessible for all companies.

Two types of carbon markets

Compliance markets are created as a result of any national, regional and/or international policy or regulatory requirement. Compliance markets are also referred to as regulated markets.

An example is the 11,000 companies within EU that are bound, by law, to purchase further allowances under EU ETS if their emissions exceed their current level of allowances.[12]

Voluntary carbon markets – national and international – refer to the issuance, buying and selling of carbon credits, on a voluntary basis.

Source: UNDP Global Climate Promise

Guiding principles of quality carbon credits

Carbon credits are a structured funding instrument designed to support climate action. They come with a set of benefits, standards, and methodologies that ensure projects contribute effectively to carbon reduction, enhancing certainty and credibility through stringent quality criteria.

Quality criteria to guide decision-makers*

In recent years, several quality criteria rule-sets on voluntary carbon credits have been introduced by market actors, i.e., the Carbon Core Principles from the ICVCM[13]. In 2022, the GHG protocol published its view on quality criteria that credited GHG reductions or removals must meet to comply with the GHG Protocol in the Land Sector and Removals Guidance (2022 DRAFT)[14] .

The Land Sector and Removals Guidance provides comprehensive instructions on how companies should account for and report GHG emissions and removals from land management. It covers a broader scope than carbon crediting and is considered to be standard-setting.

Carbon credits in the voluntary carbon market are generated by the activities of projects and programmes that are certified by carbon standards

Quality criteria to guide companies in financing or purchasing carbon credits as part of their climate transition.

The following criteria should be evaluated according to comply with the 2022 draft GHG Protocol Guidance.

Additionality The intervention (e.g., project or activity) reduces emissions or increases removals relative to the amount of emissions or removals that would have occurred without the incentives provided by the credit.

Credible baseline GHG reductions or removals are quantified relative to a realistic, defensible, and conservative estimate of GHG reductions or removals occurring in the baseline scenario or performance standard. (shortened).

Monitoring GHG reduction or removal credits are monitored and quantified ex-post based on accurate and precise measurement, sampling and quantification protocols where data are monitored throughout the crediting period.

Permanence GHG reduction or removal credits ensure the longevity of a carbon pool and the stability of its stocks over time and have mechanisms in place to monitor and compensate for any reversals or emissions from the stored carbon.

Avoid leakage GHG reduction or removal credits mitigate the risk of displacing impacts elsewhere and account for any increase in GHG emissions or decrease in GHG removals outside of the project boundary that result from the intervention.

*All criteria have been included, but under some criteria smaller elements have been excluded to limit text (marked with 'shortened'), where this is thought to have no principal matter according to the content of the criteria.

Unique issuance and claiming Processes are in place to ensure that there is an exclusive right to each unit of GHG reduction or removal, where only one reduction or removal unit is issued for each metric ton of carbon dioxide equivalent (tCO_2e) reduced or removed. (shortened). Independent carbon registries linked to voluntary carbon standards can be used to ensure GHG reduction or removal units are issued, reported, and retired accordingly. GHG reduction or removal credits from such registries and standards must prevent the following types of double counting:

- **Double use:** occurs where multiple parties use a single GHG emission reduction or removal unit (e.g., use of a single unit toward more than one entity's mitigation target)
- **Double issuance:** occurs where multiple GHG emission reductions or removal units are issued for the same GHG emission reductions or removal
- **Double claiming:** occurs where multiple parties claim the right to a single emission reduction, removal, or mitigation outcome (e.g., by the host country where the emission reduction or removal occurs as well as by a corporate purchaser of carbon credits)

Independent validation and verification GHG reduction or removal credits are validated and verified in accordance with international best practices, either according to nationally accepted third-party validation and verification procedures or to a reasonable level of assurance by an independent third-party validator and verifier through the GHG programme standard.

GHG programme governance GHG reduction or removal credits are issued by GHG programmes with a clearly defined and transparent governance structure, including published rules and procedures, accreditation procedures for third-party auditors, and stakeholder consultation procedures for the development or refinement of programmes requirements and as part of the project approval process, with established grievance and input mechanisms to address complaints about projects after implementation.

No net harm Interventions reflected within the GHG reduction or removal credits adhere to social, economic, ecological and environmental safeguards to avoid unintended harm. Projects should comply with applicable legal requirements, be free of human rights violations and be gender sensitive. (shortened). Companies should strive to maximise co-benefits associated with GHG projects to meet a variety of social, economic and environmental objectives (such as health, climate resilience, biodiversity, etc.) and contribute to the United Nations Sustainable Development Goals, and to monitor, report and verify these impacts to the extent possible.

Source: Land Sector and Removals Guidance, 2022 draft

From Kyoto to Paris: Introducing the Issue of Double Claiming

The end of 2020 marked a significant shift in global governance of greenhouse gas emissions, transitioning from the Kyoto Protocol era to the Paris Agreement. The Kyoto Protocol, adopted in 1997, set binding GHG emission reduction targets for industrialised countries and economies in transition, while developing countries had no such targets[15]. The Clean Development Mechanism (CDM) allowed developed countries to exceed their emission targets by supporting reductions in countries without Kyoto targets through the purchase of certified emission reductions.

Under the Paris Agreement, almost all countries now have climate mitigation targets. All participating countries must conduct national climate accounting (NIR) following IPCC rules, set evolving climate targets (NDCs), and eventually, developing countries will have economy-wide emission reduction targets. This is a significant departure from the Kyoto Protocol, where only industrialised countries and economies in transition had reduction and reporting obligations.

Under the Paris Agreement, almost all countries now have climate mitigation targets.

For the VCM, this shift has profound implications. Historically, crediting projects were placed in developing countries outside of Kyoto Protocol obligations. Under the Paris Agreement, almost all countries now have climate mitigation targets. This creates a potential for double claiming between the host country and the corporate purchaser of carbon credits, especially in a historical context where companies used carbon credits to offset their unabated emissions.

Double claiming has been a contentious issue within the VCM since the Paris Agreement came into force, with diverse opinions among market actors. Double claiming can affect whether the overall GHG mitigation from reduced emissions or increased removals financed by carbon credits would have occurred anyway, impacting the principles of additionality and credible baselining. This uncertainty is why the GHG Protocol and SBTi BVCM guidance clearly reject double claiming.

The GHG Protocol and SBTi BVCM guidance clearly reject double claiming.

Why double claiming influences additionality and mitigation levels

GHG inventories often overlap in their boundaries. For example, a national inventory reports geographically-based net emissions within a country, while a company reports activity-based net emissions occurring in the same country. If a furnace heating a company's office emits fossil fuels, this emission appears in both the company's Scope 1 and the national inventory's energy category. Both inventories

report factual net emissions within their boundaries during a defined period, and these statements are true, documented, and verified.

