

Answers to public consultation SBTi BVCM

1. Defining BVCM

6. In defining BVCM, do you think that the SBTi should:

- a) Maintain the definition on BVCM as set out in the Corporate Net-Zero Standard: “Mitigation action or investments that fall outside a company’s value chain, including activities that avoid or reduce GHG emissions, or remove and store GHGs from the atmosphere”?
- b) Amend the definition that was set out in the Corporate Net-Zero Standard to reflect that mitigation actions or investments may not have guaranteed outcomes: “Mitigation action or investments that fall outside a company’s value chain, including activities that seek to avoid or reduce GHG emissions, or remove and store GHGs from the atmosphere”?
- c) No comment.
- d) **Other, please specify.**

"We would support an evolution of the definition to broaden the scope of BVCM for activities that have uncertain climate benefits in the short term. However, the proposed amendment would be a step too far, because "seeking" to have a climate impact is not enough. We would suggest language along the lines of "that can be reasonably expected to lead to significant benefits for the climate"."

7. In your opinion, BVCM should include:

- a) Quantifiable mitigation only.
- b) **Both quantifiable and unquantifiable mitigation.**
- c) No comment.

8. In your opinion, how important on a scale of 0–100 is it that companies investing in BVCM ensure that mitigation outcomes are additional, i.e., the mitigation would not have occurred in the absence of BVCM activities and investments? (0 being not important and 100 being very important)

100 (This is in line with NCI's stance on making investment into emissions reductions or removals a matter of "high-hanging fruits", i.e. by deeming additionality very important, investments are channeled to where it is most needed.)

9. Linked to the question above, which of the statements below do you support? If neither, please tick other and specify your position:

- a) Companies should only be able to count actions and investments towards their BVCM commitments if they are subject to the same additionality tests as carbon credits.
- b) The SBTi should incentivize investment into mitigation which might not meet strict additionality requirements but which is currently underfinanced.
- c) No comment.
- d) **Other, please specify.**

"We support the need for activities to be additional, however, the current additionality tests applied for carbon credits are imperfect, and not necessarily replicable to activities that do not generate credits (e.g. activities that cannot be quantified) and hence we would not support the element of option a) that suggests that only additionality tests used for carbon credits should be relied upon."

10. While the SBTi intends to align with the GHG Protocol, we are interested in perspectives on double claiming between BVCM and corporate scope 1–3 GHG inventories. In your opinion, how important on a scale of 0–100 is it that companies investing in BVCM avoid double claiming between one company's BVCM activities and other companies' scope 1, 2 and 3 GHG inventories? (0 being not important and 100 being very important)

60 (Egregious types of double claiming should be avoided, but double claiming overall is kind of inevitable.)

11. Linked to the question above, the SBTi is seeking feedback on perspectives on double claiming in a situation where one company (Company A) makes an investment to deliver a BVCM outcome which occurs in the scope 1, 2 and 3 value chain inventory of another company (Company B). In this situation, which of the below options do you most agree with?

- a) Only one of the companies should be able to claim the mitigation outcome and they should agree which company can claim it (either Company A for BVCM or Company B for its science-based target).
- b) Only Company A should be able to claim the mitigation outcome as BVCM and Company B must not count the mitigation outcome towards the delivery of its science-based target.
- c) **If Company A makes a climate “contribution” claim regarding its BVCM investments, as opposed to what is often referred to as a climate “compensation claim”, then both companies should be able to claim the mitigation outcome (Company A for BVCM and Company B for its science-based target). However, if Company A makes a compensation claim in relation to its BVCM investments, then Company B must not count the mitigation outcome towards the delivery of its science-based target.**
- d) Both companies should be able to claim the mitigation outcome regardless of the claim that Company A intends to make about its BVCM activities and investments (Company A can claim the mitigation outcome to fulfil its commitment to BVCM and Company B can claim the mitigation outcome towards the delivery of its own science-based target).
- e) No comment.
- f) Other, please specify.

12. In your opinion, how important on a scale of 0–100 is it that companies investing in BVCM ensure permanence of mitigation outcomes? (0 being not important and 100 being very important)

85 (Depends how permanence is defined, and what claims are made.)

