

RACE AGAINST THE CLIMATE CLOCK

**CAN CORPORATIONS MAKE
GOOD ON THEIR CLIMATE
PLEDGES IN TIME?**



**CARBON
MARKET
WATCH**

Table of Contents



03

Introduction

13

Turning a bad beginning into a good ending

We need regulated reporting....

04

From good to bad
Some progress and pioneering

05

Extra homework for worst in class

16

... and voluntary action

06

Intention unclear
Creative accounting and greenwashing in action

17

General recommendations for all voluntary standards

09

Attributably green

18

Key standards to watch

11

Carbon credit chaos

Introduction

While 2025 marks the halfway point of the critical decade for climate action, inaction prevails. The latest [UNEP Emissions Gap 2024](#) report, as well as the [latest nationally determined contribution \(NDC\) submissions](#) by countries show that progress has been made, but it [falls grossly short of what is needed to sustain a safe environment for humankind](#).

The consequences of human-induced climate change are felt nearly everywhere - spanning from mild changes to life-threatening catastrophe. Recent news coverage has brought to the world's attention that climate change triggers dangerous feedback loops in (eco)systems: [sea acidity has risen dangerously](#), [cities run out of water](#), heavy [rainfall has caused deaths](#), and [more frequent and intense wildfires have been wreaking havoc across the globe](#).

Climate change endangers lives and livelihoods, especially among the most vulnerable. But even the big players in the corporate world are not spared. As climate change disrupts business operations, upcoming regulation - especially in the EU - is increasingly reflecting the catastrophic risk climate change poses to the private sector. [The EU has introduced the concept of double materiality](#) to reflect this interconnectedness: companies are not just impacted by climate change, they are also major drivers of the crisis through their outsized emissions. It is, therefore, a no-brainer that companies must start acting to halt climate change now - or yesterday.

Now in its fourth edition, the Corporate Climate Responsibility Monitor (CCRM) assesses the climate strategies of 55 major companies, 20 of them featuring in a deep dive analysis. The corporations belonged to the [agrifood](#), [automotive](#), [fashion](#) and [tech](#) sectors. Together, these mega-corporations make up a significant share of the global economy, but also shape the rulebooks for corporate climate action. Their climate strategies are ranked, 'high', 'reasonable', 'moderate', 'poor' or 'very poor', or 'unclear' in cases where public information is unintelligible.

Corporate climate action is more often than not approached as a branding or marketing exercise, whereas it needs to be about rethinking and redesigning business models. As the CCRM 2025 reveals, companies need to urgently scale up their awareness of and commitment to transformative change by rolling out a number of [key sectoral transitions](#). It is no longer enough to commit to the reduction of total emissions alone. In parallel to setting ambitious 2030 emission reduction targets, companies must implement sector-specific action plans.

Unlike previous editions of the CCRM, the 2030 targets and commitments set by companies are no longer convertible into concrete aggregate emission reductions. This is because the substance and credibility of corporate targets is undermined by incomplete and creative accounting and a lack of substantiation.

The future of corporate accountability therefore depends on how well increased ambition is reflected in upcoming legislation, corporate accountability standards, and good practice by corporate actors.

¹ You can read the methodology v.5 [here](#).

From good to bad

Some progress and pioneering

None of the 20 companies received a score of 'reasonable' or 'high' integrity and only three received a 'reasonable' score for transparency (H&M Group, Inditex, Stellantis). Nevertheless, there are isolated good examples of progress.

Some companies have adjusted their climate targets to reflect a higher level of ambition, or substantiated them with more concrete action. Adidas, H&M Group and Inditex updated and improved their target setting compared to previous editions of the CCRM. Inditex has announced 2030 and 2040 targets that finally align with sectoral benchmarks after it received a very poor integrity score in 2023 and a reasonable one in 2024. Adidas received a 'reasonable' score for the improvement of its 2030 and 2050 targets as compared to its previous 'poor' integrity rating in 2024. Automotive manufacturer Stellantis set an absolute emission reduction target for 2030 covering its whole value chain for the first time.

