



**CARBON
MARKET
WATCH**

Decade of (in)action: **Are corporate 2030 climate plans fit for purpose?**

April 2024

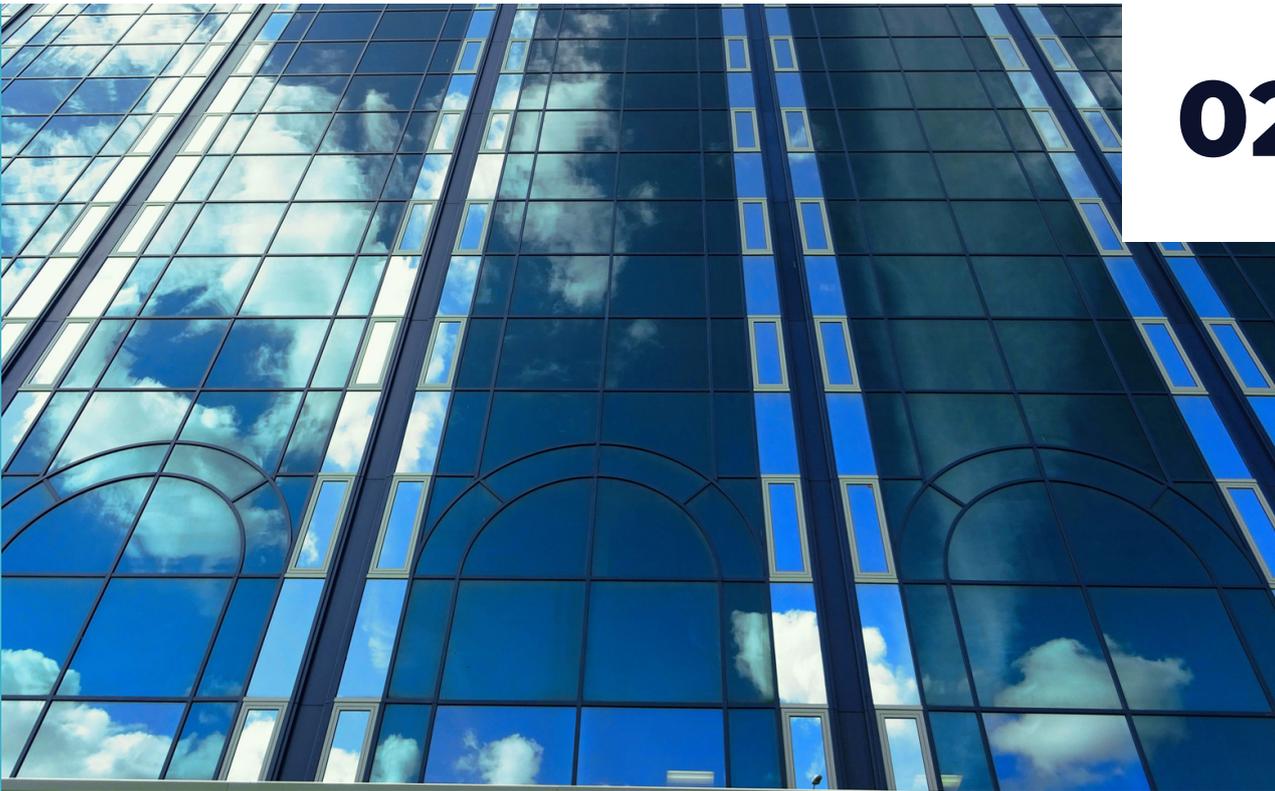


Table of contents

1 Introduction **03**

2 From distant hopes to present action **04**

Insufficient 2030 action
Vague offsetting plans in corporate climate targets
The way forward: action beyond the value chain
Contentious use of CDR to reach targets
Insetting

3 More honest carbon accounting **09**

Renewable Energy Certificates
Scope 3 loophole

4 Recommendations **11**

European Union
Voluntary Initiatives
Companies

Introduction

The 2020s are the critical decade for climate action, according to the UN's Intergovernmental Panel on Climate Change. In order to limit global temperature rises to the 1.5°C agreed on by the international community requires, the IPCC estimates, humanity will need to almost halve its carbon footprint by 2030.

