

ICROA Guidance on Corporate Climate Action October 2021

The role of the Voluntary Carbon Market (VCM)

ICROA stands firmly in support of greater climate action and believes that putting a price on carbon creates a tangible impact. Whichever mechanism is used – emissions trading schemes and/or carbon taxes – putting a price on carbon will help to reduce the dependency on fossil fuel across all sectors. We call on governments to accelerate the delivery of Article 6 and carbon pricing regulation.

The VCM exists to enable non-state actors to take climate action ahead of and beyond regulation. By itself, it will not achieve the Paris goals.

The VCM contributes to closing global climate policy gaps (mitigation, finance, time) and enables non-state actors to take meaningful action ahead of and beyond regulation. It channels finance to mitigation and adaptation projects, through a transparent, third-party verified and results-based approach.

Carbon finance through the VCM helps governments and the private sector achieve greater climate ambition and therefore accelerates the transition to *net zero emissions* (balance between anthropogenic emissions by sources and removals by sinks of GHGs) globally, as required by the 1.5°C pathway of the Paris Agreement.

Best practice guidance to ensure the environmental integrity of voluntary corporate action

The VCM delivers high quality carbon credits which enable critical finance. To raise ambition, these carbon credits must be used with integrity as stated in the ICROA Accreditation Programme:

1. Corporates must start by measuring and publicly reporting their emissions, covering the 3 scopes, following recognised standards such as ISO/GHG Protocol, as per ICROA's Code of Best Practice.
2. Corporates must also commit to abating their emissions in line with science and the goals of the Paris Agreement, adopting a transparent and third-party verified emission reduction roadmap to bring down emissions aligned to a net-zero pathway by 2050 or sooner. The roadmap must include interim short- and medium-term targets that ensure action now and along the way.
3. Progress towards these targets is monitored and publicly reported on an annual basis.
4. ICROA proactively advocates for corporates to follow one of the independent initiatives that help define Paris-aligned decarbonising pathways and the setting of science-based climate targets in a transparent, rigorous, and accountable way.
5. Following the above steps, corporates are encouraged to work with ICROA Accredited organisations to use carbon credits from ICROA-approved standards for the following uses:
 - a. To offset some/all of emissions beyond a science-based reduction pathway.
 - b. To offset residual emissions in the net zero year through removals.

Corporates are encouraged to comply with the ICROA Accreditation Programme

Carbon credits from ICROA-approved standards and technical methodologies may represent the *avoidance and reduction* of emissions at their source, or the *removal* of carbon from the atmosphere through biological or technological sequestration. Over time, as we get closer to 2050, corporates should invest increasingly in removals to support the end goal of net-zero (balancing sources and sinks).

Offsetting all residual emissions on the way to net-zero should allow corporates to make strong, rewarding claims which should always be accurately and transparently reported.

Any corporate claim implies that the steps described above are followed. A product and/or service claim implies adherence to the carbon mitigation hierarchy according to leading standards.

ICROA works closely with market stakeholders, civil society, the private sector, Governments and key initiatives such as the Integrity Council for Voluntary Carbon Markets (previously known as the Taskforce for Scaling the Voluntary Carbon Market), and the Voluntary Carbon Market Integrity Initiative (VCMI) to agree on a sensible way forward for corporate climate action claims that ensure the highest level of quality, integrity and impact.

About ICROA

The International Carbon Reduction and Offset Alliance (ICROA) represents the interests of service providers in promoting emissions reductions and offsetting to the highest standards of environmental integrity and in support of the Paris Agreement.

ICROA provides an Accreditation Programme and supports organisations through advocacy and action-oriented activities aimed at advancing best practice in the VCM. ICROA is a non-profit initiative housed within the International Emissions Trading Association (IETA).

Our mission is to enable climate leadership of corporates and governments by developing and advancing best practices in emissions reductions and carbon offsetting ahead of and beyond regulation.

- We are guided by the science of climate change and the need for economy-wide decarbonization to reach net zero by 2050.
- We believe in the critical need for carbon finance to enable urgent climate action.
- We advocate for offsetting as a valuable complement to Paris-aligned reduction pathways.
- We believe that proactive efforts by corporates to finance emissions reductions and removals through the carbon market should be recognised and rewarded.