



# **#NORDIC DIALOGUE**

***Building capacity for the  
voluntary carbon market***

**Nordic capacity building event series**

**Final webinar, 11.09.2024**



Funded by  
Nordic Council of  
Ministers



CARBON LIMITS



# Housekeeping



This event is recorded.

The recording will be available on the Nordic Dialogue website after the event:

<https://nordicdialogue.com/events/>

You can also find material from past events on the website.

The project's final report will be published in October 2024,  
and it will also be available on the website.

# Agenda

## Introduction

Hanna-Mari Ahonen, Perspectives Climate Research

## Update on recent good practice developments

- **Carbon credit quality** / Randall Spalding-Fecher, Carbon Limits
- **Claims based on carbon credits** / Kenneth Möllersten, IVL Swedish Environmental Research Institute

## Summary of workshops

Hanna-Mari Ahonen, Perspectives Climate Research

## Commentaries from workshop participants

Teppo Säkkinen, Finnish Chamber of Commerce

Marton Vølstad, Carbon Limits

Henrik Juhlin, ZeroMission

## Concluding remarks

Hanna-Mari Ahonen, Perspectives Climate Research





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## Introduction

Hanna-Mari Ahonen, Perspectives Climate Research

# Our vision 2030

## A Green Nordic Region

- Carbon neutrality
- Biodiversity
- Circular and bio-based economy
- Sustainable consumption
- International co-operation on the environment and climate

**The Nordic  
region will  
become the most  
sustainable and  
integrated region  
in the world**

## A **competitive** Nordic region

Together, we will promote green growth in the Nordic region based on knowledge, innovation, mobility and digital integration.

## A **socially sustainable** Nordic region

Together, we will promote an inclusive, equal and interconnected region with shared values and strengthened cultural exchange and welfare.



# Declaration on Nordic Carbon Neutrality (2019)



“

Nordic countries have agreed to intensify cooperation to  
[...] encourage Nordic companies, investors, local  
governments, cities, organizations and consumers to  
step up their efforts towards carbon neutrality.

”



# Nordic Council of Ministers

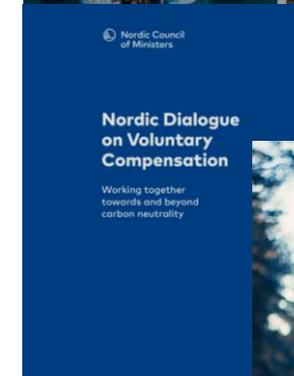
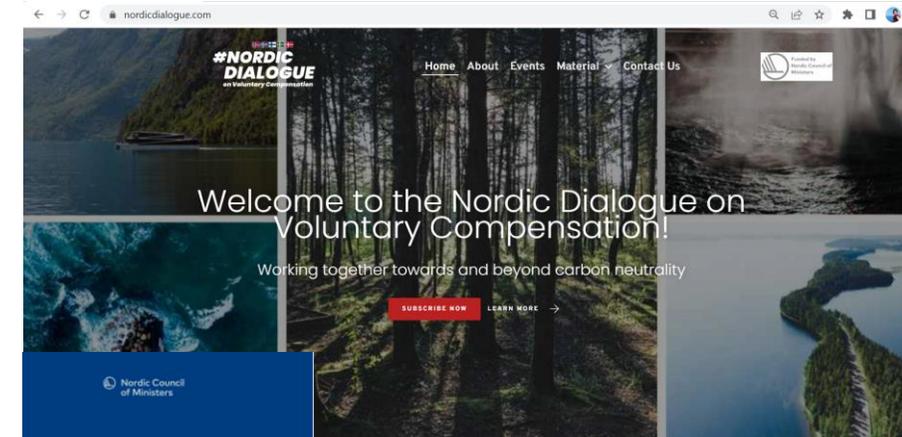
Official body for inter-governmental co-operation  
in the Nordic Region

The Nordic **Working Groups for Climate and Air**, and **Environment and Economy** have **funded activities** that support and encourage local governments, cities, municipalities and sectors to step up their **efforts towards carbon neutrality**

The Nordic Council of Ministers  
seeks Nordic solutions  
wherever and whenever  
the countries can achieve  
**more together** than by  
working on their own