If the furnace is replaced with a more climate-friendly solution, both national and corporate inventory emission levels are reduced accordingly. This parallel reporting is not double counting, as both inventories report factual and indisputable statements within their boundaries.

However, if a corporate purchaser of carbon credits implies counterbalancing or netting out of their unabated emissions and double claiming occurs (e.g., between a host country and the corporate purchaser), the corporate statement may not be factually true and is difficult to document and verify. This is because there is no absolute certainty that the intervention financed by credits reduces overall missions or increases removals relative to what would have occurred without the intervention.

Double Claiming in Carbon Financing

Company A has an SBTi-approved net-zero transition plan and wants to prepare to neutralize residual emissions to claim net-zero after reaching their target year. They are considering financing a bio energy carbon capture and storage (BECCS) project in Country B, which captures and permanently stores CO_2 from biomass burning. The removals from this project are sufficient to cover Company A's expected residual emissions for several years.

Country B has an ambitious nationally determined contribution (NDC) that requires further policy decisions to meet its targets. A recent analysis ranked possible initiatives to ensure these targets are met. The analysis recommended implementing a carbon tax on fossil fuels for transportation as the most cost-effective measure, with the BECCS project ranked lower due to its high costs. However, Country B is reluctant to implement the carbon tax because it is unpopular among voters.

If Company A decides to finance the BECCS project, there is a risk that Country B will choose not to implement the carbon tax, as the BECCS project would help meet the NDC targets without it.

Company A might argue that the BECCS project would not have occurred without its financing. However, it cannot be certain that the resulting GHG mitigation is additional, since Country B is ob-

ligated to meet its NDC targets regardless. If Country B drops or reduces the carbon tax due to the BECCS project, the overall GHG mitigation might not be greater than what would have occurred otherwise.

Therefore, a net-zero claim from Company A, based on neutralizing residual emissions with the BECCS project, could be non-factual and disputable. This is because it cannot be proven that the BECCS project provides an overall GHG mitigation level that would not have occurred otherwise.

This example illustrates why double claiming must be prevented to ensure that counterbalancing claims are indisputable. This topic will be further elaborated in the chapter 'Offsetting in a Long-Term Perspective'.

Resolving double claiming in the VCM: Introducing the market split

The issue of double claiming can be resolved by creating a market split in the VCM, defining two types of carbon claims based on carbon credits:

- **Contribution Credits:** Eligible for contribution claims and targets by the corporate purchaser if GHG mitigation is claimed by others (e.g., the host country of the project). Contribution claims convey that this support contributes to global/national mitigation efforts.

- **Compensation Credits:** Eligible for compensation claims and targets by the corporate purchaser if GHG mitigation has a unique claim by the corporate purchaser. Compensation claims convey that this support has counterbalanced the company's own emissions, resulting in a combined impact on global net emissions of zero (e.g., 'carbon neutral,' 'net-zero').

Contribution credits relate to the contribution to an economy-wide national NDC, rather than counterbalancing the claimant's unabated emissions.

This differentiation of credits and corresponding claims has been introduced by the GHG Protocol and supported by VCM actors such as The Nordic Dialogue[16] and Gold Standard[17], as well as SBTi in their recent BVCM guidance. Although this differentiation is relatively new, contribution credits and claims are expected to play a significant role in short-term VCM activities undertaken by companies.

Application to SBTi Net-Zero BVCM categories

- Neutralisation of Residual Emissions: Requires compensation credits eligible for compensation claims and targets, based on removal targets and activities.
- Beyond value chain mitigation: Includes both contribution and compensation credits, making both credit types eligible for contribution and compensation claims and target-setting in this category. Activities can be based on both avoidance and removals.

New EU legislation also supports this trend and claims transition, further aligning corporate climate strategies with VCM practices.

EU legislation bans product neutrality claims based on offsetting

In early 2024, the European Parliament and the European Council approved the Directive on Empowering Consumers for the Green Transition. This directive aims to protect consumers from untrustworthy or false environmental claims and premature obsolescence practices. Member States have 24 months to transpose this directive into national law.

The directive bans all claims that a product or service has a neutral, reduced, or positive impact on the environment in terms of greenhouse gas emissions if these claims rely on offsetting[18]. However, companies can still advertise their investments in environmental initiatives, including carbon credit projects, as long as the information provided is not misleading and complies with EU law requirements.

Banning product-related claims like 'carbon neutrality' when relying on offsetting could shift the short-term focus towards contribution claims. This is because the advertising potential of product-related claims derived from both contribution and offsetting credits is being leveled out.

Public scrutiny and legislative developments have already led to several legal cases within the EU. The Consumer Agencies of the Nordic Countries has issued a public statement advising companies to review their climate compensation claims[19]:
'Instead of using general claims of climate compensation that most businesses will have trouble proving are true, businesses should describe the concrete actions they are taking...'

While the Empowering Consumers for the Green Transition directive has been finalised, it is expected to be complemented and further operationalised by the upcoming EU Green Claims Directive[20]. This new legislation will cover green claims at both the product and company levels, differentiating between contribution claims and compensation claims, with higher requirements for the latter.

Offsetting in a long-term perspective

Although this white paper advocates for a short-term focus on contribution credits and claims, offsetting credits remains relevant and valuable, especially in the long term. This is because most SBTi Net-Zero companies will need to neutralize residual emissions after their long-term net-zero target year. The consultation draft of the Corporate Net Zero Standard Version 2.0 incentivises responsibility of residual emissions along the transition to net-zero and from the net-zero year onward. The draft also provides three options:

- A requirement for companies to set removal targets, including interim milestones, to address the impact of residual emissions.
- Optional recognition for companies that set removal targets, including interim milestones, to address the impact of residual emissions.
- Flexibility to address expected residual emissions either entirely through emissions reductions, entirely through removals or through a combination of both.

Both the regulated and the voluntary carbon markets are highly complex and future interaction and collaboration between them still needs to be further operationalised, developed and scaled.

As previously discussed, (p. 25), double claiming can occur in an offsetting context. For example, if Company A finances a BECCS project to neutralize residual emissions, double claiming can be avoided if Country B agrees to raise its NDC target according to the removals achieved by the BECCS project. This would mean that Country B still needs to implement measures like a fossil fuel carbon tax to meet its targets, ensuring the additionality of the BECCS project.

This NDC ambition raise is known as a 'corresponding adjustment' and is currently being operationalised in the regulated market under the Paris Agreement's Article 6.2[21]. Mechanisms like corresponding adjustments could also be adopted by the voluntary carbon market to support its development, integrity, and financial scaling. The VCM can further support enhanced global ambitions under the Paris Agreement by encouraging higher NDC targets through corresponding adjustments or similar mechanisms.