This is an important improvement, though Stellantis' 2030 target is still not compatible with a 1.5°C pathway, highlighting the need for furthering ambition in line with sectoral benchmarks and the objectives of the Paris Agreement.

Companies that are leading efforts to decarbonise their specific sector also registered positive developments. In the tech sector, Google and Microsoft stand out for their comparatively strong commitment to procuring renewable electricity for their own data centres. Both tech giants set targets for the installation of non-stop carbon-free energy supply by 2030, though these targets and commitments may be insufficient to meet the rapidly increasing electricity consumption due to the growth of cloud servers and AI. In the automotive sector, General Motors and Ford both commit to procuring a relevant 10% of their steel supply from low-carbon sources by 2030, though it remains partly unclear how this target will be reached. In the agrifood sector, Nestlé and PepsiCo committed to no-deforestation targets by 2025.

While these developments are commendable, all sectors still need to boost their ambition. The tech sector must tackle the soaring energy demand associated with AI and cloud services, the automotive sector needs to boost sustainable steel procurement and say goodbye to the internal combustion engine, agrifood companies need to take more serious action to halt deforestation and shift to plant-based proteins, while the fashion sector needs to slash waste and electrify its supply chains using renewable energy.

For these commitments and targets to remain relevant, full and unmistakable [without tricks or caveats] adoption and implementation through realistic action plans needs to occur. Sector peers should also use and build on these blueprints for good practice. Standard setters and regulators also have a role to play in the anchoring of these practices in corporate climate culture.

Extra homework for worst in class

A sharp course correction is urgently needed for the companies that engage in problematic practices that are either old-fashioned greenwashing or reflect insufficient action to achieve sectoral decarbonisation.

No single company has made sufficient progress on all the transition measures necessary for the decarbonisation of their sector. This failure represents a critical gap between climate aspiration on paper and real ambition coupled with effective action. In the agrifood sector, companies have yet to introduce credible plans to reduce the use of fertilisers, a major driver of greenhouse gas emissions through nitrous oxide release and soil degradation, not to mention its effects on water quality and ecosystems.

Similarly, the automotive industry has made little progress overall in shifting procurement towards sustainable steel.

Although all sectors pursue a growth model that focuses on maximising output, the fashion industry, in particular, continues to ignore the pressing issue of overproduction and waste generation. Brands show no commitment to slowing down production volumes, even as fashion giants like Shein expand environmentally destructive, high-emission operations with no apparent intention to reform.

In the tech sector, renewable electricity procurement largely remains vague and insufficient when it comes to external data centres and real-time renewable energy.

The core problem is that current business models are incompatible with the rapid and systemic decarbonisation required to keep global warming below 1.5°C. In agrifood, only one company (Danone) plans to increase the share of plant-based protein on the market, but not even this plan is translated into concrete targets and action. In fashion, the scale of overproduction is treated as a side concern rather than a structural challenge. In tech, the climate implications of AI are growing faster than companies' willingness to address them. And in the automotive sector, there remains little appetite for a full phase-out of the internal combustion engine.

This failure cannot be corrected by vague emission reduction targets alone. To ensure that 2030 and 2050 targets are credible and effective, several foundational conditions must be met. First, emissions accounting must be complete, consistent and transparent to ensure a full understanding of the scope of the challenge. All direct and indirect emissions sources need to be covered. Second, transition measures - those critical to sectoral decarbonisation - must be incorporated into clear and ambitious targets and actions, with the objective of decarbonising the sector holistically.

Intention unclear

Creative accounting and greenwashing in action

A core obstacle in assessing company progress on climate action lies in the opacity and inconsistency of their accounting methods. Across the corporate sectors assessed in the CCRM, methodological sleights of hand and selective disclosures make it nearly impossible to assess whether targets are credible or progress is real.

In the agrifood sector, accounting is compromised through the undefined role of land-based carbon dioxide removals (CDR) in emission reduction targets. Nestlé, for instance, has stated that up to 80% of its emission reduction target could be met using land-based carbon sequestration. Similarly, Danone, Mars, and PepsiCo have plans to include land-based carbon removals in their targets at some point in the future - JBS remains silent on this issue, leaving the door open for interpretation.