# Nordic Dialogue and capacity building events

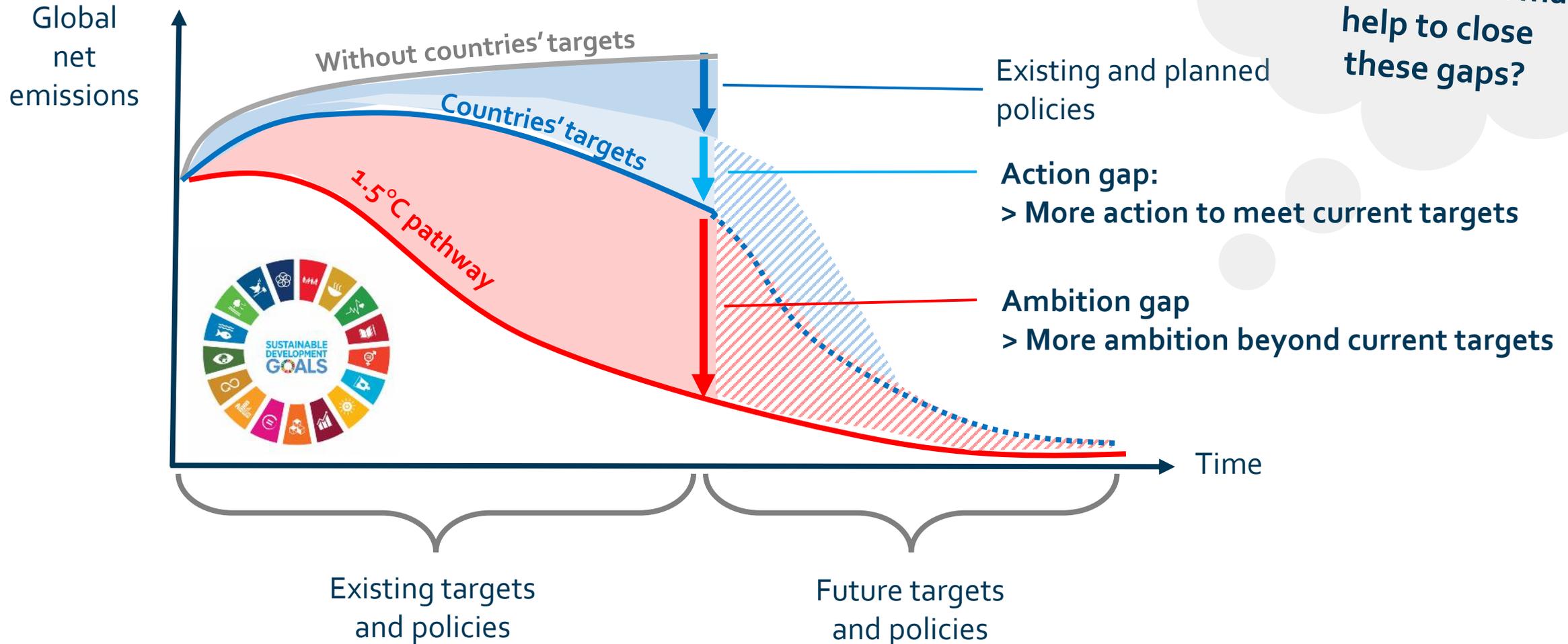
- 2021-2022: Nordic Dialogue on Voluntary Compensation convened Nordic stakeholders to develop a **Nordic Code of Best Practice for the voluntary carbon markets and recommendations for further Nordic cooperation**
- Best practice guidance and regulation **continue to evolve**
- 2023-2024: Nordic Dialogue's team organised a series of **capacity building** events to help Nordic stakeholders **understand and align with best practices** and provide a **platform to discuss their implementation**
- The **Nordic Dialogue website and mailing list** provided information on these events



CARBON LIMITS



# Voluntary carbon markets in the Paris era



How can the voluntary carbon market help to close these gaps?

# Best practices for carbon credit use

## Nordic Code of Best Practice for the Voluntary Use of Carbon Credits

## Relevant international guidance

1

Calculate direct and indirect **emissions**



2

Set **targets** and **reduce** own emissions consistent with a 1.5°C pathway



SCIENCE  
BASED  
TARGETS



3

Buy and use **High-Integrity Carbon Credits** from mitigation activities beyond your boundaries or value chain



Carbon Credit  
Quality Initiative



4

**Report** on emissions, targets, actions and the voluntary use of carbon credits, and verify information



DISCLOSURE  
INSIGHT ACTION



5

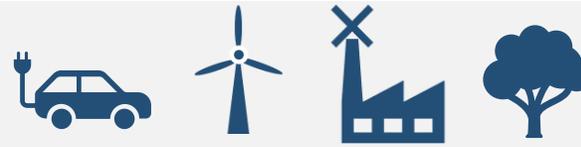
Ensure the **integrity of claims** relating to the voluntary use of carbon credits



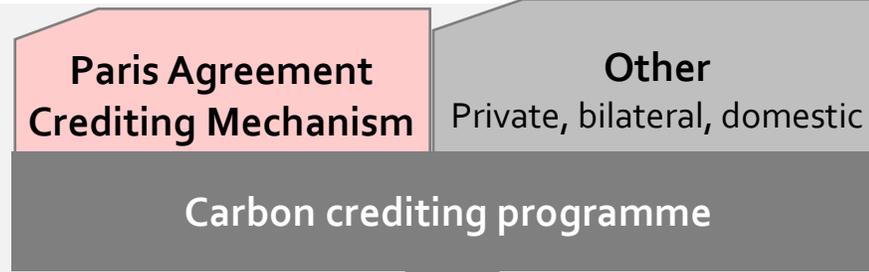
SCIENCE  
BASED  
TARGETS



Generating mitigation outcomes



Generating carbon credits



Integrity of carbon credits!

Authorising carbon credits under Art 6.2

Art 6.2 host country authorisation

Trading carbon credits



Using carbon credits

Integrity of use and claims!

