Provisional Claims Code of Practice
ABOUT VCMI

The Voluntary Carbon Markets Integrity (VCMI) Initiative is a multistakeholder platform to drive credible, net zero-aligned participation in voluntary carbon markets (VCMs). VCMI’s goal is to ensure VCMs make a significant and meaningful contribution to climate action and limit global temperature from rising to 1.5˚C above pre-industrial levels, while also supporting the achievement of the United Nations Sustainable Development Goals (SDGs).

Through consultation with stakeholders from civil society, the private sector, Indigenous Peoples, local communities, and governments, VCMI intends to develop and communicate guidance on how carbon credits can be voluntarily used and claimed by businesses and others as part of credible, net zero decarbonization strategies. It also engages countries to support development of strategies to access VCMs to drive ambitious climate mitigation.

The UK government is supporting VCMI, as announced by Alok Sharma, president of the 26th Conference of the Parties (COP26), at the Climate and Development Ministerial on March 31, 2021. To date, VCMI has been led by Meridian Institute, a US-based not-for-profit organization, and supported by consultants (the VCMI Consortium).

The VCMI Consortium’s role is to refine the scope, governance, and processes that will underpin VCMI in its future phases. The initiative is co-funded by the Children’s Investment Fund Foundation (CIFF) and the UK Department for Business, Energy, and Industrial Strategy (BEIS).
This document is a provisional Claims Code of Practice on credible voluntary use of carbon credits by companies and other nonstate actors and associated public claims. It is based on several months of deliberation among VCMI’s Expert Advisory Group, which comprises 37 carbon market technical experts from around the world, as well as input from key stakeholders. All stakeholders are invited to participate in an open public consultation to provide input.

Please provide your input through this form no later than August 12, 2022.
I. Letter from VCMI Co-Chairs
Letter from VCMI Co-Chairs

On behalf of the VCMI Steering Committee and Secretariat, we are pleased to present this Provisional Claims Code of Practice (or Claims Code) on voluntary use of carbon credits. Such guidance is essential to ensure the integrity of voluntary carbon markets. Only with integrity can these markets scale to mobilize the resources and emissions reductions necessary to support achievement of the Paris Agreement goals.

VCMI recognizes that three sources of information and insight are necessary to finalize the Claims Code: road testing among businesses to ascertain its practicality; the input of diverse stakeholders who have not yet had an opportunity to participate in the process; and rigorous analysis to understand the implications of the Claims Code for a diversity of sectors, geographies, and circumstances.

We are deeply appreciative of all who have given their time and talent to the development of this Claims Code, particularly our Expert Advisory Group (EAG) as well our Country Contact Group and a diversity of civil society organizations and companies from around the world.

Integrity for voluntary carbon markets has multiple dimensions and relies on a broad network of platforms, initiatives, and processes that need to be knit together. VCMI seeks to neither prejudge nor duplicate other processes but will provide input and review interdependencies at appropriate times. We look forward to continuing to partner with leading experts, businesses, civil society organizations, and governments as we finalize the Claims Code, as well as continuing and deepening engagement with Indigenous People’s representatives. And we look forward to partnering with other platforms and initiatives in the voluntary carbon market governance space to build a governance ecosystem that has both a high level of integrity and a high level of efficiency and functionality.

Together, we can build the high-integrity framework necessary to mobilize private climate finance through voluntary carbon credit markets—unlocking a critical resource to help secure our planetary future for generations to come.

— Tariye Gbadegesin and Rachel Kyte
VCMI STEERING COMMITTEE CO-CHAIRS
II. Introduction
Introduction

This document is a provisional Claims Code of Practice (or Claims Code) on credible voluntary use of carbon credits by companies and other nonstate actors and associated public claims. The Claims Code builds on previous Voluntary Carbon Market Integrity Initiative (VCMI) consultations and expands on requirements of other leading climate change initiatives, including the Carbon Pricing Leadership Coalition’s (CPLC) Report of the Task Force on Net Zero Goals and Carbon Pricing; Science Based Target initiative’s (SBTi) Net-Zero Standard; Gold Standard’s Scope 3 Value Chain Interventions Guidance; The Oxford Principles for Net Zero Aligned Carbon Offsetting; and GHG Protocol’s Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The Claims Code is based on several months of deliberation among VCMI’s Expert Advisory Group (EAG), which comprises 37 carbon market technical experts from around the world, as well as input from key stakeholders, including: governments in both the Global South and Global North that have participated in VCMI’s Country Contact Group of government representatives; civil society organizations around the world; and companies that purchase and retire carbon credits as well as those that develop emissions reduction and removal projects. The content of the Claims Code is informed by VCMI’s Principles for High-Ambition and High-Integrity Voluntary Climate Action by Companies (see Annex A) as well as by more specific Design Criteria for Guidance on Claims (see Annex B).

This provisional Claims Code represents the collective judgment of VCMI’s Steering Committee, VCMI’s high-level decision-making body, and is intended for road testing by companies, review by interested stakeholders, and further assessment of its likely impact. We are grateful to the leading companies that have committed to road test this Claims Code in the second half of 2022 and to work with VCMI to refine it. Additional companies interested in road testing the Claims Code should complete this form (see Annex C).

All stakeholders are invited to participate in an open public consultation to provide input. Please provide your input through the form no later than August 12, 2022.

Potential Recalibration of Targets and Pathways

VCMI does not specify or rely on any particular pathway to reach global net zero consistent with 1.5 degrees Celsius global warming. There are indeed many, with different degrees of overshoot, speed of reductions, and reliance on removals and negative emissions technologies. The Intergovernmental Panel on Climate Change (IPCC) provided an overview of scenarios in Chapter 3 of the Working Group III contribution to its Sixth Assessment Report. VCMI draws on the framework established by the Science Based Targets initiative (SBTI) for setting near-term corporate decarbonization targets consistent with 1.5 degrees Celsius global warming with no or limited overshoot. As a result of emerging scientific knowledge, the degree of progress made on cutting emissions, and the emergence of new technologies, we anticipate the scientific community to be potentially recalibrating 1.5 degrees Celsius net zero pathways over the next few years. This in turn is likely to lead to changes in the scale and speed of emission reductions required of the private sector. We will be monitoring these developments and working with target-setting bodies to incorporate any necessary changes into the VCMI Claims Code of Practice.
In parallel with the road testing and public consultation, VCMI will work with partners on several areas of the Claims Code on which the feedback received to date indicates a need for further refinements. These include:

— Financial and emissions analysis to better understand the likely potential uptake of the Claims Code across various sectors and geographies over time;

— Analysis of the potential impacts and implications of including carbon credits associated with corresponding adjustments within voluntary carbon market transactions on the availability of credits, credit prices, purchasing decisions, and achievement and enhancement of countries’ Nationally Determined Contributions (NDCs);

— Development of methodologies and frameworks for assessing companies’ progress toward meeting their interim emission reduction targets; and

— Development of clearer guidance on quantifying, accounting, and target setting for Scope 3 emissions.

