

SBTI consultation – SCOPE 3

As a company whose mission is to restore Nature, aDryada welcomes STBI's desire to enhance the impact of its Corporate Net-Zero Standard, which has become a reference for corporates committed to fight against climate change.

In view of the controversies which have marred the voluntary carbon market for months and slowed down its development in the service of the climate, the company particularly welcomes the SBTI wish to better define what optimal use of carbon credits should be, so that they can support a rapid and massive development of projects with the highest positive impact on climate, while avoiding greenwashing.

As conducted, the SBTI consultation proposes two scenarios – including various options - in which companies could use carbon credits in their road to Net Zero: the “neutralization of residual emissions” and the “support of Beyond the Value Chain Mitigation strategies”.

aDryada considers projects with the highest impact on climate could be supported in these two scenarios, providing:

1. It is acknowledged that high-quality nature-based removal projects that need to be developed now can have a greater positive impact on climate than most reduction projects.
2. Effective incentives for buyers are defined in the two scenarios, so that large funding for high-impact projects is quickly unlocked, while avoiding greenwashing.

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There are no doubt companies' efforts to reduce their emissions are essential and should be encouraged - what SBTI constantly reminds, in line with the IPCC conclusions[1]. This is a prerequisite to avoid greenwashing and build a system that both maintains credibility and scales climate action.

Nevertheless, 3 main principles should be kept in mind when trying to provide some rules to the voluntary market:

1. The principle of the VCM is to encourage private actors so that the greatest number take actions beneficial to the climate - unlike regulated markets which establish obligations/constraints.
2. While imposing all actors the same effort is an issue for the regulated market, the main ambition of the voluntary market should be that the actions that are taken have real impacts on the climate.
3. The most structuring actions for the climate (strong direct impact, strong induced effect, very high cost of going backwards) should be encouraged so that they occur before those with low impact or reversible ones.

Having this in mind, in the short-term certain sequestration projects may have a greater structural impact on the climate than that of projects to reduce corporate emissions:

[1] “All global modelled pathways that limit warming to 1.5°C (>50%) with no or limited overshoot, and those that limit warming to 2°C (>67%), involve rapid and deep and, in most cases, immediate greenhouse gas emissions reductions in all sectors this decade”.
Source: IPCC, Climate Change 2023 Synthesis Report - Summary for Policy makers.

- **Reduction measures that are implemented now by most companies are highly reversible, meaning they are also those which have the least structural impact on the climate.**
 - When it comes to reducing emissions, businesses are only at the beginning of the journey: in 2022, only 10% of companies around the world were measuring their emissions comprehensively (scope 1, 2 & 3)[2] and only 1,000 companies in Europe had adopted an internal carbon price in 2023[3] (a prerequisite to define a coherent decarbonation strategy)
 - This means that currently it is the simplest to implement and least expensive reduction measures that are deployed – e.g. energy efficiency, like switching lightbulbs – and not those with a higher cost and higher impact (ex.: replacing heating)
- **At the same time, high-quality nature-based carbon removal (NBS) projects can have a structural impact on climate, especially when they are large-scale ones.**
 - Biological storage methods, such as ecosystem restoration and soil carbon enhancement, if properly managed, have the potential for durable carbon storage, while providing multiple benefits to biodiversity, and society (ex.: climate change resilience)
- **Such projects should be developed now**, as recommended by the Oxford Offsetting Principles for Net Zero[4], since:
 - It is widely acknowledged that carbon removal will play an essential role in achieving net zero emissions to halt global warming and may be required to further reduce temperatures after net zero is achieved.
 - Considering our current emissions trajectory, we are not on track to achieve the levels of removal deployment needed for net zero
- **Nevertheless, unless there are strong incentives (regulation, others), companies will not buy the carbon credits that are generated by these projects** as long as their internal price of carbon – that most of them still need to define - is not reached.

[2] <https://www.bcg.com/press/20october2022-few-companies-measured-greenhouse-gas-emissions-comprehensively>.

[3] According to data from the Carbon Disclosure Project (CDP), an international organization that helps companies disclose their environmental impact.

[4] The Oxford Offsetting Principles for Net Zero (revised 2024) advises: "users investing in projects to counterbalance residual emissions should progressively increase the portion of their investments into carbon removal projects, starting now, ultimately aiming to reach 100% removals by the global net zero date".