Mitigation not counted by host country

- Voluntary offsetting
- Compliance under CORSIA
- Overall mitigation in global emissions
- Compliance towards Paris targets

Non-state actor

Government

Mitigation counted by host country

- Voluntary contribution to host country targets
- Domestic compliance schemes
- Results-based support for host country's targets



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## **Update on recent good practice developments: Carbon credit quality**

**Randall Spalding-Fecher, Carbon Limits**

# Environmental integrity of carbon credits

- **Environmental integrity** means that market-based cooperation must not lead to an increase in global net greenhouse gas emissions compared with the scenario where market-based instruments are not used
- **High-integrity carbon credit** meets criteria relating to mitigation outcomes and crediting program



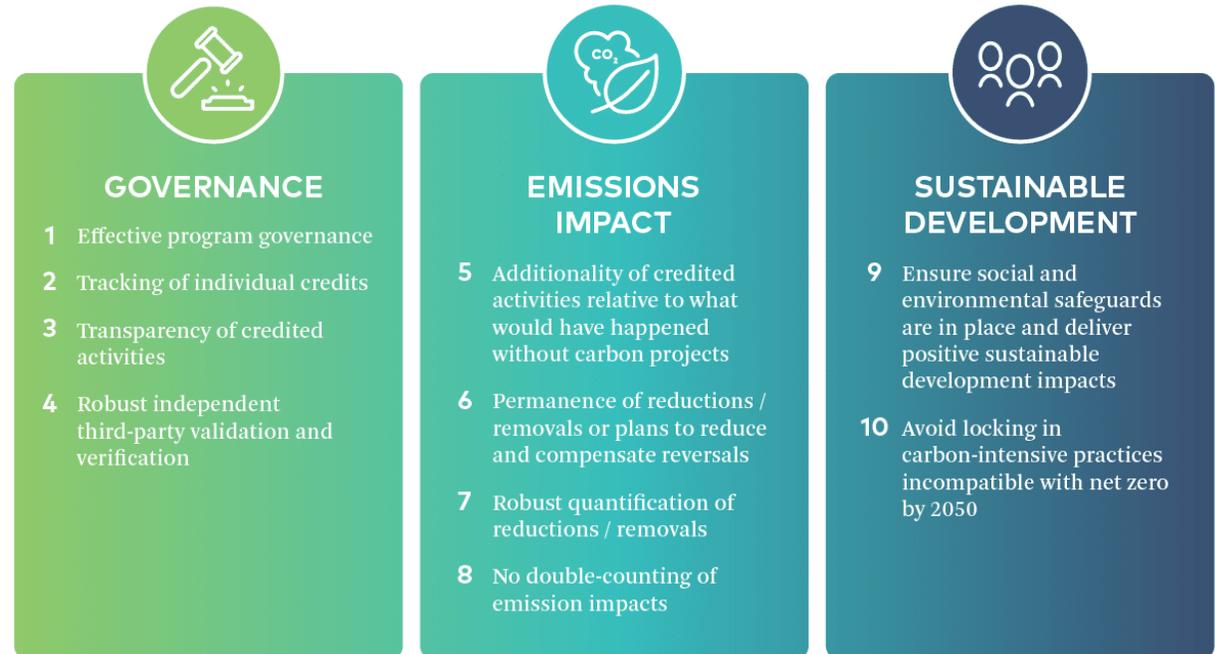
# Nordic Dialogue criteria for mitigation outcomes

- Real
- Additional
- Based on a conservative baseline below business-as-usual
- Based on robust monitoring and reporting methodologies
- Address the risks of leakage
- Permanent
- Validation of activity by competent third-party entity
- Verification of mitigation outcomes by competent third-party entity
- Avoidance of double counting
- Local stakeholder consultation
- Social and environmental safeguards
- Assessment of sustainable development impacts
- Transition towards net-zero emissions



# ICVCM has potential to raise the bar

- Core Carbon Principles (CCPs) cover both program criteria, mitigation outcome criteria, and registry criteria => Create a “minimum threshold” for quality
- High level CCPs similar to many other lists of quality criteria, but the detail is what makes the difference
- Crediting methodologies and eligibility may require significant revisions to meet all the detailed assessment criteria
- In this sense, ICVCM promotes “best practice” to become “common practice”
- *Goes well beyond* the program and unit criteria from CORSIA, because of much greater detail in the requirements



# Some CCPs go further than existing key methodologies, leading to early rejections

- Some additionality and robust quantification criteria are more stringent than many existing methodologies, as are the requirements for standardized approaches
- Not all CCPs do this, e.g., permanence is weaker than many crediting programs
- Decisions on categories to date:
  - Rejected one of largest group of activities – renewable energy supply
  - Approved a small portion of landfill gas capture and use activities (i.e. capture only and capture and use < 10 MW), implicitly rejecting the large majority of activities
  - Approved several categories for destruction of ozone depleting substances (ODS)
  - Approved one lead detection and repair (LDAR) methodology
  - Still considering largest categories of reduced emissions for deforestation and degradation (REDD) & clean cooking, as well as new carbon dioxide removal

# The “Paris Agreement Mechanism” effect

- Paris Agreement Crediting Mechanism rules explicitly depart from international carbon market traditional rules and practice
  - Require baselines be “conservative, credible, below ‘business as usual’...align to the long-term temperature goal of the Paris Agreement”
  - Potential revisions to methodologies commonly used by VCM, which currently use ‘business as usual’ as a reference for baselines
- ICVCM does not require ‘below BAU’ baselines
  - Robust quantification must ensure that emission reductions or removals are not overestimated and must justify their “conservativeness”
- Will convergence of markets mean VCM also moves towards ‘below BAU’ as best practice (or ‘all practice’)?
  - Particularly since so many crediting programs used CDM methodologies, and so might allow the use of PACM methodologies
  - COP29 decisions on removals and meth guidance are critical

