

FAQ: HOW COMPANIES CAN SUPPORT EXTERNAL CLIMATE ACTION

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1. What is the difference between offsetting and beyond value-chain mitigation (BVCM)?

The “[offsetting](#)” model - also commonly referred to as a “compensation” or “[neutralisation](#)” model - entails an approach whereby one carbon credit, nearly always generated from a project outside of a company’s value chain, is claimed to ‘cancel out’ one tonne of CO₂ emitted by the company. This model assumes that compensation of emissions is equivalent to real emissions reductions in a company’s value chain. For example, a company might use carbon credits to claim it has neutralised the emissions that it deems it cannot internally reduce and then label itself, its selected operations and/or its products “carbon neutral”.

Offsetting relies on the flawed assumption that one carbon credit can reliably ‘cancel out’ one tonne of CO₂, which is effectively impossible to guarantee due to, amongst other things, credit quality concerns related to [additionality](#), [permanence](#) and [baselines](#). A comprehensive peer-reviewed [study](#) estimated that less than 16% of credits from over 2,000 projects - nearly one billion credits - represented real emission reductions. Offsetting has also faced [legal and regulatory challenges](#) and from September 2026 the [EU will ban product-level offsetting claims](#) (e.g. “carbon” or “climate” neutral claims or logos for goods and services).

In contrast to offsetting, the “beyond value chain mitigation” (BVCM) model describes an approach in which companies undertaking ambitious climate action also support climate mitigation outside their value chain without attributing a claim that this action counterbalances their own emissions. BVCM can entail support for carbon crediting projects or other mitigation interventions and is also referred to as the “contribution” or “[taking responsibility for ongoing emissions](#)” model.

Credits purchased for offsetting purposes typically employ a “tonne for tonne” logic - where the amount of purchased carbon credits is equal to the amount of CO₂ emitted by the buyer. In addition to the fact that carbon credits cannot reliably be used for offsetting, the “tonne for tonne” logic can incentivise the purchase of the cheapest carbon credits since the key metric underpinning this approach is volume, rather than actual impact. Through a BVCM model, companies may use alternatives to tonne for tonne logic, for example: (i) a [money-for-tonne](#) approach, applying an internal carbon

price to ongoing emissions and directing these funds to climate mitigation initiatives of their choosing, or (ii) a [money-for-money](#) approach, allocating a percentage of revenues or profits to such initiatives. Support for these outside value-chain activities is often framed and communicated as “contributions” to e.g. global climate action.

However, despite the clear refocus of the BVCM model it is vital to reiterate that [internal decarbonisation remains the climate action of the utmost importance and effectiveness](#). To comply, companies must have an ambitious science-based target aligned with a 1.5°C trajectory and fully disclose disaggregated emissions data across [Scopes 1, 2, and 3](#).

They must also [allocate adequate financial resources to current and future decarbonisation measures](#), including investment in research and development and the implementation of emerging, novel solutions that may allow companies to abate tomorrow what might be considered unabatable today. External value-chain action must not act as a [mitigation deterrent](#) to internal decarbonisation. [Companies should disclose total financing dedicated to in-house mitigation, such as percentage of annual revenue, and/or percentage of capital expenditure and operational expenditure earmarked for mitigation](#).

2. Why should companies abandon offsetting claims if they're marketable?

Offsetting claims underpinned by carbon credits are highly misleading, exposing companies to reputational and legal risk. If this is not a convincing enough deterrent in and of itself, companies should look to consumer surveys showing that consumers are often either highly skeptical of such claims or simply don't understand them. In both instances, the supposed marketing value of carbon neutrality claims should be heavily questioned and reconsidered.

Some examples include the following:

- A [survey conducted by the UK Advertising Standards Authority \(ASA\)](#) found that “[p]articipants tended to believe that carbon neutral claims implied that an absolute reduction in carbon emissions had taken place or would take place. When the potential role of offsetting in claims was revealed, this could result in consumers feeling that they had been misled”.
- A [survey from the European Consumer Organisation, BEUC](#), found that “40% of respondents believe they understand carbon claims. However, when asked about the meaning of these claims, most answer incorrectly. For instance, almost two thirds think that products and services bearing a “carbon neutral” claim have been produced without emitting any CO₂ emissions at all, which is not true”.
- A [survey from German consumer protection organisation, Verbraucherzentrale Nordrhein-Westfalen \(VZNW\)](#), found that Germans are generally skeptical or confused about “climate neutral” (product) claims.
- A [survey from the Authority for Consumers & Markets \(ACM\)](#) in the Netherlands on carbon offsetting and airlines found that “[t]erms such as ‘carbon-neutral’ are not properly understood”. Furthermore, the “results show that there is a serious risk of deception when using general and vague terms such as ‘carbon-neutral’ and ‘climate-neutral’. Businesses should therefore avoid these terms, and provide clear and concrete explanations with their claims”.

3. Should companies act now on BVCM or wait for emerging guidance from standard-setting bodies such as SBTi, ISO and GHG-P?

It is not necessary to wait for advice from these standards before implementing the BVCM approach.