VCMI’s intention is to issue a final Claims Code in late 2022/early 2023 based on the above-mentioned company road testing, public consultation, and learnings through additional assessment. Beyond this, VCMI expects to carry out a full review of the Claims Code in 2025. This will reflect the anticipated significant strengthening of the tools and data sources that underpin the VCMI Claims Code, as well as likely changes in climate policy, carbon markets, and corporate climate disclosure regulations that are expected over the next three years. Any revisions will not be applied retroactively.
III. Purpose, Audience, and Scope
VCMI was established to help ensure that voluntary carbon markets make a significant, measurable, and positive contribution to achieving the Paris Agreement goals while also promoting inclusive, sustainable development. The imperative of keeping global average temperature increase below 1.5 degrees Celsius requires the world to avoid, reduce, and remove as many greenhouse gas (GHG) emissions as possible as quickly as possible. By 2030, global emissions must be at least 50 percent below current levels; by mid-century, they must be at least 90 percent below current levels.

To achieve these ambitious goals, governments must quickly enact and implement bold policies targeting net zero emissions, and companies must make rapid and deep science-aligned decarbonization within their value chains. At the same time, supporting the United Nations Sustainable Development Goals (SDGs) is critical. The use of high-quality carbon credits by companies and other private nonstate actors (NSAs)—above and beyond their decarbonization efforts—is a potentially significant way to accelerate climate change mitigation and drive additional finance into low- and middle-income countries, which likely will suffer the greatest climate harms.
Box 1: Why Is Claims Guidance Needed?

Voluntary carbon market integrity is essential to unlock private sector capital. All stakeholders need assurance that the use of carbon credits strengthens—rather than undermines—global climate action.

Today, thousands of companies are making climate commitments to reducing emissions to certain levels by specific dates and to decarbonizing their supply chains. And they are making claims about “carbon neutral” products and services. However, lack of clarity about what these commitments and claims mean, lack of transparency about corporate climate performance, and inconsistent use of terminology risk undermining confidence in the integrity of the voluntary carbon market and in corporate commitments more broadly, even when commitments are genuine.

Many stakeholders are concerned that use of carbon credits could hinder, delay, or replace the GHG abatement action within companies and their supply chains that is essential for addressing climate change. Without clear and transparent guidance about the use of carbon credits for underpinning credible claims, investors and consumers are not able to effectively allocate capital and direct their purchasing power to incentivize real company leadership on climate mitigation. Companies making noncredible claims when using carbon credits face significant risks, ranging from loss of reputation due to accusations of overstating climate performance to potential fines by domestic authorities and litigation (where such claims are deemed false or deceptive).

The following illustrate the variety of terms companies use to describe their climate commitments and action:

- Dalmia Cement: carbon negative by 2040.
- Danone: carbon neutral across its entire global value chain by 2050.
- Google: operating 24/7 carbon free by 2030.
- Ikea: climate positive by 2030 by reducing more greenhouse gas emissions than the IKEA value chain emits.
- Mahindra and Mahindra Ltd.: carbon neutral as a group by 2040.
- Microsoft: carbon negative by 2030 and removal of all historic emissions.
- Netflix: net zero greenhouse gas emissions by the close of 2022.
- Unilever: net zero emissions for products by 2039.
The primary purpose of the VCMI Claims Code of Practice is to:

— Provide clear guidance to companies and other nonstate actors1 on when they can credibly make voluntary use of carbon credits as part of their net zero commitments; and

— Ensure the credibility of claims made by companies and other private nonstate actors regarding this use of carbon credits.

VCMI guidance is intended for:

— Companies seeking to make credible, voluntary use of carbon credits and associated claims;

— Individual and institutional consumers seeking to make climate-friendly purchases;

— Investors and other stakeholders who want to judge the credibility of a company’s climate achievement that includes use of carbon credits alongside broader decarbonization efforts; and

— Governments considering the role of regulatory agencies in strengthening the credibility of carbon credit use and associated claims by companies through corporate reporting requirements, advertising, and consumer protection standards and other regulations.

The content of the Claims Code is driven by VCMI’s Principles for High-Ambition and High-Integrity Voluntary Climate Action by Companies (see Annex A) as well as by more specific Design Criteria for Guidance on Claims (see Annex B).

All VCMI claims require the purchase of carbon credits representing “beyond value chain mitigation” (BVCM),2 through which companies contribute to the collective global effort to reach net zero emissions. Carbon credits underpinning VCMI claims are not counted as internal emission reductions that a company undertakes to meet decarbonization targets. Rather, these purchases represent a contribution to both the company’s climate goals and to global mitigation. The Claims Code provides detailed guidance for enterprise-wide claims, and high-level direction for claims regarding products, services, and brands (line of products or services). The Claims Code does not cover claims involving types of BVCM other than carbon credits, nor does it apply to other voluntary actions that companies may take to mitigate climate change, though VCMI intends to cover those areas in the future.3
Before using carbon credits and making associated claims, companies must set clear science-aligned interim targets to reduce emissions in the near term as they progress toward long-term net zero commitments consistent with limiting global temperature increases to 1.5 degrees Celsius above pre-industrial levels.\(^4\) VCMI requires that companies rely on other organizations that offer credible guidance on setting long-term science-aligned net zero commitments, goals, targets, and transition pathways. For instance, the Science Based Targets initiative (SBTi) provides guidance and offers a tool to help companies set targets through its recent Net-Zero Standard.\(^5\)

All VCMI claims require the use of high-quality credits. VCMI offers broad guidance on what constitutes “high quality” carbon credits (see below). Other initiatives will offer specific guidance, such as the Integrity Council on Voluntary Carbon Markets (IC-VCM); the International Civil Aviation Organization’s (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA);\(^6\) and relevant guidance developed under Article 6 of the Paris Agreement. VCMI seeks alignment with these other initiatives where possible in support of achieving a coherent guidance and governance landscape.

VCMI requires that companies rely on other organizations that offer credible guidance on setting long-term science-aligned net zero commitments, goals, targets, and transition pathways.
### Box 2: Corresponding Adjustments

#### What Are They?

Corresponding adjustments are a national accounting tool agreed by and for countries under Article 6 of the Paris Agreement to avoid double-counting in tracking progress toward implementation of their Nationally Determined Contributions. Corresponding adjustments do not change the quality of the associated emission reductions or removals.

#### When Are They Required?

- The Article 6 guidance requires corresponding adjustments for internationally transferred carbon credits authorized for use toward a Nationally Determined Contribution or for international mitigation purposes (e.g., CORSIA), or other purposes; but host country authorizations may place limits or conditions on such uses or specify authorized users.

- Other purposes are not fully defined in Article 6, but many view that these could include transfers in voluntary carbon markets. As such, Article 6 creates a path—but not an obligation—for host countries to authorize and apply corresponding adjustments for the use of carbon credits in voluntary carbon markets.

- The Article 6 guidance does not require carbon credits that are used for voluntary purposes by companies to be authorized by host countries.

- Despite this, host country governments may choose to authorize carbon credits for voluntary purposes. Having been authorized, these credits would then require corresponding adjustments to be made once transferred.

