

# Greenwashing, certified?

How to ensure new laws and standards do not rubberstamp dubious climate neutrality claims



# About ECOS

ECOS - Environmental Coalition on Standards is an international NGO with a network of members and experts advocating for environmentally friendly technical standards, policies and laws. We ensure the environmental voice is heard when they are developed and drive change by providing expertise to policymakers and industry players, leading to the implementation of strong environmental principles.

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# Executive summary & key recommendations

Claims of ‘climate neutrality’ have become omnipresent on products and services. But are they credible and should we believe them?

Recent investigations show that we should not. Of the 24 companies evaluated in the 2023 Corporate Climate Responsibility Monitor<sup>1</sup> report, not a single one achieved a high integrity rating, with only one scoring reasonable integrity. The study found that nearly all claims relied on loopholes or tricks to exaggerate their ambition as well as company climate targets.

The issue with carbon neutrality claims is rather fundamental: there is simply no such thing as a climate neutral company or product. These claims usually rely on offsetting credits rather than on real progress made by a business. Most consumers do not understand what the claim is based on, and it gives them a false reassurance that consumption patterns do not need to change. In fact, such claims impede structural change as they divert our attention to small, inefficient gains. This is why misleading carbon neutrality claims should be banned.

Unfortunately, carbon neutrality has captured the public’s imagination and has become an integral part of marketing. It is now an important way to advertise industry commitment to stop climate change, replacing other ways of communicating on real contributions.

This trend should not, however, overshadow the fact that real, sound solutions exist for companies willing to advertise their contribution to sustainability, from reporting on their own activities, to issuing separate

communications on the projects they have supported through funding. Companies communicating their green efforts is not a bad thing. Quite the contrary, it is a way to disclose their progress and inspire competitors, while, for consumers, reliable information on climate impacts can be an indication of what choices to make.

Regulations and standards need to be crystal clear as to what reliable marketing is. Thankfully, legislators and standardisers have started to work towards tackling climate claims. The difficulty, however, lies in the approach: instead of proactively shaping ambitious legislation, policymakers are reactive to a situation that is already out of control, while the market is trying to enshrine misleading practices into international standards.

**With this paper, we aim to help policymakers and standardisers make the right choice and ensure that climate neutrality claims become a thing of the past.**

We will explain why climate neutrality claims are deeply problematic and what businesses can do to communicate their climate action instead. We will then look at the relevant EU legislative initiatives and how to make sure that they do not miss the mark. Finally, we will go on to discuss the latest developments in the International Standardisation Organisation (ISO), which are heading towards legitimising and providing a framework for misleading practices through the upcoming ISO standard on carbon neutrality – only to support our view that climate neutrality claims should not be allowed by law.

# Setting the right framework for companies to communicate climate information-

## Key recommendations

### In Europe

1

The European Parliament and the Council of the European Union must strengthen the **Directive for Empowering Consumers in the Green Transition**.

- Ban claims of climate neutrality, be it in relation to current or future performance, for specific products, businesses and services.
- Strictly define the conditions to be fulfilled by certification schemes and independent monitoring systems. Before being allowed for application, such schemes must be subject to approval by an EU authority.
- Strictly regulate claims on future environmental performance, including ensuring that significant information is provided to ensure that the claim is realistic and verifiable.

2

The European Commission must adopt its proposal on **Substantiating Green Claims** without further delay, ensuring that:

- Claims cannot rely on methodologies that allow the use of offsetting credits and other compensation methods to calculate the overall carbon footprint of products or companies.
- Reference to carbon credits should only be allowed as separate information regarding a contribution to climate action.
- Any contribution to sustainability projects such as carbon removals, or plastic and biodiversity offsets should not be used to compensate for a company's impact.

3

The European Parliament and the Council of the European Union must ensure that the **EU Carbon Removal Certification Framework** forbids the use of carbon credits to validate carbon neutrality claims.

4

Businesses willing to report useful information on their emission reductions should use the guidance provided by the **French environmental agency ADEME**<sup>2</sup>.

### In international standardisation (ISO)

5

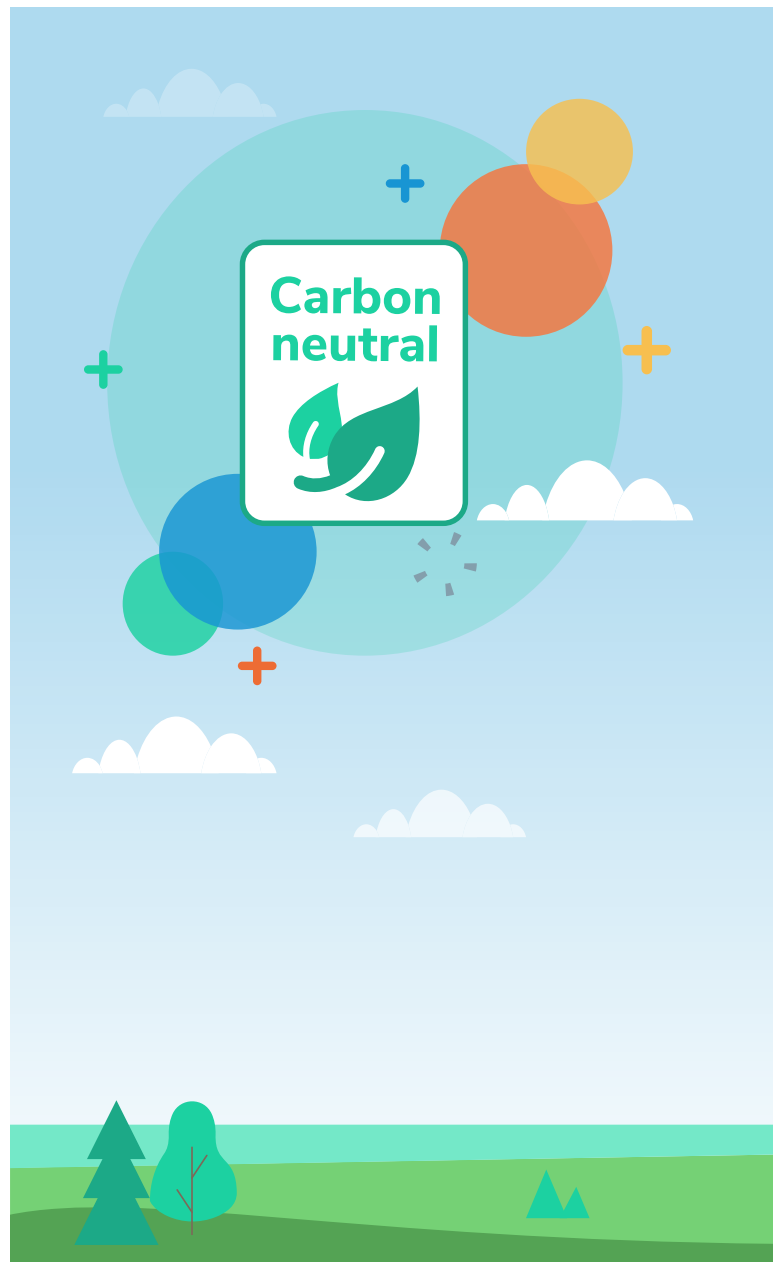
The current draft of the **ISO 14068 carbon neutrality standard** is highly concerning as it risks legitimising greenwashing with potential negative consequences on legal initiatives to regulate green claims. Companies deciding to show their commitment to stop climate change should not be allowed to use carbon neutrality claims.