13. Linked to the question above, which of the statements below do you support? If neither, please tick other and specify your position:

- a) Companies should only be able to count actions and investments towards their BVCM commitments if they have mitigation measures in place to manage the risk of reversals including monitoring of the continued storage of carbon.
- b) The SBTi should incentivize investment into mitigation with short-lived storage and therefore, given monitoring of permanence represents a barrier for companies, the SBTi should set a lower bar for ensuring permanence of mitigation for BVCM (since it is above and beyond a company's science-based target).
- c) No comment.
- d) **Other, please specify.**

“Companies should be encouraged to invest in solutions that deliver durable impacts, and emission reductions or removals that are stored on a timescale that is relevant to the climate system (at least 200-300 years). At the same time, action to protect existing sinks in the short term is needed, and this can be done, even if the durability of the impacts cannot be guaranteed with the same level of uncertainty, as long as this is not used to make compensation claims.”

14. Is the distinction between BVCM and neutralization of residual emissions described in this document clear? (yes/no)

Yes

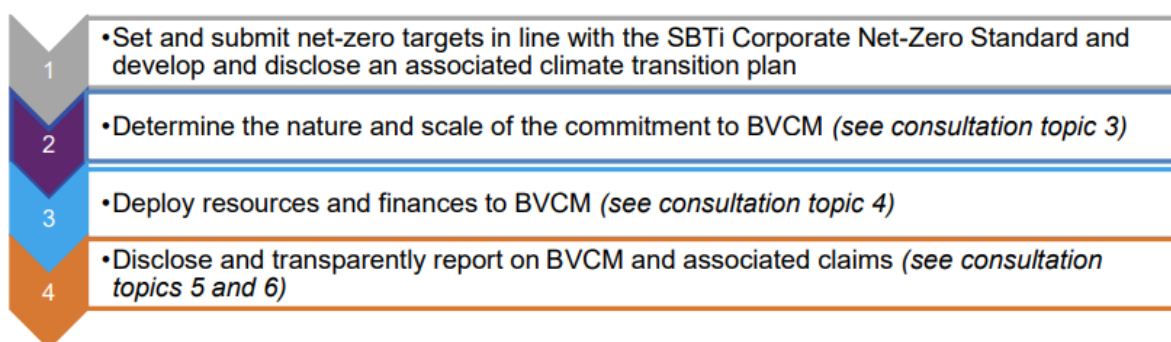
15. If you have suggestions for how to further clarify the distinction between BVCM and neutralization of residual emissions, please provide them here. (open text)

In the row describing “Within/beyond the value chain i.e., scopes 1-3”, a specific reference to the mitigation hierarchy and the need to focus on and prioritise reductions should be made.

2. Overarching process for BVCM

16. Our objective in including this visualization is to provide a clear process to guide companies implementing and investing in BVCM. Do you feel that this process is helpful for the reader?

Figure 3: Proposed overarching process for BVCM



Note: for information on climate transition plans, see CDP's technical note on this topic.²⁸

- a) **Very helpful**
- b) Somewhat helpful
- c) Not so helpful
- d) Not at all helpful

17. If you have feedback on this process or the diagram, please provide suggestions on how it could be improved. (open text)

The need for both a short-term and long-term target could be explicitly mentioned to emphasize their importance.

3. Determining the nature and scale of the commitment to BVCM

18. In your opinion, application of which method(s) would result in the greatest outcomes for climate?

- a) Ton-for-ton
- b) Money-for-ton**
- c) Money-for-money**
- d) No comment
- e) Other, please specify

19. In your opinion, application of which method(s) best reflect corporate climate leadership?

- a) Ton-for-ton
- b) Money-for-ton**
- c) Money-for-money**
- d) No comment
- e) Other, please specify

20. In your opinion, which method(s) would be the most attractive to companies?

- a) Ton-for-ton
- b) Money-for-ton**
- c) Money-for-money
- d) No comment
- e) Other, please specify