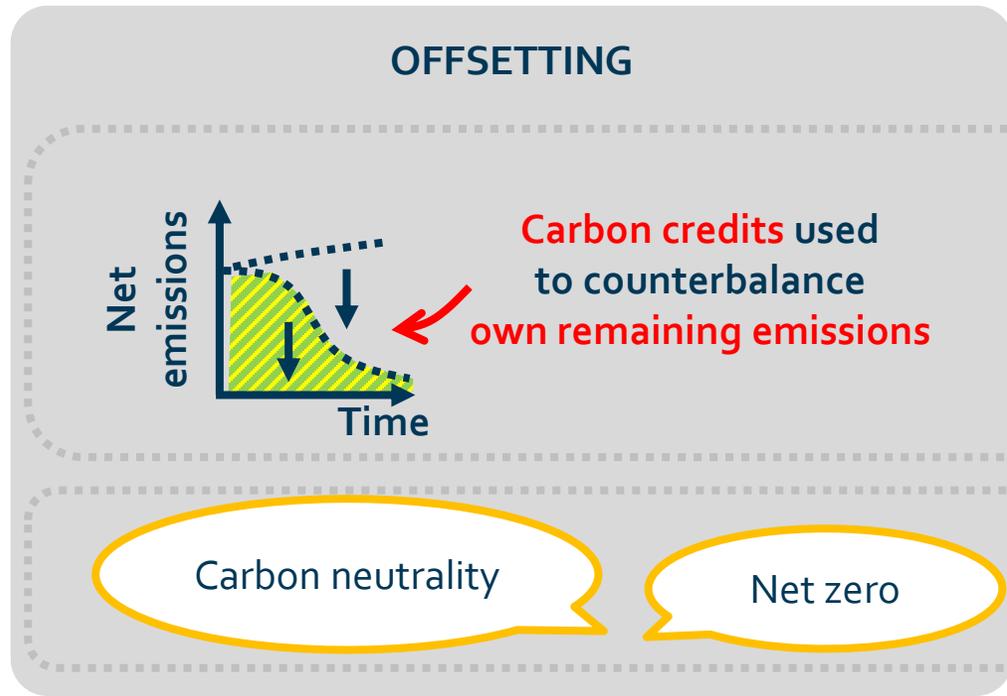


# Update on recent good practice developments: Claims based on carbon credits

Kenneth Möllersten, IVL Swedish Environmental Research  
Institute

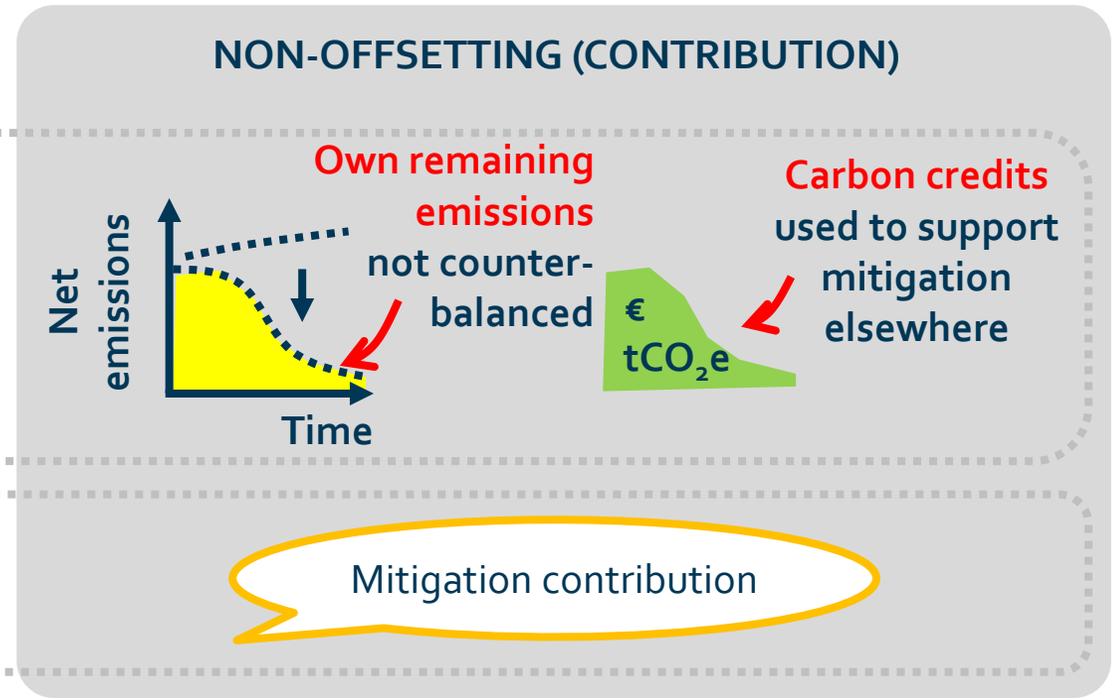
# Voluntary uses of carbon credits: User cases