# Climate neutrality claims should not be used to communicate climate action

Climate claims are a subset of environmental claims. They often introduce an idea of neutrality. Companies rarely use the term 'neutrality' to say that a product has no impact, but rather that the firm has compensated for this impact, or intends to do so. In many ways, this is misleading. A company can say that a laptop, a delivery, or a flight has been 'carbon compensated'. A company can also present its strategy to be 'climate neutral' by 2050, with or without a detailed action plan or certification scheme. They can display a logo saying 'good for the climate' without any further indication. Or they can be more detailed and say that, in the past five years, they have decreased their direct emissions by 10%. All of these claims, generic or concrete, fall into the same category, and are allowed – it is up to the consumer to decide what they believe.

When it comes to communicating environmental information, we recommend that companies follow the UNEP Guidelines Providing Product Sustainability Information<sup>3</sup>. UNEP advice revolves around 5 key principles: reliability, relevance, clarity, transparency and accessibility. Based on these principles, in 2021 ECOS developed its own Ideal Claims Checklist, serving as a robust guideline to avoid misleading claims<sup>4</sup>.

Beyond generic guidance, specific advice on climate claims is also available: in February 2022, ADEME, the French environmental agency, presented its expert opinion on carbon neutrality claims<sup>5</sup>, clearly explaining why they are problematic. ADEME's opinion also includes a reminder of which steps should be taken to advance toward carbon neutrality, and a list of recommendations on how to communicate about carbon neutrality.



# The 5 problems with carbon neutrality

According to the ADEME report, carbon neutrality claims are problematic for five reasons. We list these and expand on each of them beyond the ADEME report in the below section.

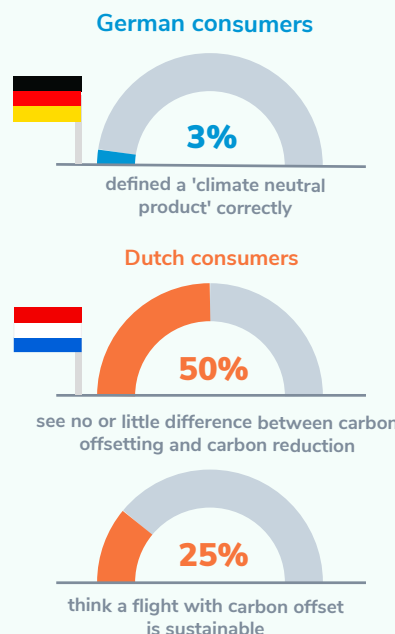
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## 'Neutral' is a misleading term for the general public

The term 'neutral' misleads consumers into believing that their purchases have no negative impact on the climate. Carbon neutrality claims suggest that it is possible to fight climate change without a drastic reduction of our emissions and **without changing our consumption behaviours**<sup>6</sup>. This is not realistic.

National consumer authorities investigated how consumers understand neutrality claims. The Dutch consumer authority conducted a consumer survey<sup>7</sup>, **demonstrating that consumers are regularly misled by offsetting claims**. These findings are similar to two other consumer surveys conducted by the German Nordrhein-Westfalen consumer protection agency and the British Advertising Standards Authority<sup>8, 9</sup>.

In the Dutch survey, half of the surveyed consumers do not know the difference, or they see little to no difference between carbon offsetting and carbon reduction. Of those who did see a difference between the two, 62% gave a correct explanation of the term 'carbon reduction', and only 9% of respondents gave correct explanation of the term 'carbon neutral'. A quarter of all respondents thought that a flight with carbon offsetting credits was sustainable. They indeed believe that offsetting does reduce or counterbalance the negative impact of the product to which the offsetting claim is attached<sup>10</sup>. In the German survey, only 3% of respondents could correctly define the claim 'climate neutral product'. In the British study, which gathered a panel of consumers, the word offset was overall not understood, with some participants not knowing the term itself.



This is why in April 2022, the Dutch consumer authority ruled that KLM campaign 'fly CO<sub>2</sub> zero' was misleading consumers into thinking their flights could be entirely compensated with the carbon offsetting programmes the company was financing. Since they were unable to prove this absolute compensation, the authority ruled that KLM should not expect consumers to understand the limits of the claim if they are not explicitly provided<sup>11</sup>. This is just one of several recent examples of this kind in European countries. Consumer authorities more and more often rule against loosely substantiated neutrality claims, demonstrating that they are by nature misleading to the public.

## 'Offsetting' is a broad term, which encompasses various different realities – none of which is good enough to cancel out actual emissions

Carbon neutrality claims are **often based on partial or total offsetting**, rather than on decreasing the emissions linked to the direct production of a product, or operation of a company. Nonetheless, the general public is rarely aware of the different realities behind carbon offsetting credits<sup>12</sup>.

The term 'offset' leads consumers to believe that an offsetting project is technically capable of cancelling out emissions. It also implies that 1 tonne of CO<sub>2</sub> emitted now is equivalent to 1 tonne of CO<sub>2</sub> avoided or captured later on, and kept away forever<sup>13, 14</sup>. **None of this is true, however.**

### Offsetting through reforestation or afforestation<sup>15</sup>

Recovering old forests and planting new ones are often used in offsetting programmes. Here is how it works:

The story starts with emissions. For example, 1 tonne of CO<sub>2</sub> is emitted today, the equivalent of a passenger flying from Milan to New York<sup>16</sup>. According to NASA, CO<sub>2</sub> emissions can remain in the atmosphere up to between 300 and 1,000 years<sup>17</sup>.

In response, an offsetting programme supervises the planting of trees to cover the capture and storage of 1 tonne of CO<sub>2</sub>. First, the emitter needs to demonstrate that the programme covers trees that would not have otherwise been there (in many instances, this is difficult to prove).

