



WWF position and guidance on voluntary purchases of carbon credits

Executive Summary

With a strong push from the Paris Agreement and the IPCC special report on the impacts of a 1.5°C global temperature increase, reaching net-zero emissions globally is one of the most important and most active questions for the climate movement. The Climate & Energy Practice has begun a process to explore the uncertainties around how to achieve a global balance between emissions and sinks, i.e., “net-zero.” This includes questions such as how companies, subnational jurisdictions, and even individuals should contribute to a net-zero future.

In the meantime, many of our corporate partners are already approaching WWF to ask for advice on their own steps to align with a net-zero future. Clearly, setting a transparent science-based target linked to a company’s Scope 1, 2 and 3 emissions is the first step, and companies that want to go further in the near-term require guidance on how to address more, or all, of their emissions (such as through the voluntary purchase of carbon credits).

With this context in mind, the purpose of this document is to describe principles and guidelines that WWF should use to advise corporate partners around the use of voluntarily carbon credits within broader emissions reduction strategies.¹ If businesses purchase carbon credits, they should do so in addition to a broader, transparent, science-based strategy² to reduce Scope 1, 2, and 3 emissions, which should remain the priority. Businesses should adhere to the accounting practices of the GHG Protocol, meaning that businesses should not subtract carbon credit purchases from their Scope 1, 2 and 3 emissions inventories.

The guidance includes important considerations regarding the appropriateness of certain claims. This includes explanations of why the usage of the terms “carbon/climate neutral,” “offsetting” and “net zero” can lead to misleading statements and advises that businesses accordingly use caution when considering their use, given that WWF and other experts are reviewing how or whether they are still appropriate claims in the context of the Paris Agreement.

Appendix 1 details specific criteria to help determine whether a carbon credit can be considered “high-quality.” The guidance describes the circumstances and extent to which WWF could advise carbon credit purchasers on credit quality and/or amplify carbon credit purchases, including the requirement that the purchases align with the recommendations in this document and that the company has a science-based target or has committed to develop one.

¹ The recommendations in this document could also be used to guide conversations with other non-state actor carbon credit purchasers like cities, universities, and cultural institutions, for example.

² WWF recommends that businesses set science-based targets through the SBTi.

This position and guidance document serves to provide necessary interim advice to our corporate partners on the role of voluntary carbon credits in their broader climate strategies while WWF takes the time to develop a broader position on what it means to be net-zero for a corporate and the steps needed to get there.

Glossary of Terms

Additional/Additionality

For an emissions reduction project generating carbon credits, being additional means that the project activity would not have existed in the absence of carbon market incentives and that the project reduces emissions and/or physically removes carbon from the atmosphere beyond the business-as-usual scenario. Additionality is a core requirement of all projects that produce high quality carbon credits.

Carbon Credit

A “carbon credit” (also known as a “carbon offset”) is an electronic and serialized unit that represents one ton of CO₂ equivalent that is reduced, avoided, or sequestered from projects applying an approved carbon credit methodology.

Carbon credit methodology

A set of criteria, procedures and technical specifications applicable to one or more project activities which sets out the requirements by which a project developer must demonstrate additionality and monitor and quantify a project’s emission reductions under a carbon crediting program.

Carbon crediting program

A program under which emissions reduction projects are certified and issued carbon credits. Examples include programs typically used for emissions compliance obligations, such as the Clean Development Mechanism (CDM), and programs typically or exclusively used for voluntary carbon credit purchases, such as the Gold Standard, Verified Carbon Standard, Climate Action Reserve, American Carbon Registry, and Plan Vivo.

Carbon neutral/neutrality

The IPCC defines carbon neutrality as “balancing of residual emissions with emission (carbon dioxide) removal.”³ This is not how the term is used in the marketplace, however. Many will define carbon neutrality as when an entity is balancing out carbon emissions it has caused by funding an equivalent amount of carbon savings elsewhere in the world.⁴ Carbon neutrality can sometimes be misperceived as meaning only the complete elimination of emissions (see recommendation 5 for more information).

