



Gold Standard[®]

Towards credible corporate climate strategies

Webinar July 2024



Welcome!



1. Welcome
2. Key terms explained
3. Presenting the GS framework for organisational climate strategies
4. Key issues:
 1. How to think about Scope 3
 2. How to think about responsibility for unabated emissions
 3. The role of carbon credits, including carbon removals
 4. The future of claims
 5. What to do when not on track
5. Q&A

Global net zero - IPCC definitions

Net zero emissions are achieved when *anthropogenic emissions of greenhouse gases to the atmosphere* are balanced by *anthropogenic removals* over a specified period.

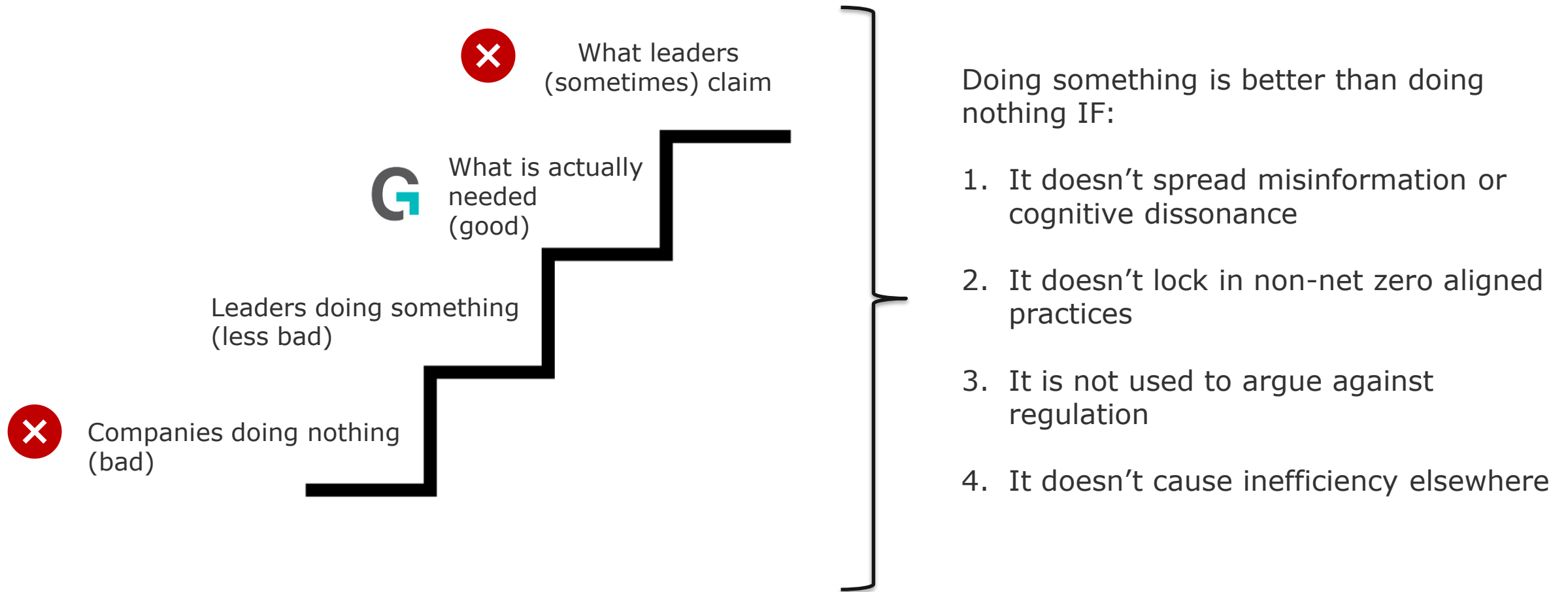
AND

Global warming has reached and been limited to 1.5°C above *pre-industrial* levels.

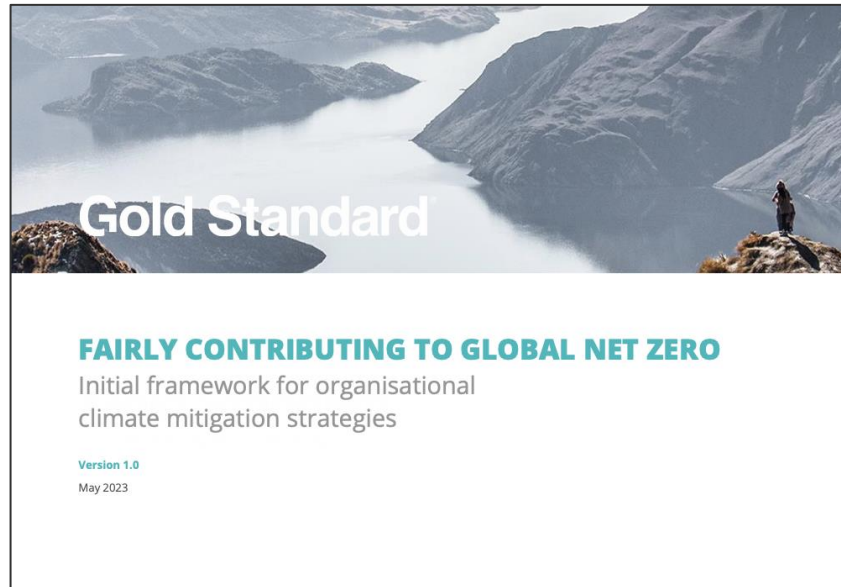
BY

Latest 2050

Moral hazard and the challenge of climate leadership



Gold Standard's climate strategy framework



Climate responsibility construct in one place:

- Presents what is needed
- One stop shop
- Annually updated
- Represents and refers to good practice
- Maps what does and doesn't exist

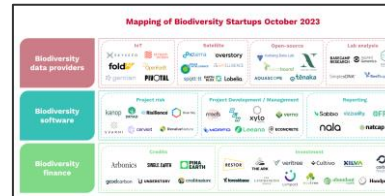
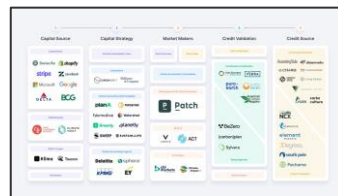
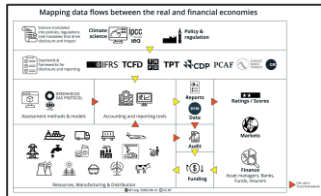
Credible, comprehensive, up-to-date

Principle	Outline Criteria	What an organisation can do now (n.b. references are for information and do not necessarily imply GS endorsement)	What needs to be developed
1 - Organisational governance and disclosure practices			
1.1 - Establish and maintain good practices in organisational climate governance	1.1.1 Implement effective and appropriate climate governance at Board and Management level. Remove ineffective practices that do not align.	<ul style="list-style-type: none">• Adopt good practice guidance, such as published by the World Economic Forum, TCFD Recommendations and ACT	<ul style="list-style-type: none">• Individual organisations would likely benefit from support in establishing new governance approaches. Sector bodies could further

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Why: Confusion, criticism, questions...

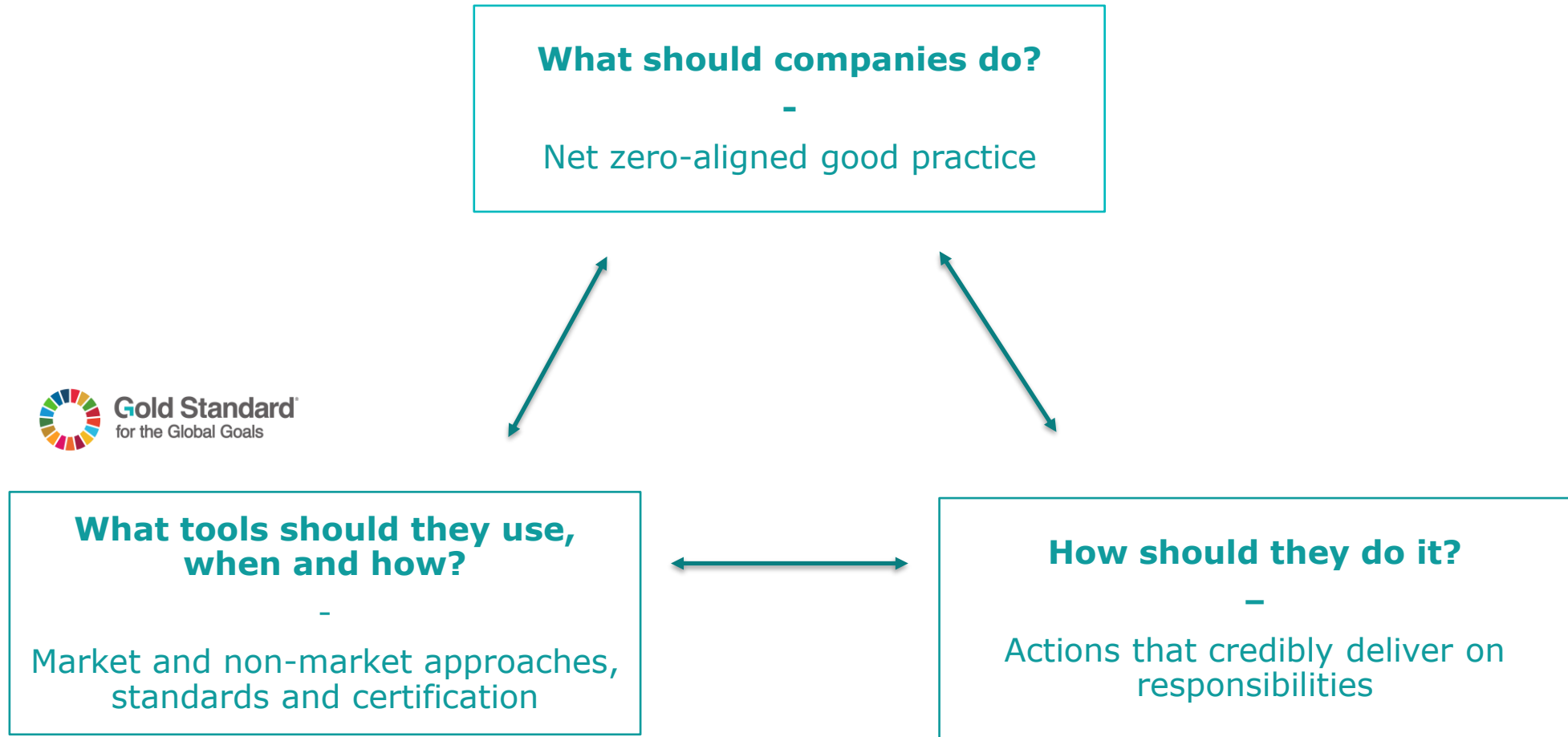
Targets, inventories, attributes, credits, funding, contribution, compensating, neutralising, offsetting, BVCM, value chain, Scope 3, Scope 4, inseting, double counting, double claiming, ICVCM, VCMi, SBTi, Article 6, consequential, intervention, project-based, attributional, adjustment, standards, guidance, tools, mechanisms, claims, compliance



