SBTi Scope 3 Discussion Paper: IETA Comments

October 4, 2024

Section 3: Environmental Attribute Certificates

13.a. In the context of Scenario 1: Use of commodity certificates from value chain activities, what additional considerations should SBTi take into account when further examining this scenario?

IETA **supports the use of commodity certificates** to evidence decarbonisation efforts within a company's value chain. In this regard, we consider of upmost importance for SBTi to align with existing and emerging standards, to recognize reliable certification schemes and accounting approaches and to provide clarity on the types of commodity certificates that are allowable and on the required level of verification and assurance.

Additional considerations SBTi should take into account include:

- **Alignment of standards:** We encourage SBTi to align with existing and emerging EAC accounting standards, for example, the Greenhouse Gas Protocol's Scope 2 standards on EACs for power and the draft Land Sector and Removals Standard and Guidance.
- **Alignment of accounting approaches:** We recommend SBTi to align with GHG Protocol accounting approaches. GHGP states that any emissions and removals included within a company's value chain should be accounted for in the company's inventory. Any emissions reporting associated with commodity certificates from value chain activities should be aligned to inventory accounting approaches.
- **Clarity on the type of certification**: We ask SBTi to provide clarity on the types of commodity certificates that are allowable, and what level of verification and assurance is required.
- **Recognition of other certificate schemes and accounting approaches:** We encourage SBTi to recognise reliable mass-balancing and others certificate schemes of comparable robustness for low carbon gases. We encourage SBTi to recognise all credible and verifiable approaches. The proposal for commodity certificates is but one option
    a. **Market-based accounting approaches:** Location-based accounting creates bottlenecks on both ends of the market and severely restricts opportunities for decarbonization and limits innovation. In contrast, market-based accounting greatly expands the pool of potential buyers willing to pay an environmental premium. This leverages corporate ambition and stretches capital investment further to help grow nascent markets such as biogas/RNG, SAF, and green hydrogen that can directly reduce scope 1 and scope 3 emissions.

b. **Mass-balancing schemes:** There is a strong track record of reliable mass-balancing schemes, for example for biomethane and bioethanol in Europe. For example mass balancing standards for bioethanol certificates under ISCC EU, which must undergo regular independent audit, or tracking of biomethane injected into the European gas grid through the Union Database officially established by the EU.

c. **Chain of custody models:** We encourage SBTi to align with GHG Protocol on the use of chain of custody models. GHGP has defined chain of custody models which can be used to demonstrate physical traceability, including identity preservation, segregation, and group level mass balance within a given country and sourcing region.

13.b. In the context of Scenario 2: Use of commodity certificates from sources with lower or no value chain traceability, what additional considerations should SBTi take into account when further examining this scenario?

IETA supports the use of commodity certificates from sources with lower or no value chain traceability to evidence decarbonisation efforts within a company's value chain. We believe sustained use of EACs should be encouraged for all products, regardless of value chain traceability, provided accounting and verification mechanisms exist to ensure accuracy, transparency, and proper tracking of EACs to avoid double counting.

Additional considerations SBTi should take into account include:

- **Alignment with the GHG Protocol:** We recommend SBTi relies on the ongoing work of the GHG protocol that is working on stricter rules for certificates to be used from market-based reporting (starting from location-based reporting). We recommend that SBTi does not add more restrictions that would create additional confusion and delay climate actions.
- **Unbundled commodity certificates:** We urge SBTi to **incorporate unbundled commodity certificates** into its assessment of a company's decarbonization pathway. Unbundled certificates are a valuable tool for companies in locations with high grid-connectivity to directly contribute to decarbonisation. There are already a number of robust regulatory frameworks in place for this type of commodity certificate, such as the Guarantees of Origin for renewable and nuclear power in the EU – a framework established since 2009. We encourage SBTi to take unbundled commodity certificates into account in its methodologies across emission categories including Scope 1 and Scope 2.
- **Consideration of accounting and verification mechanisms for enhanced implementation**: We recommend SBTi encourages the use of EACs for all products regardless of value chain traceability provided that accounting and verification mechanisms exist to ensure accuracy, transparency, and proper tracking of EACs to avoid double counting. SBTi may consider the need to implement specific accounting and verification mechanisms to address potential associated risks, particularly in Scenario 2 ('Conditional

usage'). These mechanisms would help to effectively address and mitigate any potential risks associated with the use of such commodity certificates.