Then, the forest needs years to actually sequester that one tonne of CO<sub>2</sub>. Not only that, but the forest needs to store the CO<sub>2</sub> for centuries, which means avoiding drought, fires, pests, and so on. To account for potential losses, programmes often cover a higher number of trees than would actually be needed to cover the one tonne emitted, as credit reserve. But recent events have shown that this reserve is hard to properly size as extreme weather events become more frequent and forests face increasing risks of losses<sup>18</sup>.

In January 2023, investigative journalists analysed 30 forestry projects certified by Verra, a leading carbon credit certification body. Of all credits, only 5.5% were real and effectively compensating for emissions. The rest was ghost credits with no climate benefit<sup>19</sup>.

It is extremely complicated to simply say that a company can offset emissions via forest projects. This should not be misunderstood: forests are crucial for mitigating climate change. However, it is completely unrealistic to expect forests to act as a silver bullet to massively 'neutralise' the rapid and growing amounts of carbon emissions worldwide.

Besides, we cannot simply convert all of our ecosystems to forests: humans need space to live and produce food, and so do other species. An article from the Times<sup>20</sup> looked at pledges made by 6,500 companies over the next 25 years and calculated that just these commitments amounted to planting 380 million hectares of trees. The issue is: there are only 350 million hectares of land available globally to plant them. We need to be careful not to cause more harm than good for society, the climate, and biodiversity. We need a significant change in production and consumption patterns leading to massive and rapid emissions reduction. **There is simply not enough space or time on the planet to grow trees and offset our way out of the climate crisis<sup>21</sup>.**



## The proliferation of dangerous 'you name it' neutrality and net-zero 'something' claims

Carbon offsetting has been such an effective marketing tool that companies are now using the same reasoning for other environmental issues such as plastic pollution or biodiversity loss.

Companies selling plastic products are now buying 'plastic offset credits' that are based on initiatives such as plastic waste clean-up campaigns - all this while mining companies claim to be 'nature-positive' on the basis of restoration programmes compensating for the biodiversity impacts of their activities elsewhere.

Needless to say, no matter how effective a clean-up campaign is or how well protected an area of habitat is established, it cannot cancel out the environmental damage of plastic production and pollution or of biodiversity loss<sup>22, 23</sup>.

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## Companies making real commitments deserve to be highlighted – and carbon neutrality claims make it more difficult to stand out

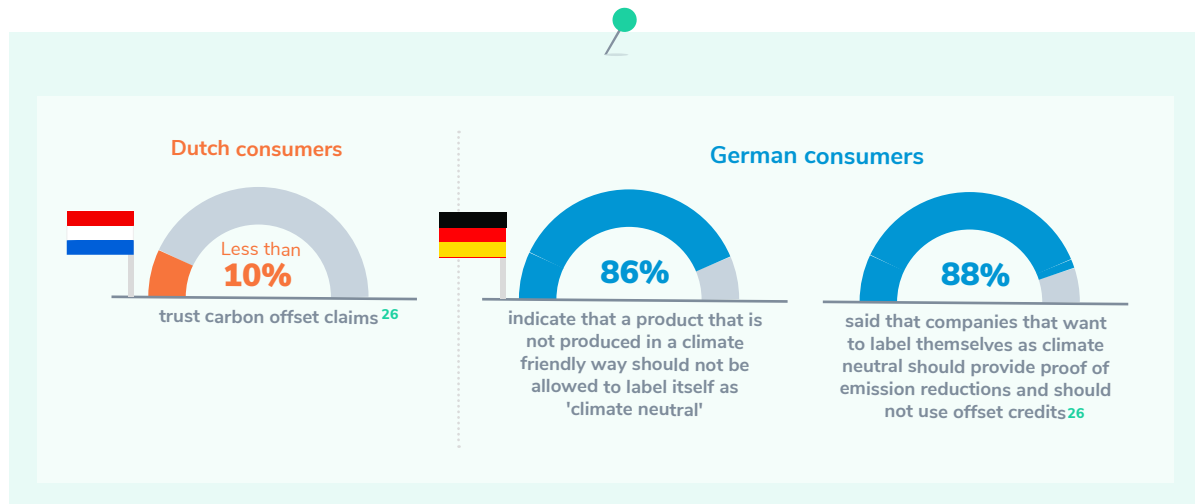
ADEME points out that carbon neutrality claims are used by well-meaning actors with a true commitment to reducing their emissions – but also by companies which buy carbon credits massively for short-term marketing purposes. Unfortunately, it is hard to tell one from the other. When a company claims its product is climate neutral, it hardly ever adds (immediately next to the claim) how much of this neutrality is achieved via offsetting credits and how much by emission reduction efforts. **Consumers cannot distinguish between companies that have actually improved their processes and free riders<sup>24</sup>.**



## The general public trust in organisations is eroding

Consumer surveys show how little trust Europeans have in carbon neutrality labels.

In a British consumer study, the consumer panel participants indicated that they were expecting carbon neutrality claims to reflect direct emission reduction and felt misled when introduced to the concept of offsetting. They were also broadly unaware of how environmental claims are regulated and the real level of enforcement in place: while they considered that strict checks should be in place, they were not aware that this is often not the case<sup>25</sup>.



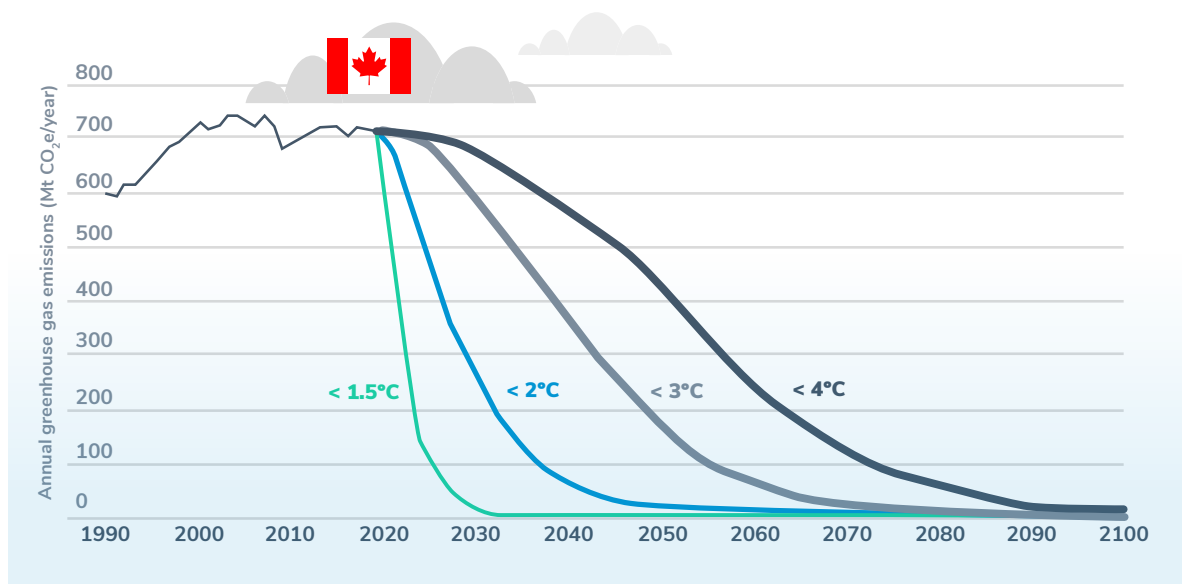
Fighting climate change has become a major concern for the public, and companies must step up and show they understand how urgent the situation is and which actions do have an impact. 'Neutrality' claims do not help because it is hard to understand what is behind them<sup>28</sup>, leaving consumers with the impression of being misled.

