CARBON MARKET WATCH

Response to SBTi

Call for evidence on the effectiveness of Environmental Attribute Certificates in climate targets.

This submission is a collaboration between Carbon Market Watch and NewClimate Institute. All pieces of evidence submitted are in the name of both organisations.

Our collaborative submission consists of 45 pieces of evidence, delivered in nine separate submissions (of five pieces of evidence each). To enhance readability, we summarised the submission in this document. If you are interested in the full submission, please contact us via khaled.diab@carbonmarketwatch.org

Three pieces of evidence were given full attention (see top three pieces of evidence). The other 42 pieces of evidence were submitted, with no further justification. We pasted this text, plus quotes from the evidence that matched the research question, for each question: "This piece of evidence relates to this and other Research Questions. Given that we submitted many inputs, we did not have capacity to answer each question for each input and to tailor this answer to each question of the survey. "

Full list of submitted pieces of evidence

1. **Berkeley Carbon Project (2023).** Quality Assessment of REDD+ Carbon Credit Projects.
2. **Carbon Offset Guide (2022).** Frequently asked questions: Green power purchasing claims and greenhouse gas accounting.
    a. FAQ Carbon Offset Guide: Should I use the "location-based" or "market-based" method to estimate my corporate Scope 2 GHG emissions? (see also: Should I use RECs or GOs to calculate my organization's carbon footprint?)
    b. FAQ Carbon Offset Guide: Should I use RECs or GOs to calculate my organization's carbon footprint?
3. **ANNEX to the Commission Delegated Regulation** (EU) .../... supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.
4. **CCQI (2023).** CCQI factsheets on carbon credit methodology assessments
5. **NewClimate Institute (2020).** Future role of the voluntary carbon market in the Paris era.
6. **Öko Institute (2023).** Assessing the transparency and integrity of benefit sharing arrangements related to voluntary carbon market projects.
7. **Berkeley Public Policy, The Goldman School.** Repository of Articles on Offset Quality (this is a research database providing scientific evidence for the unsuitability of VCM carbon credits for discounting accounted emissions in climate targets) .
    a. Freeman, O. E. & Zerriffi, H. (2014). How you count carbon matters: Implications of differing cookstove carbon credit methodologies for climate and development cobenefits. Environmental Science and Technology, 48(24), 14112–14120. https://doi.org/10.1021/es503941u
8. **Öko Institute (2016).** How additional is the Clean Development Mechanism?
9. **Haya et al. (2023).** Cooking the books: pervasive vercrediting from cookstove offset methodologies.
10. **Coffield et al. (2022).** Using remote sensing to quantify the additional climate benefits of California forest offset projects.
11. **Badgley et al. (2022).** California's forest carbon offset buffer pool is severely undercapitalized.
12. **Badgley et al. (2021).** Systematic over-crediting in California's forest carbon offset programme.