Large corporations represent an outsized portion of global emissions and so have an outsized responsibility to reduce their climate impact. Many of them have committed to achieve “net zero” emissions by 2050, questionable claims that the Corporate Climate Responsibility Monitor has analysed, but are they on track to halving their emissions by 2030?

With the world apparently heating up faster than expected - exemplified by 2023 being the hottest year on record, registering an average temperature almost 1.5°C above pre-industrial levels - the question has become even more pressing. While 2050 targets often dominate discussions, the next five to ten years are critical to get it right. This year's CCRM delves into the crucial significance of 2030 targets, revealing a trend of insufficient ambition.

As this year's edition of the CCRM reveals, the median absolute emissions reduction commitments by 2030 for the 51 companies assessed was as little as 30% (and 33% at the most optimistic), whereas the world needs a 43% reduction in greenhouse gas emissions and 48% in carbon emissions below 2019 levels to limit the global temperature increase to 1.5°C. The urgency of setting the right targets, and meeting them, cannot be overstated, as failure to do so not only jeopardises our collective chances of bringing about positive change but also sends the wrong signal to the world regarding the commitment of corporations to climate action.

The consequences of corporate inaction extend beyond the immediate future, posing threats to both the social fabric and economic stability. As this report demonstrates, setting and meeting the right 2030 targets is not only a matter of environmental responsibility, it is also a strategic imperative for mitigating risks, and averting catastrophic tipping points.

From distant hopes to present (in)action

04

Insufficient 2030 action

While distant net-zero pledges continue to be widely advertised by companies, short-term targets and actions fall short of the level of ambition needed to keep global temperature rises within the relatively safe 1.5°C zone. The overall level of expected emissions reductions by 2030 among companies assessed in this third edition of the CCRM report hovers at around 30%, which is much lower than the 43%-48% the IPCC says is needed.

Only eight of the 28 companies¹ assessed in the 2024 sector-specific analysis have set 2030 targets which the CCRMs rate as of high or reasonable integrity. Moreover, a small handful of companies (Danone, Iberdrola, Mars and Volvo Group) substantiate these targets with feasible implementation plans. Others lean - despite their acknowledgement for the importance of target-setting - heavily on questionable solutions, such as carbon capture and utilisation, carbon removals, renewable energy certificates and bioenergy. This is particularly the case for the fashion sector.

Not zeroing in on 2050

Nearly half of the 51 companies' net-zero targets and actions assessed in the three editions of the CCRM reports are unclear or involve insufficient emissions cuts. In fact, only a third of these firms explicitly commit themselves to deep reductions of their full value chain emissions.

When it comes to target setting, these shortcomings include the absence of explicit commitments to slash emissions, the exclusion of indirect emissions, and the reliance on offsetting strategies.

This means that many companies understate their actual carbon footprint by excluding scope 2 (emissions related to energy generation) and scope 3 (emissions from elsewhere on their value chain) emissions when formulating their targets. They also disproportionately rely on offsets to give the impression or illusion that they are decarbonising faster than they actually are. All of these fallacies continue to hinder progress towards meaningful emissions reductions.

It's essential that companies set adequate and separate targets for emission reduction and removals, and scale up and accelerate the execution and transparency of their internal decarbonisation efforts. Above all, companies should never use offsetting to reach their climate targets.

¹ The sectors analysed in the 2024 CCRM are: automotive, energy, fashion, agriculture and retail. Out of all editions of the CCRM, 28 of the 51 companies are active in these sectors. Only eight of these have set 2030 targets with high or reasonable integrity.

