



The Role of Carbon Offsets in the Pathway to Net-Zero

Webcast, April 2022



Our panelists today



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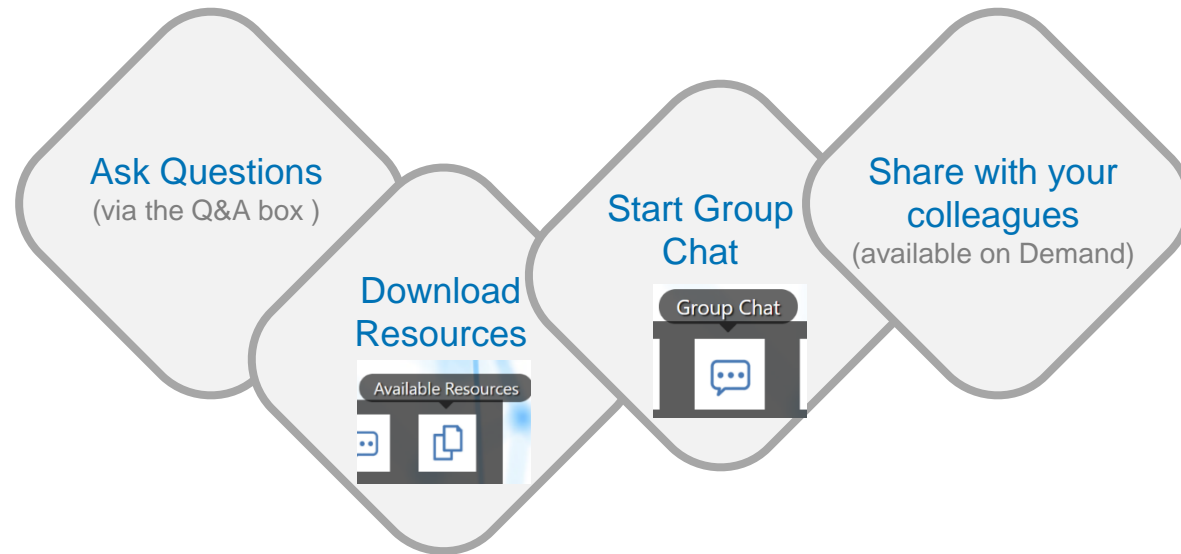
Anastasia O'Rourke
Managing Director
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Dr Uwe G. Schulte
(Moderator)
Senior Advisor
The Conference Board