Relying on land-based sequestration to meet emission reduction targets is problematic for two reasons. First, carbon stored in land-based sinks is nonpermanent and vulnerable to external factors, such as wildfires or land use change, which can reverse gains and lead to a net increase of emissions. Including these unstable carbon removals creates immense fluctuations in year-on-year emission level reporting, making an independent assessment of a company's progress nearly impossible.

Secondly, land-based removals are frequently treated as equivalent to emission reductions, when in fact they serve [very different functions](#).

It is non-negotiable that carbon sinks on land and at sea need to be enhanced and ecosystems strengthened, but they [cannot 'neutralise' fossil emissions for atmospheric balance](#), as [scientific evidence underlines](#). This conflation weakens the integrity of targets. Companies like Danone and Mars have at least acknowledged this ambiguity, stating that they are awaiting guidance on the topic. Yet even where transparency exists (such as when Nestlé communicates plans to rely on land-based removals for 80% of its 2030 target achievement), the sector continues to blend emission reductions and removal strategies. To enable effective climate action, removals and emission reductions need to be tracked, reported and tackled separately.

In the tech sector, a major issue is the widespread use of a mode of emissions reporting that doesn't represent reality. For energy-related emissions reporting (also known as scope 2), the emissions of the electricity sourced from a grid can be reported through the location-based or market-based method.

The former derives from the average emissions of the grid, whereas market-based accounting allows companies to buy certificates or invest in contractual agreements from renewable generators not linked to the same grid. Through this creative accounting trick, many tech companies are able to claim declining electricity-related emissions while still drawing power from polluting grids.

This is made possible through the purchase of unbundled - that is, not bundled with the actual procurement of renewable electricity² - renewable energy certificates (RECs) from generators unconnected to their grids. While this market-based accounting draws an optimistic picture of scope 2 emissions (from purchased electricity, steam, heat and cooling), location-based emissions of the tech companies (the average emissions of the actual grid a company is operating on) have surged since 2019 and are expected to increase over the coming years. Relying on unbundled RECs for emissions accounting not only gives a warped image of real emissions, but also undermines the objective of these contracts to incentivise additional renewable electricity generation because of oversupply of old renewable energy capacities and potential double counting. Unfortunately, unbundled RECs are used by companies as a procurement method for renewable energy, when in reality they are an accounting tool with little real effect.

This potentially goes against the intention of the procuring company, which is why renewable energy procurement should always be matched to real time consumption and be geographically connected to the grid the company is using.

The fashion sector presents similar challenges. There is growing concern that companies may be relying on unbundled RECs to claim they are decarbonising their supply chains, despite these certificates offering no assurance of real emissions reductions in the locations where manufacturing takes place. At the same time, there is uncertainty around the role of false solutions like fossil gas and biomass in supply chain energy use as problematic replacements of coal in production processes. Without transparency on how these energy sources are produced, what their impact on ecosystems and food supply may be, or how a lock-in of inherently unsustainable infrastructure (like fossil fuel extraction) is avoided, claims of climate progress remain unverifiable.

² as outlined in NewClimate Institute's '[Navigating the nuances of corporate renewable electricity procurement: spotlight on fashion and tech](#)'.



In the automotive industry, intensity-based metrics (i.e. emissions per kilometer) are paired with a troubling lack of transparency on key parameters for emissions accounting.

Reporting on the emissions intensity of a product is helpful in order to identify efficiency gains and bottlenecks for corporate emission reductions. However, using intensity-based metrics allows companies to scale up their operations, increase absolute emissions, but claim (intensity-based) emission reductions. If this is the only metric used by a company, this practice can be highly misleading, giving the impression of progress when absolute emission levels have actually increased.

Additionally, none of the companies provide sufficient information on how the emissions associated with the use of the vehicles they sell are accounted for.