21. In your opinion, application of which method(s) best shield companies from criticism and greenwashing?

a) Ton-for-ton

b) Money-for-ton

c) Money-for-money

d) No comment

e) Other, please specify

22. In your opinion, what are the key benefits associated with each of the methods described?

Money-for-ton:

- Internal carbon price can be determined based on numerous factors, including fairness, urgency of action, etc.
- Enable to move away from the race to the bottom created by tonne-for-tonne offsetting, and instead increase finance towards higher cost mitigation options
- Enables investments in transformative activities that might have uncertain or unquantifiable outcomes but are reasonably expected to deliver significant impacts in the future
- Stronger incentive for value chain emission reductions

Money-for-Money:

- Enable to move away from the race to the bottom created by tonne-for-tonne offsetting, and instead May increase finance towards higher cost mitigation options
- Enables investments in transformative activities that might have an uncertain or unquantifiable outcomes but are reasonably expected to deliver significant impacts in the future. (e.g., efforts to stop deforestation, R&D beyond the value chain or capacity building)
- Enables inclusion of fairness angle by ensuring that the richest actors also contribute the most to climate action

23. In your opinion, what are the key risks associated with each of the methods described?

Ton-for-ton:

- Race to the bottom (gold rush for the cheapest market prices, resulting in low-quality credits taking over the stage)
- Increasing backlash in certain markets associated with claims that mislead consumers about the climate impact of products or services (resulting in regulatory risk, litigation risk and reputational risk)
- No link between investment volume and externality linked to unabated emissions

Money-for-ton:

- Difficult to establish the “right” price (e.g., social cost of carbon or otherwise)

Money-for-Money:

- Doesn't incentivize value chain abatement as it is not linked to the unabated emissions

24. In your opinion, what is best practice application of each of the methods described?

Table 4: Applying the allocation approaches to the three methods for determining the nature and scale of the BVCM commitment

Allocation approach	Method for determining the nature and scale of the BVCM commitment		
	Ton-for-ton	Money-for-ton	Money-for-money
Willingness to pay (it is expected that the SBTi will not recommend this approach)	Company chooses the percentage of unabated emissions to be matched by BVCM.	Company chooses the price of carbon and the percentage of unabated emissions to which the price of carbon is applied.	Company chooses the percentage of profit which will be channeled into BVCM.
Polluter pays	Company matches 100% unabated emissions (and possibly also historic emissions) with a proportional amount of BVCM.	Company applies a social cost of carbon applied to at least 100% of unabated emissions (and possibly also historic emissions).	Method not consistent with polluter pays principle as it is not tied to the unabated emissions.
Ability to pay	Some weighting which takes into account ability to pay applied to tCO ₂ e of unabated emissions to determine a tCO ₂ e volume of BVCM to be delivered.	Some weighting which takes into account ability to pay applied to the social cost of carbon and/or to the tCO ₂ e of unabated emissions to determine a financial commitment to BVCM to be delivered.	The SBTi or other standard setter makes a science- and value-based judgement on the percentage of profit which companies should invest into BVCM e.g., 1.5%.

The best option would be the polluter pays + money-for-ton, or ability to pay + money-for-ton.

25. For the ton-for-ton method, in your opinion, how important is it to ensure permanence of mitigation outcomes on a scale of 0–100 (0 being not important and 100 being very important)?

100

26. For the money-for-ton method, in your opinion, how important is it to ensure permanence of mitigation outcomes on a scale of 0–100 (0 being not important and 100 being very important)?

70

27. For the money-for-money method, in your opinion, how important is it to ensure permanence of mitigation outcomes on a scale of 0–100 (0 being not important and 100 being very important)?

70

28. For the ton-for-ton method, in your opinion, how important is it to ensure additionality of mitigation outcomes on a scale of 0–100 (0 being not important and 100 being very important)?

100

29. For the money-for-ton method, in your opinion, how important is it to ensure additionality of mitigation outcomes on a scale of 0–100 (0 being not important and 100 being very important)?

100

30. For the money-for-money method, in your opinion, how important is it to ensure additionality of mitigation outcomes on a scale of 0–100 (0 being not important and 100 being very important)?