- **Guidelines for setting boundaries:** We recommend SBTi establishes a clear procedure for defining boundaries, which will encourage the use of commodity certificates from sources with lower- or no- value chain traceability. We recommend SBTi follows the approaches highlighted in the Value Change Initiative, and Abatable and International Platform for Insetting (IPI) report on insetting, and should be based on existing, recognised verification and accounting standards such as those that are ICVCM/CCP or ICROA endorsed.
- **Support the use of ETA credits**: We recommend SBTi considers the US government-backed Energy Transition Accelerator (ETA) report detailing the use cases of ETA carbon credits. Particularly, use case 2 in the ETA Core Framework, in which ETA credits are used as a means of addressing scope 3 emissions related to electricity use by a company's suppliers. This emerging approach envisions using carbon credits from mitigation activities within a company's value chain and provide a robust and credible way for a company to address scope 3 electricity emissions, alongside supplier engagement approaches and other types of value chain interventions.

13.c. In the context of Scenario 3: Use of carbon credits from mitigation activities within the value chain to substantiate value chain emission reduction claims, what additional considerations should SBTi take into account when further examining this scenario?

IETA supports the use carbon credits to be counted as emission reductions toward the progress of companies' Science-Based Targets as described in the IETA Guidelines for High Integrity Use of Carbon Credits,

We do not find Scenario 3 to be well described and we had difficulty understanding how this scenario could work without the risk of double counting of the environmental attribute. However, we do encourage a flexible approach to the use of caron credits to help incentivize companies to meet – rather than miss - their interim targets, in particular Scope 3 targets. This Scenario does not however appear to represent an incentive for action if emissions reductions and removals cannot be counted towards a interim targets.

Further, while the use of carbon credit **methodologies and project-based accounting** are a reliable method for establishing a project-based emission reduction or removal value chain activity, we do not see the purpose of such an activity continuing to the stage of the issuance of credits. Carbon credits are generated for the **purpose of trading environmental attributes** which, as far as we understand, is not the intent of Scenario 3. However, if it is the intent, then we do not recognise the value to the corporate of selling the environmental attribute they require to make a claim against their GHG inventory.

Additional considerations SBTi should consider include:

- **Provide clarity:** We recommend SBTi provides clarity on the following issues:

- **Definition:** A clear definition of insetting is needed. The scenario (as described in the Paper) does not necessarily represent how insetting is understood in practice by our sector. Clarify on '**value chain'** and '**supply chain'** definitions are needed.
- **Validation:** Clarify how external validation and certification of a carbon credits generated "within value chain" is defined and operationalized.
- **Fungibility and interchangeability of credits:** Clarity on fungibility and interchangeability of credits validated for insetting projects is needed.

- **Provide an incentive for action:** As stated in the Paper, *Scenario 3 proposes carbon credits support value chain emission reduction claims if they represent emission abatement from sources traceable to the company's value chain, and that these mitigation outcomes are fungible with corporate GHG emissions inventory*. In our view, this scenario does not provide an incentive for action if the credits cannot be counted against a scope 3 science-aligned target.
- **Promote the use of carbon credit methodologies and project-based accounting methods:** While we agree that carbon credit methodologies and project-based accounting approaches are a reliable and proven method of establishing a project-based emission reduction or removal activity, we strongly encourage SBTi to use only third-party methodologies from recognized crediting programs such as those that are ICVCM/CCP or ICROA endorsed. Companies should not be permitted to establish their own methodologies and nor should SBTi duplicate the work of ICVCM or ICROA. These approaches enhance the credibility of the participating projects by ensuring that emission reductions are measurable and verifiable.
- **Avoid the risk of double counting:** We recommend that SBTi carefully design mechanisms to mitigate the risk of double counting.
  - Carbon credits from mitigation activities impacting scope 3 emissions cannot be both sold to a third party and counted as an emission reduction against the scope 3 inventory.
  - While GHGP and the GHGP draft LSRG do provide some guidance on how to avoid double counting in this situation, the guidance is somewhat sparse – in the absence of an updated GHGP in the near term, SBTI may need to consider providing additional guidance on how a credit generating company would make sure to add back in any emission reductions sold as carbon credits to another firm.
  - Moreover, the use of carbon credits issued by suppliers, but financed by customers, in the corporate and supplier inventory also creates a risk of double-counting. Further clarification from GHGP on reporting on the sale of project-based credits requires double-counting safeguards. The type of market-based approaches SBTi is contemplating are under consideration during the GHGP update process. We

recommend SBTi to take note of the GHGP's Market-based approaches survey and update process.