- Skewed discourse
- Information overload
- Confusion
- Difficult to tell what's legitimate
- Unmanageable criticism
- No foresight
- No lessons learned

= freeze, greenwashing, greenhushing, lobbying, moral hazard, delay, deflection, loss of trust

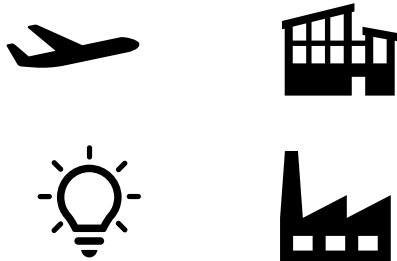
A logical end to end framework



Responsibility construct – key components

1 – Scope

What is the company responsible for?



2 – Action

What should the company do?

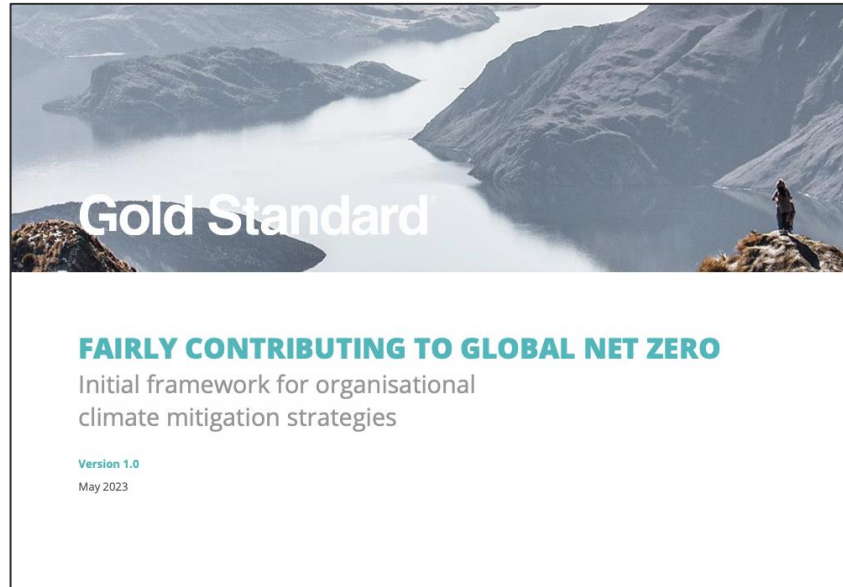
- a – decarbonise value chains by latest 2050
- b – take responsibility for unabated emissions (BVCM)
- c – neutralise residual emissions post 90%

3 – Tools, mechanisms, activities

Which tools, how and when?

- ✓ EACs
- ✓ Carbon markets
- ✓ Direct funding
- ✓ Procurement
- ✓ Investment

Overview of framework



1. Embed climate in corporate governance
2. Decarbonise value chains
3. Take responsibility for unabated emissions
4. Deal with climate-related issues
5. Make credible claims