## - Terminology matters!



CARBON CREDIT USE

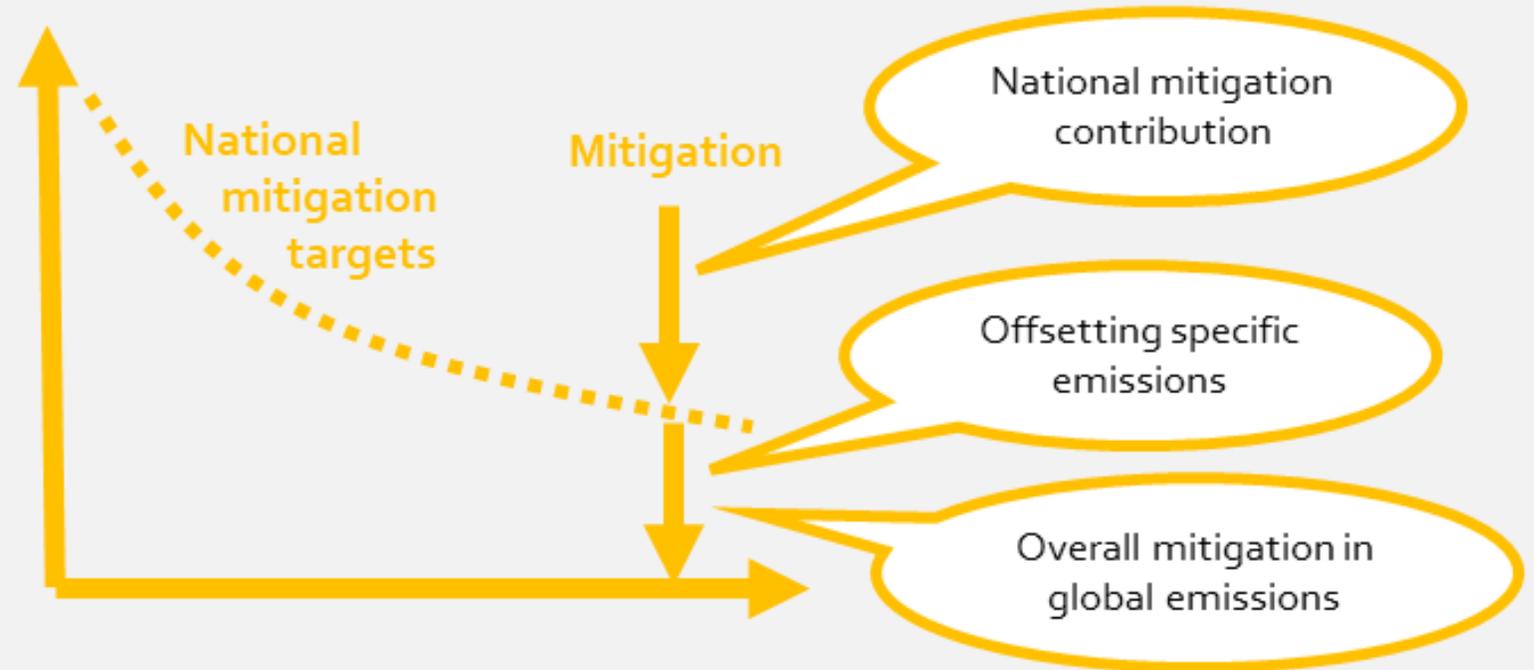
CLAIM



# Nordic Code of Best Practice: Claims

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Ensure the integrity of claims relating to the voluntary use of carbon credits



National and EU consumer protection legislation requires claims to be clear, truthful and not misleading.

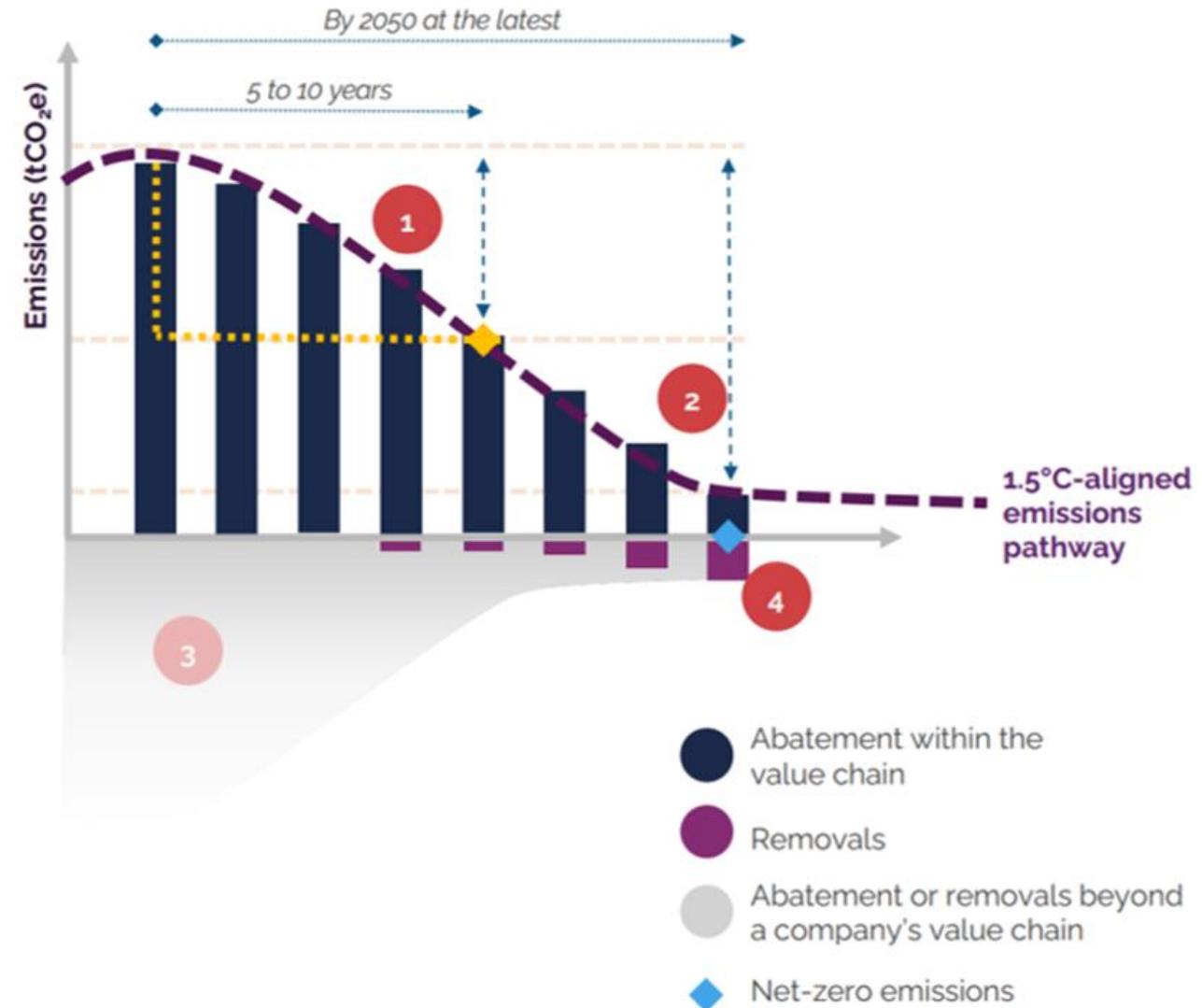
# Recap and updates on key claims initiatives