- **Promote transparency to enhance traceability:** We urge SBTi to support the need of transparency on project and emission reduction information as this contributes to the establishment of long-term sustainable market in VCM. We recommend SBTi takes note that all users of publicly available emissions data (such as that shared on CDP), should be made aware of the sale of the environmental benefit and provided guidance on how to adjust their emission allocation/factors accordingly. SBTi uses GHGP as the basis for corporate inventories to report on progress. GHGP requires GHG inventories to be presented in absolute terms without consideration of project-based activity that results in the sale of credits. GHGP does not currently require, but recommends, disclosure about the sale of the environmental benefit in the form of credits. IETA recommends that SBTi requires all corporate disclosure the use of carbon credits and reporting of inventory emission in both gross and net value of the sale of the environmental benefit.
- **Allow both emission reduction and removal methodologies:** We strongly encourage SBTi to promote all forms of emissions reductions within and across value chains as well as direct carbon dioxide removal. SBTi should avoid picking preferred technologies or approaches to decrease emissions, provided the emission decreases are verified and accounted for only once. Overall, we support an equal prioritization of both, emissions reductions and removals. In terms of removals, nature-based and technology-based removals are both important, each bringing its own strengths. Due to their difference, however, specific considerations should be applied.
- **Third party auditors:** We recommend SBTi, insists that only third party auditors are used to validate and verify emissions reductions and removals from an activity.
- **Alignment with other standards and initiatives:** We recommend SBTi considers the work of other initiatives and frameworks, such as the AIM Platform, the Value Change Initiative, the Verra Scope 3 Program (S3S) and the International Insetting Initiative (IPI), to ensure alignment across the industry and to enable companies to credibly account for and report on Scope 3 interventions. It is also worth noting that numerous Scope 3 / Value chain initiatives have been working to develop frameworks for accounting for project-based "in-value chain emission reductions," none of which issue traditional "carbon credits." The Value Change Initiative, the Verra Scope 3 Program (S3S) and the International Insetting Initiative (IPI), would not necessarily meet requirements of this scenario as laid out but would be valuable to consider herein (whether as a separate scenario or a subset.
- **Avoid introducing new requirements:** We strongly recommend SBTi not introduce new tracking requirements, while considering existing infrastructure and capacities. Tracing carbon credits to a specific company's value chain would be an entirely new requirement which the current carbon registry infrastructure is not set up to do. Additional significant effort would be needed to enable this level of traceability. Defining value chain, or rather

"supply-shed" as broadly as possible (preferably the AIM Platform definition), would allow corporates to only trace the carbon credits back to this broad supply-shed definition, ensuring this traceability.

13.d. In the context of Scenario 4: Use of carbon credits to support neutralization of residual emissions, what additional considerations should SBTi take into account when further examining this scenario?

IETA supports the use of carbon credits to neutralize residual emissions and compensate for unabated emissions on the pathway to net zero. Therefore, this Scenario cannot work in isolation but must be coupled with Scenario 5. We strongly believe that both, emission reduction and removal methodologies must be permitted to compensate for unabated emissions on the pathway to net zero, including both nature-based and technology-based high quality carbon credits. Both play a role and are complementary. Finally, alignment with governments and scope 3 initiatives and standards is critical to provide a clear and real path for action.

