Joint Statement

Why carbon offsetting undermines climate targets

In the past few months, we have seen a growing push, notably with the public statement of the SBTi Board of Trustees[1], to allow companies and countries to use carbon credits to offset their emissions. This reflects a bigger trend[2] of bending carbon accounting rules, undermining actual emissions reductions.

Climate targets must focus primarily on reduction of greenhouse gas emissions within companies' and countries' own boundaries, including the phasing out of fossil fuel production, transport, sale and use. An urgent scale-up of financial support from both public and private actors is needed for this. But allowing companies and countries to meet climate commitments with carbon credits is likely to slow down global emission reductions while failing to provide anything like the scale of funds needed in the Global South, and reducing pressure to develop large-scale mechanisms such as "polluter pays" fees on emission-intensive sectors.

The reasons we are concerned by the renewed efforts to promote carbon offsetting[3] include the following:

1. Offsetting could delay climate action

First, it is essential to understand that offsetting, at best, does not reduce the concentration of GHGs in the atmosphere, it simply moves emission reductions from one place to another. The logic of offsetting is built on the idea that one entity gets to keep emitting[4]. For this reason, offsetting often ends up providing the social license for high-emitting activities to continue while reinforcing past injustices. For instance, fossil fuel companies have claimed to be reducing emissions by investing in planting trees while increasing their production of coal, oil and gas[5].

Peer-reviewed studies and reports[6] show that corporate net-zero strategies regularly rely on carbon credits to meet emission reduction targets. In other words, if the use of carbon offset credits is allowed to meet emission reduction targets, there is a strong risk that the mitigation hierarchy is not followed, regardless of rhetorical pleas to prioritize reductions.

2. Carbon offsetting inherently lacks credibility

Scientific literature on the topic has shown significant quality issues with carbon crediting programmes[7] including:

- the likelihood that the majority of the billions of credits created up to now are **not additional**, i.e. that any reduction in emissions would likely have happened regardless of the carbon market (thus undermining the entire rationale for carbon crediting);
- the difficulty to set **meaningful baselines**, and the temptation to set unrealistic baselines and generate more carbon credits;
- the potential **leakage or rebound effects**, e.g. by merely shifting deforestation away from a project area to nearby areas;
- **non-permanent carbon removal** which is falsely equated with the reduction of (permanent) emissions from the combustion of fossil fuels;
- and **social and environmental harms** uncovered by numerous investigations over decades showing that projects have e.g. been imposed without local consent or violated the land rights of Indigenous Peoples and local communities.

A common factor across these issues is that carbon crediting programmes are dealing with unknowables and have to guess the key parameters of their projects. There is a strong incentive to choose parameters that simply generate the most credits, which history shows tends to overwhelm any incentive for market participants and standard setters to fix these quality issues.

3. There are only so many "quality" credits that could be used as offsets

Even if all the quality issues mentioned could be fixed (which we do not believe is possible for a large volume of the market based on the inherent flaws of the concept cited above as well as the evidence of more than two decades of efforts to fix them), projects and land would not be sufficiently available[8] to feed the demand for a pay-to-keep-emitting model, promoted by the inclusion of carbon offset credits into scope 3 emissions accounting.

4. The climate funding gap will not be solved by offsetting

Carbon credits send a misleading signal about the efforts required to pursue climate action, and they undermine carbon prices by providing a false sense of the existence of ultra-cheap abatement options around the world (a few dollars per ton of CO2e avoided/removed while estimates of the social cost of carbon usually place this cost in the hundreds of dollars per ton of CO2e)[9]. **They also risk disincentivizing the significant investments needed to ensure profound changes to corporate value chains and economic systems.**

Companies can make a positive impact by funding carbon-related projects beyond their own value chain[10]. Such financial contributions can be a way for companies to acknowledge their broader and historic responsibility on climate change, **but they neither reduce the necessary investments to abate emissions from their own operations, nor do they absolve them from accountability to clean up and pay for the impacts of their pollution**.

Over 70% of the global historical GHG emissions can be attributed to 78 companies (private or state owned)[11]. Companies therefore have a responsibility to deeply and immediately reduce their own footprint by taking concrete measures to address the emissions in their global value chains, rather than simply buying credits to avoid tackling their own emissions problems. The difficulty to achieve these massive emission reductions cannot justify widely opening the door to creative accounting and climate distractions.

Currently, the most prominent voluntary and regulatory frameworks on climate transition planning and reporting exclude the use of carbon credits in meeting corporations' interim emission reduction targets[12]. In particular, the European Sustainability Reporting Standards (ESRS) state that carbon offsets cannot be merged with actual emissions reductions in corporate climate target reporting[13]. The SBTi Standard Operating Procedure (SOP) commits to not go below national applicable law[14], hence SBTi must align with the ESRS. The recommendations from the UN HLEG[15] also underline that carbon credits 'cannot be counted toward a non-state actor's interim emissions reductions required by its net zero pathway'. It is crucial to ensure consistency between these frameworks and keep ambition high to avoid a race to the bottom.

In a context in which our global carbon budget is rapidly decreasing, ensuring that focus will remain on actual reductions is paramount. It is worth noting the "technology-neutral" IPCC in its last Synthesis Report (2023) did not support or even mention offsetting as a viable option[16].