13. **West et al. (2023).** Action needed to make carbon offsets from forest conservation work for climate mitigation.
14. **West et al. (2020).** Overstated carbon emission reductions from voluntary REDD+ projects in the Brazilian Amazon.
15. **Perspectives Climate Group (2023).** Assessing the robustness of carbon market grievance mechanisms.
16. **Brander and Bjørn (2023).** Principles for accurate GHG inventories and options for market-based accounting.
17. **Bjorn et al. (2022).** Renewable energy certificates threaten the integrity of corporate science-based targets.
18. **Brander et al. (2018).** Creative accounting: a critical perspective on the market-based method for reporting purchased electricity (scope 2) emissions.
19. **Nordenstam et al. (2018).** Corporate greenhouse gas inventories, guarantees of origin and combined heat and power production – analysis of impacts on total carbon dioxide emissions.
20. **Gillenwater (2022).** Examining the impact of GHG accounting principles. Carbon Management.
21. **Carbon Market Watch (2021).** Net-zero pipe dreams: Carbon-neutral fossil fuel claims amount to greenwashing.
22. **Carbon Market Watch (2022).** Flights of Fancy: Preventing European airlines from making far-fetched climate claims
23. **Carbon Market Watch (2021).** Two Shades of Green: How hot air forest credits are being used to avoid carbon taxes in Colombia.
24. **Brander (2022).** The most important GHG accounting concept you may not have heard of: the attributional-consequential distinction
25. **Bjorn et al. (2022).** Renewable energy certificates allow companies to overstate their emission reductions.
26. **UN HLEG Recommendations**. Integrity Matters
27. **New Climate Institute and Carbon Markets Watch (2022).** Corporate Climate Responsibility Monitor 2022 (PDF)
28. **IPCC Guidelines** for National Greenhouse Gas Inventories (2006).
29. **Carbon Market Watch (2023).** Assessing the carbon neutrality claims of products in belgian supermarkets.
30. Carbon Market Watch (2023). Yellow card for 2022's FIFA World Cup carbon neutrality claim.
31. **Carbon market Watch (2023).** Secretive intermediaries: are carbon markets really financing climate action?
32. **Broekhoff (2022).** Expert report by Derik Broekhoff on climate compensation.

33. **Rainforest foundation UK (2023).** Credits where they are not due: a critical analysis of the major REDD+ schemes.
34. **GHG Protocol (2022).** Land Sector and Removals Guidance, Draft for Pilot Testing and Review, Part 2.
35. **The Guardian (2023).** Revealed: top carbon offset projects may not cut planet-heating emissions.
36. **New Yorker (2023).** The Great Cash-for-Carbon Hustle'
37. **Bloomberg Green (2022).** This Timber Company Sold Millions of Dollars of Useless Carbon Offsets.
38. **Bloomberg (2020).** The real trees delivering fake corporate climate progress"
39. Rainforest foundation UK (2020). REDD minus: the rhetoric and reality of the MaiNdombe REDD+ programme.
40. **Bloomberg (2020).** How Mexico's vast tree-planting program ended up encouraging deforestation.
41. **Calyx Global (2023).** Science vs. Everland: who is right on REDD+?.
42. **Carbon Market Watch.** Carbon credit tracker.
43. **Brandner et al. (2015).** Open letter on Scope 2 GHG Accounting.
44. **Cullenward et al. (2023).** Carbon offsets are incompatible with the Paris Agreement.
45. **GHG management institute (2022).** WHAT IS GREENHOUSE GAS ACCOUNTING? FITTING TO PURPOSES.

Top three pieces of evidence

Evidence 1.1

1. **Title your evidence submission**
   Berkeley Carbon Project: Quality Assessment of REDD+ Carbon Credit Projects

2. **Identify the types of attribute certificate to which your evidence applies.**

☐ Energy attribute certificates for electricity, heat, steam, and/or cooling
☐ Other energy carrier certificates, e.g., green hydrogen, green gas, SAFc
☑ Emission reduction credits
☐ Commodity certificates conveying an emissions attribute e.g. green steel
☐ Other (please specify)

3. **What type of evidence is this?**

☑ Empirical data or research study
☐ Report or white paper

- ☐ Statistical information
- ☐ Case study or example
- ☐ Survey or poll
- ☐ Legal or regulatory analysis
- ☐ Other (please specify)

4. **Please indicate if there are any conflicts of interest associated with the evidence piece you are submitting. Refer to our guidelines in Annexes C and D.**

- ☐ Yes, I am aware of a conflict of interest associated with the evidence
- ☑ No, I am not aware of any conflict of interest associated with the evidence

5. **Please explain the nature of any conflict of interest or perceived conflict of interest.**

   This study was funded by Carbon Market Watch, and the lead author of the research is on the board of Carbon Market Watch. However, Carbon Market Watch does not stand to gain anything, either financially or non-financially, from the results of this research. We therefore consider that there could be a perceived conflict of interest, but that this does not translate into an actual conflict of interest.

