IETA

EU GCD - Position Paper
March 2025

IETA Calls for Clarity on the Use of Carbon Credits in the EU Green Claims Directive

The European Commission's legislative proposal for the EU Green Claims Directive (EU GCD) seeks to establish rules for substantiating business-to-consumer corporate environmental claims in the EU, including the use of carbon credits. The EU GCD provides a welcome and timely opportunity to provide clarity to corporations on the requirements for climate-related claims using carbon credits to ensure transparency, accuracy, and to mitigate the risk of greenwashing.

IETA welcomes the proposal, alongside the recently adopted EU Carbon Removals Carbon Farming (EU CRCF) Regulation, to address the quality and to ensure the future use of carbon credits within the EU. To meet the Union's climate objectives and reach its 2040 target[1] IETA's view is that high-quality credits must play a key role and their use should be supported.

IETA urges trilogue negotiators to develop clear and actionable rules for the substantiation of climate-related claims to promote high-quality corporate action through the responsible use of carbon credits. For the EU GCD to provide effective rules for substantiating climate-related claims without hindering corporate climate action, IETA recommends the following:

1. Reduction and removal credits: IETA supports the use of high-quality carbon credits from both emission reduction and removal activities for compensation claims on the pathway to net zero, on the condition that they are reported in a transparent and accurate manner.

2. Carbon credits in compensation claims: As a way to raise ambition, IETA recommends that compensation claims should be permitted when taking responsibility for unabated emissions[2] on the pathway to net zero (with reduction and removal credits), and for residual emissions[3] at net zero (with removal credits only). Such claims will strengthen the incentive for entities to invest in urgently needed GHG emission reductions and removals. IETA does not support a requirement to limit the use of carbon credits in compensation claims to residual emissions. Such a requirement would be inconsistent with the EU greenhouse gas mitigation hierarchy and would significantly lower the economic incentive for corporates to reduce emissions at lower cost. This, in turn, may drastically reduce investment into carbon markets, including the future market for EU CRCF credits, and thereby dampen corporate climate ambition.

3. Including nature-based and engineered removal credits: All types of removals can help meet climate goals. IETA recommends that companies can use both nature-based and engineered carbon removal credits for compensation claims. We call on EU co-legislators to recognise the role of nature-based and engineered removals in delivering net zero, alongside robust and sustained efforts to reduce emissions in line with the mitigation hierarchy.

4. Quality of eligible credits: The EU GCD should encourage the scaling up of high-quality, high-integrity removal credits, certified under the EU CRCF and independent and international crediting programmes. If the use of credits for compensation or contribution claims is limited to EU CRCF or equivalent schemes, this needs to be an achievable standard for credits originating from both within the EU and internationally.

Corporations have a significant role to play on the road to decarbonisation in the EU. Moreover, effective claims must go hand-in-hand with the responsible and transparent use of credits. The EU GCD should ensure that climate-related claims using carbon credits are accurate and transparently reported, and should not restrict companies from using credits as a complementary tool to achieve their corporate climate targets. As a business organisation representing over 300 businesses operating and investing globally across the carbon market ecosystem, we ask that the EU GCD provides effective rules for the use of carbon credits in corporate climate-related claims to allow companies to decarbonise at the pace required to meet the goals of the Paris Agreement and to promote the required ambition to meet the EU's climate targets.

1 *2040 Climate Communication*

2 *Organisational GHG emissions that remain annually while on the net zero pathway. Should an organisation fail to stay on the net zero pathway, excess GHG emissions will be considered unabated emissions. Unabated emissions therefore also include GHG emissions in excess of the carbon budget and interim targets. A proportion of unabated GHG emissions is forecast to be residual GHG emissions at net zero.*

3 *Organisational GHG emissions remaining at the net zero target date after implementing all technically and economically feasible activities to achieve GHG emission reductions across the value chain.*

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