

A photograph of three wind turbines in a green field at sunset. The sky is filled with orange and yellow clouds, and the sun is low on the horizon, creating a strong lens flare effect that runs diagonally across the image.

Discussion Note on Carbon Credit and Environmental Attribute Certificates Use in SBTi Corporate Net Zero Standard Version 2

A photograph showing rows of solar panels in the foreground, with wind turbines visible in the distance under a sunset sky. The solar panels are tilted and reflect the warm light of the setting sun.

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Background

To meet the Paris Agreement's temperature goals and achieve global net-zero through corporate action, two actions are essential:

1. Corporates must reduce emissions within their value chain.
2. Corporates should finance mitigation beyond their value chain.

The second version of SBTi's Corporate Net Zero Standard (CNZS) has introduced improvements over the first version and earlier consultations. This note suggests several improvements to address gaps within the current draft.

Integrating Carbon Credits into Corporate Net-Zero Strategies

Credible decarbonisation requires prioritising emissions reductions within the value chain. However, companies can also accelerate global mitigation by investing in high-integrity carbon projects through the Voluntary Carbon Market (VCM).

Under the CNZS Version 2 (v2) draft, carbon credits may be used for a) recognition for addressing ongoing emissions, b) post-2035 neutralisation for Category A companies, and c) residual emissions at net-zero. We laud the Integrity Council for the Voluntary Carbon Market (ICVCM) for introducing features that places a greater onus on companies to take responsibility for their ongoing emissions, and considering making it a requirement for Category A companies to neutralise a share of their ongoing emissions. These actions are consistent with efforts to finance mitigation for a global net-zero world.

While these developments are positive, we recommend **allowing both reduction and removal credits toward target achievement** (not just neutralisation), subject to stringent integrity and transparency standards. We have set out several reasons below.

Reason 1: Alignment with Article 6 of the Paris Agreement

Misalignment 1 – Role of Carbon Credits Across the Net-Zero Pathway

SBTi's stance to disallow credit use toward target achievement is misaligned with the Paris Agreement, because Article 6 explicitly permits countries to use Internationally Transferred Mitigation Outcomes (ITMOs) to meet their Nationally Determined Contributions (NDCs). This reflects a principle that carbon credits are valid instruments for achieving climate targets when they meet integrity criteria. If governments can rely on these mechanisms to fulfil legally binding commitments, it would be consistent for corporate frameworks to allow similar flexibility under stringent safeguards.

The CNZS v2 draft introduces a new ongoing emissions framework where companies are required to take responsibility for at least 1% of their ongoing emissions. Companies seeking greater recognition (i.e. Leadership status) need to apply a carbon price to 100% of emissions, with mitigation outcomes to be at least 40% of ongoing emissions. While the ongoing emissions framework creates some incentive to take action around early mitigation, the initial threshold is low (i.e. 1%) while the “Leadership” threshold requires a carbon price to be applied on 100% of ongoing emissions to act on 40% of emissions. A step that is this wide does not incentivise action to be taken once the 1% threshold has been crossed.

By not sufficiently encouraging early action, the current CNZS v2 draft diverges from the Paris Agreement's principle of encouraging immediate mitigation.

The Intergovernmental Panel on Climate Change (IPCC) Synthesis Report (2023) emphasises that cumulative emissions and near-term reductions determine success in limiting warming to 1.5°C. Meanwhile, the UN Secretary-General (2024) highlighted that only ~200 Gt CO₂ remain in the global carbon budget, while ~40 Gt are emitted annually, underscoring the urgency of early abatement. Considering this, the Paris Agreement provides a flexible pathway that allows countries to move more quickly to implement cooperative approaches, encouraging early mitigation and credit use against the cumulative impact of emissions.



Misalignment 2 – Allowable Credit Types

Article 6 adopts a quality-based approach, permitting both emission reductions and removals if real, verified, and additional. For example, reduction-type projects such as jurisdictional REDD+ are recognised by the United Nations Framework Convention on Climate Change (UNFCCC).

The current SBTi draft's removals-only requirement creates a false dichotomy.

Excluding reduction credits limits host countries' access to finance and sustainable development co-benefits. The removals-only requirement also creates a signal that also exacerbates the misallocation of capital that deprioritises finance towards important reduction efforts ranging from nature conservation projects, the early retirement of coal power plants, and technologies such as Sustainable Aviation Fuel (SAF) and low-carbon hydrogen. Also given the limited global supply of removal credits, it could delay near-term mitigation. Hence, both credit types are essential for achieving ambitious near-term corporate targets.