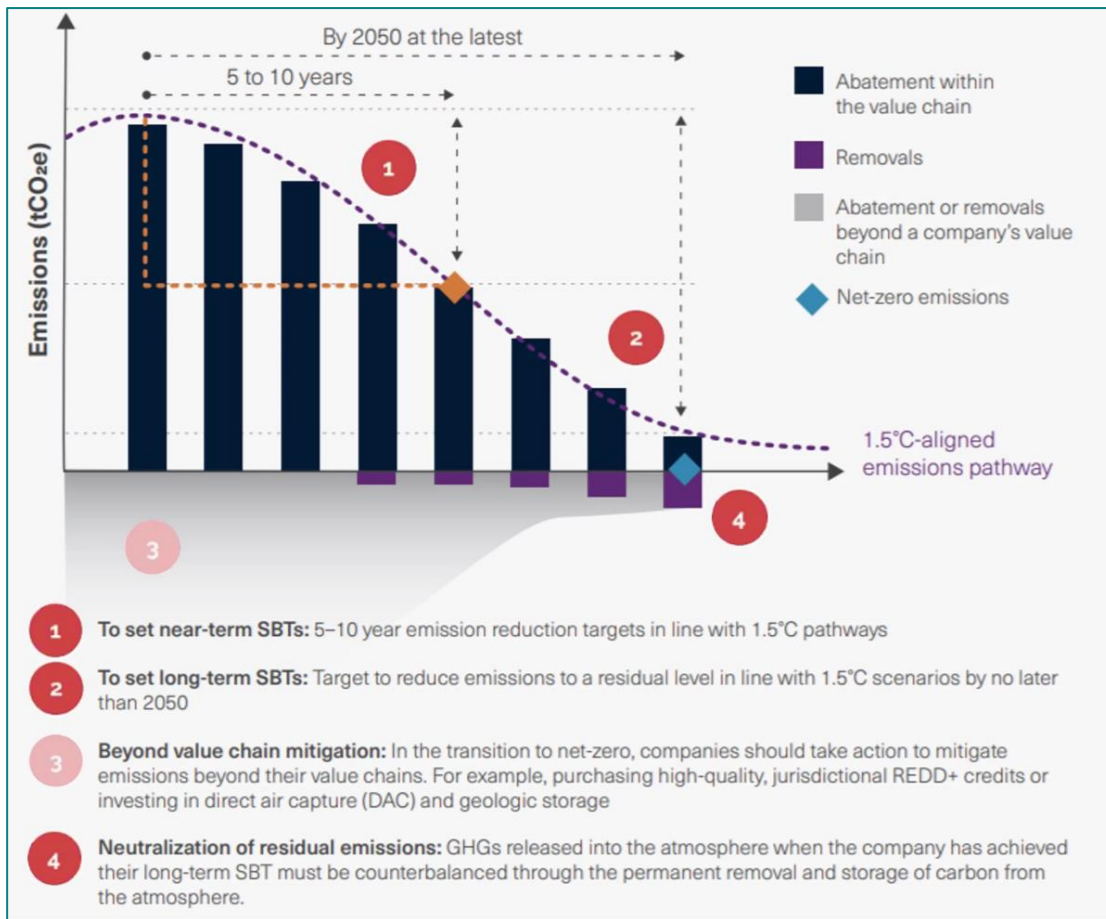
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Key guiding principles:

- 1 – Non-arbitrary: if all companies acted this way we would resolve the climate crisis
- 2 – Activity, mechanism, sector agnostic
- 3 – Must work with and contribute to Paris Agreement

Referencing good practices



Excerpt from SBTi Net Zero Standard

1&2 – value chain abatement: decarbonise value chains by 2050 – near/long term targets

3 – take responsibility for unabated emissions (BVCM): set a fee per tCO₂e and use it to fund climate action

4 – neutralise residual emissions post 90%: for emissions that (credibly) cannot be abated, purchase durable carbon removals

Key issue 1: How to think about value chain targets

1. Embed climate in corporate governance
2. Decarbonise value chains
3. Take responsibility for unabated emissions
4. Deal with climate-related issues (single-use, deforestation, adaptation)
5. Make credible claims

1 - Working collectively rather than in silos, if all companies carried out these actions we would resolve the climate crisis

2 – Interest, mechanism, activity-type neutral

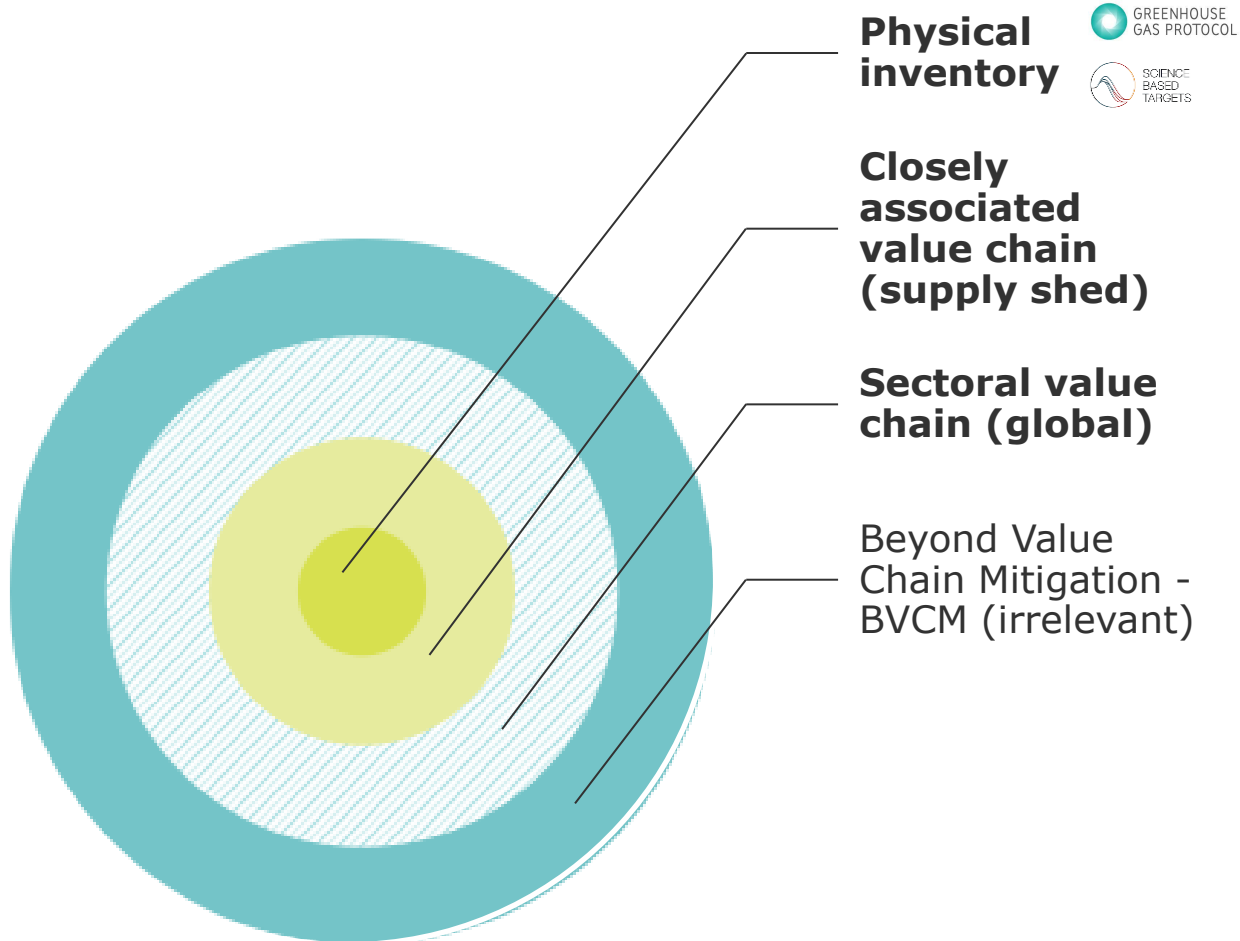
What: decarbonise value chains in line with 1.5 degree warming scenario by latest 2050

