

New Nordic report explores best practice in voluntary compensation of emissions

A new Nordic report helps to make sense of the key terms and concepts and international guidance related to the voluntary compensation of greenhouse gas emissions. It serves as a basis for an ongoing Nordic dialogue on promoting best practice in voluntary compensation. Best practice will be influenced by the rules for carbon market cooperation under Article 6 of the Paris Agreement, which will be negotiated at the COP26 climate conference in Glasgow in November.

A new Nordic report "[Voluntary compensation of greenhouse gas emissions – International guidance and initiatives](#)" explores the use of voluntary compensation by non-state actors in the context of their broader efforts towards and beyond carbon neutrality. These efforts could help to raise ambition which is urgently needed to achieve the Paris Agreement's goal of limiting global warming to 1.5 degrees. Ambition-raising will be a key theme of the COP26 climate conference, which takes place in Glasgow from 31 October to 12 November.

Voluntary carbon markets emerged around 20 years ago to cater for companies and individuals that wanted to take responsibility for their emissions by voluntarily supporting additional emission reductions or removals around the world. These markets have been governed by a diverse range of guidance and standards, which are constantly evolving in response to changing circumstances and public criticism. Measures that reduce emissions (for example through renewable energy) or remove carbon dioxide from the atmosphere (such as forestry) and meet relevant criteria can earn carbon credits under a crediting standard. These carbon credits are traded in the voluntary carbon markets and used for voluntary compensation.

"Right now, the voluntary carbon markets are facing their greatest reform to date: they need to adapt to the new context of the Paris Agreement which is driving historical private sector momentum to align with the 1.5-degree target. Markets can be a powerful tool for mobilising private finance for additional mitigation - but only if they are seen as credible", says Hanna-Mari Ahonen, the Dialogue's Helsinki-based project manager and a senior expert at Perspectives Climate Research.

The report explores how the concept and role of voluntary compensation, as well as related claims, are evolving in this new era of the Paris Agreement. Traditionally, voluntary compensation has referred to using carbon credits to counterbalance ("offset") own remaining emissions and make related carbon neutrality claims. This report expands the term "voluntary compensation" to cover also voluntary support for mitigation that is not used for offsetting own emissions, recognising that organisations and individuals may have also other reasons to support climate action.

According to the report, there is wide agreement that voluntary compensation should not be used as a substitute for own mitigation action and actors should first and foremost aim to take ambitious own mitigation action. There is also broad support for avoiding negative and demonstrating positive environmental and social impacts of voluntary compensation activities. Voluntary compensation can contribute to global ambition-raising if it is used to offset emissions that remain after taking own mitigation in line with the 1.5-degree pathway, and if it is based on high-quality carbon credits that are not double counted for any other purposes. These have been proposed as preconditions for making a credible carbon

neutrality claim. International guidance on a range of claims – differentiated by the ambition of targets and achievements – is currently under development.

The report also provides an overview of public actors' efforts to regulate voluntary compensation, including through national standards and registries as well as guidance on environmental claims.

Finally, the report explores how carbon market cooperation under Article 6 of the Paris Agreement could cater for voluntary compensation. Rules for operationalising Article 6 are under negotiation at the COP26 climate conference in Glasgow.

This report was published by the Nordic Council of Ministers and prepared under the Nordic Dialogue on Voluntary Compensation.

Background

In the Helsinki Declaration on Nordic Carbon Neutrality of January 2019, Nordic countries committed to "intensify their cooperation to [...] encourage Nordic companies, investors, local governments, cities, organizations and consumers to step up their efforts towards carbon neutrality".

The Nordic Dialogue on Voluntary Compensation ("Dialogue") aims to inform Nordic and international stakeholders on using voluntary compensation as part of their broader efforts towards and beyond carbon neutrality.

The Dialogue aims to promote the high integrity, transparency and harmonisation of voluntary compensation, and alignment with the principles and long-term goals of the Paris Agreement and the United Nations Sustainable Development Goals. It brings together Nordic public and private stakeholders to foster a common understanding of key issues and concepts relating to voluntary compensation and co-create recommendations and action points for a Nordic best practice approach to voluntary compensation.

The Dialogue draws on and complements relevant national and international initiatives, serving as a link between the local and the global.

The Dialogue is funded by the Working Groups for Climate and Air (NKL) and Environment and Economy (NME) of the Nordic Council of Ministers. The Dialogue is managed by Perspectives Climate Research in partnership with Carbon Limits, IVL Swedish Environmental Research Institute and Tyrsky Consulting.

For more information:

- Link to report: <https://pub.norden.org/temanord2021-541>
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