Climate neutrality

The term “climate neutral” is sometimes used instead of “carbon neutral” to acknowledge the role of non-CO₂ greenhouse gases and other climate forcers (i.e., non-gas materials that cause warming or cooling in the atmosphere, such as soot particulates). Full climate neutrality for a company would also mean addressing the non-CO₂ radiative forcing effects in the upper atmosphere caused by aviation (e.g., employee air travel)⁵ as well as accounting for residence

³ IPCC SR1.5 Annex: Glossary.

https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_AnnexI_Glossary.pdf

⁴ These carbon savings could come in the form of carbon credits that do not represent removals of carbon from the atmosphere, but instead emissions that have been reduced from a business as usual baseline. These types of carbon credits are not technically “removals” which they would need to be to conform with the IPCC definition.

⁵ <https://www.carbonbrief.org/explainer-challenge-tackling-aviations-non-co2-emissions>

time of the climate forcers (i.e., the lag time between when emissions take place and when they are removed).

CO₂ equivalent (CO₂e)

CO₂ equivalent is a unit of measurement used to express the global warming potential of each different greenhouse gas in terms of the amount of CO₂ that would create the same amount of warming.

Compliance market

A market for carbon credits that are eligible to be used for emissions compliance obligations, such as the European Union Emissions Trading System, California Cap-and-Trade Program, or for meeting nationally determined contributions (see definition below).

Corporate Climate Finance Target

A financial capitalization target for a company; capital set aside would be used for climate mitigation efforts, which could include the purchase of carbon credits or other mitigation investments. The target may be determined based the company's emissions and a predetermined cost per ton of CO₂ equivalent emitted (e.g., a cost that reflects the social cost of carbon).

Decarbonization

Literally, the reduction of carbon. More specifically, the term refers to the conversion of the economic system or individual carbon emitting entity converting to reduce the carbon intensity of its (direct or value chain) emissions over time.

Double Counting

Double counting is a situation in which a single greenhouse gas emission reduction or removal is counted more than once towards achieving climate change mitigation.⁶

Greenhouse Gas (GHG) Protocol

The WRI/WBCSD Greenhouse Gas Protocol provides standards (including the Corporate Standard and the Corporate Value Chain (Scope 3) Standard referenced in this document) and other resources for businesses and other stakeholders to measure and manage Scopes 1, 2 and 3 GHG emissions.

Insetting

See Appendix 2.

Nationally Determined Contribution (NDC)

The Paris Agreement requires participating countries to submit nationally determined contributions (NDCs), which outline both their domestic emissions reduction goals and measures that each country will take to achieve them.

Net zero emissions

See "Climate neutrality" above.

Science Based Targets initiative (SBTi)

SBTi is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and WWF to institutionalize corporate science-based target setting, whereby companies commit to emissions reduction targets that are consistent with the level of decarbonization needed to limit planetary warming to below 2°C.

⁶ <https://www.adc-wg.org/faq-1>

Scopes 1, 2 and 3

A company's emissions are classified into three scopes by the GHG Protocol Corporate Standard. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.⁷

Voluntary market

A market for carbon credits that are purchased voluntarily (i.e., not for emissions compliance purposes).

Introduction

For many years, businesses and individuals have voluntarily purchased carbon credits in their efforts to be good stewards for the climate. At the same time, these credits have a mixed history filled with questions regarding additionality, permanence, fairness, and impact on broader decarbonization efforts. With a greater scientific understanding of the scale of emissions reductions needed to limit planetary warming to well below 2°C or 1.5°C, many are asking the question of how carbon credits can be a tool for increasing global climate ambition. Under the Paris Agreement, countries must consider how they will achieve their NDCs. This raises the question of how/if carbon credits should be integrated into and help achieve those government mandated climate targets, whether at the national, subnational, or sectoral level. This new post-Paris context necessarily affects how businesses should participate in and communicate about the voluntary carbon market because without proper measures they may violate Article 6 of the Paris Agreement's requirement that the use of internationally transferred mitigation outcomes—or mitigation outcomes for international mitigation purposes other than achievement of its NDC—are not double counted.