## Misleading claims hinder the spread of inspirational stories about climate change

Companies would provide much more inspiring stories if they were to **communicate on their actual efforts** to reduce their emissions.

Carbon neutrality does not provide the most important narrative: we need to change our ways of living - both extensively and fast. A clear illustration of this was presented in the International Energy Agency's updated roadmap to net zero emissions by 2050, which shows the scale of transformation that is needed<sup>29</sup>. Our global carbon budget is simply depleting too fast<sup>30</sup>: we could be living in a +3.5 degrees world with no global climate neutrality, and companies would still be able to trade carbon credits for their so-called neutral products.

As displayed in the graph below, a country could achieve carbon neutrality with different ambition levels. In the worst case scenario, neutrality is achieved in 2100 and the world is at +4 degrees. The next option is neutrality by 2080, and a +3 degrees planet. Both are neutral, but neither is an acceptable result.



**Figure 1** Canadian emissions pathways Based on Simon Donner, 2019<sup>31</sup>

The widespread use of 'neutrality' is the sign of a narrative focusing only on the immediate cause of climate change: the rising concentration of CO<sub>2</sub> in the atmosphere, and that reaching neutrality is the only end goal. But other objectives are associated with the fight against climate change. For example, developing a more resilient society, achieving a better quality of life, healthy food for all, cleaner air, etc. These concepts are left out when solely focusing on 'neutrality', although they would be highly effective mobilising stories to involve population in the transition<sup>32</sup>.

## How can companies communicate their sustainability credentials?

Companies willing to provide sustainability information to their customers, and especially to the wider public, can follow well-established principles to ensure that they showcase their progress without misleading consumers. As mentioned earlier, ECOS recommends using UNEP guidelines<sup>33</sup>. They focus on five principles:

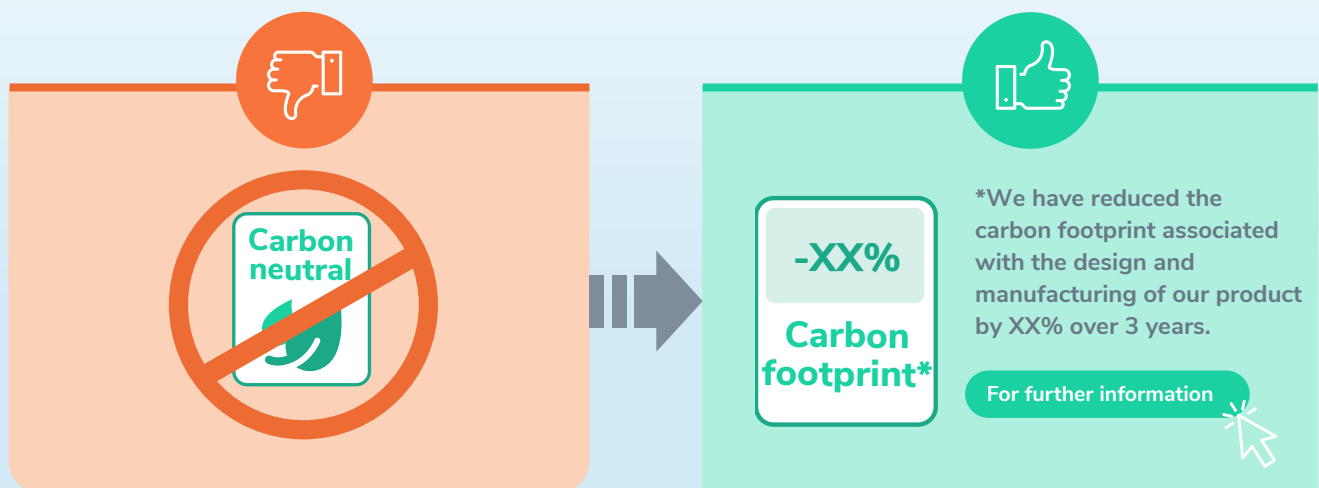
- ✓ **Reliability:** substantiated, accurate, robust data;
- ✓ **Relevance:** talk about major improvements in an area that matters. In particular, communicate about improvements in your own production and core activities;
- ✓ **Clarity:** Provide a direct link between the claim and the product, in a way that is useful and understandable for the consumer;
- ✓ **Transparency:** Share information on who made the claim, who provided the data, on traceability of data, and make confidential information available to competent bodies;
- ✓ **Accessibility:** information should be easy to find for consumers.

ECOS developed an Ideal Claims Checklist based on these principles, that can also be used to quickly verify that a claim follows these principles<sup>34</sup>.

When it comes to claims on socially beneficial activities performed in addition to a company's core activities, such as contribution to external environmental projects, charities, and foundations, there is no reason to display climate action differently than how it is done for other areas, such as humanitarian, educational or cultural activities. While it is misleading to present carbon credits as a counterbalance to a production line's environmental impact, it is perfectly acceptable to communicate support to external projects, without linking to an (unrelated) specific product or service offered by the company.

Finally, if a company wants to report on its activities to reduce its direct climate impact, we echo ADEME and recommend looking beyond the current approach focused on pure emission accounting and the pursuit of neutrality. Instead, it recommends that companies communicate clearly and transparently about their efforts to reduce carbon footprints.

Below, **ADEME's proposal for a suitable way of communicating carbon footprint reduction efforts:**



**Figure 2** ADEME recommendation to communicate carbon footprint reduction effort.

Source: <https://librairie.ademe.fr/developpement-durable/5609-use-of-the-carbon-neutrality-argument-in-communications.html>

Besides ADEME, agencies in other countries have provided guidance to companies for reporting carbon claims<sup>35</sup>. Unfortunately, these recommendations remain non-binding.

