WWF Framework

Corporate Climate Strategies

Focus: Climate Finance with the Contribution Approach

WIPO GREEN Symposium
Katrin Oswald, WWF Switzerland, 01.11.2023
Global Goals

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

Source: Authors' analysis

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Global Gaps

- **Emission gap**
  
  *With current emission levels, the remaining carbon budget will be depleted in approx. 6 years.*

- **Ambition gap**
  
  *Today's targets are far from being in line with the 1.5°C target.*

- **Finance gap**
  
  *Massive - but in principle existing – financial contributions are necessary.*
WWF Framework: Credible and effective corporate climate strategy

- Greenhouse gas inventory including value chain (Scope 1-3)
- Annual update and disclosure of inventory
- Application of global standards (Greenhouse Gas Protocol, CDP)

- Science-based targets: reduction targets on a 1.5°C pathway (according to SBTi)
- Roadmap: Planning and implementing of measures to achieve target(s)
- External validation of progress

- Moving away from offsetting («ton-for-ton»)
- Pricing of remaining emissions with the social costs of carbon
- Investment of climate finance with holistic impact for people, nature and climate

- Mobilization of employees, suppliers, industry partners, customers, etc.
- Effective advocacy program for progressive climate legislation
- Withdrawal of support for climate-destructive activities

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«Truth in claims»

Transparent and honest communication
Climate Finance with the Contribution Approach  
The successor model of CO₂ offsetting

Element 1 and 2

Reduction target and measures (Scopes 1-3)  
1.5°C science-based reduction pathway
Climate Finance with the Contribution Approach
The successor model of CO₂ offsetting

Element 3

\[ \text{Remaining emissions} \times \text{social cost of carbon} = \text{Climate Finance} \]

- **Internalization** of social and environmental damage costs
- **Incentives** are set correctly: *Promotion of emission reductions* in own value chain, incl. supplier engagement and support
Climate Finance with the Contribution Approach
The successor model of CO₂ offsetting

Element 3

\[ \text{Emissions in tons of CO}_2 \text{eq} \times \text{social cost of carbon} = \text{Climate Finance} \]

Phase-in of residual emissions (e.g., initially only scopes 1 and 2) and CO₂ price possible.

The aim is:

- a CO₂ price in a magnitude of the damage cost of carbon
- the consideration of all residual emissions
Beyond Value Chain Action: Portfolio of measures to contribute to **global goals** (SDGs, global net zero) and **accelerate global transformation**, helping to close the ambition, emission and finance gaps

- Community-needs-based interventions with benefits for people, nature and climate (mitigation, resilience, adaptation), not narrow carbon focus
  - Landscape approach, multi-stakeholder governance
  - Human Rights and Environmental DD, incl. FPIC, input mechanisms
  - Just and equitable benefit sharing
  - Holistic criteria set to measure and transparently report benefits and challenges, well beyond CO₂ metric
    - Outcomes, incl. ER go to host country SDGs, NDCs

- Innovation

- Advocacy

- Purchase of CO₂ certificates as part of a climate finance portfolio possible
  - Certification can contribute to quality assurance, transparency
  - Certificates must be retired immediately, not used for offsetting and neutrality claims

**Contribution Claim:** I have contributed to…
Climate Finance with the Contribution Approach: Mindset-shift from ME to WE
The successor model of CO₂ offsetting

Kyoto 1997
(In effect from 16/2/2005)

„Carbon neutrality“ of own operations
Are we carbon neutral?

How can we offset our emissions?

What are the cheapest offsetting options? («race to the bottom»)

Paris 2015
(In effect from 1/1/2021)

„Contribution“ to global goals and system transformation
Are our actions aligned with and contributing to global goals and global net-zero?

How can we best contribute to global goals and system transformation, outside our own value chain?

What interventions have the greatest value and impact for advancing global goals and system transformation? («race to the top»)
Why contributing to climate finance beyond value chain?

- Preventing negative **business impact** by accelerating climate change and biodiversity loss and its worsening impacts
- **Climate leadership** to scale effective climate finance beyond cheap offsetting, inspiring best practice for other companies
- Taking **responsibility** for remaining emission on the way to corporate net zero
- Preventing company from **reputational and legal risks**
- Investment in **systemic solutions and transformational activities** lacking finance under current credit-focused VCM offers
- Opportunity for **customer engagement** and communication
What’s happening at the moment?

- Companies turn away from compensation and neutrality claims
  - EasyJet to stop offsetting CO2 emissions from December
    - Airlines unveil ‘roadmap to net zero’ strategy focusing on sustainable fuel and more efficient planes
  - Shell signals retreat from carbon offsetting
    - Oil company is latest firm to act amid indications that carbon credits do nothing to mitigate global heating
  - Nestlé drops its ‘carbon neutral’ pledge and cancels carbon offsetting
    - Supermarket chain Rewe stops advertising own-brand products as “climate neutral”

- New claims and offers are being developed
  - It needs more than new claims and higher quality credits
  - It needs new mechanisms & solutions and a mindset-shift
Where do we still have to go?