To begin with, there have been various delays with these processes and the timeline remains fluid, so it is unclear when all of these standards will actually adopt and publish their frameworks at the time of writing (April 2026). That said, the SBTi, for example, has already published an [updated draft for the revision of its Corporate Net Zero Standard](#), which includes a BVCM section (“taking responsibility for ongoing emissions” or “ongoing emissions responsibility - OER”). This draft already provides some relevant information for companies regarding SBTi direction of travel towards formal recognition of BVCM contributions.

Importantly, additional information will not change the fact that companies must step away from the disproven practice of offsetting. They can already ensure that – if carbon credits are used – they never compensate for emissions at the company or product (goods and services) level and are therefore never treated as real emissions reductions that appear in emissions inventories or count toward climate targets. Companies can therefore already discard all climate communications implying that emissions can be counterbalanced or compensated (e.g. “climate neutral”, “carbon neutral”, “CO₂ neutral”, “CO₂ compensated”, “climate positive”, etc.). Such communications can instead be replaced with accurate statements about the specific initiatives a company is supporting.

Additionally, there is consensus among a wide spectrum of stakeholders on key steps to implement the BVCM model, as described in questions 1 and 6.

4. Are other companies or organisations already implementing the BVCM approach in their climate communications?

Yes, companies and organisations are adopting this communication model. It should be noted that these examples are limited to climate claims and broader consumer-facing communications, and do not take into account a company’s overall climate strategy or transition plans, lobbying practices, etc.

Some examples include:

[Klarna](#) has various climate communications and statements on its website. Some explicitly reject offsetting, e.g. for example, *"Klarna rejects carbon offsets with fresh \$1.25m fund for environmental moonshots"* (via a press release), while others frame its climate action in line with a BVCM approach ("support", "climate contributions" and "internal carbon fee", which alludes to the money-for-tonne approach discussed in Question 1): *"Climate action: We are committed to making a meaningful contribution to global climate goals: we are reducing our greenhouse gas emissions towards our 2040 Net Zero goal and we support the innovative climate solutions needed to reach global Net Zero with annual climate contributions, financed through our internal carbon fee"*.

On its sustainability page, [ING](#), also explicitly rejects the concept of compensation or "carbon neutrality" while using BVCM framing and even refers to its adherence to a "contribution model": *"Contribution measures [...] The priority of our Environmental Programme is to reduce CO₂ in our operations. We also take accountability for our unabated emissions and look for ways to contribute to impactful projects that can mitigate climate change outside of our supply chain. In 2023, we started exploring partnerships with organisations with the goal of donating to projects on carbon removal and nature restoration and developing carbon removal technologies. We intend to continue this approach in the future using a contribution model rather than purchasing carbon credits, a practice we stopped in 2022. Moreover, we will not use the environmental impact of any current or future projects for any claims related to carbon neutrality"*.

[KLM](#) amended its compensation claim after a [Dutch Court found it misleading](#). KLM's amended claim explicitly rejects the compensation model, while using key BVCM terms such as "contribution": *"Compensation through nature development is not possible. Although your contribution to nature development increases biodiversity and strengthens local communities, it does not compensate for the emissions of your flight"* (translated from original Dutch language version).

[Several climate impact funds](#) also specifically frame corporate support to their initiative around the climate contribution approach.

5. What are the business and communication benefits of adopting the BVCM model?

Some benefits include the following non-exhaustive list:

- **Reducing legal and reputational risks.** Above all, companies who replace their offsetting model with a BVCM approach will decrease both their legal and reputational greenwashing risk. As stated in Question 1, there have been numerous [legal and regulatory challenges](#) related to compensation claims (in addition, the [EU will ban product-level offsetting claims](#) starting in September 2026). Question 2 highlights a [survey conducted by the UK Advertising Standards Authority](#) where participants felt misled after finding out what these claims actually mean. This demonstrates how consumer trust in a company or brand can be undermined by questionably credible claims.
- **Avoiding exclusions by financial groups.** According to [SBTi](#), “concern about climate change has been cited as the most common reason for financial groups to exclude companies from their portfolios, [according to research from a coalition of non-profit environmental and sustainability groups](#). Correspondingly, [many investors see purpose-led brands as a key to future-proofing their portfolio](#), recognising sustainability as an opportunity for growth. BVCM thus presents an opportunity to retain and attract investors”.
- **Brand differentiation.** Corporate climate communications aligned with the BVCM model represent a [potential opportunity for companies to differentiate themselves from their competitors](#) by showing responsibility through committed climate leadership. [Surveys](#) have indicated that sustainability may influence consumer purchasing decisions, potentially offering a strategic edge.
- **Other benefits.** [Other BVCM business benefits](#) include talent acquisition and retention; technology transition opportunities; and climate and nature resilience.