However, the interaction between the regulated and voluntary markets needs further development. There are potential perverse incentives that need to be resolved, such as countries with very low NDC ambitions would have an incentive to keep their ambitions low to attract private voluntary carbon financing by offering corresponding adjustments. This could make the VCM counterproductive to the Paris Agreement's goal of limiting global temperature rise.

For new participants looking to finance carbon credits, it is crucial to determine whether they need the ability to counterbalance emissions through offsets or if contribution claims meet their reporting, communication, and goal–setting needs. As legislation and VCM market developments continue to evolve, contribution claims are seen as a 'safe haven' recognise by growing public scrutiny.

The Business Case of beyond value chain mitigation

Key take-aways from this chapter

- Companies funding beyond value chain mitigation can unlock numerous opportunities, such as increased growth and market share through brand differentiation linked to climate leadership, as well as retaining and attracting investors or employees
- In 2023, the SBTi engaged with more than 200 companies to better understand the business case for BVCM. This chapter lists the various benefits.
- The SBTi has established two goals and four principles which companies can use to inform the design and implementation of their BVCM strategies.
- The SBTi recommends establishing a BVCM pledge after setting a net-zero target and progressing towards it. Three principles are suggested to define the scale of the pledge: ton-for-ton, money-for-ton, and money-for-money.
- The SBTi outlines best practices for a BVCM pledge, acknowledging significant costs may limit widespread adoption currently.

According to SBTi, companies funding BVCM can unlock numerous opportunities. However, the business case varies depending on factors such as the company's region, market, industry, size, market share, and the extent to which it is affected by climate change and related shifts in policy, financial markets, consumer behavior, society, and technology.

This chapter aims to present the overall recommendation and guidance put forward by SBTi in their two recent publications (referred together as BVCM guidance) as well as SBTi business cases to inspire corporations to start taking actions to deliver BVCM while engaging with the VCM.

BVCM Guidances published in February 2024 by Science Based Target Initiative

- **Above and Beyond: An SBTi Report on the Design and Implementation of BVCM:** This report was developed to support companies in the design and implementation of high-integrity and high-impact BVCM strategies.

- **Raising the Bar: An SBTi Report on Accelerating Corporate Adoption of BVCM:** This report proposes recommendations for a range of actors to accelerate corporate adoption and implementation of BVCM.

Exploring BVCM's impact: Insights from SBTi's 2023 company engagement

In 2023, the SBTi engaged with more than 200 companies to better understand the business case for BVCM. Consumer-facing companies highlighted BVCM as an opportunity to differentiate their brand. Companies that are highly dependent on natural capital identified BVCM as an opportunity to enhance resilience across their operations and supply chains. Companies in higher emitting sectors identified BVCM as an opportunity to scale the availability of carbon dioxide removal (CDR) technologies needed to neutralize residual emissions in the future. Across all sectors, companies highlighted benefits linked to talent acquisition and employee retention and many highlighted BVCM as a core part of their social license to operate[22].

Business benefits from BVCM according to SBTi

Benefits linked to changes in the physical environment

Companies can face acute and chronic physical operational and supply chain risks as a result of climate changes such as rising temperatures, sea-level rise, extreme weather events, resource scarcity and ecosystem degradation. By funding BVCM, companies can mitigate physical climate risks and realize opportunities linked to resilience and climate adaptation.

Benefits linked to changes in the financial markets

Concern about climate change has been cited as the most common reason for financial groups to exclude companies from their portfolios[23]. Correspondingly, many investors see purpose-led brands as a key to future-proofing their portfolio, recognizing sustainability as an opportunity for growth, as put forward in a Bain & Company report[24] BVCM thus presents an opportunity to retain and attract investors.

Moreover, BVCM has the potential of serving as a driver and KPI towards new sustainability-linked financial mechanisms. For instance, the European Commission's current work on establishing a European Green Bond standard using the EU Taxonomy Framework, where BVCM activities could have a positive role with favorable implications for lending conditions.

Benefits linked to market changes

Companies face market risks due to shifts in supply and demand for products and services as a result of climate change. They can also realize opportunities to increase market share through brand differentiation linked to climate leadership, recent analysis showed that 14% of consumers cited ESG as their top buying criteria and more than 70% of consumers are willing to pay a reasonable premium (10–25%) for sustainability[25]. BVCM therefore represents an opportunity for companies to differentiate themselves from their peers and appeal to socially and environmentally-minded consumers.

Benefits linked to the social license to operate

The social license to operate refers to the ongoing acceptance of a company or an industry's business practices and operating procedures by its employees, stakeholders, and the general public. Companies can erode the social license by failing to take into account externalities even if they have already committed to reducing their value chain emissions in the short and long term, and as a result their core strategies may not be achievable. Companies' BVCM efforts can, for instance, be a valuable driver in their talent attraction and employee engagement. One of the conclusions in the previously mentioned Bain & Company report is, for instance, that 40% of millennials reported seeking jobs with a purpose.

Benefits linked to change in technology

BVCM is a mechanism by which companies can deploy funds beyond their sector and their value chains to realize opportunities linked to technology R&D and innovation. BVCM also represents an opportunity to accelerate the development of carbon dioxide removal (CDR) technologies needed to neutralize the impact of residual emissions by mid-century and thus to mitigate future costs and secure access to permanent removals.

Case: Ørsted

Leading the Way in Emission Reductions and Nature-Based Climate Solutions

Ørsted's business model is centered on delivering real, measurable renewable energy solutions that reduce greenhouse gas emissions. As a pioneer in the global energy sector, Ørsted was the first energy company to set a science-based net-zero target, reaffirming its commitment to climate leadership and long-term sustainability.

Today Ørsted has phased out coal at its power stations, and it is dedicating all investments to renewable energy projects. With its target to reach net-zero emissions across the entire value chain by 2040, the main focus for Ørsted is to reduce emissions from its supply chain, while using carbon removals to offset the residual unavoidable emissions in 2040.

Ørsted already today contributes to additional climate action outside its value chain by funding high-quality carbon removal projects. These nature-based solutions includes a mangrove reforestation project in Gambia, that not only sequester carbon but also generate vital co-benefits such as biodiversity enhancement, water resource protection, and ecosystem restoration.

For Ørsted, it is essential that these nature-based solutions create strong synergy effects, by delivering positive impacts across climate, biodiversity and local communities – thus mirroring the company's sustainability priorities for its renewable energy projects. By taking a holistic and science-driven approach, Ørsted's climate action is demonstrating leadership in the energy transition and serve as an inspiration for others across industries to follow.

BVCM goals and principles

The SBTi has established two goals which companies can use to inform the design and implementation of their BVCM strategies (see figure 5). In addition, the SBTi proposes a set of principles for companies to consider when deciding on the portfolio of activities to support as they implement BVCM as illustrated in figure 6.