#### Are Credits with Corresponding Adjustments Available?

At the time of writing, most countries are not ready to implement corresponding adjustments because they are still developing and refining administrative, transparency, and accounting practices.
IV. VCMI Claims Code of Practice
## Essential Terms

The following terms and their definitions are key to understanding this Claims Code of Practice. Additional terms are defined in the glossary.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Long-term net zero commitment</strong></td>
<td>A company commitment to aggressively reduce emissions across its value chain (Scopes 1, 2, 3) to zero—or to a residual level aligned with global net zero—no later than mid-century. All residual emissions are balanced out by permanent removals (including high-quality removal carbon credits). To achieve this goal, most companies will need to reduce emissions by at least 90 to 95 percent across all emissions scopes no later than 2050.</td>
</tr>
<tr>
<td><strong>Beyond net zero</strong></td>
<td>A company (1) achieves its long-term net zero commitment and (2) invests in significant additional reduction and/or removal activities beyond its value chain, including through carbon credits. That is, it achieves “negative” emissions levels that go beyond requirements to reach net zero (e.g., to address its historical emissions).</td>
</tr>
<tr>
<td><strong>Science-trajectory, or decarbonization pathway</strong></td>
<td>The sequence of milestones in a company’s plan to achieve long-term net zero emissions, including interim targets (as defined below) verified by a credible, independent third party.</td>
</tr>
<tr>
<td><strong>Science-aligned interim target (or interim target)</strong></td>
<td>An emissions reductions level to be achieved in a specific year, as part of a science-based plan to achieve long-term net zero emissions. These targets must be verified by a credible, independent third party.</td>
</tr>
<tr>
<td><strong>Next interim target</strong></td>
<td>The nearest-in-time, publicly announced interim target in a company’s decarbonization pathway. The target is set using a recognized methodology for setting science-based emissions reductions targets and has been verified by a credible, independent third party.</td>
</tr>
<tr>
<td><strong>Subsequent interim target</strong></td>
<td>The publicly announced interim target that is nearest in time after the next interim target (as defined above). The target aligns with climate science and has been verified by a credible, independent third party.</td>
</tr>
<tr>
<td><strong>Beyond value chain mitigation (BVCM)</strong></td>
<td>A company’s investment in emission reductions and/or removals in activities outside its value chain.</td>
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The provisional Claims Code of Practice comprises four components or steps, all of which companies must adhere to in order to make credible claims about their voluntary use of carbon credits. The components are as follows:

**STEP 01** Meet the Prerequisites

**STEP 02** Identify Claim(s) to Make

**STEP 03** Purchase High-Quality Credits

**STEP 04** Report Transparently on the Use of Carbon Credits
As part of good corporate practice on climate change and in line with the widely accepted mitigation hierarchy,7 VCMI requires that companies only use carbon credits in addition to—not as a substitute for—science-aligned decarbonization across their value chains. The VCMI Prerequisites are designed to ensure that this is the case and to offer guidance to all companies on the steps they should take to align with the goals of the Paris Agreement.

Before making voluntary use of carbon credits (and making a VCMI claim), companies must:

— Make a public commitment to achieve science-aligned long-term net zero emissions no later than 2050, covering Scopes 1, 2, and 3.8

— Set and make public interim emission reduction targets that:
  - Include a first near-term emission reduction target for 2025, or within two years of making a public long-term net zero commitment.
  - Include subsequent emissions reduction target(s) with target dates no more than five years apart, established by the date of the preceding target.
  - Follow SBTi guidance for setting the target boundary and emissions coverage (this means 95 percent coverage of Scopes 1 and 2 emissions, and 67 percent coverage of Scope 3 emissions if Scope 3 emissions represent over 40 percent of the inventory from all scopes).9

— Provide detailed information on the plans and strategies adopted to achieve their targets, including current and expected use of high-quality carbon credits (representing emission reductions and/or removals), within and outside supply chains, and associated risks and opportunities, consistent with recognized guidance (e.g., the International Sustainability Standards Board (ISSB)).

— Maintain a publicly available greenhouse gas emissions inventory that:
  - Follows the GHG Protocol (or equivalent).
  - Covers all Scope 1, 2, and 3 emissions (as defined in the company’s targets).

— Make a public statement declaring that the company’s advocacy activities—either individually or through trade bodies of which it is a member—are consistent with the goals of the Paris Agreement and do not represent a barrier to ambitious climate regulation.

Compliance with all the prerequisites must be confirmed by a credible, independent third party.
VCMI Claims Code of Practice offers two different types of claims for recognizing achievements before companies meet their long-term net zero commitment:

— **Enterprise-Wide Claims** represent achievement at the enterprise level as companies progress toward their long-term net zero commitment.

— **Brand-, Product-, and Service-Level Claims** represent achievement across the full value chain of a specific brand (line of products or services), product, or service.

**ENTERPRISE-WIDE CLAIMS**

Enterprise-Wide Claims represent achievement toward a company’s long-term net zero commitment in addition to purchasing and retiring carbon credits as a contribution toward accelerating global emissions mitigation.

In addition to fulfilling all the Prerequisites in Step 1, in order to make an Enterprise-Wide Claim a company needs to:

— Reduce its Scope 1 and 2 emissions to the levels required to meet its next interim target;

— Reduce its Scope 3 emissions to the level required to meet its next interim target or use carbon credits to cover a limited amount of Scope 3 emissions that exceed the level required to meet its next interim target (this flexibility for Scope 3 emissions is only permitted for the “VCMI Bronze” claim and only available until 2030); and

— Purchase and retire carbon credits to cover some or all of its remaining unabated emissions.

The claims are organized as a progression that follows the widely accepted mitigation hierarchy, with priority given to decarbonization within company value chains over use of carbon credits to cover excess emissions. VCMI Gold is the highest-level claim.

Companies may make a claim in any year, provided that they can demonstrate—through verification by a credible, independent third party—that their emissions and ongoing decarbonization plans are consistent with the claim. This means that for every year a company wishes to make or maintain a claim, the company must meet the VCMI Prerequisites and demonstrate progress toward achievement of its next interim goal as confirmed by a credible, independent third party.
Science-Aligned Emission-Reduction Pathway

**FIGURE 1:** The figure shows an indicative science-aligned trajectory to net zero by mid-century. The straight line represents a linear emissions reduction pathway, while the bars show actual emissions in any given year that are consistent with the overall pathway. A company must set an interim target every five years but can make a claim in any year, provided that it meets the prerequisites (Step 1) and its emissions levels are consistent with meeting its next interim target as verified by a credible, independent third party.

In any given year on the pathway:

- **Base-year emissions**
- **Emissions on track to meet interim target on science-aligned pathway**
- **Remaining emissions**

**SCOPE 1, 2, AND 3 EMISSIONS**

- **Scope 1:** direct emissions from owned or controlled sources
- **Scope 2:** indirect emissions from energy purchased and consumed by the reporting company
- **Scope 3:** all other indirect emissions in a company’s value chain, both upstream and downstream
Making Progress on the Science-Aligned Emission-Reduction Pathway

The area inside each circle represents the emissions within an interim target.
To achieve VCMI Gold, a company must be on track to achieve its next interim target for Scopes 1, 2, and 3 through emissions reductions within its value chain and have covered all (100 percent) remaining unabated emissions through the purchase and retirement of high-quality carbon credits.

Covering all remaining unabated Scope 1, 2, and 3 emissions through purchase and retirement of high-quality carbon credits requires significant expenditure, and the emissions profile of a company and average cost per carbon credit has a strong influence on the costs proportionate to revenues (see Box 3). Therefore, considering the current constraints for companies with different types of emissions profiles, VCMI Silver and VCMI Bronze claims are included to provide stepping stones to VCMI Gold.