While the voluntary purchase of carbon credits can be an impactful practice, WWF also recognizes that some organizations and experts believe that using carbon credits for carbon neutrality or net zero claims is inappropriate and may be equivalent to greenwashing. (Note: this is not meant to characterize WWF's own views.) These views stem from the belief that carbon credits should not be considered fully fungible with a company's actual emissions, or that they divert a company's attention and resources from reducing its own emissions.

Given the complexity, controversy and uncertainties regarding the use of carbon credits to “offset” a company's footprint, some are considering alternative ways to frame certain voluntary carbon credit purchases. For example, companies could set “corporate climate finance targets” and carbon credits could be used towards meeting these targets. This would help companies demonstrate their commitment to investing in effective decarbonization and climate resilience efforts outside of their company boundaries. In this case, carbon credits could not be used, counted, or communicated as also helping them meet their emissions reduction targets, as that would be double counting.⁸

Considering the evolving perceptions of voluntary carbon credit purchases, businesses should consider how to mitigate these risks. WWF believes that the purchase of high-quality carbon

⁷ https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf

⁸ https://www.goldstandard.org/sites/default/files/documents/gold_standard_defining_a_corporate_climate_finance_commitment.pdf

credits can be an effective way for businesses to contribute to their climate goals when those purchases are part of a broader strategy to reduce emissions. Businesses should apply caution when considering whether to make “carbon neutrality” or “net-zero” claims or describing the company’s purchase of carbon credits as “offsetting” because of ongoing discussions between WWF, other NGOs, and the broader voluntary carbon market community about their meaning and suitability given the new context established by the Paris Agreement. This document provides recommended practices for businesses voluntarily purchasing carbon credits.⁹ It also details the circumstances and extent to which WWF could advise carbon credit purchasers on credit quality and/or amplify carbon credit purchases.

Recommendations to businesses on carbon credit purchases

Carbon credit purchases within a broader emissions reduction strategy

- 1) **Businesses should prioritize executing a transparently disclosed, science-based strategy to reduce Scope 1, 2, and 3 emissions over the purchase of carbon credits. Carbon credit purchases should only be made *in addition* to such a strategy.** Carbon credit purchases should not negatively impact a company’s investments in direct abatement activities to achieve its science-based decarbonization pathway. Also note that the Science Based Targets initiative (SBTi)¹⁰ does not allow carbon credits to be used to meet targets, though it is open to considering Scope 3 “insetting” projects in the future if SBTi adopts standards, and accounting methodologies are developed.¹¹ See Appendix 2 for more on insetting. As general guidance, a hierarchy of decarbonization measures could resemble the following:
 - (1) Science-based strategy to reduce Scope 1 and 2 emissions (e.g., reducing energy demand, implementing energy efficiency measures or investments, procuring 100% renewable energy, onsite renewable investment, offsite renewable investment).
 - (2) Science-based strategy to reduce Scope 3 emissions (e.g., insetting).
 - (3) Purchase of high-quality carbon credits (e.g., see recommendations 9-10).
- 2) **For businesses where few technologically viable direct abatement opportunities presently exist, carbon credit purchases could be framed as a temporary (i.e., until there are technologically viable direct abatement opportunities) bridging**

⁹ The recommendations in this document can just as well apply to other non-state actor carbon credit purchasers like cities, universities, and cultural institutions, for example.

¹⁰ WWF recommends that businesses establish science-based strategies through the SBTi.

¹¹ “There is no international standard or consistent definition to describe insetting projects nor an agreed methodology to account for their GHG emission reductions. Further work needs to be done to standardize the definition of insetting projects and to develop a clear accounting methodology. For these reasons, the SBTi will be open to consider these projects as a way to achieve SBTs under certain circumstances. Insetting projects could potentially count as long as the emissions they address are within the Scope 3 emissions boundary of the company and as long as there is no double counting (i.e. the impact of the project it is not being counted by another company – other than the one developing the insetting project and the company taking into account the insetting reductions for Scope 3 purposes).”