BVCM Goals

Deliver additional near-term mitigation outcomes to achieve the peaking of global emissions in the mid-2020s and the halving of global emissions by 2030.

Drive additional finance into the scale-up of nascent climate solutions and enabling activities to unlock the systemic transformation needed to achieve net-zero by mid-century globally.

Figure 5 - BVCM goals put forward in Above And Beyond – an SBTi report on the design and implementation of BVCM

Principles

Scale: Maximise mitigation outcomes

Financing need: Focus on underfinanced mitigation

Co-benefits: Support the SDGs

Climate justice: Address inequality

Figure 6 - BVCM principles put forward in SBTi: Above and Beyond

The BVCM Goals and Principles above have been developed to suggest to companies how they could move towards high-impact and high-integrity BVCM activities and investments. For a further deep dive into the goals and principles we refer to 'Above and Beyond: An SBTi Report on the Design and Implementation of BVCM'.

Defining the scale and structure for a BVCM approach

To structure a BVCM approach, the SBTi recommends establishing a BVCM pledge after setting your net-zero target and progressing towards it.

Step 1: Develop a Business Case.

Creating a business case for BVCM is crucial for internal buy-in and securing resources. While the business case will vary by company, it should highlight how BVCM can unlock opportunities, minimise risks, and enhance long-term value. Companies should also define their strategic objectives for BVCM, such as making consumer-facing claims to enhance brand value.

Step 2: Define the Time Period of the pledge.

The SBTi advises companies to commit to a specific amount of BVCM annually over five years or longer. Aligning the BVCM pledge cycle with the five-year mandatory science-based target recalculation can improve internal climate management efficiency.

Step 3: Define the Scale of the pledge.

Recognising the varying 'ability to pay' for BVCM across sectors, the SBTi encourages companies to exceed their value chain emissions reduction targets through BVCM.

Three principles are suggested to define the BVCM scale:

1: Ton-for-ton
2: Money-for-ton
3: Money-for-money

1: Ton-for-ton: Linking BVCM to unabated value chain emissions

Using this method, a company would deliver mitigation beyond its value chain proportional to the climate impact of some percentage of the GHGs emissions of that company in a defined period.

The volume of finance deployed towards BVCM would be determined by the price that a company pays per tCO_2e of BVCM and the percentage of unabated emissions that are being 'matched' with BVCM in that defined period.

Benefits

- The commitment is framed based on mitigation (measured in tCO_2e) delivered and therefore it ensures mitigation occurs and places an emphasis on near-term action.
- There is a clear tCO_2e metric for impact measurement and verification.
- Since it is tied to unabated emissions, it creates a de facto internal carbon price which incentivises value chain emission reductions.

Potential drawbacks

- It may result in more limited deployment of finance as companies can resort to the least-cost option to deliver their commitment under this method and further at the expense of quality.
- There is no link between funding volume and the GHG externality linked to unabated emissions since the price paid for a mitigation outcome is typically determined by supply and demand
- There is increasing backlash associated with claims that mislead consumers about the climate impact of products or services (resulting in regulatory risk, litigation risk, and reputational risk).

Case: DSB

Driving Climate Action Beyond the Tracks

DSB, Denmark's largest provider of passenger transport, is an independent public corporation owned by the Danish Ministry of Transport. As a key player in the national mobility system, DSB plays a vital role in supporting the country's green transition. While trains offer a climate-friendly mode of transport, DSB acknowledges that its operations still contribute to greenhouse gas emissions.

To address this impact, DSB has set ambitious environmental targets for 2030 and is committed to reaching net-zero emissions by 2050 under the Science Based Targets initiative (SBTi). As part of its strategy to take responsibility beyond its own value chain, DSB is investing in nature-based climate solutions. A central part of this approach is the application of a ton-for-ton principle, where DSB takes responsibility for emissions from registered business travel through verified carbon removal projects.

DSB is investing in ex-ante mitigation contribution credits from afforestation projects located along the railway, making them visible from the train. These climate benefits contribute directly to Denmark's national climate goals.

This initiative has been well received by DSB's business clients, highlighting its value not only as a sustainability effort but also as a driver of growth. DSB sees nature-based climate action as one of several initiatives strengthening its role in sustainable business mobility.

2: Money-for-ton: Applying a carbon price to unabated value chain emissions

Using this method, a company would channel finance into BVCM based on a predefined reference price of the unabated GHG emissions of that company in a defined period.

The volume of finance deployed towards BVCM would be determined by the chosen cost of carbon and the unabated emissions in that defined period.

Benefits

- Since it is tied to unabated emissions, it creates a de facto internal carbon price which incentivises value chain emission reductions.
- Where a science-based carbon price is used, it can increase the amount of finance mobilised from private sector entities participating in BVCM.
- Claims are less likely to imply the fungibility of unabated value chain emissions and BVCM, thereby reducing risk of greenwash.

Potential drawbacks

- Since the method determines a financial budget as opposed to a targeted level of mitigation outcomes, it places less emphasis on guaranteed mitigation outcomes.
- It is difficult to establish the 'right' price of carbon.
- Impact metrics are less well-established for financing targets.

3: Money-for-money: Linking BVCM to a portion of revenue or profit

Using this method, a company would allocate a share of revenue or profit towards funding climate mitigation beyond the value chain. The volume of finance deployed towards BVCM would be determined by the chosen denominator (e.g., profit) and the chosen percentage.

Benefits

- Since the method determines a financial budget as opposed to a targeted level of mitigation outcomes, it may increase funding for higher cost mitigation options or investments with uncertain or unquantifiable outcomes.
- It lends itself to a potentially attractive consumer-facing claim which is easy to communicate.

Potential drawbacks

- Since the method determines a financial budget as opposed to a targeted level of mitigation outcomes, it places less emphasis on guaranteed mitigation outcomes.
- It is difficult to establish a scientific basis for determining a best practice application in terms of the share of the chosen financial metric to be channeled into BVCM.
- It does not incentivise value chain abatement as it is not linked to the company's unabated value chain emissions.

Case: Gubra

Science, sustainability and nature restoration beyond the value chain

Gubra, a Danish biotech company, is setting new standards for corporate responsibility in the life sciences sector. With a firm commitment to merging scientific excellence with environmental integrity, Gubra has taken action that extends well beyond its own footprint.

Since 2019, Gubra is committed to allocating 10% of its annual pre-tax profit to green investments through its dedicated subsidiary, Gubra Green. This initiative focuses on passive investments that promote the green transition and regenerative business models, particularly in reforestation, biodiversity, circular economy, and renewable energy.

One investment is the rewilding project on the Danish island of Langeland, where 150 hectares of conventional farmland are being transformed into a thriving, biodiverse forest and nature mosaic landscape -capable of absorbing CO2 and providing habitat to diverse species. The transformation of the area is already visible, demonstrating the power of targeted nature-based climate solutions.