- Science-Based Targets initiative (SBTi) Corporate Net-Zero Standard
- ISO 14068-1 Carbon Neutrality Standard
- Voluntary Carbon Market Integrity Initiative (VCMI) Claims Code
- EU:
  - Directive on Empowering Consumers for the Green Transition
  - Proposal on Green Claims Directive
- Beyond Value Chain Mitigation



# Net-zero according to SBTi

- Reducing Scope 1,2,3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5C-aligned pathways (approx. >90%)
- Neutralising any residual emissions at the net-zero target year and any emissions released into the atmosphere thereafter
- Neutralisation using permanent removals
- Beyond-value-chain mitigation can be emission reductions or removals

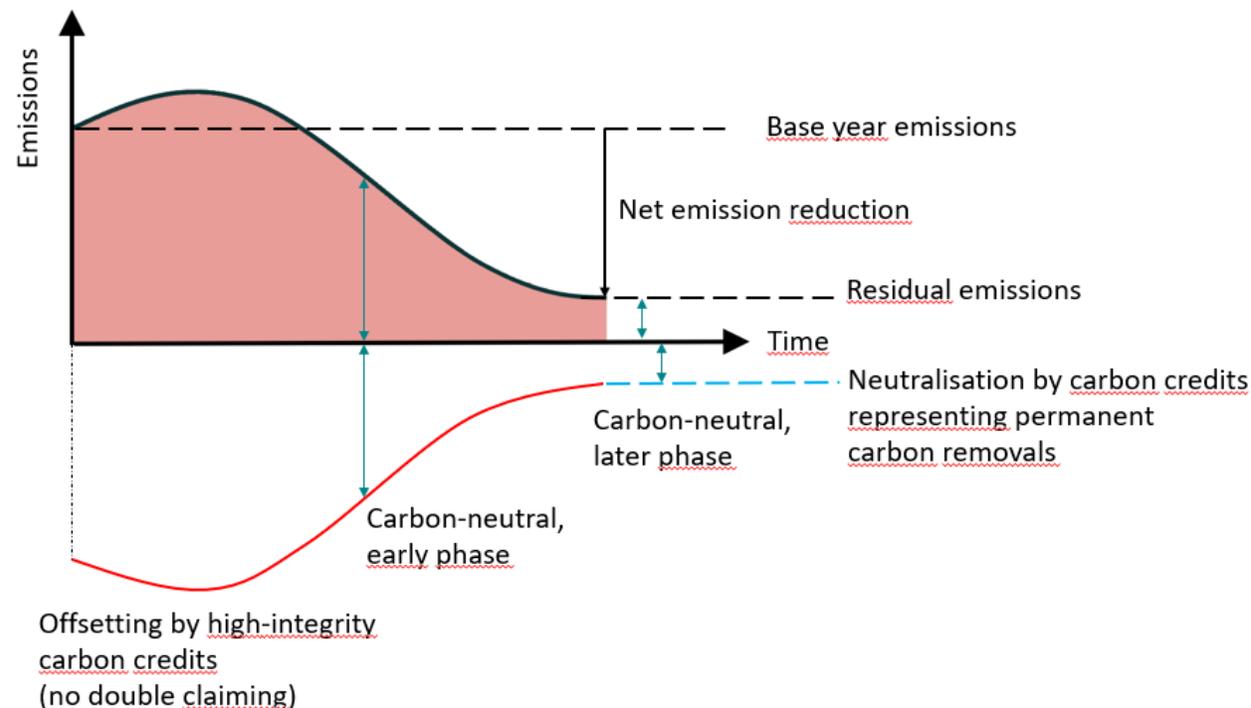


# ISO 14068-1 Carbon Neutrality (Nov 2023)

*"Greenhouse gas management and climate change management and related activities — Carbon neutrality"*

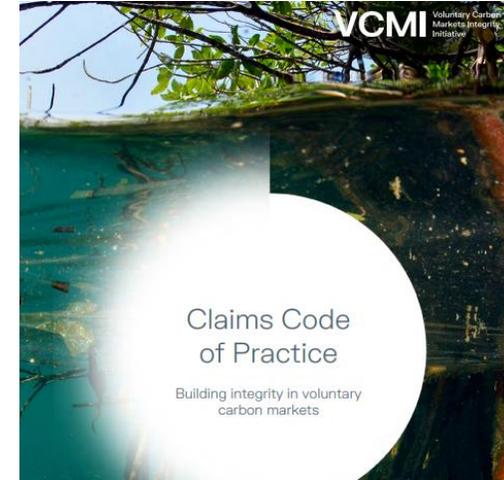
## Principles:

- Requires mitigation of Scope 1,2, and 3 emissions according to a 1.5°C-aligned pathway.
- Mitigation hierarchy:
  - Mitigation of own emissions
  - Own removals
  - Offsetting using high quality credits
- Early phase carbon neutrality: Remaining & residual emissions are offset, reduction and removal credits
- Later phase carbon neutrality: There are only residual emissions & those are offset using permanent removals
- Double claiming not allowed, including between national and corporate mitigation targets  
-> correspondingly adjusted carbon credits



# VCM Claims Code of Practice

- Four “foundational criteria”
  1. Maintain and publicly disclose an annual GHG emissions inventory
  2. Set and publicly disclose validated science-based target
  3. Demonstrate that the company is on-track
  4. Demonstrate that the company’s public policy advocacy supports the Paris Agreement goals
- Three alternative VCM Carbon Integrity Claims
  - The purchase and retirement of high-quality carbon credits that meet ICVCM CCPs
  - Silver: 20-60% of emissions, Gold: 60-100%, Platinum: 100% or more (% must increase every subsequent year)
  - “are not counted as internal emission reductions that a company undertakes to meet decarbonization targets”



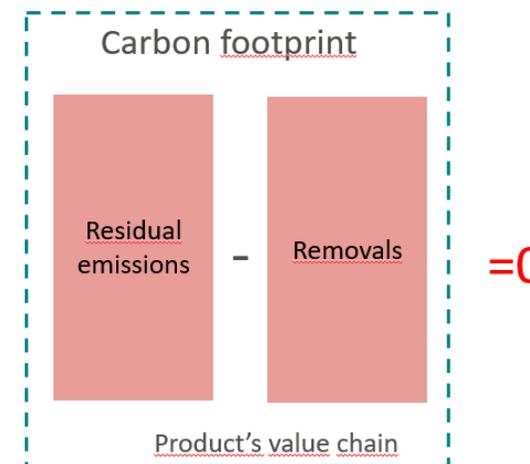
## Key updates since our last webinar

- Final Claims Code published in Nov 2023, announcement at COP28 with ICVCM and others about end-to-end integrity
- 2024: First VCM claims made
- Now until 7 Oct 2024: Consultation on Scope 3 claim

# EU: Empowering Consumers for the Green Transition

- Fight greenwashing
- Ban on using offsetting as basis for claiming reduced climate impact or statements such as "carbon neutral" etc. *for products*
- Business-to-consumer situations

“ ... *'climate neutral', 'CO<sub>2</sub> neutral certified', 'carbon positive', 'climate net zero', 'climate compensated', 'reduced climate impact' and 'limited CO<sub>2</sub> footprint' ..... should **only be allowed when they are based on the actual lifecycle impact of the product in question, and not based on the offsetting of greenhouse gas emissions outside the product's value chain...**”*



- Transposed into national legislation no later than 2026

# EU: Green Claims Directive

- Requirements for substantiating and communicating green claims, incl. claims based on carbon credits
- Status: European Parliament (EP) and Council have adopted positions
- Next steps: EP and Council negotiate final text (H2/2024)

## Key positions on claims based on carbon credits

- Carbon credits can be used for „offset claims“ or „contribution claims“
- Offset claims have specific restrictions
  - Product-level claims banned; organisation-level claims possible
  - Limited to organisations with science-aligned net-zero targets
  - EP: Limited to „residual emissions“ (only in net zero target year? – Commission to define) and EU removal credits (allowing double counting with EU NDC!)
  - Council: Allowed also before net zero target year; tasks Commission to develop rules by 31 Dec 2027 (considering international standards, Article 6 & corresponding adjustments)

# Beyond Value Chain Mitigation (BVCM)

- New term for old idea: supporting mitigation beyond one's value chain
- SBTi strongly recommends that companies go above and beyond their science-based targets to invest in mitigation beyond their value chains
- Buying carbon credits is one – but not the only – way to support BVCM

## 2024

- SBTi provides guidance on BVCM
  - Notes that BVCM claims could include offset or contribution claims
- Gold Standard's "Framework for organisational climate mitigation strategies" recommends taking responsibility for unabated emissions
  - Set internal carbon fee and use it to fund BVCM
  - Specific guidance documents for BVCM and for claims
  - Recommends contribution claims, discourages offset claims



# **#NORDIC DIALOGUE**

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## Summary of workshops

Hanna-Mari Ahonen, Perspectives Climate Research

## Finnish stakeholder event, Helsinki (Jan 2024)

- With Finnish Chamber of Commerce
- Participants: ~30 (in-person) + ~40 (remote)



- + Launch webinar (Nov 2023)
- + COP28 side event (Dec 2023)
- + Final webinar (Sep 2024)

## + Nordic stakeholder workshop on green claims, online (Sep 2024)

## Norwegian stakeholder event, Oslo (May 2024)

- Participants: ~40 (in-person)