Example: Achieving VCMI Gold Net Zero

Base-year emissions = 200

SCOPE 1 = 100
SCOPE 2 = 20
SCOPE 3 = 80

Target emissions in claim year = 100

SCOPE 1 = 50
SCOPE 2 = 10
SCOPE 3 = 40

To achieve VCMI Gold, a company must be on track to achieve its next interim target and have covered all remaining emissions through the use of high-quality carbon credits.
To achieve VCMI Silver, a company must be on track to achieve its next interim target for Scopes 1, 2, and 3 through emissions reductions within its value chain and have covered at least 20 percent of all remaining unabated emissions through the purchase and retirement of high-quality carbon credits. The proportion of remaining unabated emissions covered through the purchase and retirement of carbon credits must increase over time. In other words, if a company purchases and retires carbon credits to cover 20 percent of its remaining unabated emissions in the first year it makes a VCMI Silver claim, it must purchase and retire credits to cover more than 20 percent in the following year in order to retain the claim.

**Example: Achieving VCMI Silver**

```
Base-year emissions = 200

SCOPE 1 = 100
SCOPE 2 = 20
SCOPE 3 = 80

DECARBONIZATION

Target emissions in claim year = 100

SCOPE 1 = 50
SCOPE 2 = 10
SCOPE 3 = 40

at least 20 carbon credits purchased and retired to cover at least 20% of emissions within the target

Greenhouse gas emissions

\[\text{Emissions reductions}\]

\[\text{Carbon credits purchased and retired}\]

\[\text{Interim target on science-aligned pathway}\]
```
To achieve VCMI Bronze, a company must:

— Be on track to achieve its next interim target for Scopes 1 and 2 through emissions reductions within its value chain;

— Reduce its Scope 3 emissions through a combination of emissions reductions within its value chain and purchase and retirement of carbon credits (up to a maximum of 50 percent of its Scope 3 footprint) to the level required for its interim target; and

— Have covered at least 20 percent of all remaining unabated emissions through the purchase and retirement of high-quality carbon credits.

The flexibility associated with VCMI Bronze for a company to be partially on track to achieve its next interim target for Scope 3 is limited in two ways:

— The proportion of carbon credits that can be used to cover Scope 3 emissions to meet the next interim target is limited initially to 50 percent, and this proportion must decline over time to ensure continuous improvement; and

— The time period for which carbon credits can be used for this purpose is limited; the VCMI Bronze claim is only available until 2030, by which time a company must be fully on track to achieve its next interim target for Scope 3 through internal emissions reductions only, and thereby graduate to VCMI Silver.

**Example: Achieving VCMI Bronze**

Base-year emissions

\[ \text{SCOPE 1} = 50 \]
\[ \text{SCOPE 2} = 20 \]
\[ \text{SCOPE 3} = 80 \]

Target emissions in claim year

\[ \text{SCOPE 1} = 100 \]
\[ \text{SCOPE 2} = 20 \]
\[ \text{SCOPE 3} = 80 \]

DECARBONIZATION

at least 20 carbon credits purchased and retired to cover at least 20% of emissions within the target

20 carbon credits purchased and retired to cover Scope 3 emissions that exceed interim target

Greenhouse gas emissions

Emissions reductions

Carbon credits purchased and retired

Scope 3 greenhouse gas emissions exceeding interim target

Interim target on science-aligned pathway
Box 3: Costs for Covering Unabated Scope 1, 2, and 3 Emissions

The graphs show costs with BVCM investment in high-quality carbon credits for representative Consumer Goods, Technology, Food and Beverage, Oil and Gas, and Cement companies. The costs of purchasing carbon credits as a proportion of profit vary by sector. Graph 1 represents a cost of $30/ton and Graph 2 of $10/ton to cover all Scope 1, 2, and 3 unabated emissions. Costs exceed profit in both scenarios for the Oil and Gas sector and either exceed or come close to profit for the Cement sector in the model data shown.

Graph 1: Costs of covering emissions with carbon credits that cost $30/ton

Graph 2: Costs of covering emissions with carbon credits that cost $10/ton
### Table 1: Criteria for VCMI Gold, Silver, and Bronze Claims

<table>
<thead>
<tr>
<th>Claim</th>
<th>Scope 1 and 2 emission reductions required to meet interim targets</th>
<th>Scope 3 emission reductions required to meet interim targets</th>
<th>Remaining emissions once interim targets have been met</th>
</tr>
</thead>
<tbody>
<tr>
<td>VCMI Gold: Net Zero</td>
<td>On track</td>
<td>On track</td>
<td>100 percent covered (through purchase of high-quality carbon credits)</td>
</tr>
<tr>
<td>VCMI Silver</td>
<td>On track</td>
<td>On track</td>
<td>At least 20 percent covered in first year, increasing over time</td>
</tr>
<tr>
<td>VCMI Bronze (only available until 2030)</td>
<td>On track</td>
<td>Partially on track through internal emissions reductions</td>
<td>A company may use carbon credits to cover up to 50 percent of remaining unabated Scope 3 emissions to the level required for its interim target, with the proportion covered by credits reducing year-on-year. No credits permitted after 2030.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>At least 20 percent covered in first year, increasing over time</td>
</tr>
</tbody>
</table>

All VCMI Claims—Gold, Silver, and Bronze—represent contributions to the collective global effort to transition to net zero emissions. The purchase and retirement of carbon credits as part of these claims are never a substitute for internal emissions reductions; that is, they are not accounted for as progress toward companies’ science-aligned interim targets or long-term net zero commitment. Carbon credits associated with or without host country corresponding adjustments can be used to underpin VCMI claims. Carbon credits must be of high environmental and social quality and transparently reported. For example, a company that uses credits that are not associated with a host country corresponding adjustment must publicly communicate that the emissions reduction or removal underlying the carbon credit can also count toward the host country’s NDC. If a company wishes to state that its actions drive emissions reductions and/or removals that are additional to greenhouse gas mitigation already included in current Nationally Determined Contributions, it should purchase carbon credits associated with host country corresponding adjustments.
Brand-, product-, and service-level claims represent achievement across the value chain of a specific brand (a line of products or services), product, or service as a company progresses toward its long-term net zero commitment. Credible brand-, product-, and service-level claims help raise public awareness of climate-responsible consumption, especially as consumers increasingly value purchasing responsible products.

To make a VCMI carbon neutral brand, product, or service-level claim, a company must:

— Meet all prerequisites outlined in Step 1 for the company as a whole.

— Maintain a publicly available inventory, covering all Scope 1, 2, and 3 lifecycle emissions associated with the division, brand, product, or service, following the GHG Protocol (or equivalent).

— Demonstrate ongoing reductions in the lifecycle emissions and/or emissions intensity associated with the division, brand, product, or service and follow carbon neutrality guidance from a reputable standard (e.g., GHG Protocol Lifecycle Reporting and Accounting Standard, PAS 2050, or PAS 2060 for events or products).

— Use high-quality carbon credits (reductions and/or removals) to cover all unabated emissions over a specified time period.

— Comply with all applicable regulations and refer to voluntary achievements that go beyond complying with existing legislation or standard business practice.