Recommendation: SBTi should prioritise credit integrity over credit type to be used towards targets, in alignment with Paris Agreement principles, and require transparent disclosure of credit quality, project type, and origin. SBTi could refer to internationally accepted independent meta-standards such as ICVCM and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as arbiters of quality.

Reason 2:

Consistency with Government Policies and Global Momentum

Many national and regional climate policies now **integrate both reduction and removal carbon credits** not just within NDCs, **but also in corporate compliance frameworks**. This reflects a growing consensus that high-quality credits can complement direct reductions as part of targets:

Jurisdiction	Policy Integration	Description
United Kingdom, Kenya, Singapore, France, Panama (and others)	Coalition to Grow Carbon Markets	Governments are collaborating to clarify and promote carbon credit use as part of corporate decarbonisation plans.
Australia	Safeguard Mechanism & ACCUs	Corporates can use Australian Carbon Credit Units (reduction and removal) to meet compliance obligations.
China	National Emissions Trading Scheme (ETS)	Corporates can use reductions and removals from the Chinese Certified Emission Reductions scheme towards ETS obligations
Japan	GX-ETS	Companies can use reductions and removals from the Joint Crediting Mechanism or J-Credit scheme towards ETS obligations
Singapore	Carbon Tax and Article 6 Policy	Allows liable entities to use high-integrity credits against up to 5% of taxable emissions
South Africa	Carbon Tax	Companies may use approved offsets to cover 5 - 10% of their tax liability .

These examples demonstrate growing **policy alignment around credit integration**, not exclusion. The CNZS should align with the policy directions of governments for greater clarity.

Misalignment 3 – Requiring Corresponding Adjustments (CAs) is incorrect accounting

Requiring CAs for voluntary credits is unnecessary: CAs were created under Article 6 to ensure integrity in government-to-government transfers, preventing the same emission reduction from being counted toward the NDCs of two countries. When a company uses carbon credits for voluntary purposes, the underlying emission reduction or removal remains in the host country's inventory and can count toward its NDC, while the company claims the credit for its own climate goals. This does not constitute double counting because corporate Greenhouse Gas (GHG) accounting (Scope 1–3) and national accounting follow different frameworks, similar to how corporate revenue aggregates into gross domestic product (GDP) without conflict.

This stance is echoed by the Singapore government's Guidance on Role of Carbon Credits in Corporate Decarbonisation¹, and the ICVCM's Continuous Improvement Work Program report: Paris Alignment².

Requiring CAs for voluntary credits could also be counterproductive, negatively impacting host countries' ability to achieve their NDCs. Host countries, often developing countries, will be forced into difficult trade-offs between welcoming voluntary carbon finance and the achievement of their NDCs. Many host countries also lack Article 6 infrastructure, making CA a significant supply bottleneck and source of policy uncertainty.

Recommendation: SBTi should align with government frameworks and international best practices, recognising carbon credits as legitimate instruments for achieving both interim and long-term mitigation outcomes, while removing CA requirements from the CNZS v2 draft.

¹ <https://www.enterprisesg.gov.sg/-/media/CC09F5F45AD14D8EBD8AFD12AF3E5E82.ashx>

² <https://icvcm.org/wp-content/uploads/2025/09/CIWP-REPORT-Paris-Alignment-V3.0-25Sep25.pdf>

Reason 3: Stimulating Global Climate Action and Corporate Ambition

The VCM mobilised **US\$1.4 billion** for mitigation projects in 2024. This figure is expected to reach **US\$7-35 billion by 2030**³. Restricting credit use suppresses this vital flow of private climate finance. A study by the We Mean Business Coalition⁴ found that lack of recognition is the main challenge limiting engagement.

Even as we advocate for expanding the use of credits towards target achievement, it remains critical to respect the mitigation hierarchy, i.e. internal emissions reductions are prioritised ahead of carbon credit use. The literature on the impact of carbon credit use on corporate decarbonisation remains mixed. Studies from Lauer et al. (2025)⁵, and Stolz and Probst (2025)⁶ have found that there is no evidence that carbon credit use accelerates corporate decarbonisation in most cases. Using a few case studies, Stolz and Probst (2025) also suggest that extensive use of credits can displace decarbonisation efforts. Engler et al. (2021) and studies by Ecosystem Marketplace⁷, MSCI⁸ and Sylvera⁹ have suggested that carbon credit use is associated with greater corporate decarbonisation and greater climate ambition.

