Open letter on the use of carbon credits to meet scope 3 GHG targets

To the attention of:
Mark Kenber, Executive Director, Voluntary Carbon Markets Integrity Initiative
And
Luiz Amaral, CEO, Science-Based Targets Initiative
Pankaj Bhatia, Global Director, Greenhouse Gas Protocol

Dear Mark Kenber, Luiz Amaral and Pankaj Bhatia,

We are writing to you to express both our support for the work in continuing to incentivise and guide corporate climate action, and our concern regarding the proposed treatment of scope 3 emissions in VCMI's most recent publication and as portrayed at COP28.

Addressing scope 3 emissions is a critical task, yet it presents an enormous challenge for most companies. Neither measuring nor reducing scope 3 emissions is an easy task, and many companies are only beginning to grapple with this challenge. For some companies, reducing their scope 3 emissions is technically feasible, but requires a fundamental change in their business model. Yet, scope 3 emissions represent the vast majority of most companies' footprint. Measurement difficulty does not negate the fact that these emissions are also the responsibility of the concerned company.

We are greatly concerned by the growing narrative and attempt by VCMI and others to legitimise the use of carbon credits to "address" scope 3 emissions, or otherwise give the impression that buying carbon credits is equivalent, or even relevant, to meeting a scope 3 reduction target. For example, the scope 3 flexibility "beta" guidance published by VCMI could be a major setback for climate action.

Efforts to allow the use of carbon credits to meet - or "bridge" - scope 3 emissions are dismantling what has historically been known as the 'mitigation hierarchy'. Scope 3 emissions are inherently part of a company's footprint. Disaggregating that footprint into categories does not make it more acceptable to meet internal reductions targets with external reductions.

This approach is counterproductive, and largely backed by actors with direct financial interests in allowing this flexibility.

As organisations for whom profit is not a motive and standard setters on corporate climate action, you have the responsibility to make the right choice for the climate. Your collective choice to allow or disallow companies to meet scope 3 targets with carbon credits will have major repercussions on companies' efforts to reduce these emissions within their own value chains. While we understand the appeal of incentivising financial flows to mitigation action in the wider world, scope 3 flexibility is not the way to do it. Other frameworks, such as the main claims guidance put forward by VCMI in November, and the work that SBTI has done to develop recommendations on beyond value chain mitigation (BVCM), are more promising examples of this.

You have alternatives in your hands. Encouraging companies to provide finance as part of their beyond-value-chain mitigation plans, and clearly separating this from any internal mitigation target achievement, can unlock significant volumes of finance.

Corporate climate investment and funding need to be credible and require public support. Many civil society and non-profit organisations who wish to encourage robust and effective corporate climate action will be unable to support your standards if you decide to allow companies to meet scope 3 targets with carbon credits. This will harm the credibility of your initiatives as well as the confidence of companies in adopting the standards that you are developing.

Regards,