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Compensating the unavoidable: a journey to ambitious and impactful action on climate change.

Tuesday 19 October, 4:30pm-6:00pm (CEST)
Part of IETA’s LIVE Carbon Markets Series.
Moderator:
• **Maria Carvalho**, Head of Public Affairs, South Pole / Co-Chair of ICROA’s Policy & Advocacy Working Group

Speakers:
• **Emma Watson**, Senior Net-Zero Manager, Science Based Targets Initiative (SBTi)
• **Mark Kenber**, Co-Executive Director for External Affairs, Voluntary Carbon Markets Integrity Initiative (VCMI)
• **Ian Byrne**, Convener of ISO’s Working Group on Carbon Neutrality (ISO 14068)
• **James Smith**, Director, Natural Climate Solutions, World Business Council for Sustainable Development (WBCSD)
• **Jim Goudreau**, Head of Environmental Sustainability External Engagement, Novartis
ICROA Best Practice Guidance

The Voluntary Carbon Market delivers high quality carbon credits which enable critical finance. To raise ambition, these carbon credits must be used with integrity as stated in the ICROA Accreditation Program:

1. Corporates must start by measuring and publicly reporting their emissions, covering the 3 scopes.
2. Corporates must also commit to abating their emissions in line with science, adopting a transparent and third-party verified roadmap focused on bringing down their emissions to net-zero by 2050 or earlier, with interim short- and medium-term targets that ensure action now and along the way.
3. Progress towards these targets is monitored and publicly reported on an annual basis.
4. ICROA proactively advocates for corporates to follow one of the independent initiatives that help define Paris-aligned decarbonizing pathways and to set science-based climate targets in a transparent, rigorous, and accountable way.
5. Following the above steps, corporates are encouraged to work with Accredited Members and to use carbon credits from ICROA-approved standards for the following uses:
   • To offset some/all of emissions beyond a science-based reduction pathway.
   • To offset residual emissions in the net zero year through removals.
Question 1

All companies will need to achieve a 1.5°C degree reduction pathway. Some sectors will find it harder to achieve it - given the availability and cost-effectiveness of mitigation options in the short-and-medium term.

Without letting anyone off the hook, what is a fair way to assess their effort in reducing emissions?
Question 2

If we acknowledge that some sectors will not be able to avoid releasing emissions, how should these sectors address the climate impact of these unavoidable emissions?

Carbon credits are a results-based way to finance mitigation, but we are now hearing discussions around contribution claims, which are broadly defined as companies providing finance to support mitigation activities that can help countries meet their NDCs, or even the development of new low-carbon technologies.

What are the safeguards needed to ensure that either carbon credits or financial contributions ensure the transparency and impact of finance?
Regulating voluntary corporate claims:
Key issues to ensure the integrity of finance used to address unabated emissions

**Substantiate 'significance' of financing action**

**Principle**: how the size of financing relates to size of organization's carbon footprint

**Carbon credits**: volume of carbon credits as a ratio to carbon footprint

**Financial contributions**: adopt carbon price aligned to climate science multiplied by volume of emissions

**Impact verification**

**Principle**: safeguards to ensure finance supports initiatives that reduce emissions

**Carbon crediting mechanism**: ex-post verification of financial impact that is certified by independent and robust carbon standards

**Financial contributions**: transparency of how finance is used towards real projects or initiatives, and its impacts towards reducing emissions. Outstanding questions: When does impact occur? Metric for measuring impact? Size of the impact? Third-party to verify size of impact?

**Finance channeled to high hanging fruits**

**Principle**: finance should be catalytic in supporting projects that actors’ in host countries could not achieve on their own.

**Carbon crediting mechanism**: high quality carbon standards to determine additionality (going beyond NDC and domestic policy/actor capabilities)

**Financial contributions**: how to identify finance will go towards projects that matter the most to host countries?

Regulating voluntary corporate claims:
Key issues to ensure the integrity of finance used to address unabated emissions
Every year, companies should publicly report how much progress they have made towards their long-term climate goals.

What happens when companies have emissions that go above their reduction pathway between their near-term science-based target years?
What happens when companies have emissions that go above their reduction pathway between their near-term science-based target years?

1. Offset residual emissions
2. Offset emissions above the Paris-aligned pathway: What happens if a company misses its target? Could it offset to ‘close the gap’?
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