

9 August 2022

## VCMI - Claims of Code Practice Consultation - Comments from Project Developer Forum

Dear VCMI Colleagues,

As you may know, the Project Developer Forum (PD Forum) is a collaborative association and collective voice of companies and practitioners that are developing and financing greenhouse gas emission reduction and removal projects worldwide. Our members work on a global scale and evaluate opportunities to deploy climate financing and carbon market instruments to accelerate investments for greenhouse gas mitigation and sustainable development.

PD Forum supports the efforts of the Voluntary Carbon Market Initiative (VCMI) to create a high quality code of practice for claims in the voluntary carbon market. Overall, we believe this effort can help the space by providing consistent, clear communication on what companies can and should claim based on the climate change mitigation strategies they implement. For this to be effective, it is imperative that these claims be both high ambition and integrity as well as workable in practice. They must be applicable to a broad range of sectors and deliver climate action on a rational timeline.

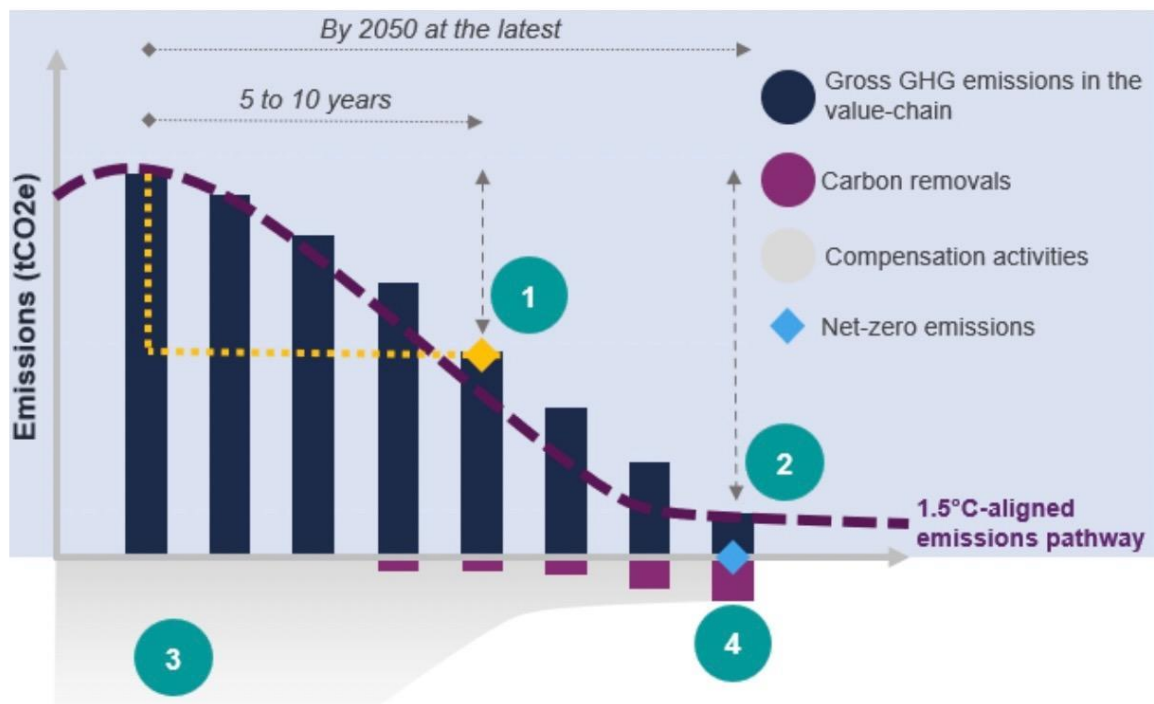
The current version of the VCMI Claims of Code Practice seems to be insufficient in terms of presentation of concepts and its description. What is currently presented is a mix of aims that is simultaneously very difficult to achieve while also too low in ambition on several fronts. The claims in the current form risk confusing the market further, as they conflict with what is defined by other frameworks in the sector. And they may, in some cases, perpetuate the criticisms of greenwashing.