— Avoid creating a false impression, hiding trade-offs, and/or overstating the beneficial environmental impacts of activities.

— Demonstrate fulfillment of all above requirements through verification by a credible, independent third party.

Credible brand-, product-, and service-level claims help raise public awareness of climate-responsible consumption, especially as consumers increasingly value purchasing responsible products.
All credits used as the basis for credible claims must be high quality and meet basic criteria. VCMI does not provide detailed guidance for what constitutes a high-quality carbon credit; instead, VCMI acknowledges the work of CORSIA and the IC-VCM to identify cross-cutting quality criteria for carbon credits. To meet the basic criteria for high-quality credits used toward any claim, the credits must be:

— **Associated with a recognized and credibly governed standard-setting body** that provides transparent, independent, and robust processes for quantification, validation, registration, monitoring, verification, approval, and retirement tracking. Credits must also meet robust requirements for global and local stakeholder consultation, including with Indigenous Peoples and local communities.

— **High environmental quality.** This means they (a) reflect reductions and/or removals that go beyond those that would occur in the absence of demand for carbon credits; (b) are monitored, measured, robustly quantified, and independently verified by a credible, independent third party; and (c) are generated from activities that have measures in place to address material risks of nonpermanence and leakage.

— From activities that, where relevant, are compatible with human rights. This means, at a minimum, they (a) do not discriminate on the basis of identity, gender, race, ethnicity, income, or any other social status, and (b) protect rights related to gender, labor, health, education, adequate living standards, background, and personal security and safety. The principles of Free Prior and Informed Consent (FPIC), with an emphasis on transparency and participation, are foundational to ensuring these rights in the context of natural resource management.

— In addition, rights relating to land, food, and Indigenous Peoples must be respected in private-sector climate actions. This means that stakeholders must function as partners (and Indigenous Peoples as rightsholders)—and not merely beneficiaries—both through active participation in market design and governance as well as in project design and implementation. It also means respect for the rights of Indigenous Peoples and local communities to the free use of and property rights for lands, territories, waters, and resources, according to their customary sustainable use.
— From activities that, where relevant, promote equity, apply social safeguards, and demonstrate positive socio-economic impacts, such as those identified by the United Nations Sustainable Development Goals. Carbon credit purchases and the activities they support should result in positive outcomes for local communities and adhere to social safeguards to avoid, reduce and mitigate adverse impacts, with specific attention to vulnerable populations. Whenever possible, co-benefits across the Sustainable Development Goals should be maximized and reflect the concept of a "just transition" toward low-carbon and climate-resilient development that aligns with the latest climate science and maintains social and environmental standards (like those of the United Nations Development Programme), in addition to protecting basic rights. Benefits should be equitably shared.

— From activities that, where relevant, contribute to the protection and enhancement of environmental quality. At minimum, projects and programs must include environmental safeguards that avoid, minimize, and mitigate adverse impacts, and all carbon credits must comply with the environmental laws in the jurisdictions of the project. Activities should strive to generate environmental co-benefits, such as improving water quality, enhancing biodiversity, creating more resilient energy delivery, and improving soil health.

Carbon credit purchases and the activities they support should result in positive outcomes for local communities and adhere to social safeguards.
To substantiate a claim, transparent reporting of information is essential. Companies must report full information in publicly available annual corporate sustainability or similar reports to demonstrate that prerequisites and claim requirements have been met. Companies must also convey in these reports how they use carbon credits toward their climate commitments, goals, targets, and claims, including by providing the following specific information:

- Number of credits purchased and retired to make a claim; proportion used to cover emissions beyond a company’s targets; and proportion used to cover Scope 3 emissions in order to meet the target (VCMI Bronze claim)

- Certification standard name, project name, ID, and issuing registry for each credit used

- Host country

- Credit vintage

- Methodology/project type

- Whether or not the carbon credit is associated with corresponding adjustments (as evidenced by authorization and authorized use) by the host and/or buyer country

In the absence of a host country’s corresponding adjustment, companies must publicly communicate that the mitigation underlying the carbon credit may also count toward the host country’s Nationally Determined Contribution.

If associated with additional third-party certification regarding social or environmental integrity, companies must provide information related to how the credit promotes equity and generates co-benefits to ecosystems and local economies.
V. Governance
Governance

The integrity—and therefore value—of VCMI claims depend on a functional and reliable governance and assurance system. Claims must be credible to be of value to companies, investors, regulators, and other stakeholders evaluating climate commitments and achievements, as well as to those seeking to create programs that rely on a credible claims regime.

Our approach to addressing governance and infrastructure gaps is two-fold. First, VCMI recognizes the need for a Claims Code that is part of a coherent governance framework across the voluntary carbon market and corporate accountability spaces, to the extent possible. Accordingly, VCMI is exploring options for assurance models that ensure accountability in the use of VCMI claims. These options will build on and align with—and not duplicate—existing benchmarks and corporate accountability frameworks. We will present our initial research and seek stakeholder input during the June-August 2022 consultation period.

Second, we recognize that VCMI’s role in the governance space is one piece of a larger puzzle; ensuring voluntary carbon markets “fit” in this space requires a broader convergence of actors and resources to fill the need for assurance and verification services, among other components. We remain committed to working with other initiatives in the voluntary carbon market and corporate climate accountability spaces, business, governments, and other stakeholders to address the need for a coherent governance framework. We welcome feedback on governance and assurance needs from those responding to the consultation in June-August 2022.

While VCMI claims are limited to voluntary action, we hope that compliance crediting programs and “truth in marketing” or disclosure requirements eventually adopt the Claims Code as the foundation for the credible use of carbon credits and associated claims.

We remain committed to working with other initiatives in the voluntary carbon market and corporate climate accountability spaces, business, governments, and other stakeholders to address the need for a coherent governance framework. We welcome feedback on governance and assurance needs from those responding to the consultation in June-August 2022.
VI. Glossary of Key Terms
### Glossary of Key Terms