Vague offsetting plans in corporate climate targets

05

Although the prevalence of offsetting all or the bulk of emissions is decreasing, four of the 20 companies assessed in the CCRM 2024 - Daimler Truck, Danone, Mars, and Volkswagen - continue to claim “carbon neutrality” for parts of their operations or services. These companies don't clearly state how much of their emissions they've reduced before purchasing carbon credits, or whether the claim covers their entire value chains. This insufficient disclosure hinders accurate analysis of companies' emission reduction efforts before carbon credits come into play, and distorts perceptions of the harm they inflict on the climate. While purchasing carbon credits is not in itself a negative action, it often results in little benefit for the climate. Moreover, reliance on credits to back outlandish climate claims can have detrimental effects on public and government willingness to take climate action because it creates the illusion that significant action is already happening.

Promisingly, some companies are shifting away from offsetting practices to meet their commitments. This trend is very welcome, since the reliance on offsets to meet internal decarbonisation targets incurs considerable risk. Carbon credits have rightfully been the subject of increased scrutiny in recent years, which has uncovered that the majority of credits circulating on the market do not represent the climate impact they claim. For example, owing to methodological elasticity or problems associated with additionality, many REDD+ forestry and renewable energy projects are of poor quality, while recent research has exposed shortcomings with cookstove methodologies that have been used to massively overissue credits that remain on the market today. Adding to this, carbon neutrality claims can mislead people by implying that a company has no net impact on the climate, and can even be detrimental for actions within the company by diverting attention and investment away from efforts to slash emissions.



The way forward: action beyond the value chain

The urgency of climate action is beginning to filter through to some corporations, which are taking valuable steps to limit their impact. However, building on this momentum requires these frontrunners to set ambitious, 1.5°C-aligned targets and transparently disclose the measures they plan to take to achieve them. Emphasising proactive measures rather than engaging in avoidance or stalling strategies brings a fresh and more constructive perspective.

One promising approach and alternative to claiming carbon neutrality is the adoption of a "beyond value chain mitigation" (BVCM) model, where companies focus on providing broader climate finance in addition to - or instead of - purchasing carbon credits. Under BVCM, companies invest in mitigation projects without claiming to offset their own emissions, thus sending a more accurate message to stakeholders.

Some companies are drawing lessons from this and purchasing credits without claiming that this neutralises their impact. For example, Danone, Stellantis and Walmart have all provided financial support to projects via the purchase of carbon credits without claiming that this neutralises their own emissions.

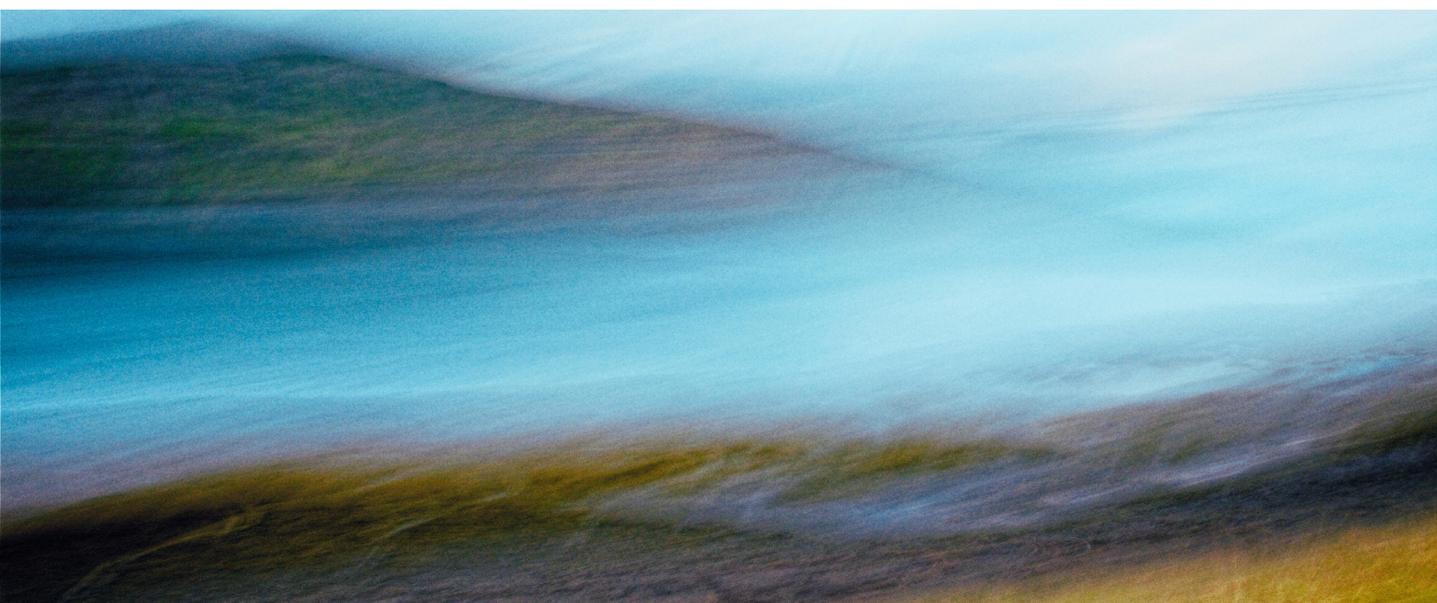
The Science-based Targets initiative (SBTi) has recently published [guidance](#) on how companies can best engage in this space. To complement this guidance, Carbon Market Watch has released a [detailed FAQ](#) discussing the concept of BVCM, as well as a useful [checklist and template](#) which companies can use to disclose BVCM-specific information. In addition, the Voluntary Carbon Markets Integrity Initiative (VCMI) has developed a dedicated [claims framework](#) and certification process for companies wishing to harness carbon markets with greater integrity. The consultancy firm Bain & Company (not assessed as part of the CCRM) is the first company to have formally adopted the VCMI's claims framework.