It is **imperative that SBTi designs a system with robust safeguards that balances the incentives** of prioritising corporate decarbonisation and enabling financing of mitigation outside of corporate's value chains.

Recommendation: The SBTi should ensure that companies adopt rigorous internal processes including transparent accounting and disclosure of mitigation efforts and plans to ensure that companies prioritise internal emissions reductions. This includes **transparent, separate reporting** for internal reductions and for credit use. Such an approach maintains the primacy of internal action while leveraging carbon markets to achieve global mitigation at the necessary pace and scale.

³ <https://www.msci.com/research-and-insights/blog-post/frozen-carbon-credit-market-may-thaw-as-2030-gets-closer>

⁴ <https://www.wemeanbusinesscoalition.org/accelerating-corporate-climate-finance/>

⁵ <https://www.oeko.de/fileadmin/oekodoc/Effect-of-Carbon-Credit-Use-on-Corporate-Climate-Action.pdf>

⁶ <https://www.nature.com/articles/s41467-025-62970-w>

⁷ <https://www.ecosystemmarketplace.com/publications/2023-em-all-in-on-climate-report/>

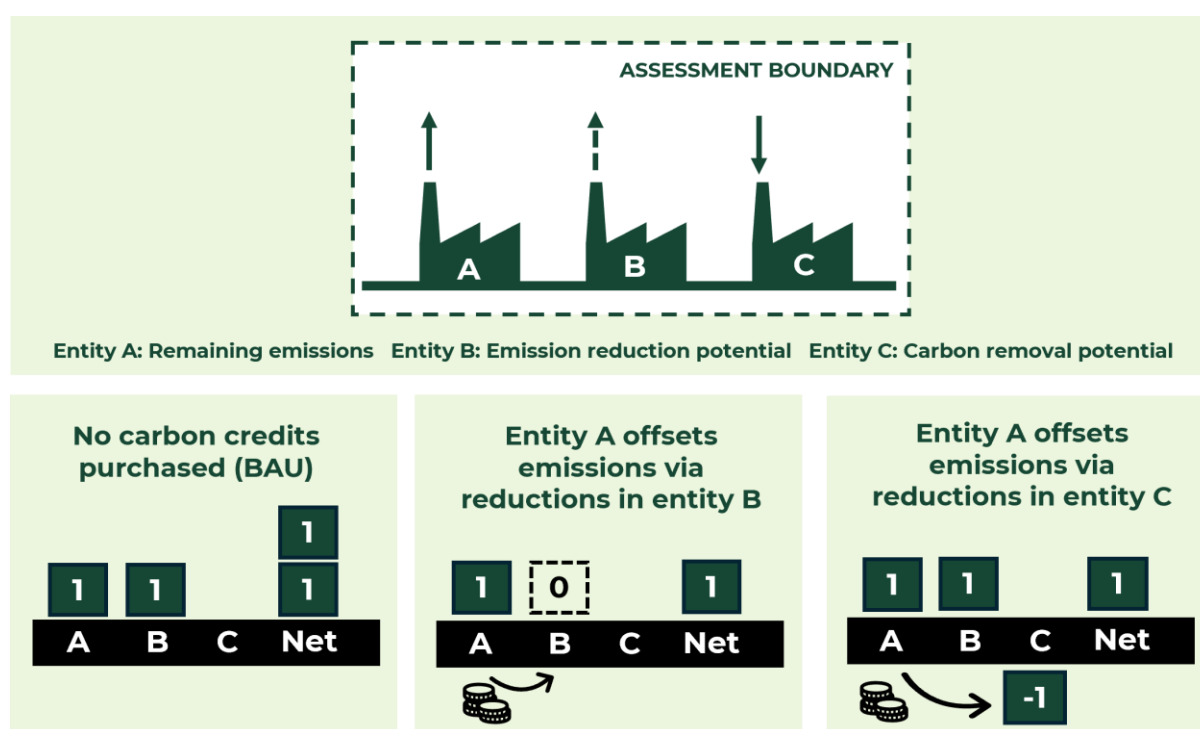
⁸ <https://www.msci.com/documents/10199/656b514a-a577-33c7-b004-f4f4e0bc7746>

⁹ <https://www.sylvera.com/reports/carbon-credits-and-decarbonization>

Reason 4: Logical Consistency

We fully support the case for removals. The logic behind requiring removals for neutralisation is compelling: global net zero requires removals to counterbalance any unavoidable remaining emissions, and drawdown from overshoot scenarios.