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>Abatement</td>
<td>Measures companies take to prevent, reduce, or eliminate sources of greenhouse gas emissions within their value chains.¹</td>
</tr>
<tr>
<td>Article 6</td>
<td>Article 6 of the Paris Agreement consists of nine paragraphs providing principles for how countries can “pursue voluntary cooperation,” including through international carbon markets, to reach their climate targets.</td>
</tr>
<tr>
<td>Beyond value chain mitigation (BVCM)</td>
<td>A company’s investment in emission reductions and/or removals in activities outside its value chain.²</td>
</tr>
<tr>
<td>Carbon credit</td>
<td>An emissions unit that is issued by a carbon crediting program and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialized, issued, tracked, and canceled by means of an electronic registry.³</td>
</tr>
<tr>
<td>Compensation</td>
<td>Measurable climate mitigation outcomes, resulting from actions taken outside of the value chain of a company, that cover some portion of emissions that remain unabated within the value chain of a company.</td>
</tr>
<tr>
<td>Compliance market</td>
<td>A market for carbon offsets created by the need to comply with a regulatory act. Compliance markets include cap-and-trade and domestic carbon tax schemes (e.g., European Union Emissions Trading Scheme, California cap-and-trade, Colombia’s carbon tax, etc.) and sectoral schemes (e.g., Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)).</td>
</tr>
<tr>
<td>Corresponding adjustment</td>
<td>An accounting rule under the Paris Agreement’s Article 6 to ensure that, when a country transfers a mitigation outcome internationally, emissions reductions or removals are not counted by the country that agreed to transfer it.⁴</td>
</tr>
<tr>
<td>Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)</td>
<td>In 2016, the International Civil Aviation Organization (ICAO) adopted a global market-based mechanism, CORSIA, to address carbon dioxide emissions from international aviation. CORSIA is the first global market-based measure for any sector and represents a cooperative approach that moves away from a “patchwork” of national or regional schemes through the implementation of a global scheme that has been adopted by national governments, in consultation with governments, industry, and civil society. CORSIA aims to stabilize international civil aviation net carbon dioxide emissions at 2019 levels, from 2021, e.g., through the use of carbon credits that are determined by ICAO to meet the CORSIA Emissions Units Eligibility Criteria.⁵</td>
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<td>TERM</td>
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<tr>
<td>Decarbonization</td>
<td>Measures that reduce or avoid the release of carbon dioxide (CO2) emissions associated with various sectors of the economy.</td>
</tr>
<tr>
<td>Double-counting</td>
<td>A situation in which a single greenhouse gas emission reduction or removal is counted by more than one party toward achieving its Nationally Determined Contribution.</td>
</tr>
<tr>
<td>Free Prior and Informed Consent (FPIC)</td>
<td>Consent for any project, plan, or action should be given in advance and should be independently decided upon and informed—based on accurate, timely, and sufficient information provided in a culturally appropriate way.</td>
</tr>
<tr>
<td>Greenhouse Gas (GHG) Protocol</td>
<td>Comprehensive global standardized frameworks to measure and manage GHG emissions from private and public sector operations, value chains, and mitigation actions. Building on a twenty-year partnership between World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), GHG Protocol works with governments, industry associations, NGOs, businesses, and other organizations.</td>
</tr>
<tr>
<td>Integrity Council for Voluntary Carbon Markets (IC-VCM)</td>
<td>An independent governance body seeking to ensure the voluntary carbon market accelerates a just transition to 1.5 degrees Celsius. It is undertaking to establish, host, and curate a set of Core Carbon Principles (CCPs), which will set new threshold standards for high-quality carbon credits and define which carbon-crediting programs and methodology types are CCP-eligible.</td>
</tr>
<tr>
<td>Interim target</td>
<td>A commitment to achieve an emissions reductions level in a specific year as part of a science-based plan to achieve a long-term net zero goal. Usually, these targets are set every five to ten years, and achievement must be confirmed by a credible, independent third party.</td>
</tr>
<tr>
<td>Leakage</td>
<td>When a carbon crediting project or program displaces emission-creating activities outside the project or program boundary rather than halting them in actual terms.</td>
</tr>
<tr>
<td>Long-term net zero target</td>
<td>A company commitment to aggressively reduce emissions either to zero across its value chain (Scopes 1, 2, 3) or to a residual level aligned with global net zero no later than mid-century. All residual emissions are balanced out by permanent removals (including high-quality removal carbon credits).</td>
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<tr>
<td>Mitigation outcome</td>
<td>The term used in Article 6 of the Paris Agreement to characterize the emission reductions and removals that are authorized, transferred between, and potentially used by Parties toward NDCs (or under schemes like CORSIA). They represent ex-post emission reductions or removals of greenhouse gases determined by quantifying a baseline for emissions within a given boundary and then measuring how much a given intervention avoids, reduces, or removes and sequesters carbon from the atmosphere, for example through the application of procedures and methods administered by underlying emission trading schemes and carbon crediting mechanisms.</td>
</tr>
<tr>
<td>Mitigation hierarchy</td>
<td>A set of prioritized steps to limit negative impacts, as much as possible, through avoidance, mitigation (or reduction), restoration, and beyond value chain mitigation. These prioritized steps are used in environmental frameworks from waste management to climate and biodiversity impact mitigation.</td>
</tr>
<tr>
<td>Nationally Determined Contributions (NDCs)</td>
<td>The national climate plan put forward by a Party to the Paris Agreement, including climate-related targets, policies, and measures the government aims to implement in response to climate change and as a contribution to global climate action.</td>
</tr>
<tr>
<td>Nature-based solutions</td>
<td>Actions to protect, sustainably manage, and restore natural and modified ecosystems such that they help reduce, avoid, and remove greenhouse gas emissions and simultaneously benefit human well-being and biodiversity.</td>
</tr>
<tr>
<td>Negative emissions</td>
<td>The emissions level beyond net zero where removals exceed emissions.</td>
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<tr>
<td>Net zero emissions</td>
<td>Achieved when anthropogenic emissions of greenhouse gases into the atmosphere are reduced as much as possible, and residual emissions are balanced by high-quality permanent removal credits over a specified period.</td>
</tr>
<tr>
<td>Offset</td>
<td>The use of a carbon credit as a substitute for within value chain emissions abatement and counted as reductions toward an emissions reductions target.</td>
</tr>
<tr>
<td>Permanence</td>
<td>The capacity of reduced, avoided, or removed emissions to not re-enter the atmosphere. In practical terms, this means giving the credit buyer confidence that declared emissions reductions will not be reversed by a future event (that, for example, the forest planted to absorb a certain amount of emissions will not be cut down).</td>
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<td>TERM</td>
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<tr>
<td>Registry</td>
<td>Registries provide serial numbers and track the issuance, transfer, retirement, and cancellation of carbon credits.</td>
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<tr>
<td>Removals (a.k.a. carbon dioxide removals)</td>
<td>Withdrawal of greenhouse gases from the atmosphere as a result of biologic processes or deliberate human activities. These include enhancing biological sinks of carbon dioxide and using chemical engineering to achieve long-term removal and eventual storage of carbon dioxide.</td>
</tr>
<tr>
<td>Residual emissions</td>
<td>Emissions sources that remain unabated by the time a net zero target is reached in 1.5 degrees Celsius mitigation pathways.</td>
</tr>
<tr>
<td>Retirement of carbon credits</td>
<td>The transfer to a retirement account or cancellation of a carbon credit. Once retired, the credit is considered &quot;used&quot; and cannot be used again toward a goal claim. The owner of the credit can accurately claim to have reduced emissions and use those emissions to meet its climate commitments.</td>
</tr>
<tr>
<td>Science-aligned trajectory (a.k.a. decarbonization pathway)</td>
<td>The sequence of emission reduction milestones over time in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement: to limit global warming to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels by mid-century.</td>
</tr>
<tr>
<td>Science-aligned level</td>
<td>Emissions reduction level achieved in a specific year, consistent with a science-based plan to achieve long-term net zero.</td>
</tr>
<tr>
<td>Science-based target</td>
<td>Targets that are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement: to limit global warming to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit warming to 1.5 degrees Celsius.</td>
</tr>
<tr>
<td>Science Based Target initiative (SBTi)</td>
<td>An initiative that mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy. It is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI), and the World Wildlife Fund for Nature (WWF), and one of the We Mean Business Coalition commitments. It defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies’ targets.</td>
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<td>TERM</td>
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<tr>
<td><strong>Scope 1, 2, and 3 emissions</strong></td>
<td>Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company’s value chain.</td>
</tr>
<tr>
<td><strong>Validation and verification bodies (VVBs)</strong></td>
<td>Independent organizations duly approved under a carbon standard that validate mitigation activities and verify emission reductions. They may also verify other social and environmental co-benefits.</td>
</tr>
<tr>
<td><strong>Value chain emissions</strong></td>
<td>A company’s Scope 1, 2, and 3 emissions as defined by the Greenhouse Gas Protocol accounting standard.</td>
</tr>
<tr>
<td><strong>Vintage</strong></td>
<td>The year in which the carbon emission reduction took place. Because the verification process can take two to three years from project/program inception, projects/programs may generate credits for already-reduced emissions.</td>
</tr>
<tr>
<td><strong>Voluntary carbon market</strong></td>
<td>A marketplace that encompasses all transactions of carbon credits that are not purchased with the intention to surrender into an active regulated carbon market. It includes carbon credits purchased with the intent to resell or retire to meet carbon neutral or other environmental claims.</td>
</tr>
</tbody>
</table>
VII. Annexes
Annex A: Principles for High-Ambition and High-Integrity Voluntary Climate Action by Companies