Why: global net zero aligned, demands focus on misaligned business practices

How:

- Account and report emissions in line with GHGP, set an SBT
- Abate emissions in company value chain – procure, fund, support, switch, cease

Key issue 1: How to think about value chain targets



Relationship of climate action with corporate inventory

1. Improve scope 3 definitions and accounting – GHGP
2. Require 100% scope responsibility (currently 100% scope 1 and 2, 67% scope 3) – SBTi
3. Separate concepts of inventory vs closely associated, sectorally associated and BVCM
4. Clarify when action in different categories can count against value chain targets (BVCM excluded)
5. Design/evolve funding and allocation/market mechanisms to deliver on these

Key issue 2: Responsibility for unabated emissions

1. Embed climate in corporate governance
2. Decarbonise value chains
3. Take responsibility for unabated emissions
4. Deal with climate-related issues (single-use, deforestation, adaptation)
5. Make credible claims

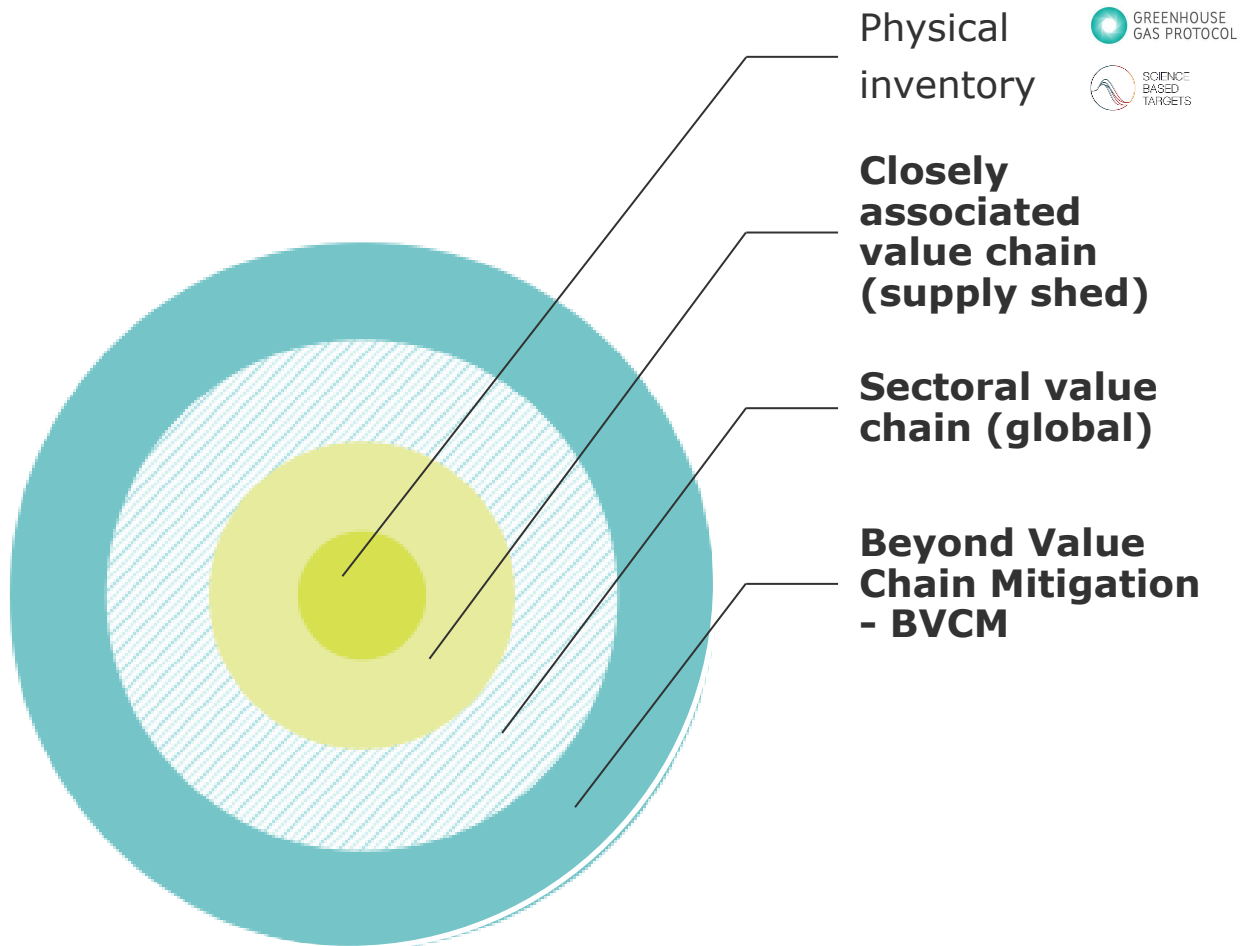
What: Take responsibility for unabated emissions whilst on value chain abatement journey.