For example, Toyota refers to having followed specific guidance but fails to disclose key input data that enables independent analysis of the emission source. Volkswagen, too, discloses assumptions about the kilometre ratio of the cars they sell (the lifetime mileage) without disclosing crucial data like emissions factors that form the basis for calculating climate impact.



Attributably green

A new trend is reshaping corporate climate reporting: Environmental Attribute Certificates (EACs). These instruments certify and communicate the specific environmental and sustainability attributes of a given activity or commodity. [The Science Based Targets initiative](#) (SBTi) has classified EACs as either carbon credits or commodity certificates. While carbon credits are already under intense scrutiny, the growing use of commodity EACs warrants its own careful examination to ensure whether these certificates are effective.

Several companies in the CCRM 2025 make reference to the use of “high-integrity EACs” to support sustainability claims, often without clarifying what kind of EAC is used or how it relates to the supply chain. In practice, there is no one-size fits all approach to commodity EACs, given the wide variation in how these certificates are constructed: constructs for the renewable energy procurement alone come in all shapes and sizes, [with varying levels of quality](#). Beyond renewable energy EACs exist certificates for steel procurement, deforestation-free commodities, aviation fuel certificates, and many more, [all with different levels of connection between the product/commodity they are used for and the attribute they represent](#).

Depending on the sector they are used in, such as no-deforestation claims in agrifood supply chains versus RECs in fashion and tech, there are significant differences between types of EACs. But also their design and traceability has a great impact on their credibility.

A key quality factor on whether physical traceability between the activity or attribute and the commodity can be established. Some EACs, such as those used under [identity-preserved or segregated chain of custody models](#),³ maintain a clear and verifiable link between the attribute and the commodity purchased by the company. Others, like mass balance certificates, are generated within a company’s broader sourcing region (referred to as “supply shed”) but lack a one-to-one connection to the product. Most indirect EACs are book-and-claim certificates, which are intangible instruments that can be sourced from an entirely disconnected region, with no physical flow of commodities between the certified activity and the company’s operations.

³ Chain of custody (CoC) models describe which traceability checks regarding the movement, quality, and attributes of a certain product along the whole supply chain have been undertaken to substantiate claims about the product. Using an identity-preserved CoC model, for example, establishes a direct attribution of the origin, history, and location of all inputs into one product, whereas the book-and-claim model allows for a credit-based trade of attributes to be connected to the product, where this might be representing a trade rather than reality.

Due to the lack of accountability and other reasons, the GHG Protocol's draft [Land Sector and Removals Guidance](#) (2022) prohibits the use of certificates without traceable connections for claiming emission reductions from deforestation. Especially with regards to no-deforestation targets, companies must not count mass balance and book-and-claim commodity certificates towards their emission reduction claims. Nestlé, in particular, uses book-and-claim and mass balance constructs to claim emission reductions that may not have reliably occurred.

Overall, there is a lack of certainty regarding the real impact of EACs. However, the solution is not to reject EACs entirely, but to treat them according to their design and use case. It is therefore imperative that the corporate accountability world build up a clear understanding of which EACs should be used for different purposes before they are used on untested roads. Companies should be encouraged to support responsible production systems through EACs, but any emission reductions associated with them should be reported separately from target achievement.

Until harmonised standards emerge, such as those currently developed under the [AIM Platform](#), [SBTi](#) or [ISEAL](#), and guided by independent, science-based actors, such as [NewClimate Institute](#) and ECOS, companies should engage in transparent reporting and careful communication, with restraints on claims that cannot be traced from activity to commodity.



Carbon credit chaos

Let's unpack what's going on with corporate carbon crediting strategies. The role of carbon credits in corporate targets is very unclear due to a lack of transparency, the CCRM uncovered. Some companies are engaging in outright greenwashing, while others are more transparent and clear in their communication, stating that carbon credits do not count against the achievement of emission reduction targets. However, some confusion remains, in particular through the lack of transparency in corporate climate communication.