A separate place for “carbon removals”

Many companies are publishing plans which heavily rely on the use of what they describe as carbon dioxide removals (CDR). This is highly problematic because many of the activities so described (such as soil carbon sequestration, for example) are actually not durable removals. This means that these activities can store carbon temporarily, which is insufficient to compensate for emissions that will stay in the atmosphere for centuries to millennia.

In addition, many of the plans assessed relied on large-scale removal technologies and practices that are currently untested at large scale and go far beyond realistic expectations. While CDR is an important tool that must be used in the long term to help avert climate catastrophe, large-scale reliance on it today is unfeasible and risks diverting attention away from urgent emission cuts. This reliance on CDR also poses challenges in terms of its availability and its use, since high-quality CDR is scarce. A reliance on CDR might also undermine intergenerational justice: Not only are real emissions reductions deferred to the future, the use of nature-based carbon sinks, for example, demands decades (if not centuries) of monitoring and maintenance of the carbon sequestration process. This inadvertently shifts the burden of responsibility to future generations, while action is possible and needed today. On top of this, removals should be used to soak up CO₂ from the atmosphere and not as a creative accounting tool.

To prevent overreliance on removals, any future use of CDR should be expressed in the form of dedicated and clear targets, which must under all circumstances be separate from emission reduction targets, to ensure the focus continues to be on reductions.



Insetting: the new offsetting

Another emerging accounting trick some companies utilise is the practice of “insetting”. This refers to approaches under which emissions inside the value chain of a company are compensated for by removals or reductions which are also inside the company’s value chain.

In effect, insetting is offsetting under a different name (‘offsetting 2.0’, as the CCRM refers to it), and so suffers from the same issues and shortcomings. ‘Insetting’ wrongly attempts to compensate for emissions through land sequestration, which is not appropriate due to the temporary and vulnerable nature of natural carbon stores.

Nestlé and PepsiCo are examples of companies that rely on such compensation to achieve their 2030 pledges under the guise of 'insetting'. Mars, on the other hand, explicitly rules out relying on offsetting and insetting practices to achieve its targets. Unfortunately, the Forest, Land and Agriculture (FLAG) guidance by the SBTi (the de facto standalone validator for corporate targets) allows companies operating in the FLAG sector to use insetting to meet their 2030 and net-zero targets. By ruling out insetting practices for their target achievement, companies like Mars have decided to go beyond the FLAG guidance’s requirements and set a higher standard themselves. Excluding insetting should not be left to the discretion of more ambitious companies but must become the norm imposed by SBTi and other standards to avoid dishonest accounting.