6. **Upload a cover letter (optional)**

Cover Letter

Berkeley Carbon Project: Quality Assessment of REDD+ Carbon Credit Projects and 'Error Log: Exposing the methodological failures of REDD+ forestry projects'

Question 6 SBTi submission on evidence

The report highlights significant concerns regarding the effectiveness of REDD+ carbon crediting programs and the broader voluntary carbon market in delivering measurable emission reductions. The identified issues revolve around **over-crediting, flawed methodologies, inadequate safeguards, and a skewed incentive structure, collectively compromising the integrity and efficacy of these offset mechanisms.** The voluntary carbon market plays a crucial role in allowing companies to offset their emissions by purchasing carbon credits from projects around the world. However, the report indicates several key issues that undermine the credibility and impact of these environmental attribute certificates.

Firstly, the analysis emphasizes that REDD+ projects, which constitute a substantial portion of carbon credits in the voluntary market, **often fail to deliver the claimed**

climate benefits. The methodologies used for quantifying emissions reductions are criticized for exaggerating the actual impact, with estimates consistently found to be overstated when compared to independent assessments and existing literature.

The focus on REDD+ projects is noted for its limitations in addressing the primary drivers of deforestation, such as large-scale agriculture, cattle ranching, logging, and mining. The report highlights that these projects predominantly target some of the world's poorest communities, shifting the burden away from more influential commercial entities responsible for deforestation. Moreover, the restrictions imposed on smallholder use of forest resources, while aiming to benefit forest communities, can lead to unintended negative consequences, including displacement or dispossession.

The study reveals a significant flexibility granted to project developers by Verra, the largest voluntary carbon market registry, in performing emissions reduction estimates and applying safeguards. This flexibility is commonly exploited to make methodological choices that inflate project benefits, rather than adhering to conservative estimates as required. Project auditors, hired by developers, are accused of not adequately enforcing compliance with standards, contributing to the credibility issues surrounding carbon credits.

Another critical aspect highlighted is the power imbalance in interactions between REDD+ project developers and local communities. Projects often originate externally, neglecting the perspectives and needs of the communities involved, raising concerns about the fairness and equity of these initiatives.

The overall conclusion drawn from the evidence presented is that REDD+ is deemed ill-suited for generating carbon credits as emission reduction factors. The incentive structure within the voluntary carbon market is criticized for fostering **over-crediting**, **which undermines the accuracy that is so urgently needed for measurable emissions reductions.** Decision-makers at every stage benefit financially from excess crediting. The report underscores the market's inherent flaws, creating a "race to the bottom" as buyers seek the cheapest credits, often associated with over-crediting, prioritizing financial gains over environmental and social considerations.

In addition to incentive issues, the report points out two fundamental challenges. First, it questions the wisdom of **treating REDD+ credits as equivalent to fossil fuel emissions offsets**, as it effectively transfers carbon from permanent storage to a short-duration carbon cycle, increasing the risk of release. Second, **uncertainties in REDD+ baselines and leakage impacts** are cited as significant obstacles, preventing credits from being viewed as reliable offsets for known amounts of carbon emissions.

In summary, the report raises serious doubts about the ability of environmental attribute certificates from REDD+ projects, to deliver meaningful and verifiable emission reductions within the current voluntary carbon market framework.

7. **Upload the evidence**
   Only PDF, DOC, DOCX, PNG, JPG, JPEG files are supported.