100

31. For the ton-for-ton method, in your opinion, how important is it to avoidance of double claiming between one company's BVCM activities and other companies' scope 1, 2 and 3 GHG inventories on a scale of 0–100 (0 being not important and 100 being very important)?

75 (Depends whether that other company has a target, and how it would report that reduction.)

32. For the money-for-ton method, in your opinion, how important is it to avoidance of double claiming between one company's BVCM activities and other companies' scope 1, 2 and 3 GHG inventories on a scale of 0–100 (0 being not important and 100 being very important)?

45

33. For the money-for-money method, in your opinion, how important is it to avoidance of double claiming between one company's BVCM activities and other companies' scope 1, 2 and 3 GHG inventories on a scale of 0–100 (0 being not important and 100 being very important)?

70

34. For the ton-for-ton method, in your opinion, how important is it to ensure avoidance of double claiming between companies and countries on a scale of 0–100 (0 being not important and 100 being very important)?

100

35. For the money-for-ton method, in your opinion, how important is it to ensure avoidance of double claiming between companies and countries on a scale of 0–100 (0 being not important and 100 being very important)?

45

36. For the money-for-money method, in your opinion, how important is it to ensure avoidance of double claiming between companies and countries on a scale of 0–100 (0 being not important and 100 being very important)?

45

37. For the ton-for-ton method, in your opinion, how important is it to ensure avoidance of leakage (where this is relevant for the given mitigation activity) on a scale of 0–100 (0 being not important and 100 being very important)?

100

38. For the money-for-ton method, in your opinion, how important is it to ensure avoidance of leakage (where this is relevant for the given mitigation activity) on a scale of 0–100 (0 being not important and 100 being very important)?

60

If some leakage occurs that accounts for less than your (positive) impact, and you're not counting tonnes delivered anyway, then that doesn't seem to be a problem to me. For example, you reduce 100 tonnes, but because of leakage, emissions rise by 30 tonnes elsewhere. As long as you claim to have delivered impact - rather than saying that you have delivered 100 tonnes - then your claim is still true.

39. For the money-for-money method, in your opinion, how important is it to ensure avoidance of leakage (where this is relevant for the given mitigation activity) on a scale of 0–100 (0 being not important and 100 being very important)?

60

If some leakage occurs that accounts for less than your (positive) impact, and you're not counting tonnes delivered anyway, then that doesn't seem to be a problem to me. For example, you reduce 100 tonnes, but because of leakage, emissions rise by 30 tonnes elsewhere. As long as you claim to have delivered impact - rather than saying that you have delivered 100 tonnes - then your claim is still true.

40. For the ton-for-ton method, in your opinion, how important is it to ensure fungibility between BVCM and unabated emissions on a scale of 0–100 (0 being not important and 100 being very important)?

100

41. For the money-for-ton method, in your opinion, how important is it to ensure fungibility between BVCM and unabated emissions on a scale of 0–100 (0 being not important and 100 being very important)?

35

If a company spends 50 million in BVCM to finance actions that can't be quantified very accurately, that would still be good, and yet there would be no fungibility.

42. For the money-for-money method, in your opinion, how important is it to ensure fungibility between BVCM and unabated emissions on a scale of 0–100 (0 being not important and 100 being very important)?

35

If a company spends 50 million in BVCM to finance actions that can't be quantified very accurately, that would still be good, and yet there would be no fungibility.

43. Given there are tensions between responsibility and ability to pay, in your opinion, should the SBTi further explore a hybrid option which weights responsibility and ability to pay by considering elements such as profits per tCO₂e unabated emissions, the investment needs for

abating value chain emissions and potentially other factors such as historic emissions or regional distribution of emissions?