Insetting is offsetting under a different name, and so suffers from the same issues and shortcomings.

More honest carbon accounting

09

Renewable Energy Certificates

The use of Renewable Energy Certificates (RECs) for scope 2 emissions is highly problematic. RECs represent a MWh of generated renewable electricity. Every MWh produced from renewable energy sources can receive a REC, regardless of whether the financial incentive created by the selling of a REC was actually necessary to produce renewable energy. Hence, there is no requirement of additionality. This means that buying RECs makes virtually no difference to the amount of renewable energy being generated.

Unfortunately, RECs and other similarly limited approaches allow companies to misrepresent the greenhouse gas (GHG) emissions associated with their electricity consumption, even when companies adhere to mainstream guidance like the GHG Protocol Scope 2 Guidance, by enabling them to claim zero or near-zero electricity-related emissions. This can leave the public, investors, and policymakers unable to discern the true impact of companies and hinders efforts to promote more meaningful approaches. NewClimate Institute has [highlighted](#) the pitfalls of false accounting based on RECs, demonstrating how it can lead to misleading figures of Scope 2 emissions.

Despite this, RECs continue to feature prominently in companies' renewable electricity procurement strategies. This requires a rethink and overhaul. There is [growing recognition](#) of their limitations, but a shift towards higher-quality procurement instruments is only starting. To ensure that renewable energy procurement delivers additional climate benefits, companies should provide more support for hourly matching of renewable electricity generation with consumption, which means ensuring that they pay for clean electricity which will be generated within the same hour as the electricity they consume. Hourly matching creates actual demand for renewable energy production and therefore constitutes an additional benefit for the climate.

It is crucial not only to transition towards hourly matching but also to count only renewable electricity exclusively generated on the same grid as the electricity consumption² as the standard approach to ensure accurate accounting and drive genuine progress. Additionally, companies should report on both location- and market-based estimates for scope 2 emissions and make consistent use of only the larger of the two values towards the company's aggregate emissions footprint. Most importantly, companies need to prioritise energy efficiency and rationalisation to ensure that the renewable energy they tap speeds up the reduction of their carbon footprint.

² There is not enough physical flow of electricity from one country to another to ensure that the number of RECs traded between countries signals demand for renewable electricity, while also carrying the risk of implicit double counting, where both the REC buyer and local grid consumers believe they are using renewable electricity.