One of the companies that claiming carbon neutrality based on carbon credits is Mars, which does not disclose its offsetting strategies and owns brands that claim carbon neutrality, [like the Mars Bar in the UK, Ireland and Canada](#). Confusingly, Nestlé, too, has brands that communicate carbon neutrality, though the company states that its net zero commitment doesn't "[rely on offsetting](#)". Apple markets some of its [products as "carbon neutral"](#), even though the nature-based carbon credits used to enable this offsetting claim are unsuitable for neutralising the impact these products have on the atmosphere. These product-based claims also run contrary to the fact that a single product cannot be "carbon neutral" without the entire corporation that produces it having first decarbonised.

Microsoft's [aims to become 'carbon negative' by 2030 and 2050](#) are similarly built on thin air. The tech company's emission reduction plans are insufficient to deliver on this stated ambition which, instead, relies heavily on carbon removals, which are both a scarce public good that should not be used to offset corporate pollution and remain unproven at scale.⁴

Other companies invest in activities that generate carbon credits, and may potentially use these for the future neutralisation of emissions. Examples include JBS and Amazon. Both generate carbon credits while communicating inconsistently or unclearly about how these relate to their climate targets and communication.

While JBS contributes to a fund that facilitates agroforestry and other land-based projects that will generate carbon credits, it remains unclear whether these credits will be counted towards JBS' emission reduction and net zero targets in the future. Amazon, contributing to forestry carbon crediting projects through the LEAF Coalition, may be using the resulting carbon credits towards the neutralisation of its suppliers' emissions. Although it is important for funding to be channelled towards nature conservation projects, these efforts cannot neutralise emissions due to their inherent impermanence, so it is wrong to use them for offsetting purposes.

Beyond 2030, the longer-term carbon neutrality and net-zero pledges of the companies covered in the automotive sector are unsubstantiated. However, substantiation through robust and specific emission reduction commitments and overall transparency can solve this problem.

⁴ Carbon removals as a public good and corporate CDR strategies will be the subject of a special edition of the CCRM, which is due out in July 2025.

Toyota, Volkswagen, Ford and General Motors (GM) all communicate future carbon neutrality pledges that remain unsubstantiated in one way or another. Ford, for example, has a carbon neutrality commitment for 2050, but no specific emission reduction target accompanying this pledge, and only communicates vaguely about plans to neutralise remaining emissions with carbon removals. Toyota, in contrast, pledges to be carbon neutral by 2050, but doesn't commit to tackle the sector's biggest transition measure: the phase out of the internal combustion engine. This raises suspicions that carbon credits may be involved. In the tech sector, this trend also surfaces. Meta, for example, discloses an unsubstantiated 2030 net-zero target that signals the use of carbon credits, predominantly from forestry projects, for target achievement.

In the case of Danone, misleading communication occurs where good intentions collide with old habits. The company explicitly claims that carbon credits play no part in the achievement of its net-zero targets, and commendably uses carbon credits for climate contributions. However, Danone makes problematic carbon neutrality claims for its factories. Its contradictory use of carbon credits highlights a fundamental inconsistency: if credits aren't suited for achieving real emission cuts, they cannot credibly be used to suggest that climate impact has been neutralised. Such practices mislead the public, blur the line between real and symbolic action and reveal how transparent communication in one domain can be seriously undermined by contradictory behaviour elsewhere. This trend erodes trust in corporate climate pledges and underscores the need for stricter rules on the use and disclosure of carbon credits.



Commendably, a few companies are very clear that their use of carbon credits is not meant to neutralise or offset their carbon footprint. Google no longer claims to offset emissions with its carbon credit purchases, which were highly misleading in the past. Adidas, since a [court ruling in May 2025, which prohibits its unsubstantiated and misleading future carbon neutrality advertising](#), substantiates its net-zero emissions in its value-chain by 2050 with a commitment to reduce emissions by at least 90% by 2050 - all without relying on carbon credits in the interim. H&M does not claim carbon neutrality based on the purchase of carbon credits and explicitly and correctly acknowledges risks with offsetting through tree-planting and regenerative agriculture. Inditex explicitly states that it does not use carbon credits for target achievement.