Additional considerations SBTi should consider include:

- **Coupling of scenarios:** We ask SBTi to consider coupling of scenarios. This Scenario cannot work in isolation but must be coupled with Scenario 5: Without short-term demand for credits, there will not be a sufficient pipeline of credits, nor technology development or investment to meet the needs of neutralization in the net-zero target years.
- **Interim targets:** We strongly recommend SBTi recognises annual (or at a minimum near term), interim targets. This will critically help with scaling demand, and without at least some interim targets, companies will not have enough supply down the road in their 'net-zero year'.
- **Robust credit standards and fungibility:** We urge SBTi to consider robust credit standards and fungibility between credit types to ensure successful application of such credits for this scenario. We do not believe SBTi should set these standards. As stated by SBTi requiring matching of emissions source with storage type (biogenic or geologic) is unnecessarily restrictive and inefficient.
- **Increase flexibility and reduce mitigation costs:** We recommend SBTi avoids hierarchy-approaches which may unnecessarily limit applicability of carbon credits. Prioritizing effective and efficient allocation of resources is critical to creating the greatest progress in strategies to reduce emissions. Carbon credits represent potentially one of the lowest cost abatement options and are a broadly accessible approach to reduce global GHG emissions. We believe that provisions which arbitrarily limit companies' carbon credit use reduce optionality and decrease affordability.
- **Both emission reduction and removal methodologies must be permitted:** We urge SBTi to promote all forms of emissions reductions within and across value chains as well as direct carbon dioxide removal. SBTi should avoid picking preferred technologies or approaches to decrease emissions, provided the emissions decreases are verified and accounted for only

once. Overall, we support an equal prioritization of both approaches. We urge SBTi to consider the negative impacts for requiring like-for-like matching of removal or storage types within the context of potentially limited carbon removal budgets given physical and financial limitations. We urge SBTi not to dissuade investment in these project types by requiring matching of emissions type with storage type (biogenic or geologic). IETA is not supportive of like-for-like matching for removals as it increases complexity, and fails to appreciate the lack of supply currently of CDRs.

- **Both nature-based and technology-based removals are complementary and key when addressing carbon removals,** aligning with IPCC standards, each bringing its own strengths:
    a. **Nature-based solutions** provide valuable ecosystem services, including biodiversity and biological functions, while also being essential for maintaining the planet's natural sinks. Moreover, NBS can improve the lives of indigenous peoples and climate-vulnerable local communities and facilitate the flow of financial resources to the Global South for a just transition. The Global South Statement to SBTi is an urgent call for funding to flow to the communities that are doing the hard work of reducing deforestation loss, restoring grasslands, reforesting mangroves, sequestering carbon in native forests and improving biodiversity for a health planet.
    b. **Technology-based solutions** offer complementary strengths, by enabling carbon removals at a larger scale and providing long-term storage options, which makes them particularly important for sectors where emissions are harder to eliminate (e.g. heavy industry and aviation). Furthermore, in some cases, technology-based solutions can also function where nature-based methods may not be feasible due to land or environmental limitations.
- **Alignment with governments:** We urge SBTi to align with governmental initiatives on the use of carbon credits. Governments are considering integrating removals into their compliance carbon markets, such as the UK. Companies will want fungibility in procuring credits for both their compliance requirements as well as their voluntary climate targets making alignment critical between these systems. We believe it is important to align emissions reporting expectations with existing reporting, such as regulatory reporting requirements.

13.e. In the context of Scenario 5: Use of carbon credits to support beyond value chain mitigation, what additional considerations should SBTi take into account when further examining this scenario?

IETA supports the use of carbon credits to compensate for unabated emissions (i.e. beyond value chain mitigation), which we believe provides flexibility for action and a robust framework for companies to contribute towards overall decarbonization goals, while continuing to invest in the decarbonization of their own value chain. However, the decision on how much companies invest in BVCM should remain flexible and a choice for companies to make. Moreover, we believe that BVCM

should not be limited to offsetting scope 3 emissions only but also apply to scope 1 or 2 and support interim targets. Finally, increased transparency and alignment with governments and scope 3 initiatives and standards is critical to provide a clear and real path for action.