Scope 3 loophole

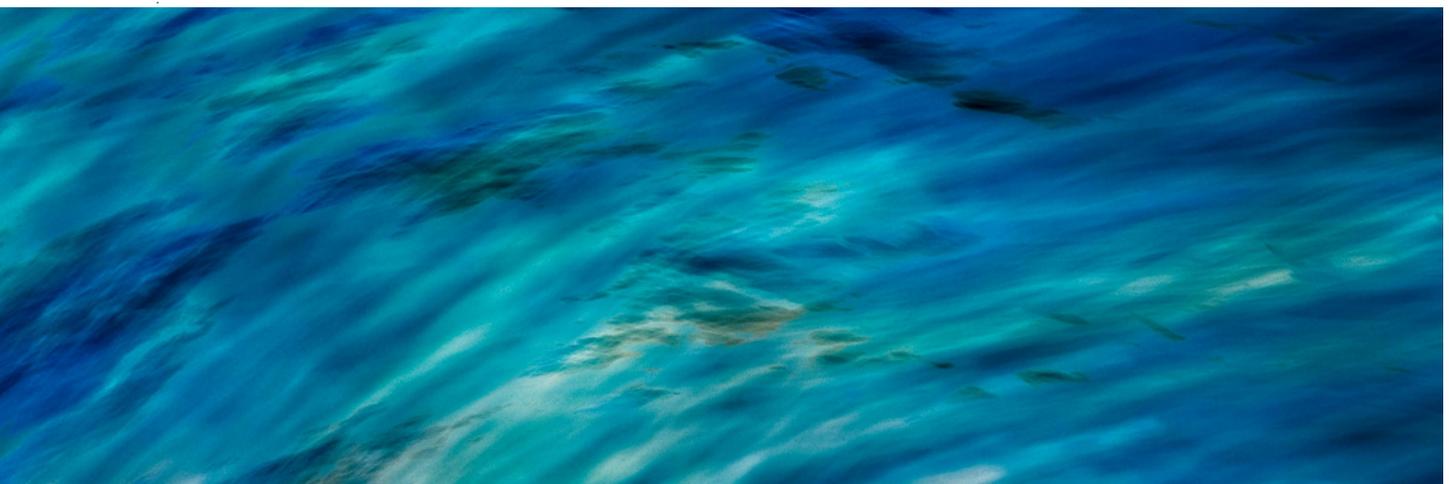
10

Drawing lessons from the current shortcomings of scope 2 energy-related emissions accounting, it is important to ensure that companies transparently report and separate emission reductions achieved within their value chain, including scope 3, and any support provided to projects outside of their value chains. Many companies are calling for the use of carbon credits to meet scope 3 targets, but this is a step in the wrong direction. One such framework, the “beta scope 3 flexibility claim” introduced by the Voluntary Carbon Market Integrity Initiative (VCMI) at the end of last year, would allow companies, until 2035, to purchase carbon credits for up to 50% of their annual Scope 3 emissions, which can far outweigh their direct emissions and often represent the lion’s share of their carbon footprint, to make up for their lack of ambition.

If this provision remains unchanged, this would mean that companies’ scope 3 emissions could be double their target and they would still be eligible to make some form of “integrity” claim under the framework. The CCRM analysis shows that the most ambitious 2030 pledges, such as those by H&M Group, Inditex, Mars, and Nike, could be effectively nullified by the proposed scope 3 flexibility claim because it would allow the companies to loosen their emission reduction commitments to a degree that might be equivalent to slackers³. This could potentially increase emission levels and hinder progress towards meaningful climate action.

Being on a science-aligned pathway through internal decarbonisation is radically different from being on a high-emissions pathway and “making up for it” by paying for offsets. Standards should not provide fig leaves for stragglers to hide behind. Major polluters should not have access to such flexibility. Failure to muster the political courage to take action is not a valid reason for weakening the standards that they are subject to. If anything, this will legitimise their lack of action and penalise companies undertaking the difficult transition honestly.

³ Read more in NewClimate Institute’s blog: <https://newclimate.org/news/vcmis-scope-3-flexibility-claim-could-turn-back-the-corporate-ambition-dial-to-business-as>



Conclusions and recommendations

Based on the findings of this and previous editions of the CCRM, Carbon Market Watch presents the following set of recommendations for the various stakeholders involved in ensuring and safeguarding that corporations contribute their fair share to humanity's efforts to live within a sustainable carbon budget. These recommendations revolve around ways to improve corporate climate strategies, bolster the effectiveness of voluntary standards and create more and better government regulations.



Governments



**European
Union**



**Voluntary
initiatives**



Companies



Governments

12

Although voluntary corporate climate action, under the standards and initiatives that underpin it, has certain advantages to it, it also has serious shortcomings, such as the influence of corporate lobbying on the effectiveness of voluntary standards, even though many leading standards also try to listen to multiple stakeholders, including NGOs, and strive to enhance the rigour of their approaches.

One major disadvantage of voluntary approaches is systemic: the pace of corporate action is decided internally and, rather than being set by what is necessary to tackle the climate crisis, is subordinate to and dependent on the willingness, conviction and boldness of management and shareholders.

These internal considerations, coupled with the voluntary nature of these commitments, translates into insufficient ambition and a slow pace of reform, as has been highlighted in every edition of the CCRM.