Why: essential for organisational credibility (an SBT represents a commitment to reduce harm..), has potential to fund action beyond value chains

How:

- Account and report emissions in line with GHGP, set an SBT
- Set an internal carbon fee per tCO₂e, use it to fund high quality climate action

Key issue 2: Responsibility for unabated emissions



Relationship of climate action with corporate inventory

1. Switch away from compensatory approaches towards contribution – fee/fund model
2. Use Money for tonne to prioritise investments that support the potential to mitigate physical emissions in the future. (R&D, capacity building etc.)
3. Recognise tonne for tonne accounting still attractive to some companies but is not the limit of their options.
4. Strengthen and prioritise carbon markets and enable other options for companies
5. Enable other types of action to be included

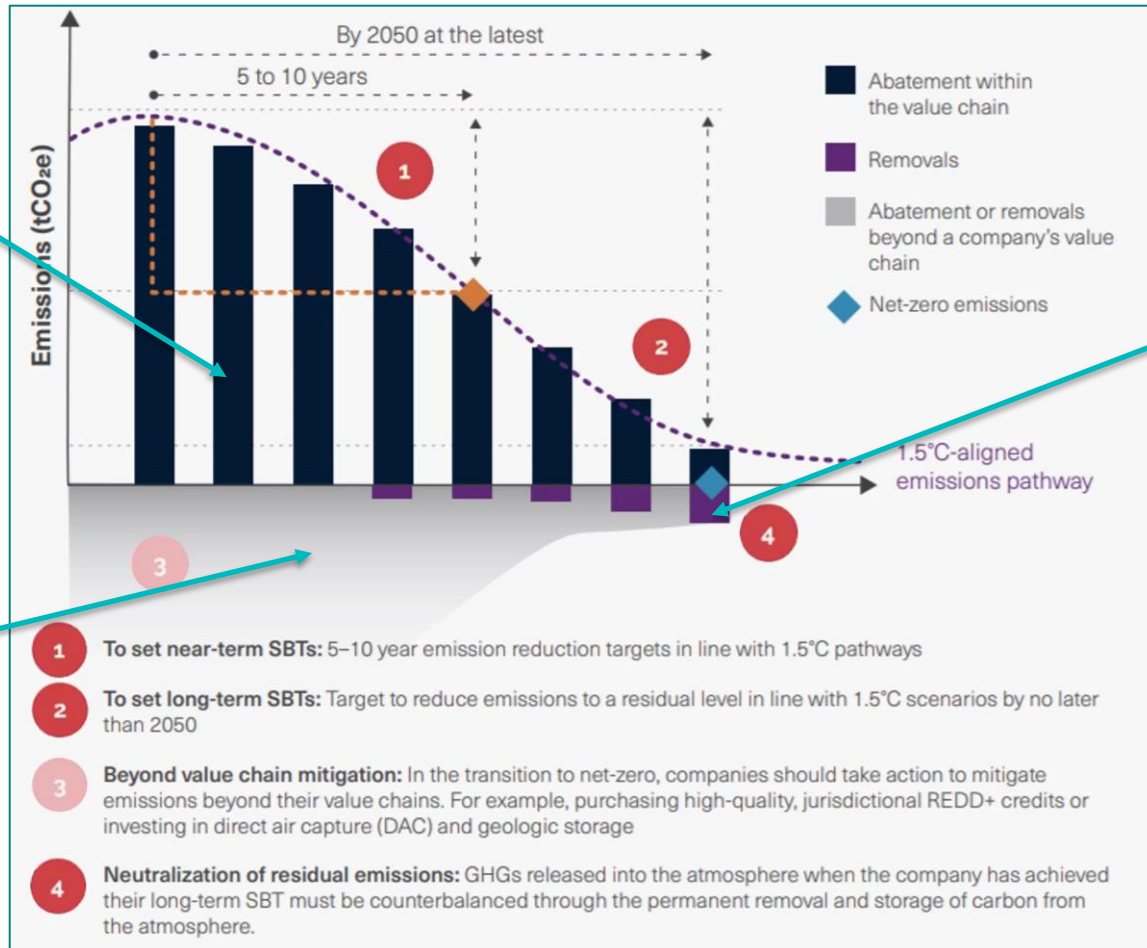
Key issue 3: Role of carbon credits

Carbon credits can credibly be used to:

- 1. Take responsibility for unabated emissions** (primary and most suited application of carbon markets to corporate responsibility)
- 2. Enact neutralisation targets**, where representing durable removals (essential role of carbon credits to enact credible neutralisation)
- 3. WITH WARNINGS: fund action within value chains** that can count towards value chain targets (YOU CAN ALREADY DO THIS!):
 1. Only where credibly within the inventory
 2. Accounting and reporting using target-led norms – netting emission reductions is technically unsound
 3. Be extra careful with claims

Key issue 3: Role of carbon credits

WARNING: support/fund action within value chains



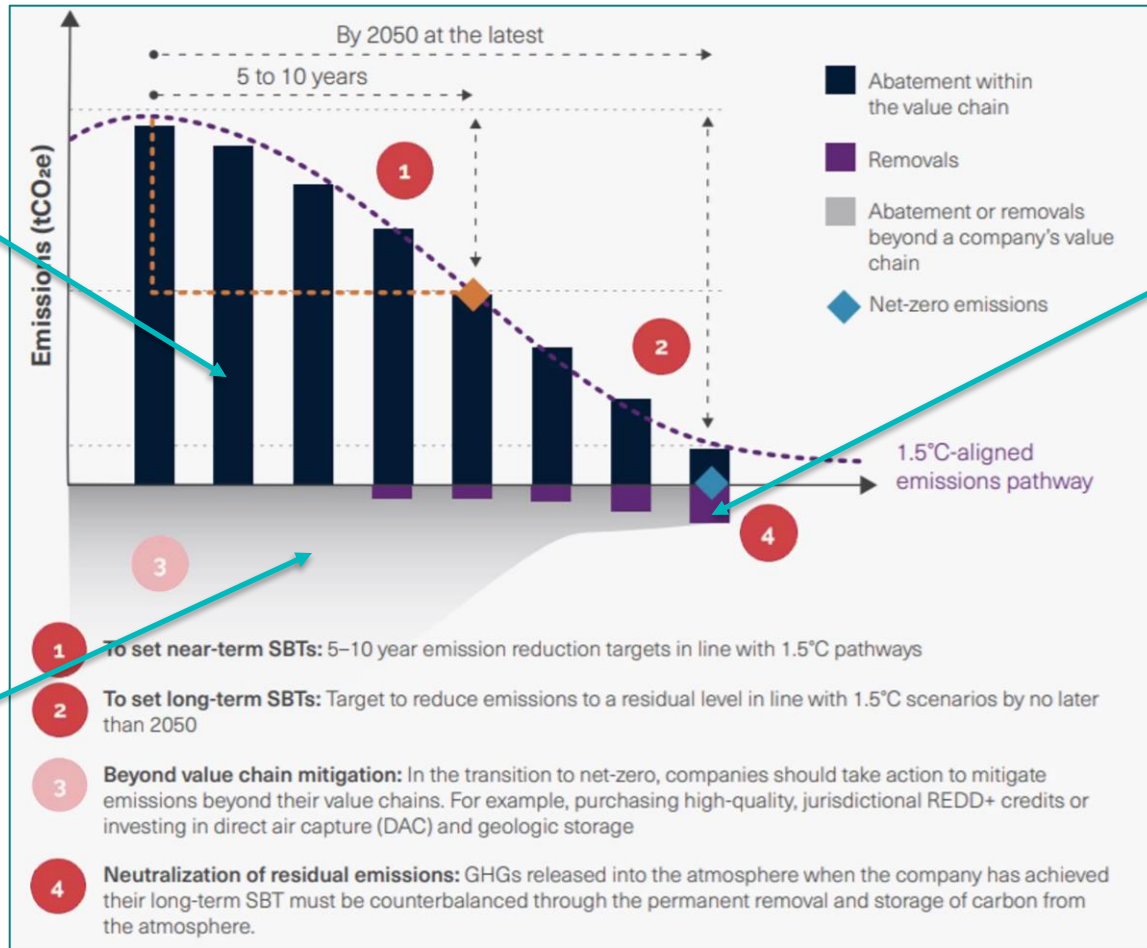
Enact responsibility for unabated emissions