If yes, please provide suggestions if you have them for a methodology that could underpin this hybrid option. (open text)

Combination of:

- Historical emissions
- Sector performance (based on CO2 intensity compared with sector median) - to ensure that less efficient companies, from a GHG perspective, are penalised for their lack of efficiency
- Profits (ability to pay)
- [Location (lower price in emerging economies)]
- Contribution to the real economy (e.g. number of employees) - to ensure that companies which generate outstanding profits while contributing very little to the real economy have to contribute more to climate action

4. Deploying resources and finance across BVCM activities

44. In your opinion, to what extent will the combination of the:

(i) six principles for BVCM portfolio design, the

(ii) guiding questions,

(iii) illustrative examples of aligned mitigation actions,

(iv) cross-cutting minimum standards and social safeguards, and

(v) case studies in consultation topic 9 be helpful for companies in deciding where to channel their BVCM resources and investments?

a) Very helpful

b) Somewhat helpful

c) Not so helpful

d) Not at all helpful

45. In your opinion, what could be improved to better support companies in deciding where to channel their BVCM resources and investments? Is anything missing or redundant?

e) The six principles (open text)

- Sectoral guidance for which principle(s) should be prioritised for which sector
- Principle two (Urgency: Avoiding tipping points and lock-in): Under point b) Risk of high-carbon technology or infrastructure lock-in, the importance of divesting BEFORE engaging in BVCM should be emphasised. It is important to mention this point here, but an additional sentence in the beginning of the paragraph clarifies that “only” driving your investment away from high-carbon technologies is not sufficient.

f) The guiding questions (open text)

g) The illustrative examples (open text)

h) The cross-cutting minimum standards and social safeguards (open text)

i) The case studies in consultation topic 9 (open text)

46. In your opinion, should the SBTi provide more guidance on the operationalization of the principles for BVCM portfolio design? (yes/no/no comment)

Yes

47. Please provide recommendations if you have them on how companies might operationalize the principles? (open text)

See answer to Q45.

Principle 4 (Financing Need: Focusing on underfinanced mitigation) deserves bigger attention.

5. BVCM-related claims

48. Given that claims are often under the jurisdiction of governments, on a scale of 0–100, how directive do you think the SBTi should be when providing guidance on BVCM claims (a score of 0 would be providing a discussion of the role of claims, a score of 100 would be defining claims)? If you are at a company, it might be useful to consider this question with your legal and marketing teams.

90

49. Are there other federal, national and/or supra-national government-led efforts on claims that should be highlighted in the document? (open text)

Not that I know of.

50. Are there important trends in claims that you feel have been missed in the discussion of claims in this document? Please provide a description and references. (open text)

SBTi emphasizes the mitigation hierarchy, which is an important trend that deserves attention. The first step in a company's pathway to being 1.5 aligned is to reduce its internal emissions. Only real residual emissions should be "neutralised", and only for mitigation activities that address real residual emissions should claims be used.

However, this view is now shared by all actors in the domain. The contribution claim provided by SouthPole ("FCA") does not consider a company's internal decarbonisation strategy as an eligibility criterion. The SBTi should outline the risks of big polluters being able to claim to be contributing to climate action, while contributing to climate change at the same time. The importance of the mitigation hierarchy should be stressed.

51. Given the emerging regulatory context and the fact that the SBTi will not be validating BVCM claims at this time, what information would be most helpful to companies within this guidance? (open text)

Emphasising the current shift away from compensatory claims, i.e. a clear shift away from tonne-for-tonne approaches and their related “compensatory” claims. It is important to communicate clearly to companies that such tonne-for-tonne-related claims are no longer perceived as credible and best-practice, and instead constitute a liability (e.g. legal and PR).

6. Reporting on BVCM

52. In your opinion, should the SBTi recommend additional reporting questions? If so, please describe your proposal. (open text)

53. In your opinion, should any of the recommended reporting questions be removed? If so, please specify which reporting question should be removed and describe why. (open text)

54. In your opinion, should any of the recommended reporting questions be edited? If so, please specify which reporting question should be edited and describe your proposal. (open text)

- **Q 9:** All principles could be named in sub questions to enhance reporting structure. Companies can then report on each principle per BVCM activity.
- **Q11** can be split into two questions. This emphasizes how critical it is to not mislead consumers.
- **Q13+15:** remove the “or” option.