For climate, the challenge is therefore to encourage companies committed to Net Zero to immediately finance high-quality sequestration efforts that are more expensive than those currently being carried out in terms of reduction (more than 50€/t CO₂ for a high-quality reforestation project in the tropical zone with tangible impacts on biodiversity and local economic development)

Effective incentives for buyers can be defined in the two scenarios that are proposed by SBTi (“neutralization of residual emissions” and “support of Beyond the Value Chain Mitigation strategies”), so that large funding for high-impact projects is quickly unlocked, while avoiding greenwashing

1. Scenario “Neutralization of residual emissions”:

The need to neutralize residual emissions can be an incentive for companies to start financing now high-quality nature-based projects by purchasing carbon credits. But it would only work under the following conditions:

- **Companies have to commit now to neutralize their residual emissions with high-quality removals** – abiding by the ICVCM principles as a minimum.
- **They should be allowed to claim they are “Net Zero” as soon as they remove from the atmosphere as much carbon as they emit using high-quality removal credits.**
 - Microsoft, which is committed to reaching Net Zero and stands among the largest buyers of high-quality nature-based carbon credits to date, has adopted such an approach. The company considers that “net zero” should be applied when a company that actively reduces its emissions also “removes as much carbon as it emits”, even if the remaining emissions are more than 10% of the total calculated in the year of reference^[5].
 - Allowing such a claim would encourage companies to invest now in projects that have a structural impact on climate
- **They are asked to set interim removal targets in their road to net zero, scaling towards 100% by 2050.**
- The SBTi conclusions stand that a responsible use of carbon credits to neutralize hard-to-abate emissions does not require:
 - “Matching emissions type with storage type (biogenic or geologic)”. Such an approach would indeed stop all investments in high-quality nature-based projects while
 - The market of geological storage is not mature, will take time to grow up, and will never be sufficient to store the 5 GT/y of carbon that are needed in 2050: even if the European authorities are to support the development of this kind of storage, they acknowledge nature-based removals have the highest potential in terms of removals (317 MtCO₂ in 2040, vs 75 for industrial removal in 2040)^[6]
 - International certification standards have developed methodologies whose usage guarantee the permanence of high-quality nature-based projects (min. 40 years with Verra VCS, 100 years with the US ACR)

[5] <https://blogs.microsoft.com/blog/2020/01/16/microsoft-will-be-carbon-negative-by-2030/>

[6] Source : SWD(2024) – Impact assessment Report – European Commission

- “Matching atmospheric lifetime with storage timescale (physical equivalence)”. This approach would also
 - Stop all investments in high-quality long-term nature-based projects like reforestation and afforestation ones – except if SBTI recognizes and claims those projects can be “permanent” (depending on various quality criteria)
 - Condemn the carbon credits generated by reforestation/afforestation projects to be proposed only to corporates in the agri-food business... who will not be interested, their primary focus being the decarbonation of their value chain.

aDryada supports the idea of undergoing further analysis on approaches that would create equivalence ratios to quantitatively value carbon dioxide removal (CDR) with different levels of permanence in carbon removal, balancing the economic benefits of reducing warming temporarily against long-term climate damage costs, providing:

- The equivalence is built using the companies’ internal carbon cost and considering the price of carbon credits from quality nature-based removal projects, so that companies’ efforts on removal depend on their capabilities[7].
- SBTI does not wait such analysis are completed to strongly incentivize companies to invest in high-quality removal nature-based projects.

2. Scenario “support of Beyond the Value Chain Mitigation strategies”

The possibility to use carbon credits to support BVCM strategies can be an incentive for companies to start financing now high-quality nature-based projects providing:

- BVCM is inserted into the Net Zero standard as a level equivalent to the one of “reduction” and “neutralization” – meaning investing in it is a prerequisite to meet the Net Zero target (and not an option anymore)
- The claims companies could make when buying carbon credits from high-impact nature-based projects allow them to be clearly differentiated from their competitors
 - Today the lack of credible claim for communicating BVCM activities has been identified by SBTI as a strong barrier to implement BVCM strategies by the private sector (fear of greenwashing accusation).
 - aDryada’s proposal is to allow companies investing carbon credits generated by high-quality nature-based projects to make a double claim (which does not imply a “double-counting”, applicable to countries only)
 - They “contribute to the climate strategies of the countries” in which they finance projects
 - They are “Net Zero” as soon as they remove from the atmosphere the quantity of carbon they emit, providing they are in a strong partway towards reduction.

[7] For a significant number of top companies, a fee of USD 100-200 per ton across all emissions would be trivial whereas, for high emitters, profits per ton typically range between USD 10-100. <https://carbongap.org/who-can-pay-for-carbon-removal>

aDryada welcomes SBTI’s desire to enhance the impact of its Corporate Net-Zero Standard. The company encourages stakeholders to focus on one question only while answering the consultation: “how carbon credits could be used to support the quickest and massive deployment of projects that have the highest positive impact on climate”.