VCMI Provisional Claims Code of Practice is informed by the following principles, which VCMI developed during its consultation phase in 2021 and refined over a subsequent consultation process. VCMI expects that all companies making VCMI claims will strive for these principles in their voluntary carbon market activities.

**Science-Based**
Company strategies, targets, activities, and engagement in voluntary carbon markets account for the latest scientific consensus on safe upper limits for global warming. As such, alignment with the Paris Agreement temperature goal to limit global warming to 1.5 degrees Celsius is the ultimate objective.

**Comprehensive**
Companies build their climate targets and actions upon accurate and complete greenhouse gas inventories in line with the most recent requirements set out by the GHG Protocol (or equivalent should one be developed).

**Net-Positive Benefit**
Companies’ climate action accords net-positive benefits to individuals and communities impacted by the supply and use of carbon credits, including Indigenous Peoples, local communities, women, and underserved communities. Such action maximizes social and ecological co-benefits and avoids or minimizes adverse impacts.

**Rights-Compatible**
Company climate action respects, protects, and fulfills human rights under international law, including lack of discrimination on the basis of identity, the rights of Indigenous Peoples, and those associated with health, labor, land, and Free Prior and Informed Consent (FPIC).

**Nature-Positive**
Company climate action aligns with the need to slow, halt, and reverse nature loss and moves toward a nature-positive state of recovery and renewal.

**Additional**
Company action, investment, and carbon credit purchases support emissions reductions and/or removals that are additional to those that would occur in the absence of demand for carbon credits.
<table>
<thead>
<tr>
<th>Immediate</th>
<th>Companies prioritize taking immediate action to reduce their own emissions, including within their value chains. Action aligns with scientific evidence showing that the years leading up to 2030 are critical to averting environmental tipping points caused by increased concentrations of GHG emissions in the atmosphere.</th>
</tr>
</thead>
<tbody>
<tr>
<td>At Scale</td>
<td>Businesses progressively increase the ambition and significance of their investments in interventions that accelerate climate change mitigation within and beyond their value chains and aim to reflect the value of unabated emissions within their value chains—including projects and programs that generate carbon credits for voluntary carbon markets.</td>
</tr>
<tr>
<td>Transparent</td>
<td>Companies transparently disclose information relating to their climate commitments and activities, including their scope, coverage, underpinning strategies and assumptions, performance metrics, relevant definitions, and nature of carbon credits and their use. Companies publicly report on progress and learning as they move toward achievement of net zero.</td>
</tr>
<tr>
<td>NDC-Enabling</td>
<td>Companies’ actions, investments, and demand for carbon credits support the implementation of national climate plans, contribute to and help exceed Nationally Determined Contribution (NDC) ambition, and avoid the potential to disincentivize increasing NDC ambition.</td>
</tr>
<tr>
<td>Consistent</td>
<td>Companies’ lobbying efforts and membership of industry associations are aligned with, not contrary to, their climate commitments.</td>
</tr>
<tr>
<td>Collective and Predictable</td>
<td>Companies work together and with a diverse and broad range of stakeholders to act on climate change, including by publicly signaling their expected voluntary demand for carbon credits and aggregating demand for carbon credits to increase certainty and help drive systemic change.</td>
</tr>
</tbody>
</table>
VCMI established the following criteria to inform design of the Claims Code and ensure it complements and is consistent with the above principles. VCMI’s Claims Code aims to:

- Drive voluntary carbon markets rather than focus narrowly on accounting. Such results include financing additional emissions reductions and/or removals and achieving the United Nations Sustainable Development Goals.

- Require companies to meet core prerequisites that represent good corporate practice on climate change, including following the mitigation hierarchy. This precludes use of credits as a substitute for aggressive decarbonization and/or recognition of companies or their products and services that do not meet high standards of environmental and social integrity.

- Focus on corporate climate achievements, not commitments.

- Be practical and robust.

- Provide an easily understandable schedule of claims that:
  - Are true and accurate.
  - Are clear and relevant to target audience(s).
  - Are substantiated with objective, transparent, and up-to-date data.
  - Avoid overstating the beneficial environmental impacts of the activities on which the claim is based.
  - Avoid creating a false impression or hiding trade-offs.
  - Refer to voluntary actions or achievements that go beyond complying with existing legislation or standard business practice.

- Differentiate between levels of accomplishment in a simple and clear manner, as follows:
  - Top-tier claims should recognize companies that achieve the best climate performance possible and contribute to global net zero emissions.
  - Middle-tier claims should recognize companies that are making consistent progress in meeting interim goals to reduce Scope 1, 2, and 3 emissions along a credible science-based pathway to net zero, as well as purchasing carbon credits for mitigation efforts that go beyond their value chains (BVCM).
  - Claims should recognize companies that compensate for all current emissions (or those associated with a specific product or service) through BVCM, either in a specific year or consistently since a specific year.

- Incentivize companies to make more ambitious commitments and move up the hierarchy of claims.

- Provide an on-ramp that is accessible to companies across a range of sectors and geographies but prevents greenwashing.

- Preclude recognition of companies or their products and services that do not meet high standards of environmental and social integrity.

- Be compatible with other governance and credible/standards of voluntary carbon markets and corporate accountability.

- Require transparency and reporting so the public can evaluate the integrity of claims.
Annex C: VCMI Claims Code of Practice Road Testing

To ensure that the Claims Code meets the aims outlined in Section 1, VCMI will run a road test with companies from June to mid-August 2022.

The primary objectives of the road test phase are to:

— Improve the intelligibility and user-friendliness of the Claims Code;
— Streamline the resource implications for companies following the Claims Code;
— Identify gaps in the Claims Code and in required external systems; and
— Ensure that implementation of the Claims Code leads to the intended outcomes.

Participants will provide structured feedback through a detailed survey, workshops, and interviews to discuss adoption barriers, expectations, and gaps.

VCMI will provide support and guidance throughout the road test, including:

— A "How-To Guide" to provide necessary information required to complete road testing;
— Cadenced webinars and working sessions to deep dive into specific topics and update participants on key developments; and,
— Optional one-on-one troubleshooting sessions ("office hours") where participants can seek guidance on specific questions or discuss obstacles and suggestions.

