IETA Live (26 March 2024)

At the IETA Live webinar on 26 March, panellists summarised the following findings from a range of studies exploring the role of carbon credits to support delivery of net zero by companies:

1. Around 80% of the world's largest listed companies have not yet set Paris-aligned targets[1, 2].

2. If these companies set Paris-aligned targets, Scope 1&2 emissions between now and 2030 would be reduced by a further 4GtCO_2e[3]. Current emissions projections for listed companies (with or without climate targets) align to warming above pre-industrial levels of 2.5°C[4].
   We urge all companies to set Paris-aligned reduction targets.

3. For companies with net zero emission reduction pathways, their Scope 1&2 emissions have, on average, been higher than Paris-aligned pathways by around 19% per year[5, 6] . If this rate of under-performance continues, the annual emissions gap in 2030 for these companies alone could be 1.5Gt-2.0GtCO_2e [7].
   We urge all companies to get on-track with Paris-aligned reductions, to apply the mitigation hierarchy and use the VCM to remain Paris-aligned.

4. Up to 60% of companies with Scope 3 emission reduction targets are off-track in meeting them[7]. Even for those on track with Scope 1 & 2 reductions, use of carbon credits to close Scope 3 emission gaps could create demand for 640 MtCO_2e of credits today and generate $19bn in additional finance[7].
   We urge companies to set Scope 3 targets, make every effort to achieve them, and use VCM to close gaps.

5. Companies active in the VCM have been more likely to set Paris-aligned targets [8] and on average reduce emissions roughly twice as fast as firms not in the VCM[9, 10, 11]
   We urge all companies to put a price on carbon and use the VCM to increase climate ambition.

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[1] World's largest companies: 6,378 largest companies by market cap https://companiesmarketcap.com/ . See AlliedOffsets pg 9;

[2] MSCI: (Net Zero Tracker, Nov 2023) "Just over (22%) of listed companies align with a 1.5°C pathway". Analysis was conducted on c.9,000 MSCI ACWI IMI constituents (not index-weighted) based on listed companies' reported emissions data and MSCI estimates as of Aug. 31, 2023.

[3] AlliedOffsets, Appendix E, pg32

[4] MSCI: (Net Zero Tracker, Nov 2023) Page 17. Estimate is based on MSCI's Implied Temperature Rise model, based on a company's current carbon emissions across all emissions scopes and projected emissions trajectory.

[5] AlliedOffsets, pg 17. Excess emissions average 26% per year. [*19% is the midpoint between this figure and next reference*]

[6] MSCI analysis of 2,200 companies (across stock market indexes, non-SME SBTi companies and private firms) with known Net Zero targets, either science-based or self-declared. Where disclosed, total Scope 1&2 emission values for latest available year are 12% higher than 1.5°C pathway.

[7] MSCI for VCMI: (Using carbon credits to meet corporate climate targets, November 2023).

[8] AlliedOffsets pg 15, Amongst companies active in the VCM, 71% have set targets vs 14% with no VCM activity have set a target.

[9] Sylvera: Almost 2x more those that don't (6.2% vs 3.4%).

[10] MSCI "Corporate emission performance and the use of carbon credits". Companies buying carbon credits were, on average, reducing emissions faster than those that did not buy carbon credits. 6%/yr vs 3%/yr.

[11] Ecosystem Marketplace, 2023: Carbon credit buyers spend 3 times more on emission reductions activities compared to typical non-buyers on average.

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