55. Where do you recommend companies report against these questions? (multiple tick box)

a) Submission to the SBTi which can then aggregate information on a public dashboard

b) In their sustainability reports or websites

c) In their financial report

d) To a reporting initiative such as CDP

e) Other, please specify

7. Incentives for BVCM

56. In your opinion, what are the most significant barriers preventing BVCM investment? Please rank the barriers below in terms of their significance (with a rank of 1 being the most significant):

1. **Other: "Lack of mandatory regulation from governments (as a result of corporate lobbying), and lack of requirement from initiatives like SBTi"**
2. Weak financial business case
3. Lack of consumer demand
4. Lack of investor demand
5. Lack of a credible claim for communicating BVCM activities and investments
6. Fear of greenwash accusation
7. Lack of standardized guidance on minimum standards and best practice
8. Perception of environmental and social risks associated with BVCM
9. Lack of customer demand (relevant for business-to-business companies)
10. Lack of available funds

57. In your opinion, which new incentive mechanisms could be most impactful in driving BVCM investment? Please rank the new incentive mechanisms below in terms of their significance (with a rank of 1 being the most significant):

1. Consumer-facing campaigns to ensure BVCM is considered part of the social license to operate and to spotlight high ambition companies
2. Integration of BVCM reporting requirements into ESG frameworks such as SASB, GRI and ISSB
3. Development of BVCM standards by a dedicated body (i.e., not the SBTi)
4. Regulation on BVCM-related claims
5. Integration of BVCM reporting requirements into the CDP questionnaire

6. Assessment and certification of BVCM targets by a dedicated body
7. Tax incentives
8. Assessment and certification of BVCM claims by a dedicated body
9. Integration of BVCM reporting requirements into the Taskforce on Climate-related Financial Disclosures (TCFD)
10. Other

58. In your opinion, how might the SBTi incentivize companies to invest in BVCM? (open text)

- Integrate BVCM reporting into SBTi net-zero target submission
- Include information about a company's BVCM contribution on the SBTi company dashboard
- Provide clear recommendations to companies to contribute to BVCM through the money-for-tonne or the money-for-money approaches
- Provide companies with claims guidance, and emphasize the importance of BVCM for companies wishing to make green claims

59. Please provide any additional insights on what could incentivize greater BVCM investment. If you identified other barriers or incentive mechanisms in your ranking above, please describe those here. (open text)

- Maybe something like a "trend" observing tool that can - based on the 6 Principles - detect BVCM activities that acutely need financing. Example: "Technology tipping point for technology XYZ almost reached - direct your BVCM finance here before year ABC."

8. Terminology

60. Do you have any suggested edits to the above definitions or sources? Are there any authoritative sources that provide conflicting or misaligned definitions for these terms? Please clearly state the term to which you are referring. (open text)

- **Money-for-money method/Money-for-ton method/Ton-for-ton:** "This is a method for determining the nature and scale of a company's commitment to beyond value chain." misses the "mitigation" of BVCM.
- **Neutralization of residual emissions:** It's unclear whether the last sentence is supposed to be an explanation or a normative statement. It could be interpreted as SBTi stating that unabated emissions can be neutralised through removals within a company's value chain. That would not be in line with SBTi FLAG guidance for example, which creates a firewall between removals in a company's value chain, and residual emissions. Suggest deleting this last sentence.

61. Are there other key terms related to BVCM that you think the SBTi should seek to define and standardize? (open text)

9. Illustrative case studies

62. In your opinion, how helpful are the illustrative case studies in bringing to life how the SBTi's recommendations on BVCM would be applied in practice?

a) Very helpful

b) Somewhat helpful

c) Not so helpful

d) Not at all helpful

63. If you have feedback on these illustrative case studies, please provide suggestions on how they could be improved. For example, do you recommend we provide case studies for other sectors and are there any sectors for which the guidance might differ substantially, e.g., potentially financial institutions? (open text)

"Case study 3 highlights the possible relationship between the percentage of profit that a company should invest and its sectoral performance. This is something we support and it should be explored further as an option to operational BVCM approaches".

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