- Mindset-shift and action towards “money-for-ton” with the contribution approach
- Develop new offers, mechanisms and solutions for effective climate finance: holistic interventions, advocacy & innovation
- Define, continuously learn and improve how to implement, measure and transparently report these interventions
- How can we jointly develop, implement and scale such interventions?
Thank you for your attention
Recommended readings

- Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature
- Beyond Carbon Credits: A Blueprint for High-Quality Interventions that Work for People, Nature and Climate
- Fit für Paris: Ein Leitfaden, wie sich unternehmerische Klimastrategien mit dem Pariser Abkommen vereinbaren lassen
The problems with the offsetting/compensation-system

- **The zero-sum game**: emissions saved in one place are emitted in another place.
- **Wrong incentives** through offsetting and neutrality claims: instead of reducing own emissions, certificates are purchased.
- **Quality problems**, e.g. due to race to the bottom of price:
  - **Baseline Inflation**: overestimated baselines generate far too many certificates (see e.g. Guardian article)
  - **Leakage**: avoided emissions in one place lead to emissions in another place (e.g. deforestation happens somewhere else)
  - **Permanence**: CO2-sequestration/reduction does not happen at the same time scale as emission. The emitted CO2 stays in the atmosphere for about 1000 years, no project can guarantee these time scales. The sold carbon credit does not have the same currency as the emitted CO2 (**Fungibility**).
  - **Additionality**: the project would have been realized anyway (e.g. renewable energy projects)
- Since Paris Agreement the risk of **double counting & claiming** comes on top: reduction is counted/claimed in the host country and from the buyer of the certificate.
  - ‘Corresponding adjustments’ only solve the problem to a limited extent as they do not provide an incentive for countries to set ambitious targets (NDCs).
Die Probleme mit der Kompensation...

- **Anreizsystem** (Kompensation statt Reduktion, Neutralitätsclaim als Ziel)
- **Qualitätsprobleme**, welche durch Anreizsystem verstärkt werden (race to the bottom)
- **Pariser Vereinbarung** (Zielsetzungen, Gefahr Doppelzählung/claiming)

Wie schaffen wir es weiterhin Klimaschutz beyond value chain zu finanzieren…

… und gleichzeitig dieser (berechtigten) Kritik zu begegnen?
Increasing alignment of civil society

A broad coalition of over 170 NGOs, advocacy groups, and grassroots organizations spanning the globe released a statement opposing the usage of carbon offset programs, declaring that carbon offset programs are false solutions that will not solve the climate crisis:

CAN International
Position on Carbon Offsetting

October 2022

Climate Action Network (CAN) is a global network of more than 1,800 civil society organizations in over 130 countries driving collective and sustainable action to fight the climate crisis and to achieve social and racial justice. CAN convenes and coordinates civil society at the UN climate talks and other international fora.

Humanity will not limit global warming to 1.5°C without dramatically reducing emissions from burning fossil fuels and land-use change. Whilst CAN strongly advocate financing for climate action, including for the protection and restoration of carbon-rich and biodiverse ecosystems, CAN rejects the practice of offsetting to tackle the climate crisis. We reject public, governmental and corporate offsetting. There are far better and more valid alternatives for protecting biodiversity than offsetting. These include effective regulations, contributions, donations, protection of the rights of indigenous communities, and other means.

Climate-driven wildfires, flooding, droughts and other extreme weather events daily impact every corner of the globe.

Yet the fossil fuel industry, big utilities, big agriculture, big finance — and their political allies — are pushing carbon offset schemes to allow them to continue releasing the greenhouse gases driving the climate crisis, harming indigenous, Black, and other already-marginalized communities, and undermining sustainable farming and forestry practices.

The science is clear: we need to rapidly phase out fossil fuels and emissions-intensive agricultural practices like factory farming, while protecting forests, wetlands, and other natural carbon sinks. Every delay means greater impacts on our climate and more pollution in historically overburdened communities.

Amazon Watch and 170+ other organizations

For more information, contact:
+1 510.281.9029 or press@amazonwatch.org
To summarize

- The compensation market is broken and subject to increasing criticism.
- Financing climate protection or nature conservation is still important and urgently needed.
- Companies and private individuals can contribute to closing the existing financing gap.

- How to continue to support voluntary and additional climate protection and at the same time create a shift away from offsetting?

- It needs more than new claims and higher quality credits
- It needs new mechanisms & solutions and a mind-shift