Meanwhile, while the choice to embark on corporate climate action remains in private hands, the consequences of the resultant pollution is public, with society left to cover the bulk of the climate and social bill. This undermines principles of climate justice, such as the 'polluter pays' principle.

It also underscores that, on their own, voluntary initiatives and standards, even at their very best and most well-intentioned, are far from sufficient to deliver the kind of emissions cuts we desperately need to avert climate catastrophe. The fact that governments have largely been missing in action has left it to concerned citizens and civil society to turn to the courts to try to hold corporations to account for their climate impact. This is not ideal. It is high time for governments to step up and take the responsibility they have so far reneged on or delegated to the private sector.

There is a growing need for robust legislation and regulations not only to complement and enhance these voluntary efforts, but also to compel companies to do what they need to not only what they wish to. Such government action should include setting binding climate targets for the economy, with sectoral targets that take account of the peculiarities and challenges of each sector, introducing or expanding carbon pricing or cap-and-trade emissions trading systems, and setting up clear and effective legal frameworks within which voluntary initiatives operate.



European Union

13

Beyond the general points raised in the previous section, various pieces of legislation that are currently being developed or implemented in the EU are of relevance to the challenges outlined in this briefing.

The Corporate Sustainability Reporting Directive (CSRD)

Under the CSRD, which entered into force in 2023, European companies are required to disclose the risks and opportunities that arise from social and environmental issues, as well as on the impact of their activities on people and the environment. Through this disclosure requirement, corporate efforts to address their responsibility to avert climate catastrophe can be analysed and scrutinised by the public.

In this context, the European Sustainability Reporting Standards (ESRS) were developed and adopted by the European Financial Reporting Advisory Group (EFRAG). EFRAG is currently developing sector-specific ESRS for the fashion, food, energy, road transport and mining sectors.

In this development phase, EFRAG should set its standards based on the best available scientific literature and 1.5°C-aligned emissions reduction pathways. Sector-specific pathways must, in aggregate, be in line with the overarching objective of reducing 90-95% of CO₂ emissions by 2050 at the latest compared to 1990 levels.

EU 2040 climate target

As part of its efforts to achieve climate neutrality by 2050, the European Commission recommended a target for 2040 emission reductions. Currently, the ambition is a 90% net reduction of emissions relative to 1990 levels.

We demand a faster pace to reaching carbon neutrality.

The EU must - without a doubt - aim to be climate neutral by 2040. The 2040 target also needs to separate emissions reductions, temporary removals in the land sector and permanent removals and hence establish three separate targets. This should go hand in hand with the separation of targets for the private sector, and provide momentum away from using carbon storage in land sinks as offsets for permanent emissions.



Green Claims Directive

The Green Claims Directive is the EU's second consumer protection proposal aimed at tackling pervasive greenwashing practices, in addition to the Empowering Consumers for the Green Transition (ECGT) proposal, which banned companies from claiming that their products are "carbon neutral" as a result of purchasing carbon credits to "offset" their emissions. A ban on carbon offsetting claims for products is supported by the European Parliament.

In this context, we recommend:

- The banning of all compensation claims, not just at product level, but including at company level.
- Specifically flag "insetting" as a form of compensation in order to ensure that such compensation claims are covered by the same rules which cover offsetting claims.



Voluntary initiatives

15

Initiatives which are increasingly seen as standard-setters when it comes to voluntary corporate climate action should take their role seriously and adopt stringent requirements on what climate action is permissible and how this should be communicated.

Below are specific recommendations for leading standards and initiatives based on their current state of play and where they need to go from here.

Science Based Targets Initiative

- Maintain clear boundaries between emission reductions targets, neutralisation requirements, reliance on carbon removals, and beyond value chain mitigation contributions.
- Do not allow the use of carbon credits to meet SBTi targets, including for scope 3.
- Close the current loophole in the [SBTi FLAG guidance](#) and prevent agri-food companies from compensating their non-CO₂ emissions (such as methane and nitrous oxide) with carbon storage in non-permanent biological sinks. This could be done by requiring companies to set separate targets for reductions and removals, or by requiring companies to set additional/supplementary more specific targets for key agricultural emission sources such as livestock methane emissions if a complete separation of emissions and removal accounting across the sector is not yet feasible for technical reasons.
- Require more frequent target updates (on a needs basis and at least once every two years).
- Focus on setting rigid and science-aligned requirements for 2030 targets, in particular for scope 3, in order to emphasise the need for action during this critical decade.