The corporate accountability space needs to take on board more good practices. By clearly distinguishing between emission reductions, removals, and offsetting, and by openly flagging the risks and limitations of the climate activities they pursue, companies can demonstrate a more serious level of engagement. Transparency about the uncertainties and methodological risks is not a weakness but a sign of integrity. Rather than resorting to creative accounting or hiding behind non-communication, companies can and should choose to communicate with honesty. In addition to upping their climate ambition, they should use clear definitions, disclose the role of carbon credits with precision and contribute to an informed public dialogue on climate change.

Turning a bad beginning into a good ending


We need regulated reporting....

Toyota, Volkswagen, Ford and General Motors (GM) all communicate future carbon neutrality pledges that remain unsubstantiated in one way or another. Ford, for example, has a carbon neutrality commitment for 2050, but no specific emission reduction target accompanying this pledge, and only communicates vaguely about plans to neutralise remaining emissions with carbon removals. Toyota, in contrast, pledges to be carbon neutral by 2050, but doesn't commit to tackle the sector's biggest transition measure: the phase out of the internal combustion engine. This raises suspicions that carbon credits may be involved. In the tech sector, this trend also surfaces. Meta, for example, discloses an unsubstantiated 2030 net-zero target that signals the use of carbon credits, predominantly from forestry projects, for target achievement.

We urgently need government regulation not only to raise the bar for awareness and accountability, but also to provide clarity and consistency among the big players. In the EU, the [Corporate Sustainability Reporting Directive \(CSRD\)](#), the [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#), [Empowering Consumers for the Green Transition \(ECGT\)](#) and potentially the [Green Claims Directive \(GCD\)](#) – *if an agreement can be reached* – offer some hope in this direction, though progress is unclear due to the changing political climate in the EU.

The ECGT amends the Unfair Commercial Practices Directive (UCPD) to include a ban on carbon neutral claims at the product level in addition to (amongst other things) a prohibition on all “generic environmental claims”⁵ when a company cannot “demonstrate recognised excellent environmental performance relevant to the claim”. Since the UCPD defines ‘products’ as goods and services, this product-level offsetting claim ban would apply to everything from food items sold in local supermarkets to such services as air travel. This ban sets an important precedent for clear communication that needs to be followed by companies not only in the EU, but globally, to clearly inform EU consumers about the impact of the products they purchase. These rules will become binding in 2026.

⁵ See [UCPD Annex I 4a](#).



The GCD is intended to act as an extension of – or complement to – the ECGT and sets forth rules on how to substantiate and communicate about voluntary green claims that are not explicitly banned under ECGT / UCPD. The aforementioned product-level ban is also reflected in the GCD text. More specifically, the GCD is meant to curb greenwashing by requiring environmental claims to be scientifically substantiated and independently verified. As a result, corporate climate communications would become more honest and transparent, steering away from misleading marketing, towards verified, accountable climate action. Future claims, too, must adhere to a minimum standard of verifiability. Company-level offsetting claims would continue to be permitted, but need to be substantiated to some extent. The fate of GCD, however, is unclear. At the time of drafting, there is political turmoil which has placed the [entire proposal in jeopardy](#).

With regards to the CSRD, all eyes are on the [proposed Omnibus package](#), which aims to “simplify” and, thereby, deprive of their substance [CSRD’s planned corporate sustainability reporting provisions](#). The sustainability reports of companies from the CCRM 2025 sample like Adidas, Danone, H&M Group, Inditex, Volkswagen, and Stellantis - all companies that prepared themselves for compliance - show signs of improvement, underscoring the importance of the reporting requirements stipulated under the CSRD. As an illustrative example, Inditex has improved not only its emission reduction target, but also its communication with regards to carbon credits: in line with CSRD requirements, it does not report using removals or credits for its climate target achievement.

Another aspect of the proposed Omnibus package would highly impact critically needed supplier engagement across value chains. Through Omnibus, the commission proposes to expand and strengthen the so-called value-chain cap, and by that limiting the exchange (or retrieval) of sustainability information from smaller suppliers to an absolute minimum. These critically insufficient minimum datapoints are outlined in a voluntary standard - the [VSME](#) - which was developed by the [European Financial Reporting Advisory Group](#) (EFRAG) and is expected to be soon adopted by the European Commission in a delegated act. EFRAG is mandated by the European Commission to develop and advise on European corporate reporting standards, including those related to sustainability disclosures.