8. **Is the evidence relevant to the research questions?** [*drop down list of RQs, creates dependency; per RQ addressed, two Q's appear*]

9. **The evidence supports the following answer to Research Question 1 (What evidence exists about the effectiveness or ineffectiveness of environmental attribute certificates in delivering measurable emission reductions?)**

- ☐ Evidence supporting their effectiveness in delivering measurable emission reductions
- ☑ Evidence supporting their ineffectiveness in delivering measurable emission reductions
- ☐ Not sure/Other

10. **Please explain how the evidence addresses Research Question 1.**
    The report highlights significant concerns regarding the effectiveness of REDD+ carbon crediting programs and the broader voluntary carbon market in delivering measurable emission reductions. The identified issues revolve around ***over-crediting, flawed methodologies, inadequate safeguards, and a skewed incentive structure, collectively compromising the integrity and efficacy of these offset mechanisms.***

11. **The evidence supports the following answer to Research Question 2 (What evidence supports or opposes a causal link between specific operating conditions (geographies, regulatory schemes, presence or absence of tracking mechanisms or registries, etc.) and the effectiveness of environmental attribute certificates to deliver corporate emission reductions? Which conditions?)**

- ☐ Supports a causal link
- ☐ Opposes a causal link
- ☑ Not sure/Other

12. **Please explain how the evidence addresses Research Question 2.**
    The evidence supports a causal link between specific operating conditions, specifically REDD+ emission reduction certificates, and the effectiveness of delivering corporate emission reductions. This project type holds a set of risks which makes it unsuitable for attribution in corporate climate targets. The causal link between the specific operating condition and - therefore - the ***(in)****effectiveness of the environmental*

attribute certificate to deliver corporate emissions reductions is supported by the report, since it scientifically proves that REDD+ (the condition) is unable to deliver corporate emission reductions. The link to the condition is established, but is a negative one.

13. **The evidence supports the following answer to Research Question 3 (What regulatory safeguards and market infrastructure, if any, would need to be put in place for environmental attribute certificates to be effective and sustainable?)**

- [x] Regulatory safeguards and/or market infrastructure needed
- [ ] No safeguards or infrastructure needed
- [ ] Not sure/Other

14. **Please explain how the evidence addresses Research Question 3.**

The report suggests that current REDD+ safeguards are largely inadequate to protect people and the environment from harm. While it makes some recommendations to improve safeguards, it also highlights the fundamental tension between the incentive structure of carbon crediting markets, and the inherent risks that people face during the implementation of REDD+ projects. The research argues that no set of safeguard can appropriately protect people from harm in the context of REDD+ projects.

15. **The evidence supports the following answer to Research Question 4 (What evidence supports or opposes the ability of environmental attribute certificates to accurately reflect and quantify emission reductions in the context of corporate climate abatement targets?)**

- [ ] Supports
- [x] Opposes
- [ ] Not sure/Other

16. **Please explain how the evidence addresses Research Question 4.**

See reply to Q10.

17. **The evidence supports the following answer to Research Question 5 (What evidence exists that uptake of attribute certificates leads to or hinders the transformation needed to reach climate stabilization?)**

- [ ] Leads to transformation
- [x] Hinders transformation
- [ ] Not sure/Other

18. **Please explain how the evidence addresses Research Question 5.**

The report states that "This market system creates a race to the bottom that is hard to emerge from. Buyers seek the lowest-cost credits that are often the most over-credited, and the market values carbon over people by design."

19. **Please explain how the evidence addresses Research Question 6 (What specific evidence-based claims can and cannot be made when employing environmental attribute certificates to corporate decarbonization?)**

The report claims

- *"the resulting credits are used to publicly claim a lower impact on one of the most important public goods: the stability of the Earth's climate system." and*
- *"Companies buy these inflated carbon credits to sell "carbon neutral" flights and fuel, call themselves carbon neutral to investors, employees, and customers, and justify their own continued emissions. These credit purchases take funds and attention away from more effective climate mitigation and forest protection measures." and*
- *"REDD+ credits should not be traded with, or treated as equivalent to, fossil fuel emissions. Programs that use reductions in forest carbon emissions to offset fossil fuel emissions effectively transfer carbon from permanent storage as unmined fossil fuels to the short-duration carbon cycle where it is at risk of release into the atmosphere."*

*Therefore, emission reduction certificates should **never** be used to compensate for, or offset any fossil fuel emissions in the corporate GHG inventory.*

