south pole

Principles for Carbon Credit Use

South Pole has developed simple principles that explain the benefits of using carbon credits, based on existing best practice and recommendations by the Science-Based Targets initiative (SBTi) and the Voluntary Carbon Markets Integrity Initiative (VCMi), among many others, turning technical guidance into accessible language, with easily understandable talking points.

We hope this will empower stakeholders to have an informed discussion around the importance of carbon finance as part of global climate action.

The climate crisis is urgent and progress is slow. Climate pledges by governments remain woefully inadequate in limiting average global temperature rise to 1.5C – the figure climate scientists define as the threshold of safety.

Targets have been set but society's ability to meet them moves further out of reach every day. The annual UN Emissions Gap Report is a constant reminder of the yawning gap that persists between the emission reductions considered in governments' climate pledges and the reductions we need.

Dramatically increasing the speed and scale of climate action today is the only way to avoid the irreversible effects of climate change tomorrow. The role of the private sector in ramping up climate finance is critical, particularly in light of the highly insufficient action by governments.

Importantly, we all want to make sure our efforts have the greatest possible impact. In this vein, carbon credits, and the voluntary carbon markets (VCM) on which they trade, may be the most misunderstood climate solution in the world. No other form of finance can claim the level of transparency in measuring impacts as carbon credits. And while voluntary markets are not perfect, they work. The carbon credits (or offsets) sold via these marketplaces are validated and certified via rigorous standards applied by 3rd party auditors, and have already channeled billions of dollars in finance to drive verifiable climate change mitigation, ahead of government regulation on climate change and as standards continue to improve in line with new science, technologies, and lessons learned to ensure high quality.

Carbon credits remain one of the most viable, near-term options for companies to measurably reduce global emissions. With emissions-free operations still a far-off prospect, science says that companies must invest in emission reduction activities beyond their direct operations, **for example** through certified carbon credits – all while working on the long term task of decarbonizing their value chain. Done right, the VCM can deliver much-needed finance, technical capacity, and significant sustainable development benefits that can help countries reach their goals, and transition the world to the low-carbon future that it needs.

To enable governments, businesses and society as a whole to have a true climate impact, carbon credits should be used by corporations according to a set of simple, high-level principles.

Principles for Carbon Credit Use

Simplifying and amplifying best practice in using carbon credits for climate action

Why

- To avoid the worst impacts of climate change, we need immediate, global-scale action to secure, protect, and enhance natural carbon sinks (forest, coastal, and marine ecosystems) and to develop and scale up technological greenhouse gas emission (GHG) reduction and removal solutions.
- Companies have a key role to play in financing these natural and technological solutions, particularly in light of the highly insufficient action by governments. Buying carbon credits through the voluntary carbon markets assigns more value and creates demand for the development of carbon reduction solutions and funds on-the-ground technical skill to scale the transformations needed.
- While the most important action a company can take is to systematically reduce their carbon footprint, reducing requires time and in the interim buying carbon credits is an essential way to pay for the damage these emissions are causing and contribute to global GHG reductions.

How

- Set a science-aligned net zero target, for example with the SBTi, with a clear reduction roadmap and interim targets; and use high-quality **GHG removal credits** towards the long-term target;
- Pay for all unavoidable GHG emissions today and on the pathway to net zero, by investing in action outside the value chain (i.e., Beyond Value Chain Mitigation) - thereby taking responsibility for current climate impacts and effectively introducing an internal price on carbon.
- Use high quality **carbon credits from emission reduction** activities which are certified according to a reputable international standard, and which create clear and measurable positive sustainable development benefits for the local population in the host country, contributing to a just transition
- Companies should transparently communicate their use of carbon credits as part of broader climate targets and milestones **without exaggerating or misleading claims**. This means saying exactly what the company is doing to take responsibility for their carbon emissions and how carbon credits are used as part of these efforts. Offsetting does **not** count towards a corporate net zero emissions reduction target, for example, but it finances global efforts to reduce emissions, which is critical.