6. What key steps can companies take to implement the BVCM model?

A range of stakeholders – from NGOs and academics to market actors and companies – previously signed a [joint statement](#) outlining key steps a company can take. The details of how each step is operationalised can and should be refined, and approaches may vary in practice. These steps are set forth below:

While prioritising its own decarbonisation in line with a 1.5C° trajectory, a company should:

- 1. Calculate and disclose its GHG footprint, including scope 1, 2 and 3 emissions;*
- 2. Determine a budget to be allocated to beyond value-chain climate action (e.g. through an internal carbon price, a share of revenues, etc.);*
- 3. Undertake due diligence to decide on a beyond value-chain climate portfolio that will direct finance to the most impactful climate initiatives;*
- 4. Finance the identified initiatives;*
- 5. Publicly communicate about each of the first 4 steps, clearly separating beyond value-chain funding from internal decarbonisation efforts*

In addition (and as established in Question 1), a company should also ensure lobbying activities do not aim to undermine ambitious climate action, that its value chain is deforestation free and is committed to full divestment from fossil fuels and other highly polluting industries.

7. What types of initiative should companies consider for their climate contributions?

In light of the challenges associated with carbon credits discussed in Question 1, [companies may not want to invest their entire BVCM allowance into carbon credits](#), especially from projects with a high likelihood of overstating their mitigation.

Companies should know that they have other options that can replace or complement their contributions to nature-based carbon crediting projects. Some examples might include (*non-exhaustive list*):

- **Contributions into initiatives that help scale durable carbon removals (CDR).** A [special edition of Carbon Market Watch's Corporate Climate Responsibility Monitor \(CCRM\)](#) that focused on the role of companies in scaling up durable carbon dioxide removals, identified an “urgent need to scale up durable CDR to reach global net zero” because “[o]nly durable CDR, where carbon is stored securely on a millennial timescale, can truly neutralise emissions from the long carbon cycle, such as fossil fuel emissions, thawing permafrost and degrading peatlands”. There must be sufficient transparency around the details of these investments (e.g. details on renewable energy and water use and social and environmental risks are easily accessible) in addition to independent, third-party audits on purchase agreements to ensure that any problems are adequately addressed.
- **Contributions to the funding and research and development of “high-hanging fruit” initiatives.** [According to NewClimate Institute](#) (NCI), “high-hanging fruit of mitigation potential refers to the technologies and measures to decarbonise emission sources that remain otherwise entirely inaccessible to host country governments in the near- and medium-term future, on account of extraordinary costs or other insurmountable barriers that are challenging to overcome. High hanging fruit mitigation projects can support global ambition raising through the identification and implementation of solutions for emission sources that are the hardest to abate”. These initiatives are therefore underfunded and represent an advantageous opportunity for companies to invest in potentially transformative (yet high risk) technologies. In

this context, [NCI has provided guidance on how to identify such projects](#), including demonstration of project inaccessibility and compatibility with net-zero emission technologies. Some examples or case studies of these kinds of projects are also included.

- **Contributions into “climate impact funds”.** [Climate impact funds are generally defined](#) as initiatives or platforms that channel capital toward a range of climate or environmental projects and organisations, and are broadly aligned with the BVCM model. Such funds allow companies to invest in a diversified portfolio; for example, a company could simultaneously support a durable CDR project, a biodiversity initiative, and a climate advocacy organisation. As with all outside value-chain contributions, investments in impact funds have advantages and disadvantages, including less clear impact metrics, so companies should conduct careful due diligence on climate and environmental impact, as well as on social safeguards.
- **Other initiatives:** Companies may also want to consider contributions directly to initiatives that support, e.g. biodiversity and conservation projects (that do not apply an offsetting tonne-for-tonne approach), or climate and environmental advocacy organisations. [Funding for climate adaptation and loss and damage](#) has historically received little corporate support and could be impactful but [requires heightened due diligence and should be done in consultation with adaptation and loss and damage experts](#).

8. Are there any useful resources out there that can help us do this?

Some resources that companies may want to consider include the following (non-exhaustive list and certain sources are repeated previously):

- [BVCM template from Carbon Market Watch](#): This is meant to provide guidance on best-practice reporting that companies may use to communicate clearly how they contribute to climate action beyond their own value chains, the so-called “beyond value chain mitigation” (BVCM).

- [FAQ: Credible climate claims in a post-offsetting world](#): This is the first edition of Carbon Market Watch’s BVCM FAQ that provides additional context on related issues.
- [Climate contribution hub](#): Launched in 2025 by NewClimate Institute in collaboration with Allianz, this tool is aimed at small- and medium- sized organisations. This hub is an open-access platform designed to support such organisations with the following steps: (1) measuring emissions; (2) reducing emissions; (3) pricing emissions; (4) supporting climate action; (5) mainstreaming contributions; and (6) communicating this support credibly and transparently.
- [A guide to climate contributions: taking responsibility for emissions without offsetting](#): Published by NewClimate Institute as guidance for companies on taking responsibility for emissions by supporting climate action.
- [Above and beyond: An SBTi report on the design and implementation of Beyond Value Chain Mitigation \(BVCM\)](#): This sets forth BVCM business case considerations amongst other related information.
- [Funding beyond value chain mitigation: Step by step guidance for organisations taking responsibility for their emissions](#): Published by Gold Standard, Milkywire and Murmur. Provides a “step-by-step” framework for companies who want to take responsibility for their unabated emissions “supplementing but not displacing their efforts towards decarbonising their own value chains”.



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