In fact, one of the reasons ADEME published its guidelines was in response to the new 2021 French Climate Law, which failed to ban climate neutrality claims, contrary to what the agency had advised. This climate law is a good example of how trying to create a framework to merely regulate these claims, instead of outright banning them, fails to address the problem that climate neutrality claims pose and can even backfire. We go into more detail of the French situation in the [Annex](#).

The European Union is now revising its legislation to address environmental claims, and in particular climate claims. ISO is also working on a new standard to report climate neutrality. In both cases, the draft texts are leaning toward creating a framework on climate neutrality claims instead of preventing them. The next sections aim to show how to ensure that the right signal is given to the private sector.

# EU plans to regulate climate neutrality claims are missing the mark

The European Commission is putting forward a set of initiatives to try and regulate climate neutrality claims. Commission proposals result from a wider discussion that many member states are having on greenwashing (such as Denmark<sup>36</sup> and the Netherlands<sup>37</sup>).

Greenwashing practices, including about climate can be addressed under current EU consumer law. However, the law itself is general and does not specifically refer to environmental issues. The European Commission issued a guidance document in 2016<sup>38</sup> to clarify how to address greenwashing but since it is only a guidance it is not

binding for Member States, and not sufficient to ensure a harmonised implementation across the EU. As a result, some Member states are developing their own guidance on environmental claims, including on climate neutrality to make up for this gap. The need for explicit rules for climate neutrality claims is apparent.

At the moment, three legislative initiatives are directly relevant to carbon neutrality claims: the revision of the EU Unfair Commercial Practices Directive, the initiative on Substantiating Green Claims, and the proposal for a voluntary framework to Certify Carbon Removals.

## EU Directive on Empowering Consumers for the Green Transition behind ambiguous words, a ban on climate neutral claims is missing

In March 2022, the Commission proposed a new Directive<sup>39</sup> on Empowering Consumers for the Green Transition (the 'Empowering Consumers Directive'). In this section, we analyse it to better understand what it will entail if approved as is today.

### No more unsubstantiated claims – but offset credits are fine

The main headline of the proposal is the introduction of a **ban on generic environmental claims that are not supported by any evidence**. Among the examples given, the Commission is clearly targeting climate claims: the proposal intends to ban mentions of 'climate friendly', 'carbon neutral', 'carbon friendly', 'carbon positive' and 'climate neutral', where no further information is provided.

There are two main shortcomings to this new ban, however. First of all, there are exceptions to the ban on generic claims. If a trader is able to 'demonstrate recognised excellent environmental performance relevant to the claim', they can make such a generic claim, including, potentially, a climate neutrality claim. According to the text, such performance can be achieved through the EU Ecolabel, a recognised member state scheme, or any other EU legislation (without specifying which). To this day, **nothing prevents any of these accepted certification schemes from including elements related to climate neutrality**.

Secondly, **as soon as substantiation is given, a carbon neutrality claim will not be covered by the ban**. Indicating 'our product is climate neutral because we purchased credits to compensate our emissions' will therefore not

be forbidden as such. In fact, if a company provides substantiation, the claim can only be declared as misleading by a consumer authority, which will need to prove that the claim may deceive the average consumer. To make matters worse, consumer authorities will have to assess claims on a case-by-case basis, checking what information is provided to the consumer, and whether it is misleading.

Claiming carbon neutrality, including when achieved through offsetting, is not considered misleading by the EU proposal as long as additional information is provided.

## Introducing requirements for claims on future environmental performance

The proposal also addresses claims on **future environmental performance**, notably emission reduction plans. This is important, as claims relating to future climate performance are not about existing efforts towards emissions reduction, but rather commitments to do it in the future. Long-term strategies to decrease company climate impacts are welcome, but they should be communicated in a way which leaves no room for doubt. This is particularly true for claims about future performance, which commit to reaching neutrality by a given date. This is problematic even at company level due to the fact that it is often based on offsetting.

The proposal forbids any 'environmental claim related to future environmental performance', unless there are 'clear, objective and verifiable commitments and targets', accompanied by 'an independent monitoring system'.

While this is an improvement, the proposal does not provide a specific description of what these terms mean, or what the monitoring system should actually monitor. It includes no obligations for companies when setting their objectives – for example, the Commission's proposal could have established that corporate climate neutrality goals must align with the Paris Agreement, but this is not the case. Therefore, **the new proposal does not really set up a system to ensure the reliability of claims on future performance, or ban the reliance on offsetting and other compensation mechanisms for climate neutrality claims.** All companies will have to do is find a monitoring system that rubberstamps their unambitious commitments.

As a result, the new Directive proposed by the European Commission appears to be even less stringent than the French climate law and its decree on carbon neutrality – which was already insufficient (see [Annex](#)). However, there are ways to fix this: the Parliament and the Council have the power to amend the text during the co-decision process.

### We propose the following changes, strengthening the restrictions on carbon neutrality claims:

- ✓ **Ban all claims of carbon/climate neutrality or environment-neutrality** (e.g. plastic neutral).
- ✓ **Forbid claims related to future environmental performance at the product level**, and only authorise them at company level.
- ✓ **Forbid environmental claims related to future environmental performance**, unless they include:
  - Clear and understandable supplementary information setting out clear, objective, science-based and verifiable commitments and targets which do not rely on offsetting;
  - A realistic and funded implementation plan based on economically and technically viable technologies;
  - Verification by an independent monitoring system, including ex-post checks and disclosure of information on actual emissions, with a regular reassessment of the company's realistic trajectory.
- ✓ **Introduce a list of pre-approved certification schemes and sustainability labels.** This should be done by public authorities, but preferably at the EU level. The list should be accompanied by a detailed account of criteria that schemes and labels must follow to ensure a high level of ambition.

Our recommendations are also summarised in a number of papers, including an ECOS position paper<sup>40</sup>, and a list of proposed changes<sup>41</sup>, prepared in collaboration with fellow NGOs Carbon Market Watch, ClientEarth and the European Environmental Bureau.

# EU initiative on Substantiating Green Claims

The EU initiative on Substantiating Green Claims (GCI) will complement the Empowering Consumers Directive. It is needed as the latter is a general instrument, aiming to provide a safety net for consumers, banning only the most problematic practices. In view of this, the European Commission decided that the directive cannot provide specific indications on how to report environmental information in a constructive way. This is why the Commission prepared the GCI in parallel, looking to set rules on how to communicate environmental performance should a company wish to do so. At the time of writing, the Commission has not yet published the Green Claims Initiative. It was initially planned for March 2022, but was postponed to 2023.

