# SBTi clarifies stance on carbon credits in corporate climate strategies



This week, the Science Based Targets initiative (SBTi), a prominent non-profit dedicated to climate action, clarified its stance on the use of carbon credits in corporate climate plans, an issue that has drawn considerable attention and debate over the past year. Following a divisive proposal last year that suggested a significant reliance on carbon credits for companies aiming for net zero emissions, SBTi has now reaffirmed that businesses must focus on reducing their own carbon footprints rather than relying heavily on offsets.

In a draft standard released this week, SBTi outlined that companies, including well-known brands such as H&M, Salesforce, and AstraZeneca, should achieve science-aligned net zero targets by re-evaluating their operations and supply chains. This decision arose from substantial criticism and concern about the potential overreliance on carbon credits, which many stakeholders viewed as inadequate for effectively combatting climate change.

The draft emphasised the importance of aligning corporate climate strategies with the Paris Agreement's ambitious goal of limiting global warming to 1.5C above pre-industrial levels. "The temporary breach of the 1.5C global warming threshold in 2024 and growing impact of climate change underscore the critical importance of accelerating efforts to phase out greenhouse gas (GHG) emissions from our economy," the draft stated, reinforcing the urgency of reducing emissions at source.

Kaya Axelsson, a research and policy fellow at the University of Oxford who served on the technical advisory group for the new standard, noted that companies expressed considerable concern about their capacity to meet emissions reduction targets. In response, SBTi has provided more detailed guidance on transition plans, emission accounting, and interim targets, assisting companies as they navigate these challenges.

The latest draft also introduced greater flexibility in managing emissions from suppliers, allowing companies to prioritise the most polluting segments of their supply chains. Furthermore, SBTi acknowledged the potential utility of carbon removals—strategies designed to permanently sequester carbon dioxide—as part of broader climate plans. The draft confirmed that credits generated from these removals could be taken into account for offsetting emissions deemed difficult to eliminate.

Caroline Ott, director of carbon markets at Climeworks, a carbon removal firm, anticipates that the updated draft will "mobilise new demand" in the market for carbon removal solutions. However, advocates for projects focused solely on reducing or avoiding CO2 emissions expressed disappointment that the SBTi draft did not incentivise a wider array of credit purchases.

The backlash against an overreliance on carbon credits has already impacted the carbon credit market significantly. For instance, HSBC recently announced a postponement of its net zero target by 20 years, citing its hesitance to depend heavily on offsets, in light of evolving best practices in the sector. Guy Turner, managing director of MSCI carbon markets, acknowledged the ambitious goals of SBTi but questioned the feasibility of achieving 1.5C-aligned climate pathways without greater investments in carbon credits, noting that many companies are struggling to fulfil their immediate climate objectives.

These developments highlight a crucial moment in the ongoing discourse surrounding corporate contributions to climate change and the evolving frameworks guiding such initiatives.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://sustainability-news.net/esg/disclosures/will-carbon-offsets-find-a-place-in-sbtis-revised-net-zero-standard/> - This article supports SBTi's nuanced stance on carbon credits, emphasizing the need for direct decarbonization while considering the potential role of credits in specific contexts. It highlights the ongoing debate and the organization's cautious approach to revising its Corporate Net-Zero Standard.
* <https://www.resourcewise.com/environmental-blog/science-based-targets-allowing-carbon-credits-in-controversial-change> - This resource explains SBTi's evolving stance on carbon credits, particularly for addressing Scope 3 emissions, and discusses the controversy surrounding this change. It notes that SBTi will not validate carbon credit quality, which could lead to inconsistent results.
* <https://www.esgdive.com/news/sbti-allows-expanded-carbon-credit-use-scope-3-staff-backlash-net-zero/713095/> - This article corroborates SBTi's decision to allow expanded use of carbon credits for Scope 3 emissions, despite staff backlash. It highlights the debate over the efficacy of carbon offsetting and SBTi's role in guiding corporate climate strategies.
* <https://www.ipcc.ch/srccl/chapter/summary-for-policymakers/> - Although not directly mentioned in the search results, this IPCC report supports the urgency of aligning corporate strategies with the Paris Agreement's goal to limit global warming to 1.5C above pre-industrial levels.
* <https://www.unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement> - This UNFCCC page provides context on the Paris Agreement, which is referenced in the article as a critical framework for corporate climate strategies aiming to limit global warming.