We would like to highlight a number of specific issues with the draft and present our comments and suggestions:

- 1) **VCMI Gold, Silver and Bronze labels are not compelling:** Companies want to be able to make claims about their progress largely to communicate to their customers. These consumers are unlikely to know who VCMI is, nor connect with terms that just say "gold", "silver", or "bronze". Labels that actually communicate what these companies are doing are much more powerful (which is why climate neutral is a broadly used term- it can be generally understood by the general public). Terminology along the lines of "Net Zero Aligned: [Gold/ Silver/ Bronze]" would be much more likely to provide a clear, transparent and marketable term to companies applying the code.

- 2) **VCMI Gold Net Zero:** The term "Net Zero" used in this label is misleading and not aligned with other definitions of net zero, which are largely understood to mean the time at which a company has fully achieved its long-term target and is compensating the remaining unavoidable emissions with only removals. Using this term in a way that is not aligned with IPCC and SBTi is problematic and likely to lead to increasing confusion in the market.

*Figure 2. Graphical representation of a near-term SBT (1), long-term SBT (2), additional compensation (3) and the point of reaching net-zero (4) when residual emissions are balanced with carbon removals.*



As illustrated in the graphic from the [SBTI Net-Zero Criteria](#), net zero is defined at point 4- when net zero targets have been reached and residual emissions are balanced with carbon removals. [IPCC also defines](#) net zero as when "anthropogenic CO<sub>2</sub> emissions are balanced globally by anthropogenic CO<sub>2</sub> removals over a specified period." This is inconsistent with the proposed VCMI Gold: Net Zero label.

PD Forum supports the ability of companies to make interim claims based on fully compensating for emissions along the decarbonization pathway. However, this should not be called net zero. One option would be to separate VCMI Net Zero and VCMI Gold, where VCMI Net Zero applies only where the enterprise is balancing remaining emissions with removals; and Gold is where emissions are fully compensated (with reductions or removals). This could also be called "VCMI Gold: Carbon Neutral" (which would have the benefit of matching the terminology used in the brand, product and service level claims. This would also provide a more clearly pathway for advancement from carbon neutral to net zero, while maintaining the momentum and incentive for companies to keep investing in compensating for all residual emissions on the way to net zero with high quality carbon credits (as required by Gold level certification).



- 3) **VCMI Silver:** While we recognize that this guidance attempts to incentivize internal reductions over the use of carbon credits, 20% compensation is not enough. This level seems to have two issues:
- For many sectors, full scope 3 emissions accounting, target setting and reductions are incredibly challenging and may take time. This bar may be too high to achieve, and yet many companies may be able to do better than what is prescribed for the Bronze level.
  - At the same time, 20% is an incredibly low bar for compensation. The world simply cannot wait decades for companies to achieve long-term decarbonization. The use of carbon credits today while companies build the capacity to account and reduce their (especially) scope 3 emissions, allows near-term emission reductions that can help us avoid planetary tipping points.

Our proposal would be to allow more time for companies at the Silver level to achieve full scope 3 accounting, target setting and progress, while also requiring a higher percentage of emissions to be compensated for. For example, 100% of scope 1 and 2 emissions should be compensated, while specific categories of Scope 3 (e.g., business travel) should also be 100% compensated, along with partial compensation for the rest of scope 3 emissions (e.g., 50%). This would provide more near-term reductions (via credits), while also providing a more step-wise improvement from the Bronze level.