20. **The evidence supports the following answer to Research Question 7 (Is there evidence that supports or undermines that the market value of this type of instrument is commensurate with the abatement costs of the underlying activity?)**

☐ Supports
☑ Undermines
☐ Not sure/Other

21. **Please explain how the evidence addresses Research Question 7.**

"These credit purchases take funds and attention away from more effective climate mitigation and forest protection measures." Rather than allowing for emission reduction certifications to discount corporate GHG emissions to reach climate targets,

companies should invest in internal decarbonisation. Accounting for emission reduction certificates or other mitigation measures can be reported on separately.

22. **The evidence supports the following answer to Research Question 8 (Is there evidence that shows that the use of these instruments (i.e. procurement of the attribute certificate) could contribute to scale-up of climate finance compared to alternative interventions? Or could it result in climate finance dilution?)**

- ☐ Scale-up of climate finance
- ☑ Climate finance dilution
- ☐ Not sure/Other

23. **Please explain how the evidence addresses Research Question 8.**

See reply to Q7.

Evidence 1.2

24. **Title your evidence submission**

Carbon Offset Guide (2022): "Frequently asked questions: Green power purchasing claims and greenhouse gas accounting"

25. **Identify the types of attribute certificate to which your evidence applies.**

- ☑ Energy attribute certificates for electricity, heat, steam, and/or cooling
- ☑ Other energy carrier certificates, e.g., green hydrogen, green gas, SAFc
- ☐ Emission reduction credits
- ☑ Commodity certificates conveying an emissions attribute e.g. green steel
- ☐ Other (please specify)

26. **What type of evidence is this?**

- ☐ Empirical data or research study
- ☑ Report or white paper
- ☐ Statistical information
- ☐ Case study or example
- ☐ Survey or poll
- ☐ Legal or regulatory analysis
- ☐ Other (please specify)

27. **Please indicate if there are any conflicts of interest associated with the evidence piece you are submitting. Refer to our guidelines in Annexes C and D.**

☐ Yes, I am aware of a conflict of interest associated with the evidence
☑ No, I am not aware of any conflict of interest associated with the evidence

28. **Please explain the nature of any conflict of interest or perceived conflict of interest.**

29. **Upload a cover letter (optional)**

Cover Letter

Carbon Offset Guide (2022): "Frequently asked questions: Green power purchasing claims and greenhouse gas accounting"

Question 6 SBTi submission on evidence

The document is regularly updated on the website.

The guide discusses the limitations of using Renewable Energy Certificates (RECs), Guarantees of Origin (GOs), and other green power claims for attributing greenhouse gas (GHG) emissions to an organization's activities. It emphasizes that these instruments are financial and do not represent the physical delivery of electrical energy. It denies the suitability of these certificates for corporate decarbonization and questions their ability to contribute to climate stabilization. The overall message is that relying on RECs and GOs for carbon footprinting may be flawed and misleading, prompting critical inquiry into their efficacy and implications for climate-related goals.
The guide furthermore suggests that the market-based method for Scope 2 GHG accounting is fundamentally flawed, and it criticizes the voluntary purchase of RECs and GOs, stating that they have been shown not to cause emission reductions.

Special attention should be dedicated to these sections:

1. **FAQ Carbon Offset Guide: Should I use the "location-based" or "market-based" method to estimate my corporate Scope 2 GHG emissions?** ("Further, even under a consequential accounting method, the voluntary purchase of RECs and GOs by companies and consumers have been clearly shown to not cause emission reductions (see Should I use RECs or GOs to calculate my organization's carbon footprint?), and therefore, these transactions

do not result in benefits for the environment, which could be claimed by a consumer.") and

2. **FAQ Carbon Offset Guide**: Should I use RECs or GOs to calculate my organization's carbon footprint? ("RECs and GOs are financial instruments and neither change nor represent the physical and exclusive delivery of electrical energy to your organization's facility.")