The GCI is expected **to provide guidance on how to calculate and report climate impact**, with the use of the Product Environmental Footprint (PEF) method. This method allows to measure, for example, greenhouse gas emissions and removals resulting from the manufacturing of a given product. However, while PEF includes a mention of offsetting credits, which can be reported as additional information, it **does not allow to include offsetting credits in the impact assessment**. In other words, the method does not allow subtracting offsetting credits from the

calculation of emissions generated. If this is the method that is eventually chosen, it would rule against misleading climate neutrality claims.

The aim of our report is not to assess the quality or relevance of the PEF method. However, we have already highlighted that climate neutrality claims are always misleading – substantiated or not. We strongly recommend that no new substantiating method allow neutrality claims based on offsetting or compensation mechanisms, whether it is for carbon or plastic credits. The PEF method is likely to be updated in the future, but the ban on the inclusion of offsetting credits should be kept. If methods other than PEF are allowed, they should not include the use of offsetting.

**A clear ban on climate neutrality claims should be included in the Empowering Consumers Directive, and no new opportunity to make such claims should be introduced under the Green Claims Initiative.** Any reference to carbon credits should only be allowed as separate information regarding a contribution to climate action, but not as part of an artificial calculation to cancel out a company's impact. Similarly, any contribution to sustainability projects such as plastic removals or biodiversity offset programmes should not be used to offset a company's impact.

**The European Commission must adopt its proposal on Substantiating Green Claims without further delay, ensuring that:**

- 1.** Claims cannot rely on methodologies that allow the use of offsetting credits and other compensation methods to calculate the overall carbon footprint of products or companies.
- 2.** Reference to carbon credits should only be allowed as separate information regarding a contribution to climate action.
- 3.** Any contribution to sustainability projects such as carbon or plastic removals should not be used to compensate for a company's own impact.

# A framework for EU Carbon Removals Certification

In November 2022, the European Commission published a framework for EU Carbon Removals Certification (CRC)<sup>42</sup>. The initiative aims to create demand for high quality removals, on the basis that although emission reductions remain an absolute priority, carbon removals will be increasingly needed to reach net zero emissions in 2050. The IPCC report clearly states that the deployment of carbon dioxide removal to counterbalance hard-to-abate residual emissions is unavoidable if net-zero carbon dioxide (CO<sub>2</sub>) or GHG emissions are to be achieved<sup>43</sup>.

There is a clear link between the Carbon Removals Certification and the Green Claims Initiative: the methodologies established under CRC could provide means to substantiate environmental claims. There is therefore a risk that this new framework might be referenced in GCI as a possible method to substantiate offsetting claims.

While there is no issue per se in the European Commission providing a framework to regulate removals, it should ensure that **companies are not allowed to report removal credits to compensate for direct and indirect emissions and use them to back their carbon neutrality claims**. Instead, it could provide the possibility for companies to report contribution to removal projects, as something positive in itself, but not claim that it compensates their own emissions. The two should remain clearly separated, and the concept of offsetting clearly banned.

Failing to design a reliable framework for carbon removal would open the door to carbon offsetting schemes as a potential greenwashing tool granting fossil-based businesses, such as airline companies and plastic producers, the possibility to continue polluting just because their emissions would be compensated elsewhere.



**Key criteria to ensure the framework proposed by the EU is in line with the Paris Agreement and avoids greenwashing include:**

- ✓ **Keep removals and emission reductions separate** to maintain focus on reducing cumulative emissions into the atmosphere, while at the same time enhancing carbon sinks.
- ✓ Clearly define removals as activities that extract greenhouse gases from the atmosphere and store them durably<sup>44</sup>. CRC identifies four types of carbon removals<sup>45</sup> which differ in terms of technological maturity and storage potential as well as potential risks and co-benefits. **Activities at high risk of reversal** (e.g. some carbon farming activities, such as soil carbon sequestration) **should not be labelled as removal** and used to make a removal claim.
- ✓ Carbon removal activities should lead to a positive impact on nature and generate co-benefits besides carbon storage.

Finally, **removal certificates should never be used to counterbalance any type of emissions from a company's own production**.

The European Commission is presenting a series of initiatives that have the potential to clearly ban misleading climate neutrality claims. However, at the moment of writing, the EC seems to be going in a completely different direction: with the Carbon Removals Certification, the EU would provide a framework allowing businesses to make climate neutrality claims. Even if the worst cases of unsubstantiated claims will be better monitored and banned, dubious substantiation of others will be legitimised.



# Upcoming ISO standard puts corporate branding ahead of the environment

## perfect greenwashing, certified

## While legislators stall, standardisers fill in the blanks with a big green brush

It is of crucial importance to get the legislation right, and quickly. Indeed, while laws remain lax, companies are looking for tools to harmonise existing market practices - and standards are being drafted. In the absence of ambitious legislation, **industry might agree standards that legitimise greenwashing** - to reflect how companies already communicate to consumers today.

Standards are not legislation, they are voluntary. Companies are not obligated to abide by the standards set by ISO. However, **they do send a strong signal that the practices they standardise are acceptable** - across global markets. This is something that legislators should not ignore.

The development of an international carbon neutrality standard running in parallel with the EU legislative process regulating green claims poses a timing challenge to the European Commission. Standards can be useful in support of legislation and policies, but they most definitely should not form the basis for regulation. If the Green Claims Initiative continues to be postponed without effectively banning carbon neutrality claims, the ISO standard under development can create a dangerous precedent influencing the current EU policy discussion in favour of laxer rules.

ISO 14068 on Carbon Neutrality, expected to be published in 2023, will provide a standardised approach for planning,

achieving and communicating carbon neutrality. While the aim of the standard is to address the proliferation of 'wild' carbon neutrality claims on the market, it also sets itself up to fail by trying to achieve the impossible: **make the concept of carbon neutrality reliable at company and product level - which makes no sense from an environmental point of view.**

If the standard is published with its current formulation, it will open a Pandora's box of misleading carbon neutrality claims with a detrimental effect on actual emissions reductions. Falsely 'neutral' products will be certified and sold to the consumers, but now with an ISO standard (rubber)stamp on it. A textbook case of - legitimised - greenwashing.

While some parts of the standard indicate that it is better to prioritise emission reductions over offsetting, and that offsetting credits should be issued for removal projects in priority, the overall result fails to ensure that companies primarily invest in deep and rapid emission reductions across their value chain before making claims on their climate performance.