<https://sciencebasedtargets.org/faq/>

step toward longer-term decarbonization (which should remain the priority).

- 3) Businesses can purchase carbon credits as part of a complementary/supplementary commitment to finance emissions reductions outside of the company's operations and value chain.**

Accounting for carbon credit purchases

- 4) Businesses purchasing carbon credits should not subtract those purchases from their Scope 1, 2 and 3 emissions inventories.** The GHG Protocol guidelines¹² make clear that annual carbon credit purchases and cancellations¹³ should be reported separately from a company's emissions inventory and should not be used to report a "net" emissions reduction.¹⁴ For example, if a company is using the GHG Protocol Corporate Standard, it would log this data in the optional information section.

Making claims based on carbon credit purchases

Certain terms or phrases commonly used in claims related to carbon credit purchases can have multiple interpretations and can be misleading to consumers and the public (i.e., "carbon/climate neutrality," "net zero," and "offsetting"). Accounting rules that may be decided under Article 6 of the Paris Agreement could produce additional circumstances under which some terms or phrases may not be appropriate (see recommendation 5 on "carbon/climate neutrality"). WWF will not characterize corporate purchases of carbon credits using these terms, and likewise are currently cautioning businesses on their usage as explained below:

- 5) WWF cautions businesses on claiming "carbon/climate neutrality" for either the business or its products, because it could signal that a company's work on climate is done when a company or its product's entire footprint hasn't actually been eliminated.** To avoid misleading communications around the phrase "carbon neutrality," WWF recommends that businesses be clear that they have not eliminated all of their emissions and are still working to reduce them. Businesses should use and communicate voluntary carbon credit purchases as temporary steps until they can further reduce and eliminate remaining Scope 1, 2 and 3 emissions. See recommendation 7 for an example. Note also that governments could agree to rules in Article 6 of the Paris Agreement that would require national emissions accounting adjustments¹⁵ and country government authorization in order for a corporate buyer to credibly claim emissions reductions from carbon credits when voluntarily purchased. Failing to adhere to such requirements might undermine "carbon neutrality" claims starting in 2020. Gold Standard Foundation is convening a process in which WWF participates to assess the validity of carbon neutrality claims. This process is now likely to yield results as early as Spring 2020, which might trigger an update to this position.

¹² From the GHG Protocol: "CREDIBILITY OF OFFSETS AND TRANSPARENCY: The uncertainties that surround GHG project accounting make it difficult to establish that an offset is equivalent in magnitude to the internal emissions it is offsetting. This is why companies should always report their own internal emissions in separate accounts from offsets used to meet the target, rather than providing a net figure."

¹³ Businesses must also "cancel" or "retire" their carbon credits in the appropriate registry, so that they cannot be used again in another reporting period, whether for voluntary or compliance purposes.

¹⁴ This guidance reflects the accounting standards in the GHG Protocol at the time of writing, and future updates of the GHG Protocol may require review for alignment with WWF.

¹⁵ An "adjustment" in this context is a bookkeeping entry that a country makes in its accounting system, usually to avoid double counting with regard to a carbon credit used by another actor.

- 6) WWF supports companies which commit through the Business Ambition for 1.5°C campaign to achieve “net zero” but cautions businesses on claiming to be “net zero” or on a “net zero” emissions pathway, at this time.** There is not yet a strong consensus around the definition of net zero, nor are there clearly defined benchmarks or methodologies for understanding whether a company is on a “net zero” pathway. The Paris Agreement refers to this concept at a global level, calling on countries to collectively achieve a balance between anthropogenic emissions and removals in the second half of this century. WWF and other partners are in the process of developing guidance on how to achieve net zero at the company level. While WWF is supporting companies that wish to commit to meeting “net zero” by no later than 2050 (as part of the Business Ambition for 1.5°C campaign, claiming to be on a net zero emissions pathway is not something WWF is advising just yet. For up to date advice on corporate net zero claims, please contact WWF’s lead for the Science-Based Targets initiative.
- 7) WWF cautions businesses on using the term “offsetting” in public communications about carbon credit purchases.** Use of the term “offsetting” carries some of the same perceptions as “carbon neutrality”, in that it can be interpreted as if a company has nullified a portion of its direct emissions. To avoid misleading communications and claims, WWF recommends that businesses be transparent about how this credit purchase fits into the company’s longer-term vision and strategy for decarbonizing their direct operations.

