

In carbon markets we trust? New global guidance aims to stop greenwashing

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Thursday, 21 July 2022 12:00 GMT



Efforts are underway to boost the quality of carbon credits by setting a higher threshold and make it easier for corporations to know what they are buying and claiming

- Carbon markets tainted by projects that have failed to deliver
- Global efforts underway to build confidence in carbon credits
- Push to consider social impact alongside environmental integrity

By Megan Rowling and Kim Harrisberg

BARCELONA/GORONGOSA, Mozambique, July 21 (Thomson Reuters Foundation) - For Mozambican conservationist Gabriela Curtiz, the key to making a new plan for [carbon credits work in the remote mountains of Gorongosa National Park](#), ravaged by civil war in recent decades, is to involve the community living there.

"Listening is the first part of changing people's minds - then they will hear you, too," Curtiz told the Thomson Reuters Foundation.

The park management wants to make it financially worthwhile for villagers to grow and protect indigenous trees alongside their coffee crops, while helping companies elsewhere slim their carbon footprints by buying offsets generated from the park.

"It is better to do things slowly but properly," said American philanthropist Greg Carr, who has invested tens of millions of dollars in rehabilitating the park and hopes the carbon-credit scheme could bring in up to \$3 million a year.

Like many other nature-protection initiatives around the world, Gorongosa aims to take advantage of growing corporate demand for credible ways to reduce planet-heating emissions while also providing financial support to those tackling the climate and biodiversity crises on the ground.

One increasingly popular option is to purchase credits from projects that help avert or remove greenhouse gas emissions through things like keeping carbon-storing forests standing, turning methane seeping from landfill sites into biogas, or distributing more efficient cookstoves that use less fuel.

According to [Ecosystem Marketplace](#), a research group that tracks environmental finance, the annual value of the voluntary carbon market topped \$1 billion for the first time in 2021, more than doubling in size from 2020.

It said more companies - from energy to consumer goods and finance - are looking to buy credits as they work on developing strategies to cut their emissions to net zero in the long term.

But as the market grows, so has concern that some of the projects businesses are backing may fall short on promises about their benefits for the climate, ecosystems and local people.

Those worries are rooted in past experience with the [world's first carbon-offsetting market](#), the United Nations' Clean Development Mechanism, which awarded 45% of its more than 2 billion credits to just a handful of projects, mainly in Asia for cutting industrial gases, raising doubts over environmental integrity.

Some [forest-based carbon projects](#) have also been criticised for claiming averted emissions in places where there was no real deforestation threat or for failing to consult indigenous people and depriving them of land.

DEMAND FOR QUALITY

Pedro Martins Barata, senior climate director with the U.S.-based Environmental Defense Fund, said companies are struggling to find a simple, efficient method to judge the quality of the myriad credits on offer, and are seeking clearer guidance.

"They know they will be called out if they make the wrong decisions," he noted.

While there are already standard-setting agencies and registries that verify credits using third-party auditors, a global effort is now underway to establish a universal set of "Core Carbon Principles" to which eligible carbon credit programmes can adhere.

They will be published and managed by a body called the [Integrity Council for the Voluntary Carbon Market](#) (ICVCM), drawing on expertise from scientists, investors, environmentalists, policymakers and indigenous people.

A public consultation on a draft version will be launched by the end of July, with a view to finalising the principles and a framework for applying them in the fourth quarter.

Details are not yet available, but the ICVCM says the goal is to set new global threshold standards for high-quality carbon credits that channel finance towards emissions reductions beyond what companies can do themselves and contribute to climate-resilient development.

Barata said the key is to set the bar high enough to drive up environmental and social standards in the market, but without making the principles too stringent for the majority to follow.

"There is a sweet spot in between ... and (it) hopefully is that we push the programmes to increase the quality of what they're doing over time," added Barata, who also co-chairs the expert panel crafting the principles.

'MISLEADING' ADS

This international push to build confidence in the market is intended to complement the work of another organisation developing a code of practice for companies to make accurate, trustworthy public claims about the carbon credits they use.

Corporations - including tech firm Google, household goods giant Unilever and power systems company Hitachi Energy - are [road-testing the code](#) developed by the Voluntary Carbon Markets Integrity Initiative.

Ian Funnell, CEO of Hitachi Energy UK, said companies like his needed such a "benchmark" to gauge and demonstrate their performance on reducing emissions and using carbon credits.

"It ensures transparency," he said during the initiative's launch in June. "It avoids greenwashing which risks undermining stakeholder confidence in our business."

Gilles Dufrasne, a policy officer with Carbon Market Watch, a climate advocacy group, said there was value in a system that channels finance from the private sector to emissions-cutting projects, but the "PR machine" around it was a problem.

Dufrasne, who is also a member of the ICVCM's expert panel, urged governments to update advertising regulations to cover climate-related publicity - as the European Union is now doing.

That would enable them to stop companies running "big, misleading advertisements saying everything is 'carbon-neutral' and 'net-zero'", he added.

Green groups have long warned that offsets should not be used by businesses as a substitute for climate action like switching to renewable energy supplies or using less carbon-intensive production methods.

But experts say the environmental integrity of the carbon credits companies buy is not all they will be held accountable for in future.

SOCIAL INTEGRITY

There are growing calls for projects that generate offsets for the voluntary carbon market to consider their social impacts, too.

That could range from ensuring they do not prevent local communities from accessing forest land to boosting basic services and incomes.

Benito Müller, professor at Oxford University's Environmental Change Institute, described [social integrity](#) as "the forgotten twin" of environmental honesty.

Socially beneficial credits should not be available only as a sub-category in the market, he noted.

"That's not enough to safeguard the market overall from the serious reputational risk of being accused of lacking social integrity by leaving the poorest and most vulnerable people behind," he added.

A coalition convened by Müller is advocating for a 5% charge on all credits in the voluntary market - in line with Paris Agreement rules for government offsets - to help at-risk nations adapt to climate-linked extreme weather and rising sea levels, regardless of whether they attract carbon credit projects.

This "share of proceeds for adaptation", distributed through an existing U.N. fund, could generate as much as \$2.5 billion annually, based on independent estimates that the voluntary carbon market could be worth \$30 billion to \$50 billion by 2030, he noted.

The idea - backed by many of the poorest countries and small island developing states - has been submitted for potential inclusion in the forthcoming Core Carbon Principles.

Charles Hamilton, climate change advisor to the Bahamas government, pointed out that it was in companies' self-interest to play their part alongside governments in cutting emissions, while helping those on the frontlines of a warming world.

"These goals and these principles at the end of the day are about protecting people... If our islands no longer exist, you are losing your own customer base," he added.

"We all have to put skin into the game, both from the public and the private sector."

(Reporting by Megan Rowling @meganrowling in Barcelona and Kim Harrisberg in Mozambique; editing by Jumana Farouky. Please credit the Thomson Reuters Foundation, the charitable arm of Thomson Reuters, that covers the lives of people around the world who struggle to live freely or fairly. Visit <http://news.trust.org/climate>)

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