## Swedish stakeholder event, online (Jun 2024)

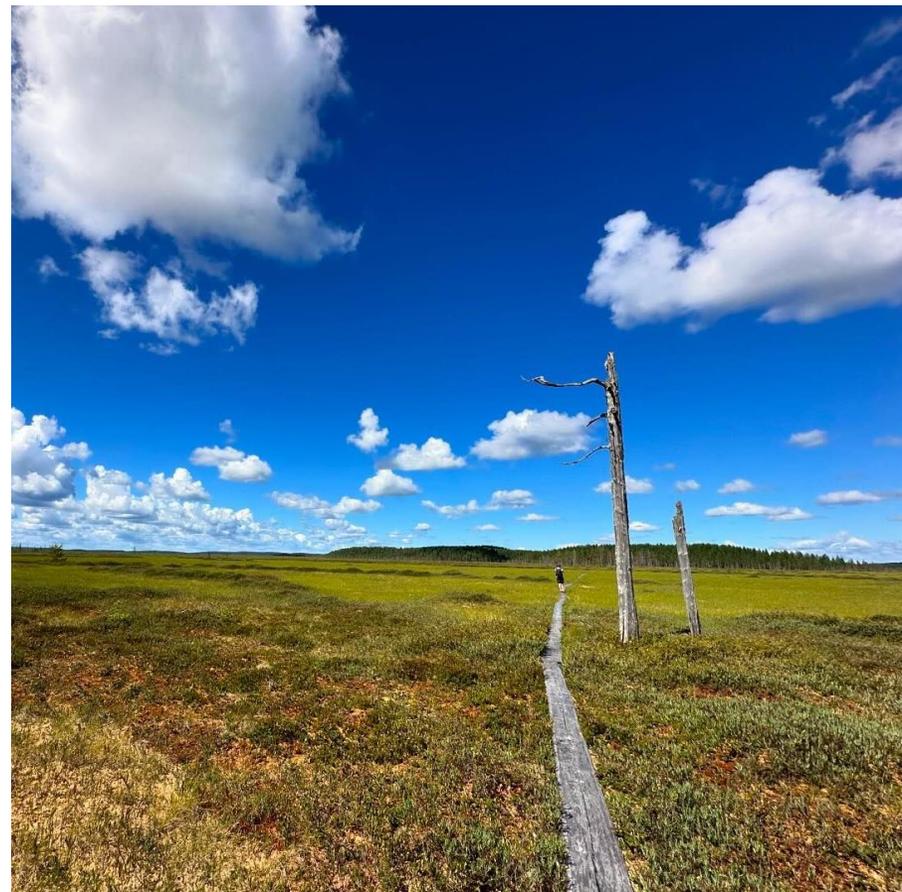
- Participants: ~70 (remote)



# The voluntary carbon market is challenging....

## Key challenges include:

- Rapid evolution of guidance and regulation
  - Especially small actors struggle to follow and understand
- Lack of clear common definitions and requirements
  - Regulatory uncertainty likely to prevail for some time
- Difficulty in ensuring carbon credit quality
  - Carbon crediting programmes do not guarantee quality
  - In-house due diligence requires significant expertise
- Restricted opportunities for offsetting
- Limited awareness/appeal of alternatives to offsetting



## ...but offers interesting opportunities...

### There is general recognition that:

- VCM offers opportunities despite its challenges
- VCM's role is to complement ambitious own action
- Market actors and regulators are responding to criticism with new initiatives and regulation
- Offset claims have been main incentive to date but options for offsetting are being reduced at least in Europe

### There is interest among Nordic stakeholders in:

- Exploring beyond-value-chain-mitigation
- Exploring contribution claims as an alternative to offsetting
- Supplying and buying domestic carbon credits, including permanent removals



# ...and capacity building and cooperation are needed!

## Nordic stakeholders:

- Are keen to continue learning and cooperating together
- Have identified numerous options to address challenges:
  - Developing clear definitions, requirements, guidance
  - Showcasing concrete positive examples
  - Building capacity and raising awareness
  - Piloting new models and approaches
  - Creating collaboration networks, forums and platforms



# Feedback from event participants

It was valuable to go through where we are coming from and where we are heading.

Very well organized and interesting points.

Very helpful exercise and great presentation.

More time should have been allocated to the event.

This event was really valuable and we absolutely need more such events.

Super valuable to hear and gain various perspectives.

Additional concrete examples would have been helpful.

It was great to be in an event that actually provided truly concrete ideas and an opportunity to network with different actors.

I hope discussions on these issues continue!

The diverse mix of stakeholders—policymakers, industry, and NGOs—enabled a comprehensive view of key issues.

I would like to see an initiative that drives a shift from compensation to contributions.





# Commentaries from workshop participants

Teppo Säkkinen, Finland Chamber of Commerce

Marton Vølstad, Carbon Limits

Henrik Juhlin, ZeroMission



# **#NORDIC DIALOGUE**

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## Concluding remarks

Hanna-Mari Ahonen, Perspectives Climate Research

# Best practice is a moving target

- Ensuring integrity is not easy but it is vital
- Guidance and regulation needs to evolve to address concerns and changing contexts
- This makes best practice a moving target
- Why aim for best practice?
  - ▶ To take responsibility for own emissions
  - ▶ To mitigate reputation risks

Although this projects ends, we hope that  
**Nordic cooperation** on best practices  
for the voluntary carbon market **continues!**





# **#NORDIC DIALOGUE**

***Building capacity for the  
voluntary carbon market***

## Thank you for participating!

To learn more about the project, visit [www.nordicdialogue.com](http://www.nordicdialogue.com)



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CARBON LIMITS