Additional considerations to consider include:

- **Compensation of unabated emissions:** We recommend SBTI, in order to have significant impact with BVCM, to allows companies to compensate for some – not only all - unabated emissions. Many large emitting companies cannot afford to compensate for all unabated emissions but should be encouraged to do as much as possible. Guardrails can be set in this regard following the example of the VCMI Carbon Integrity Claims approach.
- **Coupling of scenarios:** We ask SBTi to explicitly link this scenario 4, to account for additional interim neutralization targets of unabated residual emissions. This Scenario cannot work in isolation but must be coupled with Scenario 4: Without short-term demand for credits, there will not be sufficient credits, technology development or investment to meet the needs of neutralization in the net-zero target years.
- **Provide incentives for BVCM:** We recommend SBTi to consider flexible approaches for claims guidance and we urge SBTi to allow companies to make a claim associated with the compensation of unabated emissions and include these actions – either financially or in GHG impact – within their climate strategy reporting. It should be clear that the act of compensation through a BVCM model does not allow a company to claim it has reached its target; however, a claim that a company has taken responsibility for its unabated emissions by directing capital to climate solutions should be possible. Relying on philanthropy is absolutely an insufficient incentive, which will lead to a subpar outcome and greater inaction. It is important to underscore that no one except for SBTI has defined offsetting as "purchasing carbon credits instead of abating emissions at the source." This does not reflect the reality of most companies purchasing carbon credits (as demonstrated by MSCI, Ecosystem Marketplace, Sylvera reports), nor does it reflect the mitigation hierarchy viewed as best practice in the space. It is very clear that investments in carbon credits shall not detract from internal abatement opportunities, and that claims made by corporates shall be clear and unambiguous. We urge SBTi to note that the compensation vs. contribution debate has not been productive. We recommend SBTi to find a way for companies to fully claim the "emission reduction benefit" of using carbon credits.
- **Use of BVCM to supplement interim emission reduction and net zero targets:** We urge SBTi to encourage the use of BVCM to supplement interim (short and medium term), emission reduction and net zero targets. The IETA Guidelines call for this use case to be introduced given the **risk of companies missing targets**, Guardrails can be established to ensure compensation works in support of internal emission reduction and only when a company has published net zero targets.
- **Extension to Scope 1 or 2:** We recommend that BVCM should not be limited to scope 3 emissions only but also apply to scope 1 or 2. In cases where a company buys and uses

carbon credits for a part of its Emission Trading Scheme compliance, these companies should also be able to claim this as a carbon credit. The Emission Trading Scheme model is a strong example of how compensation can drive decarbonization efforts. Entities within the scope of the scheme are required to purchase allowances equal to their emissions; in doing so, they incur a cost to their P&L that incentivizes them to invest in internal decarbonization. Crucially, purchasing allowances does not allow entities within the scope of an ETS to make a claim towards their decarbonization target. The voluntary carbon market should leverage this learning as evidence that compensation does indeed incentivize internal decarbonization. Furthermore, it acts as evidence that the GHG mitigation hierarchy should not be interpreted as strictly sequential; at the moment, this interpretation is leading corporates to put off compensation until closer to 2050 on the assumption that innovation in technology will provide enough carbon removals to do so. Increasingly, evidence is showing that those sectors that know they will have residual emissions at 2050 must start investing in these solutions today so that they can be available at 2050[1].

- **Recognition and alignment with ICVCM, ICROA and US Carbon Markets Principles**: As in Scenarios 3 and 4, we call on SBTi to refer to existing standards and accounting methodologies from established crediting programs, notably endorsed by ICVCM CCP and ICROA. The most important criteria to mitigate supply-side integrity risks related to carbon credits are the ICVCM and ICROA Core Carbon Principles. It is disappointing that these initiatives are barely mentioned in the paper, despite their direct relevance. These initiatives have global stakeholder buy-in and are doing excellent work. Leaving them out of SBTI's guidance on carbon credits would be a huge mistake and a missed opportunity. We urge also SBTi to align with the Carbon Markets Joint Policy Statement and Principles of the US White House administration and ministries, published this summer, that includes the need that BVCM are recognized as carbon credits in certain scenarios where there are significant barriers to abatement efforts. "For example, those developing such frameworks should consider incorporating approaches that allow companies to count credits toward a portion of their Scope 3 emissions associated with science-aligned emission pathways in cases where it would be unreasonable to expect a company to be able to fully abate those emissions within a given timeframe." Finaly, we urge SBTi to align with the EU council, supporting the use of carbon credits as carbon credits in its text proposal of the Green Claims Directive (vote 17 June 2024).
- **Consideration of existing standards and accounting methodologies:** SBTi has identified several risks for this scenario, including reputational damage and misleading claims. We believe that working with robust standards for emissions verification and accounting, as well as enforcing auditing requirements are sufficient safeguards against integrity and accounting risk (e.g. double-counting). Companies should not be permitted to establish their own methodologies, and third-party auditors should be used to validate and verify the activity to ensure accuracy.