Through Gubra Green and its broader sustainability strategy, Gubra demonstrates how business growth can align with bold climate action both within and beyond its operations. Gubra's approach reflects a deep integration of business success, scientific innovation, and environmental stewardship—positioning the company as a forward-thinking actor in the life sciences industry.

Best practice BVCM pledge

The SBTi outlines best practices for a BVCM pledge, acknowledging significant costs may limit widespread adoption currently. Best practice aligns with the polluter pays principle, requiring companies to fully account for unabated emissions:

- Apply a science-based carbon price: Calculate a financial budget for unabated scope 1, 2, and 3 emissions annually or over a defined period to determine a financial budget.

- Allocate the budget: Use this budget to fund a mix of near-term BVCM outcomes (aligned with BVCM Goal 1) and long-term BVCM finance (aligned with BVCM Goal 2), along with broader climate actions.

Given the urgency of mitigation this decade, the SBTi recommends using part of the budget each year to achieve ex-post, quantified mitigation outcomes from 2021 onward, equivalent to at least 50% of the company's remaining scope 1, 2, and 3 emissions. These emissions reductions and removals should be verified by third parties using standardised methodologies and adhere to high-quality criteria (see page 23).

In essence, best practice involves a portfolio approach with funding based on a money-for-ton science-based carbon price*. The budget should be divided between short-term mitigation outcomes (verified ex-post equal to at least 50% of the companies' value chain emissions) and long-term BVCM finance, along with broader climate actions like adaptation or addressing loss and damage.

As SBTi acknowledges that this approach is unlikely to be widely adopted at this point in time, we have presented a variety of cases for inspiration.

*Price models suggested in Above and Beyond publication annex E).

Reporting on BVCM Pledges, Actions and Outcomes

Key take-aways from this chapter

- The last chapter clarifies the ESG reporting opportunities that arise from the BVCM efforts with a particular focus on the latest EU legislation. Leveraging the new reporting requirements can help companies prepare data and statements for consistent and transparent reporting, and at the same time demonstrate climate leadership.
- The SBTi provides guidelines on how to report on climate action and BVCM, and highlights three steps that companies can take to transparently and accurately report on BVCM activities and outcomes.
- A key consideration for companies if disclosing on BVCM efforts is that GHG reduction targets cannot include BVCM activities, as aligned with the GHG Protocol and SBTi.

Reporting on environmental, social and governmental (ESG) matters has become increasingly important for companies, driven by stricter regulations in Europe. There is a growing need for transparency in addressing issues like climate change, biodiversity loss, health and safety, and corruption.

Stakeholders recognize that companies' impact extends beyond their financial performance and expect transparency on how companies address issues such as climate change, biodiversity loss, health and safety and corruption.

In the past, ESG reporting has lacked consistency and transparency mainly due to the reliance on voluntary standards and frameworks, low alignment on reporting practices, and optional use of limited assurance. Driven by the EU Green Deal,

companies in Europe now face stricter requirements on ESG reporting, where climate change has an integral part. With new regulations such as the Corporate Sustainability Reporting Directive (CSRD) with the supporting European Sustainability Reporting Standards (ESRS) and the EU Taxonomy, the aim is to increase the information quality of companies' ESG reporting, with the expectation that the market and other external stakeholders will provide incentives for reporting on a higher ambition level.

As more companies will report on climate change impact going forward as a part of the current reporting requirements, they look to report on how to mitigate those impacts in order to attract investors and increase access to capital, enhance brand reputation and trust, attract talent and engage employees, and mitigate regulatory risks. Leveraging the reporting requirements can help companies prepare data and statements for consistent and transparent reporting, and at the same time demonstrate climate leadership.

Guidelines on how to report on climate action and BVCM

For years, companies have voluntarily reported their climate impact using the GHG Protocol. More recently, SBTi guidance has helped them set ambitious reduction targets to mitigate their impact. With the new BVCM guidance, SBTi shows how leading companies can leverage BVCM activities and pledges to accelerate the transition to a net-zero economy. SBTi provides guidelines for reporting on climate action and BVCM, highlighting three key steps:

1. Establish a BVCM measurement reporting and verification (MRV) framework to assess BVCM outcomes over time. The MRV framework should rely on existing standards and reporting frameworks and should be reviewed by an independent third party to verify public claims.

2. Report annually on BVCM activities, investments, and outcomes, and re port them separately from scope 1, 2, and 3 GHG inventories.

3. Make transparent and accurate BVCM claims. BVCM allows companies to differentiate themselves from other companies in the eyes of external stakeholders based on their climate action. It is therefore essential that the reports and claims of BVCM actions and outcomes are reported in a transparent manner.

As ESG reporting regulations are presenting additional requirements, companies should ensure that any BVCM claims are aligned with the relevant reporting requirements, or financial or competition regulations in their jurisdictions. The current reporting requirements within the EU such as the CSRD/ESRS and the EU Tax-

onomy provide clear guidelines on what companies should report on and how, in which there is an opportunity for companies to distinguish themselves by including information on BVCM actions and outcomes. Although surrounded by quite a bit uncertainty due to the Omnibus Package proposed on February 26th 2025, the CSRD have brought and will continue to bring a common language for ESG reporting. The first draft of the simplification of the ESRS's are expected to be published in 2026 as stated in The Omnibus so-called 'content proposal'.

Beyond value chain mitigation in CSRD

The CSRD/ESRS requires companies in scope to provide extensive and detailed disclosures of material environmental, social and governance impacts, risks and opportunities. While CSRD is a directive intended to increase transparency and alignment, its objective is also to drive change in business conduct by mandating companies to assess and disclose on sustainability matters such as climate change, biodiversity loss and respect of human rights. The CSRD also requires the sustainability statement to be presented in a dedicated section in the management report.

The ESRS, underpinning the CSRD, aim to ensure the quality of ESG information. The standards include two general standards, ESRS 1 and ESRS 2, accompanied by 10 topical standards: five environmental standards, four social standards, and one governmental standard.

