

To the attention of:

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## **Joint Open Letter on the Use of High-Quality Carbon Credits in Scope 3 Emissions Abatement**

June 18, 2024

Dear Science Based Targets initiative,

We are writing to express our joint support for the limited and near-term use of high-quality carbon credits in scope 3 emissions abatement, including the potential use of Environmental Attribute Certificates (EACs) under the SBTi Net-Zero Standard. We also extend our assistance to SBTi in developing guardrails to ensure these tools deliver much-needed additional climate action.

The private sector will be key to reach our global climate goals and SBTi's role has been pivotal. SBTi's work has supported [more companies than ever before](#) setting science-based near-term and net-zero targets, representing a watershed moment in corporate climate action. But there is a large gap between commitments and true progress that could threaten the viability of the net-zero transition. [Recent research](#) has found that just 18% of companies are on track to meet their long-term net-zero goals and addressing scope 3 emissions is the biggest challenge [for many companies](#).

With the 2023 UNEP Emissions Gap Report noting that the world would need to reduce global emissions 42% by 2030 to get on track for 1.5C, now is the time to deploy every valid tool at our disposal to accelerate climate progress. When created with integrity, carbon credits can deliver real, science-based emissions reductions and removals. And when used correctly, as part of corporate strategies that also prioritize value chain mitigation, carbon credits result in more, faster decarbonization at a global scale. In addition, high-quality, nature-based credits in particular support an essential climate solution while promoting [global biodiversity](#) and [sustainable development goals](#), particularly in the Global South, that few other climate solutions can offer. Establishing the guardrails to ensure that carbon credits and other EACs speed, rather than hinder, climate progress at a global scale is a solvable problem and is the essence of what it means to be science-based.

SBTi's announcement and the work that follows to define these guardrails through the forthcoming process to revise the Corporate Net-Zero Standard V2.0 is movement in

the right direction.<sup>1</sup> We propose credible use of carbon credits in any science-based approach to net-zero must follow these principles:

- Only high-quality credits must be included, ensuring that each credit truly represents one ton of reduced or removed emissions. The [Integrity Council for the Voluntary Carbon Market \(IC-VCM\)](#) is the authority on this topic, and has already significantly advanced by developing the Core Carbon Principles (CCPs) benchmark for quality, which is expected to be completed later this year. In addition to climate integrity, social and environmental benefits must be promoted to ensure continued and increased benefits to people and nature from carbon projects and programs;
- When credits are used as a tool for scope 3 abatement, companies must rigorously adhere to the mitigation hierarchy, prioritizing direct abatement of internal and value chain emissions and only using credits for emissions that are not readily abatable.
- Credits used for scope 3 abatement should drive finance to the gaps and opportunities for achieving climate progress *now*, not in 2050, and should reduce over time. Right now, we need high quality credits from all activity types, not just like-for-like and including both reductions and removals, to be allowable within thresholds informed by science. Over time, the use of carbon credits as a substitute for value chain mitigation must reduce as improvements in technology and capacity enable companies to reduce more emissions directly.
- In addition to the use of credits to support the reduction of their GHG footprint, companies should continue to be strongly encouraged to use a beyond value chain mitigation (BVCM) approach whereby climate leaders can address any emissions that remain each year *after* they have met their annual progress towards net-zero.
- Defining the appropriate use of carbon credits should be done in close coordination with the [Voluntary Carbon Market Integrity Initiative \(VCMI\)](#) to develop a coherent “[End to End Integrity Framework](#)” for net-zero, as was committed at COP28.

The science is clear that natural climate solutions represent at least one third of the solution to climate change mitigation, and carbon markets are the best proven mechanism available to date to scale financial investment. As we work towards responsible inclusion of carbon credits in SBTi standards, we will continue to work with others in the scientific community to further strengthen the evidence base in several areas related to corporate decarbonization and the use of credits, including:

- How credits can be leveraged to maximize overall climate impact. The VCMI’s Beta Scope 3 Flexibility Claim provides a reasonable starting basis for the quantity of credit use, time frame, and approach for allowing them for meeting scope 3 targets;
- Methods to evaluate which corporate emissions are hard to abate across sectors. This would inform application of the mitigation hierarchy, specifically which

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<sup>1</sup> The U.S. Government’s recently announced [Voluntary Carbon Markets Joint Policy Statement and Principles](#) are also a step towards defining a credible use of carbon credits.

emissions companies should address through direct reductions within their operations and value chains, and which may be addressed by credits and other EACs; and

- Methodologies to determine whether companies are on track to meet their targets. Without this, we cannot make evidence-based decisions around the success of the corporate net-zero transition.

We, the below organizations, look forward to the opportunity to contribute our scientific and topical expertise to SBTi's process to revise the Corporate Net-Zero Standard. Given the consequence and depth of engagement on this topic, we hope for a more transparent and inclusive standard revision process going forward. We need every effective lever available when it comes to tackling climate change and we firmly believe that, under a science- and evidence-based approach and when clear guardrails are in place, nature-based carbon credits can provide an opportunity to maximize climate impact while unlocking benefits for people and nature.

Yours sincerely,



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