- 4) **Use of high quality carbon credits:** As of now, VCMI promotes high quality carbon credits those that *would be* labelled by IC VCM, approved by CORSIA or developed under upcoming Article 6 of UNFCCC. As IC VCM CCP finalisation and implementation and issuance of credits under A6.4 would take some time, this might lead to reduced supply. VCMI should also allow use of carbon credits from the standards that are already endorsed by ICROA<sup>1</sup> and those that are endorsed by relevant national governments. (e.g., Peatland Carbon Code, Label Bas Carbone, British Columbia Offset). Use of carbon credits from the government endorsed standards can be limited to the geographical scope of their respective endorsement. Additionally, the vintage of the carbon credit should be 2016 and beyond.
- 5) **Interim progress for annual claims:** There is a lack of clarity/detail in the statement (page 21),

"...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."

It is unclear if this refers to action steps taken or to a measurable change in emissions year on year. In practice, many mitigation measures will not be linear. Where a company has taken the steps outlined in their strategy, this should be sufficient, with emission reductions demonstrated at each interim target.

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<sup>1</sup> <https://www.icroa.org/standards>





6) **Enterprise vs Brand, product, service level claims:**

- a) The neutrality claims proposed are very confusing, in terms of how they relate to the gold, silver and bronze options. Is there any requirement to meet any of those levels before claiming neutrality? Or is it only that the company must set a net zero target and define interim targets (as defined in step 1)?
- b) These neutrality claims seem to be insufficient and are mostly the same as what has historically been done in voluntary markets that has been attacked in the press as greenwashing. It is an improvement to require net zero targets, but why has this been de-linked from the enterprise-level requirements? Many large brands are larger than entire enterprises. So this guidance could apply to very large volumes of emissions, without any demonstrated progress on decarbonization. There doesn't seem to be a reason why a brand couldn't meet the same requirements for gold/ silver/ bronze (with different operational boundaries), and there seems to be no reason why an enterprise that is compensating for 100% of its emissions couldn't use the neutrality claim (as noted above, we suggest the gold level be called Gold: Carbon Neutral).

PD Forum supports the concept of companies making a claim (such as "carbon neutral" or similar) as an interim progress step on the way to net zero. However, we would encourage VCMI to make it much more clear how the gold, silver and bronze claims interact with neutrality claims, without neutrality becoming a second-tier claim with questionable integrity.

7) **Future work:**

- a) It is noted that VCMI will take up "**other types of claims**" in future iterations. We highly recommend that VCMI take a close look at "financial contribution claims". It is incredibly important that we ensure non-credit models are equally robust and high ambition as what is being required for carbon credits. If a company can get away with financial claims that have no link to or no verification of impacts (ideally measured in tCO<sub>2</sub>e), this will be an easy way to invest in so-called mitigation efforts that may in fact deliver very little. Carbon credits are one of the most transparent results-based mechanisms in existence, we shouldn't create a back-door that undermines that integrity.
- b) **Corresponding adjustments:** PD Forum supports the position that Corresponding Adjustments are not required for voluntary markets. It is an entirely unproven accusation that allowing voluntary markets to help governments reach their NDC targets will undermine ambition. Rather, many NDCs were explicitly established to identify targets that are conditional on international finance. The VCM should be allowed to help finance these targets, which will in turn allow countries to re-invest in other climate mitigation strategies and increase ambition over time. It is well understood that current targets will not keep us to 1.5 degrees. This is an issue of climate justice— developing countries have not caused the climate crisis and require international finance and support as well the technology transfer, innovation and multiple benefits that come with climate projects to help them transform their





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economies, achieve their goals and increase their targets. [You may also refer to the official position of PD Forum on corresponding adjustments here.](#)

- c) **VCMI Governance:** We highly recommend that VCMI does not create yet another governance framework for the voluntary market. The proliferation of different standards and governance bodies risks adding significant transaction cost and burden, while reducing the available finance available to actually invest in climate mitigation. VCMI should partner with other existing assessment bodies and embed the process of reviewing claims in other frameworks already designed for the purpose of assessing corporate commitments and progress (such as GHG Protocol or SBTi).

PD Forum requests consideration of comments and suggestions mentioned above. PD Forum is open to dialogue with VCMI to ensure integrity and robustness of the use of carbon credits.

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