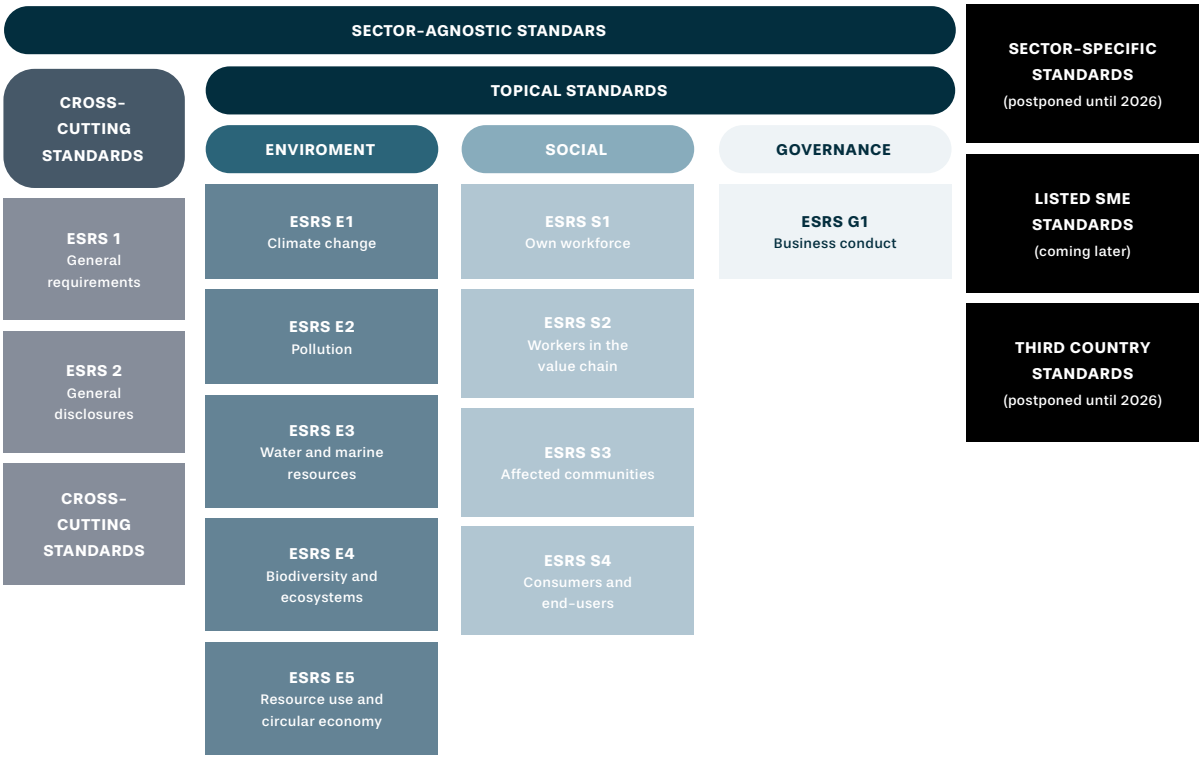


Figure 7: The figure above illustrates the architecture of the ESRS, where the topical standards are to be reported in conjunction with the cross cutting standards. Please note that the standards may be subject to change as a result of the ongoing EU Omnibus simplification initiative.

Companies will have to assess the ESG-related impacts, risks and opportunities that are most material to their business and therefore must be reported. The so-called double materiality assessment is the foundation for determining what to report on.

Companies in scope that find climate change material will report aligned with ESRS E1 Climate change, and have the opportunity to promote BVCM efforts through their disclosures. A global PwC analysis of the first cohort of reports – more than 250 in total – in compliance with the CSRD and the ESRS found that across sectors, nearly all companies reported on climate change.

A key consideration for companies if disclosing on BVCM efforts is that GHG reduction targets cannot include BVCM activities, as aligned with the GHG Protocol and SBTi.

Where to include BVCM efforts?

Although BVCM is not explicitly outlined as a concept in ESRS E1, companies are to report on their relevant policies, actions, and targets related to climate change mitigation, under which BVCM efforts can be included. A key consideration for companies if disclosing on BVCM efforts is that GHG reduction targets cannot include BVCM activities, as aligned with the GHG Protocol and current SBTi standards.

BVCM performance can be reported in two separate sections of ESRS E1. If the BCVM outcomes and actions are based on the purchase and cancellation of carbon credit from VCM, this can be reported under ESRS E1 Disclosure Requirement 7 (E1-7) on GHG removals and GHG mitigation projects financed through carbon credits. The objective of ESRS E1-7 is:

> **to provide an understanding of the extent and quality of carbon credits the undertaking has purchased or intends to purchase from the voluntary market, potentially for supporting its GHG neutrality claims.**

Companies that are purchasing or intending to purchase carbon credits in the reporting period, shall disclose this aligned with ESRS E1-7. The information required for disclosure includes amounts of credits purchased, disaggregated into share of reduction and removal projects, quality standards used, verification against recognise quality standards, and information on geographical location.

In addition, companies must disclose the share (percentage of volume) that qualifies as a corresponding adjustment under Article 6 of the Paris Agreement. This disaggregation of credits based on corresponding adjustment supports the shift towards splitting between contribution credits and compensation credits as outlined in the chapter 'Navigating the voluntary carbon market'.

Companies reporting on the use of carbon credits to make public claims of GHG neutrality, are required to provide additional information to support the claims as per datapoint 61 a–c.

> **Companies shall, in addition, explain:**
> **a)** Whether and how these claims are accompanied by GHG emission reduction targets as required by Disclosure requirement ESRS E1–4.
> **b)** Whether and how these claims and the reliance on carbon credits neither impede nor reduce the achievement of its GHG emission reduction targets, or, if applicable, its net-zero target.
> **c)** The credibility and integrity of the carbon credits used, including by reference to recognise quality standards.

By requiring companies that are making GHG neutrality claims to disclose additional information, the ESRS E1–7 differentiates between purchasing carbon credits as an act of contribution from purchasing carbon credits to counterbalance or compensate for GHG emissions.
Companies using an internal carbon pricing scheme to channel funding into BVCM activities can report on their efforts aligned with disclosure requirement ESRS E1–8 Internal Carbon Pricing.

When preparing for reporting on how carbon pricing determines the volume of finance towards BVMC, companies must include information regarding the type of carbon pricing scheme, scope of application, carbon prices, and approximate gross GHG emissions covered by the scheme.

Although BVCM as a broader concept is not explicitly defined in the ESRS E1 disclosure requirements other than E1–7, it can be applied to showcase BVCM pledges, outcomes and actions, and provide additional context on how BVCM is used complementary to mitigation targets. Together with the requirement in CSRD to obtain limited assurance on sustainability reports, this can support companies with ensuring data quality, accuracy and transparency when tracking progress on BVCM actions, targets and outcomes.

Deep dive in Taxonomy

The EU Taxonomy is a fundamental component of the EU's Sustainable Finance framework and a key tool to enhance market transparency. Its purpose is to steer investments towards the economic activities essential for the green transition, in alignment with the European Green Deal objectives. To facilitate this, the EU Taxonomy works as a classification system that establishes criteria for economic activities that are consistent with achieving net-zero emissions by 2050 and meeting

broader environmental goals beyond climate change. The establishment of a common framework for identifying sustainable economic activities is crucial for scaling up sustainable investment across the EU. The EU Taxonomy provides confidence to investors and companies that their activities contribute to a low carbon economy, thus reducing market fragmentation.