Making the most of the webcast



Tell us about your experience to help us improve our future program



Introduction

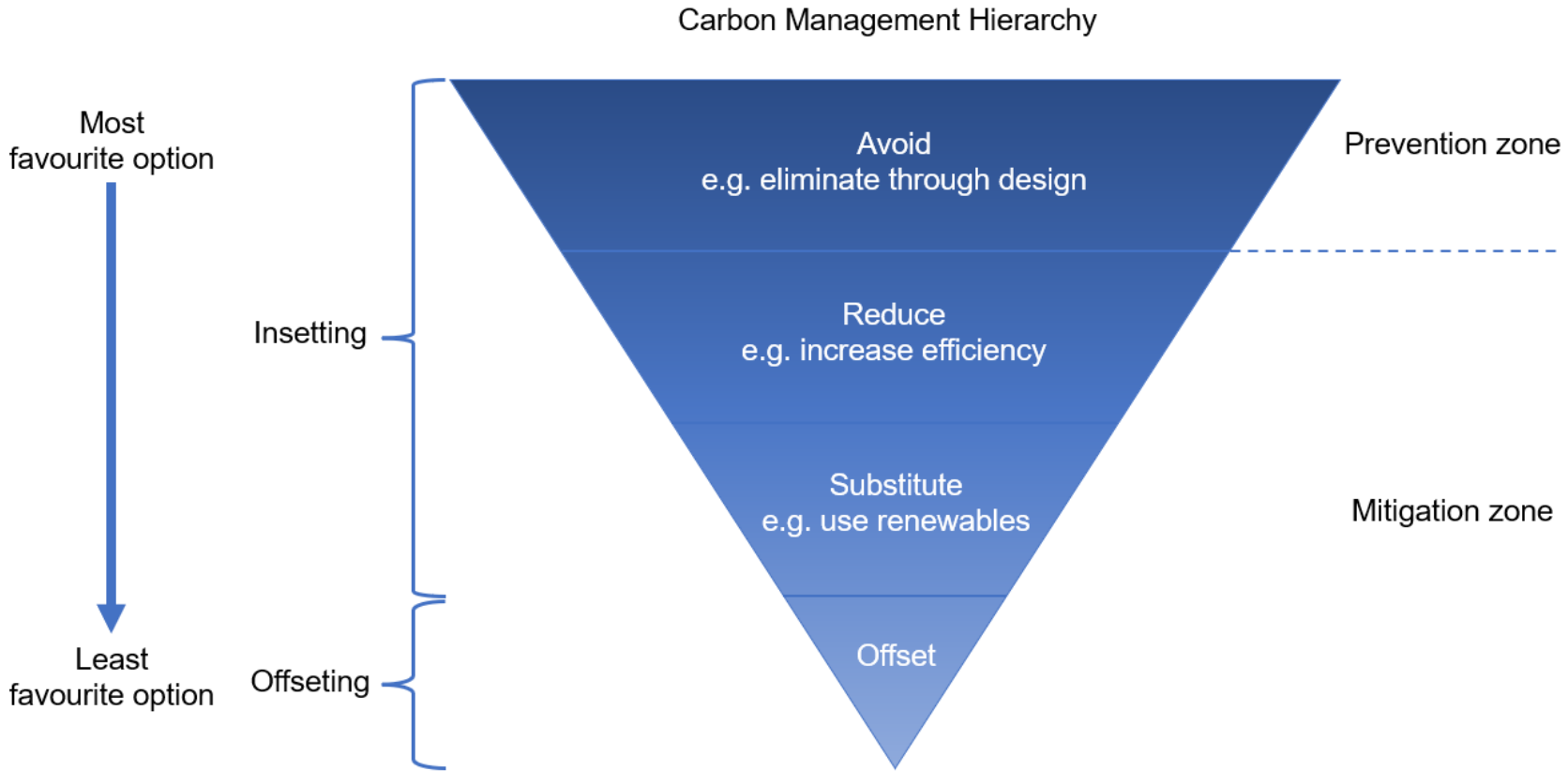


What are Carbon Offsets?

1. Carbon offsetting is a mechanism that allows to compensate for GHG emissions by paying to eliminate or avoid emissions elsewhere
2. Carbon offset credits: a transferable instrument certified by governments or independent certification bodies
3. Bought and sold on carbon markets
4. The purchaser can “retire” a credit to claim the underlying reduction towards their own GHG reduction goals.



Carbon offsets in support of Net-Zero Commitments



Carbon Offsets – Integrity Criteria



Poll:

Has your company made a Net-Zero commitment?



- Yes
- No
- Not yet - we are in preparation

Source: The Conference Board/Bloomberg, 2020.



THE CLIMATE IS CHANGING

ARE YOU?



Who are South Pole

A **profit-for-purpose** company founded in 2006 that enable corporates, capital markets, and the public sector to reduce their impacts on **climate change**, while mitigating risk and creating value on their **sustainability journeys**.

Innovative solutions

An award winning, 14-year history of providing sustainability solutions

Diverse expertise

Based in 21 offices, our team of 600+ sustainability advisors, scientists, and engineers are leading experts in their fields

Project developer

With over 700 projects we are the largest developer of climate action projects globally

What can the private sector do?