30. **Upload the evidence**
    Only PDF, DOC, DOCX, PNG, JPG, JPEG files are supported.

31. **Is the evidence relevant to the research questions?** [*drop down list of RQs, creates dependency; per RQ addressed, two Q's appear*]

32. **The evidence supports the following answer to Research Question 1 (What evidence exists about the effectiveness or ineffectiveness of environmental attribute certificates in delivering measurable emission reductions?)**

- ☐ Evidence supporting their effectiveness in delivering measurable emission reductions
- ☑ Evidence supporting their ineffectiveness in delivering measurable emission reductions
- ☐ Not sure/Other

33. **Please explain how the evidence addresses Research Question 1.**
    This piece of evidence explicitly states that RECs and GOs transactions do not entail the physical and exclusive delivery of electrical energy, indicating their ineffectiveness in accurately attributing GHG emissions to an organization's electricity consumption.

34. **The evidence supports the following answer to Research Question 2 (What evidence supports or opposes a causal link between specific operating conditions (geographies, regulatory schemes, presence or absence of tracking mechanisms or registries, etc.) and the effectiveness of environmental attribute certificates to deliver corporate emission reductions? Which conditions?)**

- ☐ Supports a causal link
- ☑ Opposes a causal link
- ☐ Not sure/Other

35. **Please explain how the evidence addresses Research Question 2.**

The guide establishes a causal link between the inadequacy of RECs and GOs and the inability to attribute GHG emissions physically resulting from an organization's activities, suggesting a disconnect between these financial instruments and actual emissions.

36. The evidence supports the following answer to Research Question 3 (What regulatory safeguards and market infrastructure, if any, would need to be put in place for environmental attribute certificates to be effective and sustainable?)

- ☐ Regulatory safeguards and/or market infrastructure needed
- ☐ No safeguards or infrastructure needed
- ☑ Not sure/Other

37. Please explain how the evidence addresses Research Question 3.

38. The evidence supports the following answer to Research Question 4 (What evidence supports or opposes the ability of environmental attribute certificates to accurately reflect and quantify emission reductions in the context of corporate climate abatement targets?)

- ☐ Supports
- ☑ Opposes
- ☐ Not sure/Other

39. Please explain how the evidence addresses Research Question 4.

The input argues that the use of an indirect emission factor based on a REC or GO claim is flawed and misleading, indicating concerns about the accuracy of emission reduction quantification in the context of carbon footprinting.

*The guide states that "these transactions **do not result in benefits for the environment**, which could be claimed by a consumer."*

40. The evidence supports the following answer to Research Question 5 (What evidence exists that uptake of attribute certificates leads to or hinders the transformation needed to reach climate stabilization?)

- ☐ Leads to transformation
- ☑ Hinders transformation
- ☐ Not sure/Other

41. Please explain how the evidence addresses Research Question 5.

*The guide states that "these transactions **do not result in benefits for the environment**, which could be claimed by a consumer."*

42. **Please explain how the evidence addresses Research Question 6 (What specific evidence-based claims can and cannot be made when employing environmental attribute certificates to corporate decarbonization?)**
    *The guide states that "these transactions **do not result in benefits for the environment**, which could be claimed by a consumer."*

43. **The evidence supports the following answer to Research Question 7 (Is there evidence that supports or undermines that the market value of this type of instrument is commensurate with the abatement costs of the underlying activity?)**

- ☐ Supports
- ☑ Undermines
- ☐ Not sure/Other

44. **Please explain how the evidence addresses Research Question 7.**

45. **The evidence supports the following answer to Research Question 8 (Is there evidence that shows that the use of these instruments (i.e. procurement of the attribute certificate) could contribute to scale-up of climate finance compared to alternative interventions? Or could it result in climate finance dilution?)**