The CSDDD, a directive aimed at the identification and aversion of risks to the environment and human rights, mandates large companies to install due diligence policies along their supply chains. As a part of these policies, companies are required to formulate transition plans for climate change mitigation (as stipulated in [Article 22](#)). The Omnibus package threatens to either remove or significantly water down this requirement, putting the CSDDD at risk of losing its teeth.

That said, the current geopolitical climate and diverging policy priorities, limit the likelihood of comprehensive, binding international best practices in the near future.

Despite the challenges posed by these divergent tendencies, it is imperative upon governments around the world to strive to:

01

Regulate sustainability claims on the way to net-zero. This means that all forms of corporate compensation claims, such as “carbon neutral”, “climate positive” or “net negative”, must be banned not only at the product level but also at the broader company-level. This ban must be extended beyond the EU.

02

Continue to uphold the strict separation of carbon credits from corporate climate targets, ensuring that credits are not used as substitutes for real emission reductions.

03

Require the clear separation of carbon removals from emission reductions in corporate emissions inventories, combined with the categorisation of removals based on their different permanence and risk profiles

04

Maintain a stringent regulatory stance and continue to lead by example, offering a blueprint for climate action that can be replicated globally, e.g. in the EU, by equipping companies with the tools needed for meaningful corporate sustainability reporting under the CSRD, instead of watering down requirements.

05

Mandate the publication and implementation of credible, 1.5°C-aligned climate transition plans for all large companies, as requested in the original CSDDD.

06

Ensure that companies have the necessary tools and frameworks at their disposal to understand and report on the sustainability impacts of their activities in a given sector, e.g. by mandating EFRAG to develop binding sector-specific standards and guidance, to be used by corporate actors.

Government action is the backbone of meaningful climate action, providing the structure and accountability needed to drive systemic change. Now more than ever, decisive government intervention not to delay but to speed up action to address the escalating climate crisis. 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 and company, introducing or expanding carbon pricing systems, and setting up clear and effective legal frameworks within which voluntary initiatives operate. These measures create the necessary conditions for both public and private actors to contribute effectively to global net zero.

... and voluntary action

Despite the urgent need for government regulation and with many legislative processes still up in the air, voluntary action remains a critical piece of the puzzle.

Voluntary corporate climate standards, developed by organisations like the Science Based Targets initiative (SBTi), ISO, and the Greenhouse Gas Protocol, have gained significant traction in recent years and play a key role in shaping corporate climate governance. However, despite broad adoption, these standards, as this and previous editions of the CCRM reveal, have not yet led to transformative and meaningful corporate action to avert climate catastrophe. Many companies (such as Shein and Meta) that were regarded as aligned with high-integrity standards came under closer scrutiny in the CCRM, revealing that these labels often overstate real progress.⁶

The foundational theory of change behind early standards led to gaps by prioritising mobilisation and inclusivity over enforcement or measurable impact. As a result, standards continue to include loopholes that allow broad flexibility in implementation, especially in critical areas such as carbon credits, accounting methods for removals, scope 2 and scope 3 emissions, and the use of EACs.

⁶ For an exhaustive overview of companies that were found to be misaligned with 1.5 degree pathways despite their SBTi, MSCI, or other standard setters' stamps, refer to Annex A of each sector deep dive of the [CCRM](#).

General recommendations for all voluntary standards



For the sake of transparency, voluntary standards must explicitly disclose the rules governing the roles of carbon credits, removals, commodity certificates, or other market-based accounting methods in and for emissions inventories and target achievement.