For example, a business might instead communicate in the following way:

- “Recognizing that we still have work to do to reduce our emissions footprint, we are taking X and Y steps to advance toward our goal of becoming an emissions free company. Although we are unable to eliminate certain emissions at this time, we have purchased carbon credits equivalent to the emissions we haven’t yet been able to eliminate. These credits will finance much-needed climate mitigation action and support the global transition to a zero-carbon future and represents a temporary measure until we are able to undertake the steps needed to eliminate our emission entirely.”

Another approach business could take includes setting a “corporate climate finance target,” whereby companies demonstrate their commitment to investing in effective decarbonization and climate resilience efforts outside of their company boundaries. Voluntarily purchased carbon credits wouldn’t be used to claim “offsetting,” but rather used towards meeting a pre-defined level of investment that would be used towards funding climate mitigation and adaptation efforts (some of which could be in the form of carbon credits).

Ensuring carbon credit quality

- 8) Purchased carbon credits should meet robust quality criteria (see Appendix 1).** In every case, any business purchasing carbon credits should plan to perform (themselves or by expert third parties) independent due diligence on the quality of individual credits purchased. As of 2017, 86% of the carbon credit market was dominated by carbon crediting programs Verified Carbon Standard, Gold Standard, Climate Action Reserve, and American

Carbon Registry.¹⁶ WWF does not officially endorse a specific carbon crediting program, because these standards may get updated too often for WWF to have an up-to-date understanding of the robustness of the program. In addition, even though a program may have good procedures for ensuring credit quality, there is still some risk that issues could arise with individual projects. Users of this guidance document may note, however, that Gold Standard was developed in collaboration with WWF, and past assessments conducted by WWF have shown that Gold Standard is best-in-class and has most aligned with WWF's mission and values. Other projects not certified under these standards mentioned above may be able to meet robust quality criteria but may require a greater degree of due diligence on the purchaser's behalf to verify quality. WWF does not endorse Clean Development Mechanism (CDM) credits in general, and some research indicates that many of those credits may not represent real emissions reductions or removals.^{17,18} WWF is in the process of working with partners to develop a tool to help corporate buyers understand which credits are robust and consistent with the requirements in the Paris Agreement (e.g., adequately take into account the risk of double counting).

- 9) WWF would not recommend nuclear carbon credit projects or projects that that conflict with WWF Global Network Policy (e.g., biomass projects that conflict with the WWF Policy on Bioenergy¹⁹), nor fossil fuel projects that are counterproductive to the clean energy transition.** These project types are less likely to meet the robust quality criteria in Appendix 1, and in the case of some fossil fuel project types, may incentivize the persistence of the fossil fuel economy (e.g., fossil fuel switch). Project activities that relate to the mitigation of fossil fuel installations or the externalities of their abandonment (e.g., abandoned coal mine methane flaring) are more acceptable where the economic incentives from those activities are consistent with keeping fossil fuels in the ground.

