

# FACT SHEET

## CLIMATE NEUTRALITY AND OFFSETTING

### WHAT YOU NEED TO KNOW

Is it greenwashing and slowing down direct emission reduction of businesses or is it a valuable and necessary contribution to achieving the climate targets?

#### RISKS AND UNCLARITIES

##### of offsetting projects:

- !** **often too cheap**  
prices ranging from 1-145 €/t CO<sub>2</sub>e (the German environmental authority suggests for 2022 806€/t\*)
- !** **results unclear**  
not clear whether carbon storage actually takes place
- !** **risk of double counting**  
often projects happen anyway, its hard to differentiate what happens additionally
- !** **fragmented market**  
3 different (voluntary) standards and more than 18 different types of projects

*\*German Environmental Authority: Social costs of environmental pollution*

#### What is offsetting?

Carbon offsetting is any reduction of greenhouse gas (GHG) emissions to make up for emissions that occur elsewhere. This is done by supporting projects like, tree planting, forest protection, renewable energy or social impact projects.



#### Time, money and resources are invested in the wrong direction.

The possibility to offset bears the risk that the actually necessary reduction of greenhouse gas emissions gets out of focus.

#### CRITICISM

##### Why offsetting and climate neutrality are often criticized:

###### IPCC

The **IPCC (Intergovernmental Panel on Climate Change)** has recognized that carbon removals are critical, high quality standards and robust markets are needed.  
*Read more [here](#).*

###### SBTI

Under the **Science Based Targets initiative**, offsetting measures are not counted towards achieving climate targets. Companies must reduce their emissions by 90%. Only for long-term net-zero targets, offsets can be used (but only for less than 10% of emissions in scopes 1, 2, 3).  
*Read more [here](#).*

###### UN GLOBAL COMPACT

Also the **UN Global Compact** points out the risks and emphasizes that it is not addressing the root of the problem.  
*Read more [here](#).*

#### WHAT TO DO NOW?

When offsetting emissions only unavoidable residual emissions should be considered. So first analyze them (e.g. with the INPACS GHG tool) and avoid, reduce, and replace wherever possible.

**Offsetting should not be used as an excuse to carry on as usual or as a cheaper alternative to CO<sub>2</sub> reduction.**

**We do not recommend to pursue the goal to offset your companies emissions to become "climate neutral".**

**In order to reliably offset emissions, governments need to set stricter and harmonized standards. This has not yet been achieved.**

#### Steps for climate action:



#### THERE IS STILL A LOT TO DO

It is still a long way to reach the set climate targets and there is a big gap when looking at current government goals to actually reach them.

#### EVERY SMALL ACTION COUNTS

All possible actions are necessary to avoid the worst impacts of climate change and reach the 1.5/2 °C goal.



**Our recommendation:**  
**After you have done step 1-4, get involved and invest some time and money in climate or social projects. Do not use this to offset emissions and claim your company or a product to be "carbon neutral".**

#### ADVICE

- 1. first "avoid, reduce and replace"**  
Offset emissions only as a very last step when all other improvement is done. Don't forget to continuously check for new improvement potential after you started offsetting the residual emissions.
- 2. choose a reliable project**  
Projects have continuously been improving over the last years, but good projects are still rare. Analyse thoroughly before choosing a project.
- 3. choose the right claim**  
Be aware of which claims (climate positive, CO<sub>2</sub> neutral, net zero...) you choose and inform yourself what the claim actually means.

#### New EU directive coming to prevent greenwashing:



To prevent greenwashing, by the end of 2023 the EU Commission intends to introduce a 'green claims' directive that obliges companies to substantiate their green claims using a standard methodology for assessing the respective impact on the environment. Find the draft [here](#).