We call for scientific, ambitious, equitable, robust, credible and transparent rules around carbon accounting and corporate climate target setting. Voluntary and regulatory frameworks on climate transition planning must exclude offsetting.

Organisations supporting this statement :

AbibiNsroma Foundation

ActionAid International

Amazon Watch

Amis de la Terre France / Friends of the Earth France
Amnesty International
AnsvarligFremtid
Association For Promotion Sustainable Development
Association of Ethical Shareholders Germany
BankTrack
Beyond Fossil Fuels
Biofuelwatch
BUNDjugend (Young Friends of the Earth Germany)
Canadian Unitarians for Social Justice
Carbon Market Watch
CEE Bankwatch Network
Center for International Environmental Law (CIEL)
Changing Markets Foundation
Christian Aid
ClientEarth
Climate Action Network Arab World
Climate Action Network Australia
Climate Action Network Canada
Climate Action Network International
Congo Basin Conservation Society CBCS-Network
Deutsche Umwelthilfe e.V.
Earth Action, Inc
EcoEquity
EcoNexus
Environmental Coalition on Standards (ECOS)
Environmental Defence Canada
Environmental Investigation Agency
Ethikis - Label LONGTIME®
European Environmental Bureau (EEB)
Facing Finance
Fastenaktion Switzerland
Fern
Focus Association for Sustainable Development
Forests of the World
Fresh Eyes
Friends of the Earth Europe

Friends of the Earth Ireland
Friends of the Earth Spain
Friends of the Earth U.S.
GAIA - Global Alliance for Incinerator Alternatives
GLOBAL 2000 - Friends of the Earth Austria
Global Energy Monitor
Global Witness
Greenpeace
Iceland Nature Conservation Association
IÉSEG School of Management
Institute for Agriculture and Trade Policy
Institute for Sustainable Development Foundationm.
Just Share
JVE International
LIFE Education Sustainability Equality
Milieudefensie - Friends of the Earth Netherlands
Mom Loves Taiwan Association
New Climate Institute
Nipe Fagio
NOAH - Friends of the Earth Denmark
Notre Affaire à Tous
Oil Change International
Oxfam
Peace Movement Aotearoa
Power Shift Africa
Rainforest Action Network
Reacción Climática
Reclaim Finance
REVO Prosperidad Sostenible
Rinascimento Green
Secours catholique - Caritas France
ShareAction
Sociedad Amigos del Viento meteorología-ambiente-desarrollo
South Durban Community Environmental Alliance
Southern Africa Region Climate Action Network (SARCAN)
Stand.earth
Transport & Environment

Union of Concerned Scientists

University College London

Urgewald

Vrije Universiteit Amsterdam

ZERO

Endnotes

1. SBTi Board of Trustees statement, April 2024
2. See for instance VCMI Scope 3 flexibility guidance, November 2023
3. See for instance US Government, May 2024, Voluntary Carbon Markets Joint Policy Statement and Principles
4. Doreen Stabinsky and others, 2020, Letter: Don't rely on carbon offsets as a climate change solution, Financial Times
5. See for instance Climate Home News, 2 February 2024, "Shameful": Shell uses carbon credits under investigation to meet climate targets, Friends of the Earth, March 2022, Environmental groups sue TotalEnergies for misleading the public over Net Zero
6. Gabbatiss, J., 2023, Analysis: How some of the world's largest companies rely on carbon offsets to 'reach net-zero', Carbon Brief ; Carbon Market Watch and New Climate Institute, 2024, Corporate Climate Responsibility Monitor ; Trencher, G., *et al*, 2023 Do all roads lead to Paris?. Climatic Change
7. See this repository of articles on offset quality, last updated February 2024
8. The World, Global demand for carbon offsets to combat emissions is growing — but the supply is unreliable, 2021
9. Tol, R., 2021, Estimates of the social cost of carbon have increased over time, Environmental Science, Economics
10. SBTi, 2024, Above and Beyond: An SBTi report on the design and implementation of beyond value chain mitigation (BVCM)
11. Carbon Majors Database, 2024
12. Reclaim Finance, 2024, Corporate Climate Transition Plans: What to look for
13. ESRS E1: "GHG emission reduction targets shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined (...). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets". The ESRS applies to the 50'000 largest EU companies and 10'000 foreign companies.
14. SBTI Standard Operating Procedure (SOP) for Development of SBTi Standards: "*12. The requirements specified in SBTi Standards shall: (...) g. Meet or exceed the requirements in the countries where the standard is applied, including at a minimum meeting all regulatory requirements as applicable*". The Clarification statement to the SBTi Board of Trustees Statement made explicit that SBTi will comply with its Standard Operating Procedure for processing with the carbon offsetting issue: "*Any change to SBTi standards, including use of EACs for Scope 3, will be conducted according to previously approved SBTi Standard Operating Procedure for developing standards*".
15. UN HLEG report, 2022, Integrity Matters: Net-zero commitments by businesses, financial institutions, cities and regions
16. AR6 Synthesis Report: Climate Change 2023 (ipcc.ch)