- ☐ Scale-up of climate finance
- ☑ Climate finance dilution
- ☐ Not sure/Other

46. **Please explain how the evidence addresses Research Question 8.**
    *The guide states that "the common marketing language associated with RECs and GOs is that they "represent" environmental, green, or renewable "attributes" or "benefits" associated with renewable energy generation. In economics terminology, you are not clearly buying a good or a service. Instead, economically speaking, you are making a financial contribution to a company producing electricity with renewable resources, which then **begs the question of whether that donation has a beneficial impact.**"*

Evidence 1.3

47. Title your evidence submission

ANNEX to the Commission Delegated Regulation (EU) .../... supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards

48. Identify the types of attribute certificate to which your evidence applies.

- ☐ Energy attribute certificates for electricity, heat, steam, and/or cooling
- ☐ Other energy carrier certificates, e.g., green hydrogen, green gas, SAFc
- ☑ Emission reduction credits
- ☐ Commodity certificates conveying an emissions attribute e.g. green steel
- ☐ Other (please specify)

49. What type of evidence is this?

- ☐ Empirical data or research study
- ☐ Report or white paper
- ☐ Statistical information
- ☐ Case study or example
- ☐ Survey or poll
- ☑ Legal or regulatory analysis
- ☐ Other (please specify)

50. Please indicate if there are any conflicts of interest associated with the evidence piece you are submitting. Refer to our guidelines in Annexes C and D.

- ☐ Yes, I am aware of a conflict of interest associated with the evidence
- ☑ No, I am not aware of any conflict of interest associated with the evidence

51. Please explain the nature of any conflict of interest or perceived conflict of interest.

52. Upload a cover letter (optional)

Cover Letter

ANNEX to the Commission Delegated Regulation (EU) .../... supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards

Question 6 SBTi submission on evidence

The EU Corporate Sustainability Reporting Directive (CSRD) serves as a pertinent example supporting the separation of environmental attribution certifications, such as carbon credits or Renewable Energy Certificates (RECs), from emission reduction targets. The CSRD explicitly states that GHG emission reduction targets must be gross targets, emphasizing that GHG removals, carbon credits, or avoided emissions should not be utilized to achieve these targets.

This regulatory directive reflects a leading approach in environmental reporting, highlighting the importance of distinguishing between emission reduction targets and environmental attribution certifications. The CSRD's stance provides a factual and regulatory foundation for advocating a similar approach within the Science Based Targets initiative (SBTi).

Given the EU's leadership in sustainability regulation, aligning with the CSRD's principles ensures consistency and adherence to recognized standards in reporting practices. This alignment contributes to the credibility of the SBTi's framework and underscores its commitment to robust environmental accounting practices.

In summary, the CSRD's regulatory language supports the evidence-based argument that the SBTi should keep the separation of environmental attribution certifications from emission reduction targets to maintain environmental integrity and accurate corporate environmental accounting and target setting in line with science.

53. **Upload the evidence**
    Only PDF, DOC, DOCX, PNG, JPG, JPEG files are supported.

54. **Is the evidence relevant to the research questions?** [*drop down list of RQs, creates dependency; per RQ addressed, two Q's appear*]

55. **The evidence supports the following answer to Research Question 1 (What evidence exists about the effectiveness or ineffectiveness of environmental attribute certificates in delivering measurable emission reductions?)**

- ☐ Evidence supporting their effectiveness in delivering measurable emission reductions
- ☑ Evidence supporting their ineffectiveness in delivering measurable emission reductions
- ☐ Not sure/Other

56. **Please explain how the evidence addresses Research Question 1.**

The CSRD does not allow companies to let carbon credits account for any of the GHG emissions the company has reported. Carbon credits as environmental attribute certificates are considered unsuitable tools to deliver measurable emissions reductions.