Action, today

On the journey to net zero, companies should set **science based targets**; **reduce value chain** emissions; and **balance remaining, unavoidable emissions with carbon credits to be climate neutral.**

Compensating all residual emissions with carbon credits from certified climate action projects that **avoid or remove emissions** from the atmosphere drives the global transition to net zero.



Net zero, tomorrow

Under the SBTi's new Net Zero standard, to claim **net zero** companies **must achieve their absolute reduction targets** (80-100%) by their target year and latest by this year they **must neutralise all residual emissions with certified carbon removals.**

Net zero can't be achieved overnight. It involves **a long-term decarbonisation strategy in line with 1.5 degrees, towards a target year.**

2022

2030

2050

Confidential. Do not distribute.



Carbon voluntary market demand

Driven by leading companies committing to climate action

Example commitments from global brands



Net zero by 2050



All brands net-zero by 2039



Carbon neutral by 2030 including supply chain



Carbon negative by 2030



Net-zero by 2040

Companies purchasing carbon credits today to support their commitments



437m tonnes of CO₂e

reduced, removed and avoided by the VCM (2005-2020)

>25% of all Fortune 500 companies made carbon neutral, net zero and/or SBT targets*

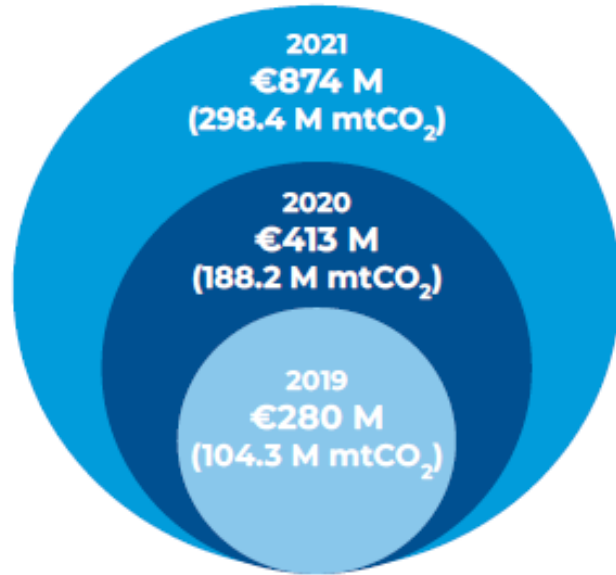
*Public commitments as of November 2021



Demand is forecasted to grow

Growth driven by increase in public and private climate commitments

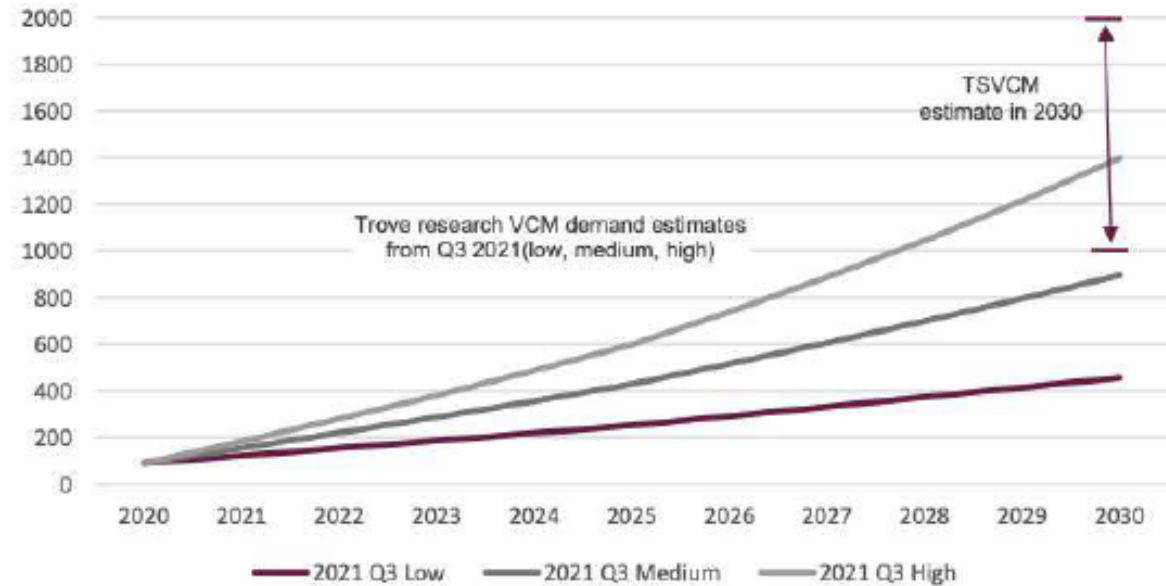
Historic voluntary carbon market growth



Voluntary market has expanded almost 200% since 2018, hit (and exceed) \$1 billion in value by the end of 2021.

Source: Ecosystems Marketplace (2021) State of the Voluntary Carbon Markets, update 15th November 2021

2030 carbon market forecast (M mtCO₂e/yr)



Increasing **net-zero pledges, commitments** from the private sector, new **global aviation demand from CORSIA**, is driving **price and quality benchmark**.

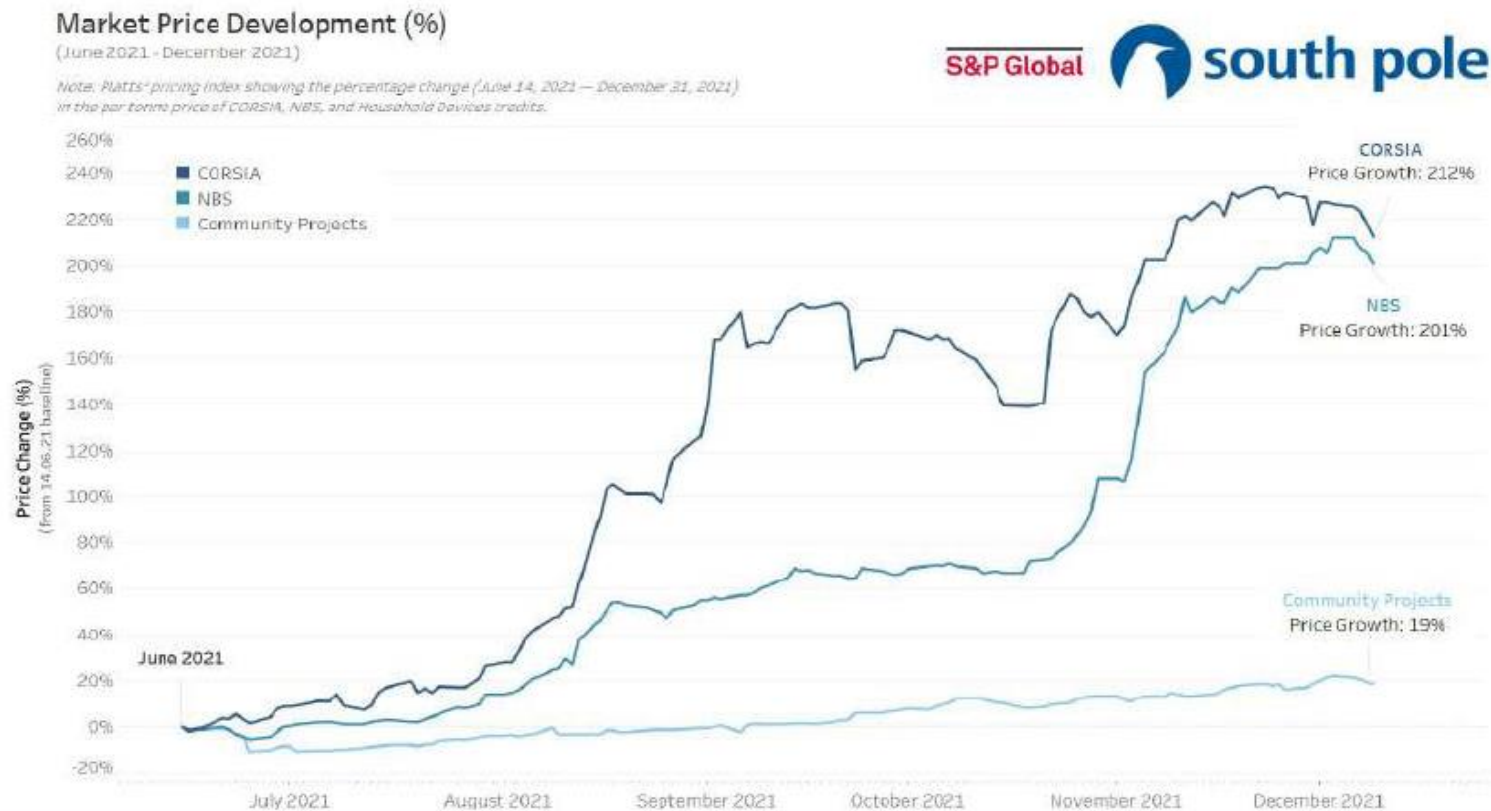
Source: Trove Research: (29 October 2021); Future Size of the Voluntary Carbon Market