The Voluntary Carbon Market Integrity Initiative

- Focus on incentivising uptake of the [VCMI Claims Guidance](#), rather than the development of lower-level flexibility frameworks.
- Any alternative framework that aims to work as an on-ramp or entry point for companies should be clearly communicated as such, and should avoid giving the impression that companies complying with such a framework are delivering a level of action compatible with avoiding climate catastrophe.

The Greenhouse Gas Protocol

- Maintain a clear firewall between carbon credits and GHG inventories. Companies should not be able to report adapted inventories based on the accounting of carbon credits. For example, “market-based” accounting as currently provided for through the use of RECs in scope 2 should be abandoned and not extended to other scopes or connected to carbon credits.
- Modify scope 2 accounting rules to prevent companies from reporting market-based scope 2 emissions in their public sustainability reports. At a minimum, adopt requirements or guidance for companies to never report market-based emissions without location-based emissions for scope 2.

The Carbon Disclosure Project

- Integrate new questions related to beyond value chain mitigation as part of the CDP disclosure report. A proposed template for such questions can be found in our [‘Checklist and template for effective beyond value chain mitigation action \(condensed version\)’](#).



Companies

17

Corporate actors that want to distinguish themselves from greenwashers and prove climate leadership should track and disclose their emissions, set adequate 1.5°C-aligned targets, reduce their emissions significantly and rapidly, take responsibility for their residual emissions, and communicate about their efforts with honesty. On top of this, companies should rethink their business models to fit in a world that is capable of averting climate catastrophe.

Track and disclose emissions

- Full GHG emissions must be publicly disclosed on an annual basis.
- Data must be broken down to specific emission scopes.
- Historical data must be presented for each emission scope, dating at least as far back as the target base year.

Take responsibility for unabated and residual emissions

- Provide an ambitious volume of financial support to climate change mitigation activities beyond the value chain.
- Residual emissions volume must be clearly defined and science-aligned (in line with science-based sectoral performance benchmarks).
- If investments in CDR are made, the type of CDR that is invested in must be of high quality and deliver permanent storage of carbon.

Reduce emissions

- Concrete and ambitious mitigation actions must be adopted today and planned for the future.
- Measures must be mainstreamed across the entire company rather than focused on one niche sector.
- Over 95% of renewable energy must come from high-quality renewable energy procurement constructs.
- Renewable generation and consumption should be matched according to the local grid and on a 24/7 hourly basis.

Use proper climate communication

- Avoid misleading communication by refraining from publicising carbon neutrality and net targets.
- Contribute to and communicate honestly about beyond value chain mitigation.

Be one step ahead

Rethink business models to prioritise sustainability, durability and reusability, for example, through the development of sharing, repair and reuse services to maximise the use of new and existing products. In addition, by emphasising quality over quantity in high-volume sectors, such as fast fashion, products will improve and last longer, thereby slashing the carbon footprint. The automobile sector should focus on transitioning from cars to sustainable mobility solutions, acknowledging the urgency to rethink its business model in response to escalating temperature rises.

Authors

Benja Faecks, Policy Expert - Global Carbon Markets
Gilles Dufrasne, Policy Lead - Global Carbon Markets

Editor

Khaled Diab, Communications Director

Cover design and layout

Miriam Vicente Marcos, Senior Communications Officer

Photo credit

SevenStorm Juhaszimrus
Angel Bena
Robert Clark

CONTACT

Benja Faecks

Policy Expert - Global Carbon Markets
benja.faecks@carbonmarketwatch.org

Gilles Dufrasne

Policy Lead - Global Carbon Markets
gilles.dufrasne@carbonmarketwatch.org