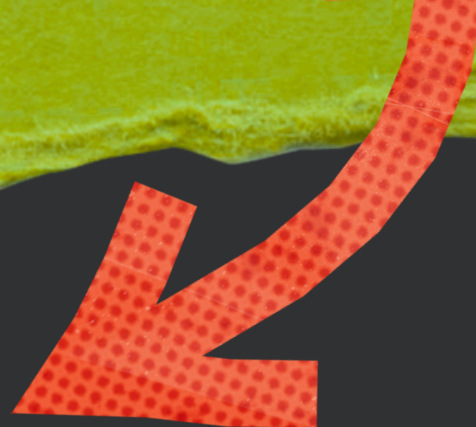
In particular, standards need to become crystal clear about the valid uses of carbon credits. Although many standards have, in recent years, begun to exclude the use of carbon credits to count towards the achievement of emission reduction targets, they face growing pressure to (re-)accommodate offsetting.⁷

It is crucial that standards compel companies to refrain from using carbon credits even for interim emission reduction targets and that companies must communicate any and every use of carbon credits unambiguously and in sufficient detail to enable external evaluation. In short, carbon credits should not be used to make any kind of offsetting claim. Instead, corporations can and should employ carbon credits as part of a transparent beyond value chain mitigation strategy that does not purport to neutralise emissions.

Furthermore, claims that equate carbon credits with actual tonnes of CO₂ reduced must be prohibited in voluntary standards. Such tonne-for-tonne equivalency misrepresents reality and puts a pressure on price formation, demand, and thereby quality of crediting projects.

⁷ For illustrative examples read:
<https://vcmin integrity.org/sbti-must-embrace-carbon-markets-to-keep-net-zero-within-reach/> or submissions made to the SBTi in 2023 on the role of environmental attribute certificates:
<https://sciencebasedtargets.org/sbti-call-for-evidence-on-environmental-attribute-certificates>

Key standards to watch



ISO standard for Net Zero aligned organisations (14060)

Status: under development; public consultation pending.

Recommendation to ISO: The standard should employ clear definitions for key concepts, like short-term, medium-term, and long-term/permanent removals, emission reductions, carbon credits, and commodity EACs. High integrity and clear definitions are non-negotiable. Carbon credits must not be used for the achievement of interim emission reduction targets.

Recommendation to stakeholders: Stakeholders should participate in the public consultation in autumn 2025.

SBTi Corporate Net Zero Standard 2.0

Status: First public consultation closed in June; [further public consultation planned](#).

Recommendation to SBTi: The revised standard must implement strong safeguards against inappropriate use of EACs, carbon credits, and malpractices in scope 2 and scope 3 accounting (e.g. counting carbon credits towards scope 3 target achievement).

Recommendation to stakeholders: Review and engage with capacity building materials, such as CSO-led [interpretations of developments](#) or [public consultation responses](#).

SBTi FLAG (Forest, Land and Agriculture Guidance)

Status: No revision currently planned.

Recommendation to SBTi: Experts should urgently revise this guidance to require separate reporting and targets for reductions and removals. Currently, it's possible for companies to achieve emission reduction targets with an undefined role of land-based CDR, a practice that undermines progress on the level of emission reductions, and makes the interpretation of emission inventories impossible for independent analysis.

GHG Protocol Land Sector and Removals Guidance

Status: Finalisation expected in Q4 2025.

Recommendation to GHG-Protocol: The existing guidance in its 2022 draft version requires separate reporting of land-based removals and emission reductions in the inventory, which the upcoming update of the guidance must preserve. In addition, the updated guidance should set clear permanence risk categories.⁸

A bad beginning can be salvaged and transformed into a good ending, if governments, regulators, standard setters, and companies use the lessons of earlier attempts to build stronger systems that can bring about the systemic change required to tackle the climate crisis. Regulation must form the backbone of climate governance, demanding ambitious corporate climate action and putting in place clear guardrails against inaction and evasion. In addition, accountability standards act as crucial drivers for widespread acceptance and innovation. The credibility of corporate climate action depends not only on ambition, but on transparency, accuracy, and a shared understanding of what constitutes real progress, and how it should be measured and achieved.

⁸ For a detailed analysis of the current permanence risk requirements under the GHG Protocol's Draft Guidance on Land Sector and Removals (2022), refer to page 11 of the [CCRM agrifood sector deep dive](#).



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