In practice, the EU Taxonomy requires financial and non-financial undertakings to report on their share of environmentally sustainable activities. More specifically, companies need to disclose the share of their turnover, CapEx and OpEx, that is environmentally sustainable according to the EU Taxonomy.

The EU Taxonomy regulation aligns with the BVCM initiatives described in the SBTi 'Above and Beyond' report. Both frameworks aim to drive investments toward economic activities that are identified as sustainable, such as renewable energy projects, energy efficiency improvements, and conservation efforts. Specifically, the Taxonomy provides criteria for the classification of environmentally sustainable investments, while the SBTi report outlines strategic mitigation actions beyond direct value chains. Ensuring coherence between these approaches not only validates sustainable activities but also strengthens investor confidence in projects meeting rigorous environmental standards.

With proposed amendments to the EU Taxonomy via the Omnibus Simplification Package, the European Commission aims to simplify reporting requirements and make compliance more manageable for businesses. The key changes proposed include narrowing the reporting scope to the largest companies (over 1,000 employees and €450M turnover), introducing a materiality threshold, simplified reporting templates, and adjustments to the technical screening criteria. Although the core principles remain intact, these updates are intended to simplify the reporting process and potentially ease the path for companies to demonstrate their environmental contributions, including those related to BVCM efforts.

The SBTi's 'Above and Beyond' BVCM report suggests activities that are equally recognise within the EU Taxonomy, including:

- Conservation and restoration of forestry and wetlands
- Energy efficiency
- Renewable energy
- Scale-up of carbon dioxide removal technologies

Using the EU Taxonomy framework to report on BVCM efforts can offer several benefits. Firstly, companies can report their BVCM efforts and track performance by reporting their eligible and aligned costs and investments in a transparent and

credible manner. Additionally, the technical screening criteria can be used as guiding principles to ensure that the BVCM efforts are environmentally sustainable in alignment with European standards and frameworks.

Furthermore, this facilitates the establishment and commitment to safeguard principles to ensure that BVCM activities do not have an adverse social or environmental impact, through the EU Taxonomy's Do No Significant Harm (DNSH) and Minimum Safeguards (MS) criteria.

Using the EU Taxonomy to report on BVCM can also unlock opportunities from a business perspective. Reporting on Taxonomy alignment can attract investors, who are incentivised by their own reporting requirements and thereby also result in better financing conditions. For instance, the European Commission is currently working on establishing an European Green Bond standard that use the EU Taxonomy framework. For example, aligned activities can lead to improved loan terms because banks often consider sustainability metrics during credit assessments.

Lastly, adhering to European legislation with specific criteria that are aligned with broader European frameworks for investments in BVCM projects can have reputational benefits. Given the technical screening criteria generally require companies to raise the bar in terms of environmental sustainability of their business practices and create a common language and comparability across companies, BVCM efforts can be disclosed in a transparent and credible manner.

Obtaining assurance on BVCM disclosures

Obtaining limited assurance presents a variety of opportunities beyond being a regulatory requirement in the CSRD and EU Taxonomy.

The independent evaluation of data quality and underlying collection processes from the assurance provider can provide objective opinions and recommendations, enhancing the accuracy and reliability of data collection, management and reporting. Additionally, companies can enhance the credibility of their BVCM efforts and build trust, thereby empowering consumers to actively participate in the green transition. Given the public scrutiny on green claims, third-party verification ensures transparency in companies' actions. From a business perspective, companies can leverage this opportunity to differentiate themselves by verifying their BVCM claims.

Looking Ahead: The Role of Climate Reporting and BVCM

Reporting on ESG- and climate-related issues can have transformative effects on society. Many companies should expect to be assessed and compared according to

their sustainability performance by multiple stakeholders. By elevating the disclosures on climate change, companies can illustrate how in the short term they are allocating resources to mitigate beyond their value chain and promote the transformation towards a net-zero society in the long-term.

However, reporting on BVCM should not be prioritised above reporting on and reducing in own operations and value chain GHG emissions, but rather as an addition to demonstrate climate leadership willing to go the extra mile.

Engage with the partners

PwC in Denmark has earned a leading position in Sustainability Assurance Advisory Services, working with clients across sectors to help them make the necessary transition towards more resilient, sustainable businesses. PwC's services include climate action, nature positive business, sustainable supply chains, responsible investments and sustainability reporting excellence. We help clients set Science Based Targets for Climate and for Nature that rely on international standards and cutting-edge science, establishing robust baselines based on credible and consistent data. Visit pwc.com

Join UN Global Compact Network Denmark – the country's leading platform for sustainable business. As the official local network of the United Nations Global Compact, we connect Danish companies to the world's largest corporate sustainability initiative. By becoming a member, your business gains access to a dynamic network of forward-thinking companies and organizations committed to responsible practices. We help you turn the Ten Principles on human rights, labor, environment, and anti-corruption into action – and support your contribution to the UN Sustainable Development Goals (SDGs) through learning, collaboration, and local engagement.

Want to learn more about how to commit to the UN Global Compact? Visit globalcompact.dk

Ramboll Management Consulting is a value-focused, people-centric consultancy with a Nordic origin and a global impact.

As one of Ramboll's key business areas, Ramboll Management Consulting is part of a foundation-owned company with offices in 35 countries, encompassing over 18,000 people.

With interdisciplinary links between management consultants, environmental specialists, and technical experts, Ramboll Management Consulting is a one-stop shop consultancy with a special hallmark in strategic sustainability and ESG services. Visit ramboll.com

The Danish Climate Forest Foundation supports the national goal of CO_2 reduction by funding afforestation in Denmark. New forest and nature areas don't just store C O_2—they also protect drinking water, enhance biodiversity, reduce nitrogen runoff, and create better access to nature for people across Denmark. But these forests won't grow without your climate contribution—and the support of other responsible businesses. Join us in taking concrete climate action—together with local landowners in your region. The Climate Forest Foundation's standard is your guarantee that climate effects are quantified, recorded, registered, and verified in accordance with international best practice.