[1] Revised Oxford principles for net zero aligned carbon offsetting

- **Need to increase transparency:** We urge SBTi to increase transparency on project and emission reduction information as this contributes to the establishment of long-term sustainable market in VCM.

Section 4: Risks and Mitigation Approaches

14. What other potential risks do you see in addition to those described in Annex VI? How could these be mitigated?

A recent MSCI report illustrates that 84% of listed companies are not on track to meet their net-zero goals. We strongly recommend SBTi considers how its framework can support companies that are "off track" and enabling them to take meaningful action. Moreover, we strongly recommend SBTi to work together with other initiatives and frameworks to unify VCM Guidance on the use cases for carbon credits, providing a flexible approach and realistic options to reach SBTs.

- **Non-action:** We urge SBTi to acknowledge the risk of no-action and take measures to revert this tendency:
    - As highlighted in the World Bank report 2024 on the State and Trend of International Carbon Markets, according to a recent MSCI report, 84% of listed companies are not on track to meet their net-zero goals. There is a significant gap when Scope 3 emissions are considered, amounting to 1.4Gigatons (G) tCO2e/yr on current performance and reaching over 7GtCO2e/yr in 2030. Additionally, this research suggests that companies are weakening their climate commitments, highlighting the challenges involved in reducing indirect (Scope 3) emissions. This underscores the need for strategies and tools to achieve ambitious climate goals, including the selective and strategic use of carbon credits**.**
    - High impact sectors are often not able to join SBTi because its framework is not pragmatic enough. However, without pragmatic approaches that provide some flexibility for companies to meet targets – such as the use of carbon credits to support target delivery - companies may abandon the process or simply take no-action because there is not a pathway yet available.
    - Further, as evidenced by the more than 500 companies who had their commitment removed from SBTi website, SBTI has set such a high bar, that some companies are now finding themselves unable to meet it or report measurable progress towards it. A worst-case scenario would be that once kicked out of SBTi, a company abandons its commitment entirely.
    - We strongly recommend SBTi to consider how its framework can support companies that are "off track" in getting back on track, instead of making its framework so binary. We strongly recommend SBTi to encourage more action from companies that might need additional support.

- **Lack of unified and decisive VCM Guidance for the use of carbon credits:** We strongly recommend SBTi to work together with other initiatives and frameworks to unify VCM Guidance on the use cases for carbon credits, providing a flexible approach and realistic options to reach SBTs :
    - Although SBTI is a voluntary process for companies wanting to play their part in supporting the Paris goals, it has established significant influence and authority. However, other emerging standards and initiatives, including from governments, are reshaping the standards' landscape and providing more clear and flexible mechanisms to reach net zero.
    - As highlighted in the World Bank report 2024 on the State and Trend of International Carbon Markets, *emerging guidance on use cases for carbon credits by corporates has been inconsistent, leading to confusion, hesitation, and delayed action. Divergent views have emerged particularly on use of carbon credits to offset indirect (Scope 3) emissions. SBTi increased confusion in the market by sending mixed signals. This has significantly weakened demand for carbon credits and diminished the market's potential as a tool for advancing corporate decarbonization goals and scaling climate finance to developing countries.*

15. Please provide any other comments or suggestions on the proposed approach and preliminary options to improve the value chain framework that you haven't mentioned so far. *Please be as specific as possible, e.g. stating the sector or geography you are referring to and any sources, references or definitions used.*