This only goes to show that environmentally ambitious legislation should be supported by robust standards - but never the other way around. The EU should ensure that a ban on climate neutrality claims is set by law, before the market has an opportunity to regulate itself.

# What is in the draft standard:

## rewarding companies before they even start acting

### Our main concerns related to the ISO 14068 draft standard on carbon neutrality

- **The scope:** organisation or product level carbon neutrality does not exist;
- **No reference to the Paris Agreement:** companies are free to define what is an acceptable target;
- **Companies can claim carbon neutrality without emission reductions.**

The scope of the standard itself is problematic: it covers organisations and products, with the latter group including services, events and buildings. As we have already demonstrated, carbon neutrality at the product or organisational level simply cannot be achieved.

What is more, there is **no reference to the Paris Agreement**: the standard does not require the organisation making a carbon neutrality claim to be on track towards meeting the objectives of the Paris Agreement, contrary to what existing voluntary tools already proposed in the Science Based Targets initiative's (SBTI)<sup>46</sup> corporate net-zero criteria<sup>47</sup> or the ISO Net Zero Guidelines (International Workshop Agreement IWA 42)<sup>48</sup>. Companies are only required to achieve carbon neutrality in line with their own carbon neutrality management, which does not have to follow international agreements. As indicated in Part 1, climate neutrality can be achieved at any given global temperature increase. **The standard should instead prescribe interim targets based on a robust emissions reduction pathway consistent with the Paris Agreement**, to ensure that progress is achieved in time to avoid unsustainable temperature rises.

Finally, the standard allows **companies to claim carbon neutrality even if the company cannot report any GHG emissions reductions at all**. The standard foresees two different phases in a so-called carbon neutrality pathway. During the first period, a company **can use carbon offsets of any kind** (such as offsetting credits from projects with a high risk of carbon being reemitted at some point in time, such as afforestation projects). In the second, more stringent period, a company should demonstrate that its own GHG emissions were reduced to residual compared to a baseline period, and the remaining carbon footprint has to be counterbalanced by offsetting credits based on projects using removal technologies.

"Removal technologies" are defined too broadly, however, and include activities likely to store carbon **only temporarily**. Examples of GHG removals listed in the standard are carbon sequestration in soils, direct air capture (DACCS), carbon capture and storage (CCS) and forest restoration. While there are a limited number of CCS and DACCS operating world-wide, carbon sequestration in soils and forest restoration are at high risk of reversal, with carbon ending up back in the atmosphere.

We consider this two-phase system highly ambiguous. The maximum duration of the first phase is not specified in the standard, and so there is no time limit to the reliance on carbon offsetting. This is problematic: as highlighted in ISO's own guidelines, the IWA 42<sup>49</sup>, a company should not make a net-zero claim if it is on the path to net zero and still produces GHG emissions that are not residual, even if they are counterbalanced. **An organisation claiming carbon neutrality for the first time, might use the standard method**, applying the first phase, use offsetting credits to base its claim, then decide to terminate the action before entering the second phase, and remove the claim, **having made little real effort to reduce its emissions**. Greenwashing at its best!

# Annex

## Trying (and failing) to regulate carbon neutrality claims – a cautionary tale from France

Even a well-intentioned legislative initiative could open a door to greenwashing. What happened in France in 2021 is a telling example. How did French legislators fail to pass an ambitious ban on climate neutrality claims, in spite of the advice put forward by the country's own environmental agency?

### From proposing a ban to accepting unconvincing explanations

France adopted a climate law<sup>50</sup> as a direct result of the work of the Citizen Convention for Climate<sup>51</sup>. This law was initially supposed to ban all carbon neutrality claims<sup>52</sup>, following the publication of a first opinion by ADEME<sup>53</sup>, which explained that carbon neutrality only makes sense on a planetary scale.

The initial text adopted by the French National Assembly stated that: *It is forbidden, in an advertisement, to wrongfully claim that a product or service is carbon neutral, that it does not have any negative consequence on the climate, or any other type of formulation with a similar goal or meaning.*

However, **the text was drastically watered down by the Senate**. The upper house introduced exemptions for claims based on certifications using standards that are recognised at French, European and international levels.

The law, published in August 2021, **allows advertisers to continue using climate-neutral claims as long as they can substantiate their messages** and provide the general public access to the data behind the claims.



What counts as substantiation is regulated in the Article 12 section 9, this law contains a section on environmental claims, stating that it is forbidden to claim that a product or service is carbon neutral (or a similar formulation) except if the advertiser makes the following elements easily available to the public:

1. **An evaluation of the GHG footprint**, including direct and indirect emissions.
2. **A description of the steps by which the GHG emissions of the product or service are, as a first priority, avoided, then reduced, and finally offset**. The emission reduction trajectory is described with annual progress objectives that are quantified.
3. **A decree will set the minimum standards under which residual emissions can be offset** (see next sub-chapter).

## How to justify a claim of climate neutrality in France

The decree mentioned in the law, giving further details on which claims are allowed<sup>54</sup>, was published in April 2022. It entered into force in January 2023 and applies to claims such as 'carbon neutral', 'zero carbon', 'zero carbon footprint', 'climate neutral', 'entirely offset', and '100% offset'. Restrictions apply regardless of the type of advertising medium used (be it print, cinema, TV, radio, online, or the product packaging itself).

According to the decree, advertisers making this type of claim must do two things. First, they must evaluate the carbon footprint of the relevant product or service across its whole life cycle, based on the ISO 14067 standard or any other norm in line with the requirements set by this standard. Then, on their website or in their app, they must publish a report describing the carbon footprint of the advertised product or service, and the steps taken first to avoid emissions, then reduce them and finally to offset them.

### The report must contain 3 annexes:

- **Annex 1:** Details of the evaluation of the carbon footprint.
- **Annex 2:** A description of the emission reduction trajectory, with quantified annual progress targets, covering 10 years following the report's publication, and reviewed every 5 years.
- **Annex 3:** A detailed description of how residual emissions are offset<sup>55</sup>. Its main contribution is to give information on the volume of emissions being compensated, the price of the credits (divided in three categories: below 10€/tCO<sub>2</sub>, between 10 and 40€/tCO<sub>2</sub>, and above 40€/tCO<sub>2</sub>).

In addition, companies must demonstrate that the offset volume corresponds to the residual emissions of all their products or services – not just a single selected one. They must also prove they have taken steps to ensure that carbon offsetting projects do not lead to double counting<sup>56</sup>. If using carbon offsetting credits, companies must describe how the credits are retired<sup>57</sup>. Finally, company reports must include an annex explaining the efforts made to ensure geographical coherence between the locations of emissions and offsetting projects.