¹⁶ Ecosystem Marketplace. 2017. Unlocking Potential: State of the Voluntary Carbon Market 2017. Available at: https://www.forest-trends.org/wp-content/uploads/2017/07/doc_5591.pdf

¹⁷ Schneider, L. S. & La Hoz Theuer. 2017. Using the Clean Development Mechanism for nationally determined contributions and international aviation: Assessment of impacts on global GHG emissions. Available at: <https://www.jstor.org/stable/resrep02810>. For a more detailed assessment of project types see: Schneider, L., Day, T., La Hoz Theuer, S. and Warnecke, C. 2017. Discussion paper: CDM supply potential up to 2020. NewClimate Institute. <https://newclimate.org/wp-content/uploads/2017/08/cdm-supply-potential-up-to-2020.pdf>

¹⁸ DEHSt. 2017. Vulnerability of CDM Projects for Discontinuation of Mitigation Activities: Assessment of Project Vulnerability and Options to Support Continued Mitigation. Available at: <https://newclimate.org/wp-content/uploads/2017/05/vulnerability-of-cdm.pdf>. In the literature two concepts are key to understand regarding whether a project is able to or is generating additional emissions reductions beyond what would have happened in the absence of the project —“additionality” and “vulnerability to discontinuing abatement.” See more in Appendix 1.

¹⁹

https://d2ouvy59podg6k.cloudfront.net/downloads/final_bioenergy_policy_external_april_2012.pdf

10) To enhance the likelihood of additionality, purchasers should seek credits from projects with new start dates. Research suggests that certain project types under the CDM are not likely to be additional. This could be the case with other carbon crediting programs too; Verra (which manages the Verified Carbon Standard) and Gold Standard have enacted or are considering revisions to the eligibility of certain project types related, in part, to additionality concerns. To hedge against this risk, WWF recommends the purchase of credits from projects with relatively newer start dates. While a project's age doesn't necessarily indicate its likelihood of being additional, new projects are more likely to apply or reflect the latest additionality assessment methods, quantification methodologies, and eligibility restrictions from their respective carbon crediting programs.

A note on the land sector: Recommendations pertaining to forest carbon credits and WWF's role in forest carbon projects are undergoing further discussion in the WWF Network and will be clarified at a future date.

WWF advising on and amplifying corporate carbon credit purchases

WWF would only consider publicly supporting or amplifying (e.g., sharing on social media without an explicit positive characterization) corporate purchases of carbon credits where they align with the recommendations above and the company has a science-based target or has committed to develop one via SBTi. Situations for publicly supporting or amplifying purchases may occur as a cooperative effort with a corporate partner or through media enquiries.

Contact

For questions regarding the position, please contact WWF at carboncreditguidance@wwfus.org.

Appendix 1: Carbon Credit Quality Criteria

To be considered high quality, carbon credits must:

1. **Be real** - Each carbon credit legitimately measures at least one ton of CO₂ equivalent and is based on a credible and conservative baseline.
2. **Be measurable** – Carbon credits must be calculated based on robust scientific data using accurate quantification methods and must be expressed in quantitative terms, using standardized GHG metrics.
3. **Be additional** – Carbon credits must represent emission reductions or removals that would not have otherwise occurred without the added incentive resulting from the carbon market. In other words, adhering to this quality criterion would mean that the project/program baseline must be set to represent the “business as usual scenario,” should represent no more than the emissions that would have occurred in the absence of the market incentive, and should not include emission reductions that are intended to be achieved with other policies and measures. Because countries are expected to revise their NDCs in 5-year cycles, the demonstration of additionality will need to be calibrated accordingly to reflect increases in ambition.
4. **Be permanent** – Carbon credits must represent emission reductions or removals that will not be reversed after the issuance of that unit. If non-permanence is a material issue, proper provisions must be in place to both minimize that risk and account for reversals if they should occur, such as using a buffer pool of credits to replace reversed emission reductions and removals, or temporary units.
5. **Avoid leakage** - The generation of carbon credits should not lead to an increase in emissions elsewhere, or safeguards must be in place to monitor and mitigate any increase that occurs (e.g., leakage deductions from the emissions reductions measured).
6. **Be monitored, reported, and verified** – The underlying emissions reductions of carbon credits should be monitored and reported and must be verified by a credible third-party verification system.
7. **Comply with social and environmental safeguards** - The generation of carbon credits should not violate laws, regulations, or treaties, or result in social or environmental grievances, and countries must show how emission units meet the international best practice standard for social and environmental safeguards.