- **Improve SBTi Consultation process:** We call for SBTi to consult in more detail on the framework for their acceptance, and to propose a transparent timeline for it, to allow certified companies and the wider certificate market to prepare. We recommend SBTi to genuinely include all stakeholders in their consultation process, which does not only represent actors from the Global North, but include also communities, small businesses, and governments from the Global South. The Global South Statement to SBTi is a firm call to SBTi to act pragmatically and work expeditiously, to deliver on the use of carbon markets as powerful tool to create the right incentives required to mitigate emissions globally.
- **Evidence regarding the effectiveness of carbon credits:** We are concerned about SBTi's assessment of the evidence regarding the effectiveness of carbon credits, published alongside their Scope 3 discussion paper in the so called "Synthesis Report". Main concerns are summarized as follows:
    - **Lack of focus on effectiveness of EACs:** Despite the Call for Evidence on the effectiveness of EACs in corporate climate targets and decarbonization and significant discussion of their science-based methodology to evaluate the

evidence, the paper spends a significant amount of time on topics outside the scope of the Call for Evidence (e.g. supply-side credit quality which is one of three themes evaluated in the paper). We recommend SBTi to focus on effectiveness of EACs in corporate climate targets and decarbonization.

- **Bias language:** Language choice, scoring of evidence in terms of its credibility and the presentation of the evidence, demonstrate a clear bias against carbon credits and/or their effectiveness. We urge SBTi to correct this bias.
- **Unbalanced assessment:** While case studies were requested as evidence and the Synthesis Report explicitly notes four case studies that are "generally supportive of the effectiveness of carbon credits" and assert "how the financial incentive from credit sales made them additional," these case studies were deemed too narrow to be useful. Studies authored by MSCI/Trove, Ecosystem Marketplace and Sylvera, which evaluated one of the main questions posed by SBTI – whether carbon credits substitute for corporate action – were referenced with scepticism. Meanwhile, for demonstrating the ineffectiveness of carbon credits, a key driver of analyses seemed to be the sheer volume of "submissions" from anti carbon credit activists including Carbon Market Watch, Barbara Haya, the Guardian, Ben Elgin and other. We urge SBTi to provide a balanced assessment.
- **Lack of recognition of efforts to improve quality:** Significant attention was spent on quality issues related to carbon credits and the associated risks, yet the ICVCM efforts are not mentioned even once. Rating Agencies have put in place structures to ensure the independence of their ratings (e.g. separation of commercial and technical functions, no consulting services). The outcomes of the ratings are indicative of this independence, with most of the projects rated achieving a low, very low or lowest likelihood of achieving their carbon claim. The market has developed solutions to assess credit quality, enabling more nuanced approaches to the use of carbon credits for emissions neutralisation. The urge SBTi to acknowledge these solutions and consider how they can best be integrated into their updated standard.
- **Bias on evidence:** SBTi commissioned a third party – Evidensia, to conduct a systematic review of peer-reviewed scientific literature on the effectiveness of corporate use of carbon credits. The assessment found only 5 papers which "provided comparable data to assess the effectiveness of carbon credits". However, one of the rating agencies (BeZero Carbon), for instance, draws on information from over 10,000 academic papers. There is considerably more high-quality research available regarding the effectiveness of carbon credits than SBTi acknowledges. We recommend SBTi to draw on ratings themselves as a source of evidence regarding the effectiveness of carbon credits.
- **Bias conclusions:** The paper repeatedly refers to offsetting as a "substitute for abating emissions within [a company's] value chain," despite the evidence submitted by Trove, Ecosystem Marketplace, and Sylvera demonstrate the

opposite--that companies who are spending money on carbon credits are actually decarbonizing at a faster rate than those that do not. Moreover, the Synthesis Report does not acknowledge these reports as strong evidence, instead raising questions about the methodology and conclusions of each respective study. Evidensia concluded there was a "negligible amount of scientific evidence" to support a definitive conclusion, but this was **not** the overarching conclusion shared in the synthesis report. Instead, the synthesis repeatedly said that the evidence "overwhelming" demonstrated that credits were ineffective and a substitute for action. Leaving this conclusion out of the synthesis was another example of blatant bias. We strongly recommend SBTi to revise these conclusions in light of these evidence.

- **Performance-based approach:** We recommend SBTi to support a performance-based approach to emissions reduction that is technology and energy agnostic.
- **Reporting expectations:** We recommend SBTi to align emissions reporting expectations with existing reporting, such as regulatory reporting requirements, to enable consistent data.