Enact neutralisation targets

Key issue 4: the role of carbon removals

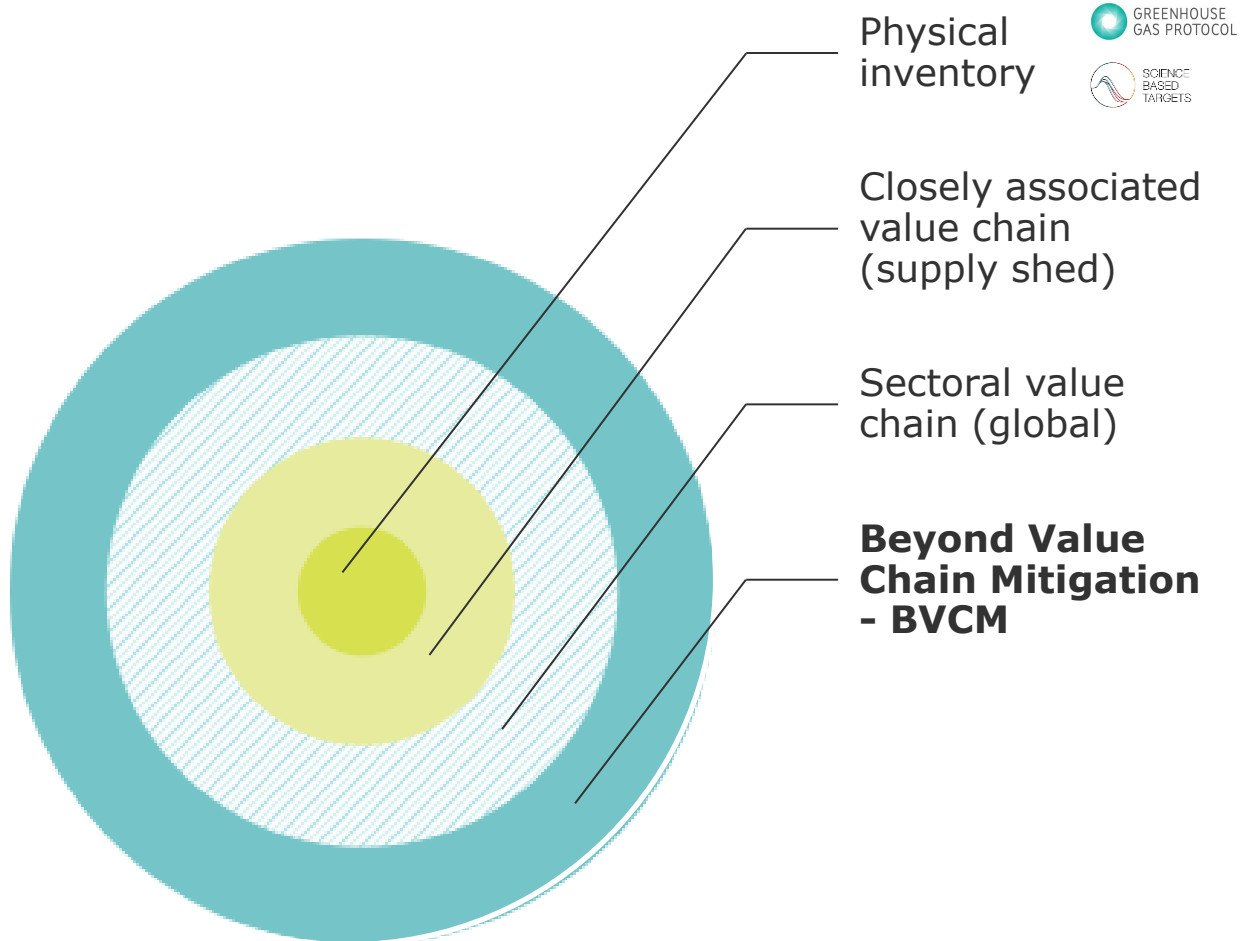
Removals where part of value chain count towards value chain target

Removals funded to take responsibility for unabated emissions – part of BVCM (not part of value chain target scope) – recommend contribution not offsetting



Removals (neutralisation) of residual emissions do not need to be part of value chain scope – a form of offsetting

Key issue 4: the role of carbon removals



Relationship of climate action with corporate inventory

Neutralisation for Net Zero

1. Only for post 1.5 residual emissions
2. Recognise that neutralisation is a compensatory act (i.e. offsetting) and therefore requires a serialized crediting mechanism, such as VCM
3. Clearly define the types of removals that can count and under what conditions
4. Do not conflate with value chain targets (only removals within the value chain count here)

Key issue 5: the future of credible claims

1. Embed climate in corporate governance
2. Decarbonise value chains
3. Take responsibility for unabated emissions
4. Deal with climate-related issues (single-use, deforestation, adaptation)

5. Make credible claims

1 - Working collectively rather than in silos, if all companies carried out these actions we would resolve the climate crisis

2 – Interest, mechanism, activity-type neutral

What: make measured, transparent, valid claims to key stakeholders and wider public

Why: claims represent key incentive and key risk to reputation

How:

- Focus on contribution to global net zero, switch away from headline claims
- Be holistic, transparent, realistic
- Be more honest and authentic about failings and limitations

Key issue 6: how to act when not on track

1. Do everything you can to **get back on track** with your science-based reduction trajectory as soon as possible.
2. Take **responsibility for 100% of unabated emissions** by following Beyond Value Chain Mitigation (BVCM) guidance and good practices: set a carbon fee to fairly price emissions and use the proceeds to fund climate action.
3. **Communicate effectively, honestly and accurately** that you are off track, what you are doing to get back on track, and how you are taking responsibility for your unabated emissions in the meantime.

Conclusion – what will next years framework contain?

1. The start of a general reappraisal of corporate responsibility – away from individual net zero towards contribution towards global targets
2. Greater clarity on target setting and appropriate mechanisms/actions towards Scope 3 – see Gold Standard, SBTi, AIM Platform, Value Chain Initiative and WWF
3. The growth of non-offset claims for responsibility for unabated emissions (BVCM) – see Paris Olympics 2024, UEFA Women’s Euros 2025, growing number of companies and institutions
4. Recovery of carbon markets as key tool towards net zero (via BVCM)
5. Introducing context (for e.g. SME) and sector specific applicability building off same strategic principles

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Q&A