It must be noted, however, that **these reporting requirements do not represent a significant burden**: it is very likely that companies will be contracting established offsetting programmes to deal with these requirements, something that most of them have been doing all along.

All information regarding offsets must be updated annually for as long as the product or service is advertised as being carbon neutral. If the emissions associated with the product before offsetting increase for two consecutive years, the claim on carbon neutrality must be removed. Advertisers not respecting the rules face fines of up to 100,000 euro, or up to the full budget allocated by the company to the illegal advertising action<sup>58</sup>.

## Lenient conditions open the door to massive greenwashing

The conditions imposed by the French government might appear stringent, but they are easy to meet. As a result, **even carbon-intensive sectors can make climate-neutrality claims** – including airlines or fossil fuel producers.

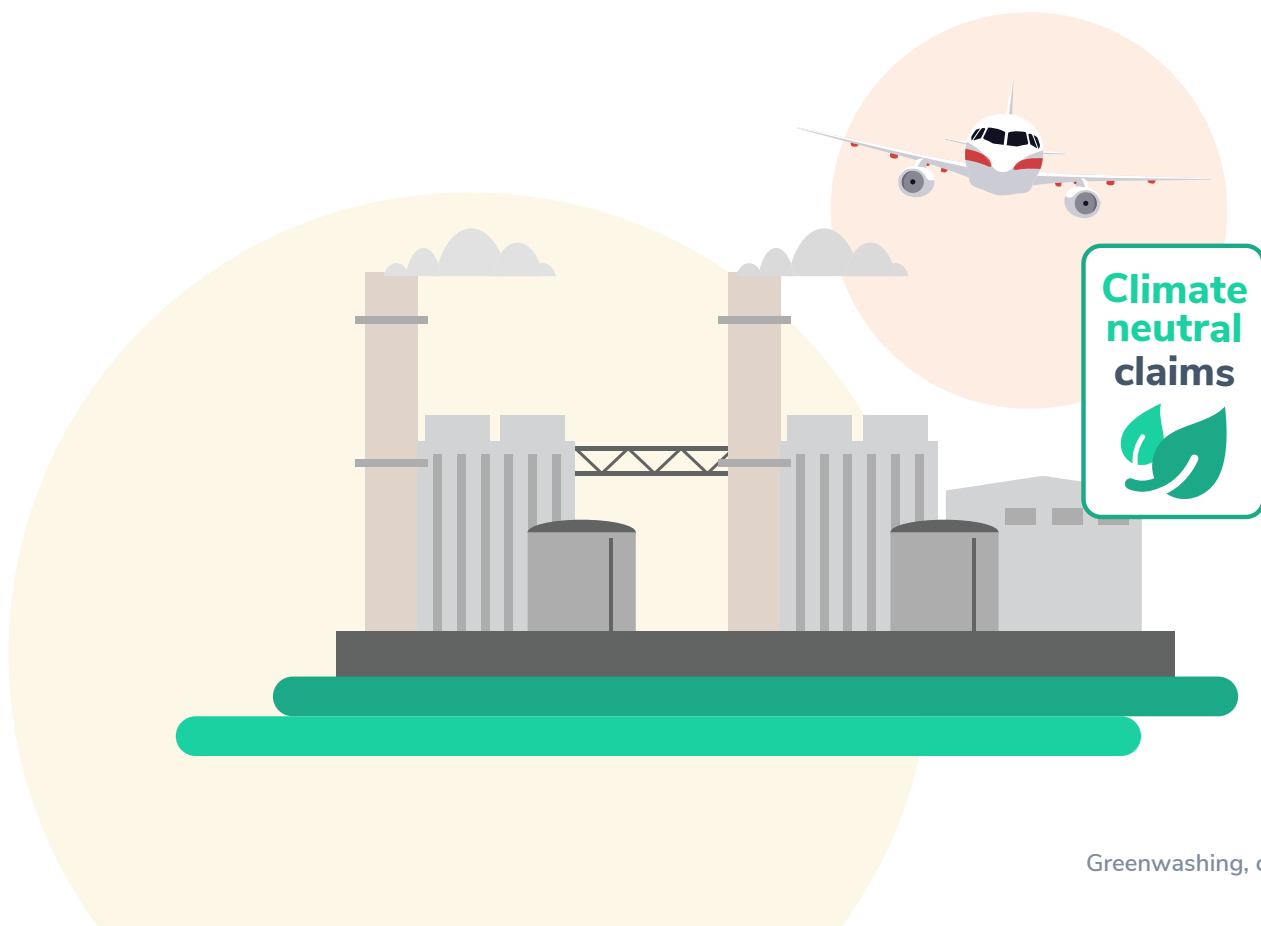
**The burden of proof is placed on public authorities**, who are in charge of checking conformity with the law. No third-party certification is required to verify the content of the reports issued to justify carbon neutrality claims. This means that the state will have to ensure that the authorities have adequate budget to hire enough staff with both the means and technical expertise to conduct verifications, including assessing technical information provided in the reports. This will be especially difficult to conduct within the timeframe for short-lived advertisements (for example, if they run just for a few weeks). While companies could be fined afterward, the damage would have already been done.

There are reasons to believe that enforcement will not be perfect in France. According to the 2021 annual report of the French administrative branch in charge of market surveillance and consumer protection, 678 companies were checked over one year and about half of them were not as sustainable as they claimed to be<sup>59</sup>. Two elements

should be noted here: the number of checks is far from the totality of the market, and the level of infringement is strikingly high. We can expect similar levels of infringement under the new climate law.

In an attempt to improve the text, Carbon Market Watch<sup>60</sup> and Carbone 4<sup>61</sup> formulated recommendations during the public consultation on the draft decree<sup>8</sup>. Unfortunately, none of their demands were taken into consideration by legislators<sup>7</sup>.

Carbon Market Watch and Carbone 4 raised several issues. They argued that carbon neutrality claims do not make sense at the company or product level, only at global or country level – supporting ADEME's views. Secondly, they pointed out that the law allowed companies to set trajectories that are not compliant with the Paris Agreement. In addition, the decree did not require companies to set emission reduction paths for the whole of their operations – doing so for the claim-bearing product or service is enough, even if it is not representative of the overall performance of the company. Finally, the condition requiring to remove a claim on carbon neutrality in case emissions increase for two consecutive years is far from enough. Emissions should decrease following the trajectory set by companies in their reports. The conditions set on offsets that can be used to claim carbon neutrality are not stringent enough either. There are no guarantees that only residual emissions are offset.



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