However, **at a corporate-level, reductions and removals deliver equivalent impact:** one tonne less CO₂ in the atmosphere compared to the baseline scenario. Mollersten et al. (2024)¹⁰ explain in their paper, that when used towards sub-global net-zero claims, both emission reduction credits and carbon removal credits yield the same outcome regarding the net transfer of GHG to the atmosphere. Their diagram below illustrates this point.



It is a logical fallacy that only removals can be used to counterbalance emissions, and it **tends to be conflated with several other arguments:**

First is the argument that removals are higher quality than reduction credits.

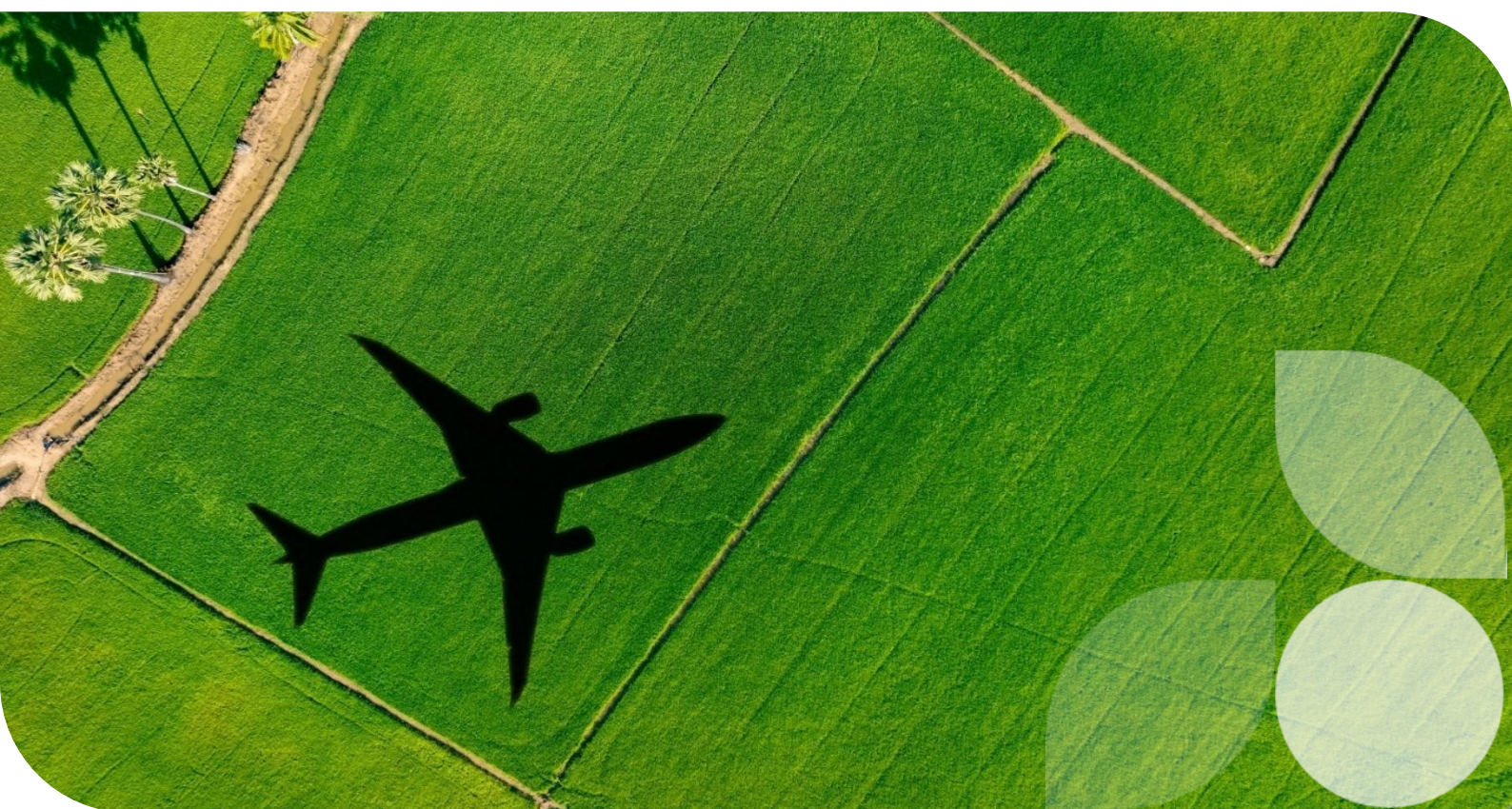
On the contrary, both reduction and removal credits can be high quality, and both

¹⁰https://www.researchgate.net/publication/383463564_Demystifying_carbon_removals_in_the_context_of_offsetting_for_sub-global_net-zero_targets

can suffer from quality issues. This has been demonstrated through the work of ratings agencies¹¹. Independent meta-standards such as the ICVCM have approved both reduction and removal project types to be eligible for its Core-Carbon Principles.