57. **The evidence supports the following answer to Research Question 2 (What evidence supports or opposes a causal link between specific operating conditions (geographies, regulatory schemes, presence or absence of tracking mechanisms or registries, etc.) and the effectiveness of environmental attribute certificates to deliver corporate emission reductions? Which conditions?)**

- ☐ Supports a causal link
- ☑ Opposes a causal link
- ☐ Not sure/Other

58. **Please explain how the evidence addresses Research Question 2.**

The CSRD requires companies to separately report on emission reduction certifications, emission avoidances, and removals. This pathway has been followed by the SBTi, too, and should therefore be continued.

59. **The evidence supports the following answer to Research Question 3 (What regulatory safeguards and market infrastructure, if any, would need to be put in place for environmental attribute certificates to be effective and sustainable?)**

- ☐ Regulatory safeguards and/or market infrastructure needed
- ☑ No safeguards or infrastructure needed
- ☐ Not sure/Other

60. **Please explain how the evidence addresses Research Question 3.**

The annex states that "[t]he GHG emission reduction targets shall be gross targets, meaning that the undertaking ***shall not include GHG removals, carbon credits or avoided emissions*** *as a means of achieving the GHG emission reduction targets;". This example showcases that environmental attribute certificates are not suitable for the reaching of climate targets, not under the EU, and not under the SBTi.*

61. **Please explain how the evidence addresses Research Question 6 (What specific evidence-based claims can and cannot be made when employing environmental attribute certificates to corporate decarbonization?)**

It would not be in line with the CSRD, which is European law.

For Context

The objective of this Call for Evidence is to gather evidence on specific roles environmental attribute certificates play in corporate decarbonization strategies and the specific impact they have had or may have, if any, to overall emissions reduction goals.

Under this Call for Evidence, the SBTi defines environmental attribute certificates as instruments used to quantify, verify and track the environmental benefits associated with commodities, activities or projects. It includes instruments that may be potentially eligible in scope 1, 2 and 3 emissions abatement targets, such as **emission reduction credits** and **energy attribute certificates**. It does not include instruments that may be used as part of neutralization targets or beyond value chain mitigation (BVCM) claims (e.g. removal credits). These important topics will be explored in other work streams. Environmental attribute certificates are used in different chains of custody models with varying traceability, e.g. from **models where the activity issuing the certificate is traceable throughout the value chain** to **models where the certificate is traded separately from the underlying activity**, not allowing traceability of the activity issuing the certificate to the value chain.

Trading of these certificates may allow buyers to make claims, while also providing financial incentives to interventions that reduce greenhouse gas emissions, promote renewable energy or achieve other sustainability objectives. Environmental attribute certificates can include:

- Energy attribute certificates for electricity
- Other energy carrier certificates, e.g. green hydrogen, green gas, Sustainable Aviation Fuel Certificates (SAFc)
- Emission reduction credits
- Certified commodities conveying a specific emission factor, e.g. green steel

Research Questions

1. What evidence exists about the effectiveness or ineffectiveness of environmental attribute certificates in delivering measurable emission reductions?

2. What evidence supports or opposes a causal link between specific operating conditions (geographies, regulatory schemes, presence or absence of tracking mechanisms or registries, etc.) and the effectiveness of environmental attribute certificates to deliver emission reductions? Which conditions?
3. What regulatory safeguards and market infrastructure, if any, would need to be put in place for environmental attribute certificates to be effective and sustainable?
4. What evidence supports or opposes the ability of environmental attribute certificates to accurately reflect and quantify emission reductions in the context of corporate climate abatement targets?
5. What evidence exists that uptake of attribute certificates leads to or hinders the transformation needed to reach climate stabilization?
6. What specific evidence-based claims can and cannot be made when employing environmental attribute certificates to corporate decarbonization?
7. Is there evidence that supports or undermines that the market value of this type of instrument is commensurate with the abatement costs of the underlying activity?
8. Is there evidence that shows that the use of these instruments (i.e. procurement of the attribute certificate) could contribute to scale-up of climate finance compared to alternative interventions? Or could it result in climate finance dilution?

Contact

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