Your forest contribution is a vital step on the shared path to a CO_2 -neutral Denmark by 2050. Visit klimaskovfonden.dk

Glossary (Adopted from SBTi Glossary)

Term	Definition
Abatement	Measures that companies take to prevent, reduce, or eliminate sources of GHG emissions within their value chain. The term "abatement" includes non-CO2 mitigation, while "decarbonisation" refers only to CO2 mitigation. Abatement includes: • Phasing out activities that produce emissions • Taking measures to reduce the intensity and/or extent of impacts that cannot be completely avoided (e.g., increase fuel or resource efficiency) • Biogenic value chain removals in FLAG (forest, land and agriculture) SBTs.
Beyond value chain mitigation (BVCM)	Mitigation action or investments that fall outside a company's value chain, including activities that avoid or reduce GHG emissions, or remove and store GHGs from the atmosphere.
Beyond value chain mitigation compensation claim	Claims which convey to audiences that the organization has delivered BVCM proportional to a stated percentage of unabated value chain emissions and that the BVCM outcomes counterbalance or "net out" that stated percentage of unabated value chain emissions. Claims which convey to audiences that the organization has provided support or finance to actions beyond the company's value chain (including through collective action) with an expected climate mitigation outcome (where the actions are relevant to the expected performance outcome). Unlike BVCM compensation claims, the contribution claim does not imply that the BVCM outcomes are netting out or counterbalancing the claimants' remaining value chain emissions, but instead are communicated as a contribution to global climate mitigation efforts or even the efforts of a country.
Carbon credit	A carbon credit is a tradable unit that represents one metric tonne of avoided GHG emissions, reduced GHG emissions or GHG removals.
Carbon dioxide removals (CDR) / Carbon removals	Anthropogenic activities removing CO2 from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products (IPCC, 2018).
Carbon pricing	Carbon pricing is an instrument that captures the external costs of GHG emissions—the costs of emissions that the public pays for, such as damage to crops, health care costs from heat waves and droughts, and loss of property from flooding and sea level rise—and ties them to their sources through a price, usually in the form of a price on the CO2 emitted (The World Bank, 2017).

Decarbonisation	The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. Typically refers to a reduction of the carbon emissions associated with electricity, industry and transport (IPCC, 2018).
Double claiming	A type of double counting in which the same emission reduction or removal is claimed by two different entities towards achieving mitigation targets or goals. The double claiming of emissions reductions and removals often happens between a company's GHG inventory and the national inventory where that mitigation outcome occurred. In the context of voluntary carbon markets, double claiming can occur between a country, jurisdiction or other entity that reports lower emissions or higher removals for the purpose of demonstrating achievement of a mitigation target or goal, and the entity retiring the carbon credit for the purpose of making a claim (adapted from ICVCM, 2022).
GHG inventory / Emissions inventory	The exhaustive calculated GHG emissions arising from activities within a company's organizational boundary and value chain corresponding to scope 1 and 2 GHG emissions and scope 3 GHG emissions respectively, displayed with all scope 1 emissions aggregated, all scope 2 emissions aggregated and scope 3 GHG emissions disaggregated by categories 1–15. GHG inventories also include biogenic emissions, but these are reported separately from the scopes.
Intergovernmental Panel on Climate Change (IPCC)	United Nations body for assessing the science related to climate change.
Mitigation hierarchy	The mitigation hierarchy in the context of corporate climate action consists of a series of steps, in the following order of priority: 1) Avoid: measures taken by companies to avoid creating value chain emissions from the outset (e.g., manufacture of electric vehicles instead of internal combustion engines). 2) Reduce: measures taken by a companies to reduce the intensity and/or extent of GHG impacts in the value chain that cannot be completely avoided (e.g., efficiency projects to reduce electricity usage of existing equipment); 3) Take responsibility for value chain emissions that continue to be released into the atmosphere by driving climate mitigation outside of the company's value chain (beyond value chain mitigation). It is expected that over time, and by 2050 at the latest, unabated emissions are counterbalanced by permanent removal and storage of carbon from the atmosphere (neutralisation of residual emissions).
Near-term science-based target	GHG reduction targets that are in line with what the latest climate science deems necessary to limit warming to 1.5°C above pre-industrial levels and that are achieved within a 5–10 year timeframe from the date of submission to the SBTi.

Net-zero science-based target	A net-zero science-based target is a GHG mitigation target that implies: • Reducing scope 1, 2, and 3 emissions to zero or a residual level consistent with reaching global net-zero emissions or at a sector level in eligible 1.5°C-aligned pathways; and • Permanently neutralizing any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.
Neutralisation	Measures that companies take to counterbalance the climate impact of unabatable (i.e., residual) GHG emissions which are released into the atmosphere at and after net-zero target date through permanent removal and storage of CO2 from the atmosphere.
Residual emissions	Residual emissions represent the emissions that cannot be completely eliminated despite implementing all available mitigation measures contemplated in pathways that limit warming to 1.5°C with no or limited overshoot. In the context of science-based targets, residual emissions refer to the company's scope 1, scope 2 and scope 3 emissions that remain once its long-term emissions reduction target has been achieved.
Transition plan	A time-bound action plan that outlines how an organization will pivot its existing assets, operations and business model toward a trajectory aligned with established science-based targets.
Voluntary carbon market (VCM)	A marketplace that encompasses all transactions of carbon credits that are not purchased with the intention to surrender into an active regulated carbon market. It includes carbon credits purchased with the intent to resell or retire to meet certain environmental claims.

References

1 Top down climate finance needs | Climate Policy Initiative

2 The Paris Agreement | UNFCCC

3 Climate Change 2022, Mitigation of Climate Change. Summary for Policymakers (ipcc.ch)

4 Emissions Gap Report 2024 | UNEP – UN Environment Programme.

5 Ambitious corporate climate action – Science Based Targets

6 Net-Zero-Standard.pdf (sciencebasedtargets.org)

7 Global-Landscape-of-Climate-Finance-2023.pdf (climatepolicyinitiative.org)

8 Unlocking sustainable futures – the case for BVCM | WBCSD & Bain

9 Corporate sustainability reporting – European Commission (europa.eu)

10 How does ESG affect the role of the CFO? – CPMview

11 What is the Kyoto Protocol? | UNFCCC

12 EU Emissions Trading System (EU ETS) – European Commission (europa.eu)

13 The Core Carbon Principles – ICVCM

14 Land-Sector-and-Removals-Guidance-Pilot-Testing-and-Review-Draft-Part-1.pdf (ghgprotocol.org)

15 What is the Kyoto Protocol? | UNFCCC

16 HARNESSING VOLUNTARY CARBON MARKETS FOR CLIMATE AMBITION (norden.org)

17 GUIDELINE (goldstandard.org)

18 Empowering Consumer (europa.eu)

19 Nordic statement on climate compensation claims in marketing.docx (forbrukertilsynet.no)

20 Green claims directive: Council ready to start talks with the European Parliament

21 Webinar I_Overview of Art.6 of the PA.pdf (unfccc.int)

22 Raising-the-Bar-Report-on-BVCM.pdf (sciencebasedtargets.org)

23 BVCM Corporate Engagement Survey results 2023 (sciencebasedtargets.org)

24 Financial Exclusions tracker

25 Purpose-Led Brands Can Reshape the Consumer Goods Industry if They Can Scale ... | Bain & Company