Second is the argument that as we move towards net zero, reduction credits would quickly disappear. This ignores the potential of high-cost reduction activities, such as use of low-carbon hydrogen, SAF and low-carbon concrete. Such project types may continue to require carbon financing to be undertaken, even as we move towards net-zero.

Recommendation: SBTi should refer to independent meta-standards such as the ICVCM and CORSIA as arbiters of quality.



¹¹ <https://calyxglobal.com/research-hub/research/avoidance-vs-removal-credits-is-one-better-than-the-other/>

Complementary Instruments: The differences between Environmental Attribute Certificates (EACs)¹² and Carbon Credits

Similar to carbon credits, EACs share integrity principles like robust quantification, transparency, and independent verification. However, they differ fundamentally in purpose and requirements.

Carbon credits serve a different purpose from EACs and hence should have different requirements. Specifically, **EACs do not require additionality tests** since they are tracking tools. Unlike carbon offsets, which claim to deliver reductions beyond a baseline scenario and therefore require proof of cause-and-effect, EACs certify the origin and usage of low-carbon energy or fuel within complex supply chains. Imposing additionality would misapply a project-level test to a usage-based accounting mechanism, creating unnecessary complexity and limiting participation.

Instead, the **integrity of EACs relies on accurate quantification and robust tracking**, not on demonstrating that the underlying activity would not have occurred without the certificate. Conversely, there may be instances where the use of the commodity may be mandated, but nonetheless still delivers real emissions reductions or removals. For instance, if SAF use is mandated by government (and hence does not pass regulatory additionality), it nonetheless reduces the real emissions of the airline and its passengers.

In addition, the CNZS v2 requirement for physical connectivity undermines EACs' benefits. Book and claim mechanisms allow the environmental attributes (e.g. reduced emissions) of a commodity to be 'booked' as an EAC, and then claimed by users, sometimes in different locations. EACs with accurate quantification and robust tracking ensure that there is no increase in emissions globally. EACs enable the decoupling of environmental attributes from physical delivery, which creates greater financing options for emerging green products. For instance, this allows the producer of green products to sell to customers globally,

¹² For the purposes of this section, EACs are defined as instruments that convey the environmental performance of activities. In the CNZS v2 draft, these are referred to as energy and commodity certificates and exclude carbon credits.

giving it a greater pool of customers and a better opportunity to achieve the critical mass to finance a plant, particularly where physical supply chains are limited. Physical decoupling also allows for emissions from transportation of the green product to be reduced - e.g. rather than incurring emissions to transport SAF to multiple diverse locations, SAF certificates allow for claims that do not lead to an increase in global emissions. This is crucial because many sectors have supply chains that are global in nature, and carbon emissions are not similarly geographically limited. The CNZS v2 requirement for EACs to have physical connectivity is therefore unproductive and should be removed.

Recommendation: SBTi should refine the proposed integrity principles such that they are distinct for EACs and carbon credits. EACs should not be subject to additionality requirements or physical connectivity.



Conclusion and Recommendations

The SBTi CNZS v2 draft should align with international and governmental frameworks (e.g. Paris Agreement, various carbon pricing policies), reinforcing regulatory positions and policy consensus on climate action. Deviation from these policies could create confusion and paralysis. To maintain coherence with global climate governance and accelerate private sector climate action, SBTi should:

#1



Allow carbon credit use towards interim and long-term targets, subject to stringent quality and transparency criteria.

- **Reference internationally accepted independent meta-standards** (ICVCM, CORSIA) to be arbiters of quality for carbon credits.

#2



Remove unnecessary integrity requirements that do not apply to EACs: Eliminate the requirement for additionality and physical connectivity, as EACs are tracking instruments, not offsets.

- **Recognise credible book-and-claim systems and EAC standards** (e.g. RSB, ISCC) to enable buyer confidence.

#3



Ensure accountability by adopting a structure with distinct targets and reporting of a) internal reductions and gross emissions, b) EAC use and c) credit use.

- **Enforce transparency through disclosure of carbon credit and EAC details** including origin, type, and verification standard.

Integrating these adjustments will align the CNZS v2 with global climate governance and accelerate corporate climate action within their value chain and outside of their value chain. Importantly, it will inspire action today rather than in the future.