Additional guidance when assessing credits and credit programs:

In addition to the carbon credit quality criteria described above, carbon credits must also be generated and tracked in a transparent manner, whereby the record of each carbon credit and the documentation of its accounting are publicly and transparently available.

The credit program takes measures that prevent the carbon credits' emissions reductions from being double counted, such as with the host country's commitments under the Paris Agreement.²⁰

WWF also recommends that carbon credit buyers aim to buy from programs/projects that demonstrate co-benefits, including those related to enhanced human livelihoods, ecosystem services, and biodiversity.

²⁰ The [Guidelines on Avoiding Double Counting for the Carbon Offsetting and Reduction Scheme for International Aviation](#) contains double counting guidance specific to the CORSIA offsetting program, but may also be used to inform the wider implementation of carbon market approaches to double counting, including in the context of the Paris Agreement.

Appendix 2: Insetting

This appendix introduces insetting and considers the outstanding questions and implications of various approaches and reporting practices, noting that this concept may continue to be refined before a strong consensus on what it is and how it is done properly can be arrived at.

What is insetting?

Insetting is a relatively recent concept for which there is no universal definition or standard. Likewise, there is ambiguity in how emission reductions from insetting should be reported, and whether such reductions can be used to meet a company's science-based targets. Early definitions originate in part from a 2009 technical paper from Ecometrica, which defines the “new paradigm” of insetting as an investment within the company's sphere of influence or interest, but outside of a company's Scope 1 and 2 emissions.²¹ Some have proposed a narrower definition that describes a company's investment in a verified carbon project within its supply chain, and the subsequent claiming of those—or a portion of those—carbon credits.²² These definitions will continue to evolve.

Why inset?

Insetting may have the added benefit over “offsetting” in that it allows a company to take responsibility for, and action toward, the emissions and other negative externalities that exist within a company's sphere of influence. Insetting may also have the effect of enhancing the resilience of a company's supply chain.

Reporting of insetting achievements

If businesses choose to use insetting, they should comply with the [GHG Protocol Corporate Value Chain \(Scope 3\) Standard](#) and consider emerging resources such as the evolving [Gold Standard Scope 3 Value Chain Interventions Guidance](#).²³ As discussed above, insetting projects may or may not involve the generation of carbon credits. Where insetting projects do involve the issuance of carbon credits, companies should clearly report these as “complementary” or “supplementary” to their Scope 1, 2 and 3 inventory.²⁴

Science-Based Targets

SBTi does not allow carbon “offsets” to be used to meet science-based targets, though insetting projects could potentially contribute toward science-based targets if they are within the Scope 3 emissions boundary.²⁵ However, the full circumstances under which insetting projects could contribute toward SBTs are unclear.

²¹ https://ecometrica.com/assets/insetting_offsetting_technical.pdf

²² https://www.icroa.org/resources/Documents/ICROA%20Insetting%20Report_v200.pdf

²³ A final version of this should be available by 2020.

²⁴ At an atmospheric level, the choice to account for insetting with carbon credits or not is inconsequential, so the GHG protocol requirement that all carbon credits must be reported as “complementary” to other Scope 3 emission reductions may require reassessment in the context of insetting projects. If insetting-generated carbon credits were ultimately allowed to be reported within Scope 3, it's likely that this practice would necessitate that those carbon credits be of the same vintage as the company's reporting period.

²⁵ <https://sciencebasedtargets.org/faq/>

SBTi has not defined whether “offsets” would include carbon credits generated from insetting projects. Relatedly, it’s not fully understood whether an insetting project that did not generate carbon credits would be more appropriate to contribute toward SBTs than an insetting project that did generate carbon credits, if appropriate at all. As noted in footnote 24, the difference between two such projects may be inconsequential, and such rules may require reassessment with continued adoption of insetting practices.

WWF will continue to follow this emerging concept of insetting and will adjust this document guidance as necessary to reflect advances on the topic.