A synthesis of the road test feedback, as well as outcomes from a set of targeted engagements with additional NSA stakeholders and the parallel public consultation, will inform refinement of the first version of the Claims Code ahead of publishing a finalized version in late 2022 or early 2023.
Guidance on Article 6 of the Paris Agreement was agreed at the 2021 United Nations Climate Change Conference (COP26) in Glasgow. It includes three implementation mechanisms, covering voluntary cooperation between countries to achieve Nationally Determined Contributions (NDCs) (Article 6.2), a new carbon crediting mechanism (Article 6.4), and nonmarket approaches (Article 6.8).

Under Article 6, a host country must authorize internationally transferred emission reductions and removals to be used toward another country’s NDC or for international mitigation purposes (e.g., CORSIA for the aviation sector). Where authorized, the host country must make a “corresponding adjustment” to its national accounts to ensure that it no longer counts the emission reduction or removal itself. This avoids “double counting” of emissions reductions and removals: the seller adds the transferred emissions back into its national accounts while the buyer subtracts the transferred emissions from its own accounts. Corresponding adjustments are thus an accounting tool used to avoid double-counting between countries and international compliance mechanisms. They do not affect the quality of the associated emission reduction or removal.

Corresponding adjustments are thus an accounting tool used to avoid double-counting between countries and international compliance mechanisms. They do not affect the quality of the associated emission reduction or removal.

The Article 6 guidance does not specify whether corresponding adjustments should be applied when companies use carbon credits for voluntary purposes. Thus, Article 6 creates a path—but not an obligation—for host countries to authorize and apply corresponding adjustments for the use of carbon credits in voluntary carbon markets. This has led to considerable debate over whether and when corresponding adjustments should be required in the context of voluntary action and whether such a requirement would increase overall mitigation efforts and help to deliver a net climate benefit.

For example, some argue that without a corresponding adjustment to the host country’s national accounts, both an international buyer company and a host country participating in a transaction would be simultaneously claiming the same emissions reductions and/or removals associated with a project. While this would not be double-counted in national accounts (as the country where the buyer is located would not use the acquired credits toward achievement of its own NDC), it could still be an example of double-claiming, potentially affecting the uniqueness of the claim. Proponents of application of corresponding adjustments argue that voluntary carbon markets will only drive additional climate change mitigation if double-claiming is eliminated.
These proponents often propose that both credits with and without corresponding adjustments have a role in voluntary carbon markets, but that claims related to them should be differentiated. Differentiation could reflect the differences in their accounting treatment and, hence, whether they contribute to the host country meeting its NDC or create the need for additional reductions to achieve this aim, thereby providing a greater driver for emissions reductions and removals.

Others argue that requiring corresponding adjustments is not relevant for the voluntary use of carbon credits, creates additional and unnecessary burdens on host countries, will reduce market activity and hence slow emissions reductions, and is unnecessary if carbon credits are only being used for voluntary action above and beyond science-aligned corporate decarbonization. In addition, the assumption that applying corresponding adjustments will drive additional effort to achieve NDCs may not necessarily apply in practice, and impacts will be context-dependent.

Despite these arguments, the reality on the ground is that few countries have decided whether to make corresponding adjustments for voluntary carbon transactions, and fewer still have put the necessary legal and institutional frameworks in place. At the same time, many countries have predicated achievement of their NDCs on the availability of external finance, including that generated through carbon markets.
1. For convenience, we use the term “company” throughout this document, but all guidance can be applied equally to nonstate actors.

2. Beyond value chain mitigation (BVCM) refers to mitigation action or investments that fall outside a company’s value chain. This includes activities outside of a company’s value chain that avoid or reduce greenhouse gas emissions or that remove and store greenhouse gases from the atmosphere.

3. More information and guidance about BVCM can be found at https://sciencebasedtargets.org/resources/files/Beyond-Value-Chain-Mitigation-FAQ.pdf.

4. See the International Panel on Climate Change’s Special Report on Global Warming of 1.5°C regarding mitigation pathways compatible with 1.5°C, https://www.ipcc.ch/sr15/.


6. CORSIA already offers guidance through the ICAO document “CORSIA Eligible Emissions Units” at https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Emissions-Units.aspx.


8. Companies shall account for all Scope 3 emissions as defined in Section 6.2 of GHG Protocol’s “Corporate Value Chain (Scope 3) Accounting and Reporting Standard” unless they are not able to account for some specific subset of such emissions, in which case the company must disclose and justify such exclusions. https://ghgprotocol.org/standards/scope-3-standard.


10. VCMI will work with others to develop methodologies and frameworks for assessing companies’ progress toward meeting their interim emission reduction targets that can be used by third-party verifiers.

11. Greenhouse gas emissions inventories must be reported separately and independently of carbon credits, as per the Prerequisites.

12. Much of the information required is available in registries maintained by carbon credit standard-setting organizations, but this information can be challenging to access and is often not clearly linked to the company making the claim.


iii. More information and guidance can be found in Beyond Value Chain Mitigation FAQ, published in October 2021 by Science Based Targets initiative at https://sciencebasedtargets.org/resources/files/Beyond-Value-Chain-Mitigation-FAQ.pdf.


Acknowledgments

Developing the provisional Claims Code of Guidance over the last year required the dedicated efforts of many people, many of whom generously donated their time and expertise. We wish to express our sincere gratitude to:

The Steering Committee co-chaired by Rachel Kyte and Tariye Gbadegesin and comprised of Kate Hampton, Manuel Pulgar Vidal, Mark Fulton, Usha Rao-Monari, Pedro Moura Costa, Feike Sijbesma, Zita Schellekens, and Tuntiak Katan.

The Expert Advisory Group (EAG) co-chaired by the Kelley Kizzier and Angela Churie Kallhauge who alone gave countless hours and their expertise to the development of the claims, as well as the nearly 40 global experts who comprised the EAG.

The Countries and regions that comprised the Country Contact Group, and our close partners the United Nations Development Program and the U.K. Department for Business, Energy & Industrial Strategy (BEIS) for their invaluable outreach and diplomacy.

Our creative and communications teams: Michael Pooley and the team at Blakeney, Kelly Cochrane-Collar at Mad River Creative, Eric Verkerke and the team at Emergence Creative, and Allison Stevens, for working under tight deadlines with good cheer to help us communicate complex ideas in service to better governance of the voluntary carbon markets.

Janet Peace and Robert Parkhurst for their technical support during the drafting of the Claims Code of Practice; and Delilah Griswold for her analysis of many meetings and synthesis of comments related to the claims.

Charlotte Streck, Thiago Chagas and the team at Climate Focus for their expertise and insightful analysis throughout the claims development process.

Boston Consulting Group and DLA Piper for their support of the road testing process and legal analysis, respectively.

Meridian Institute and the Secretariat team.

And, of course, our funders, Children’s Investment Fund Foundation and U.K. BEIS, for making this vital initiative possible.

On behalf of the Secretariat and with heartfelt appreciation,

— Mark Kenber and Laurie Ristino
CO-EXECUTIVE DIRECTORS, VCMI
The Voluntary Carbon Markets Integrity Initiative is a multistakeholder platform to drive credible, net zero-aligned participation in voluntary carbon markets.

vcmintegrity.org