Prices of CORSIA-eligible credits soar even more than other project types

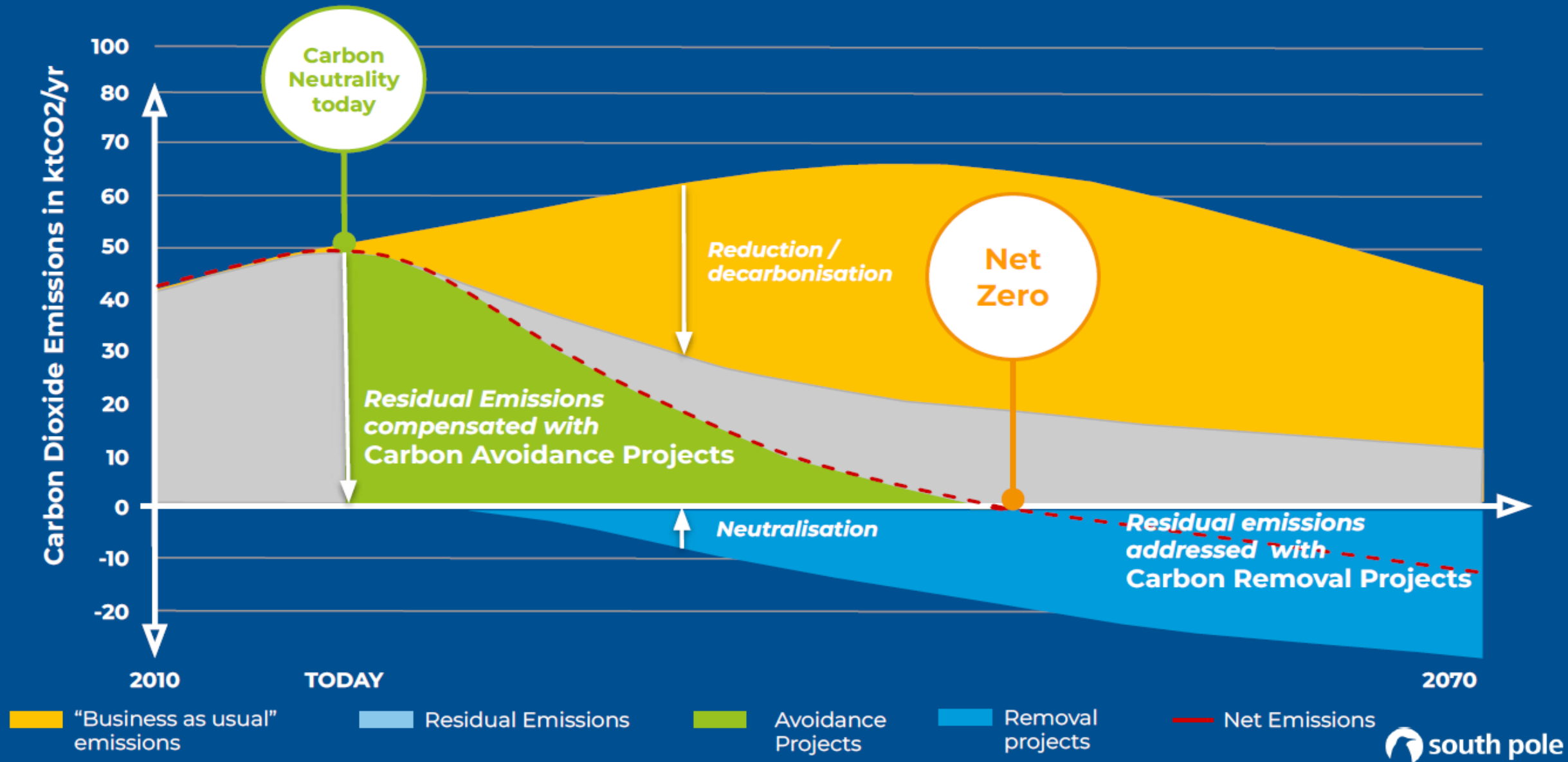


Evolution of carbon credit prices per project type (June - December 2021)



- Airlines' demand for offsets for compliance purposes during CORSIA's pilot phase is causing prices to increase sharply; many non-compliance buyers outside of the aviation sector see CORSIA as a new "quality credit" contributing to the demand & price spike.
- The price of NBS projects can be attributed in part to their impacts; they provide both mitigation and adaptation opportunities with high co-benefits to the local communities, and to the rising demand.

Carbon neutral today, net zero tomorrow

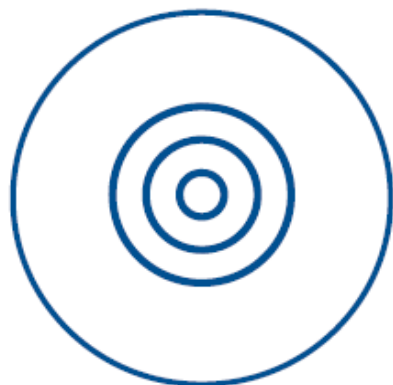


How can this be achieved?



Measure footprint & risks

Understand your carbon emissions, product impacts and climate change risks



Set roadmap & create targets

Develop sustainability strategies, targets and roadmaps



Reduce footprint

Increase efficiency, procure renewable energy and decarbonise your supply chain



Finance climate action

Finance climate action, e.g. through avoidance and removal of unavoidable emissions or investing in impact funds



Communicate & lead

Engage stakeholders in your sustainability vision and communicate the results

Why is compensation an important part of a climate strategy?



Internalises a price on carbon to drive emission reductions



Allows for measurable action, today



E.g. Milestone on 2030 net zero target



Household

Reduce amount of fuel needed for household tasks



Renewable Energy

Lower the carbon intensity of the energy supply



Forestry & Agriculture

Increase or protect natural carbon sinks and transition to sustainable practices



Clean Water

Reduce fuel needed to boil water for purification



Innovation in industry

Promote green growth through energy efficiency and circularity



Technical carbon removals

Remove and store carbon

Eligible projects types

South Pole's quality assurance

High-quality carbon credits



International best practice

South Pole adheres to international best practice and accountability as a member of International Carbon Reduction and Offset Alliance (ICROA).



ICROA-recognised carbon standards

Projects are screened and must adhere to strict criteria set out by the ICROA-approved accrediting standard.

Gold Standard™



Third-party auditing

Projects undergo regular and transparent monitoring in order to issue carbon credits.



Thorough due-diligence carried out by South Pole





wildsense

About us

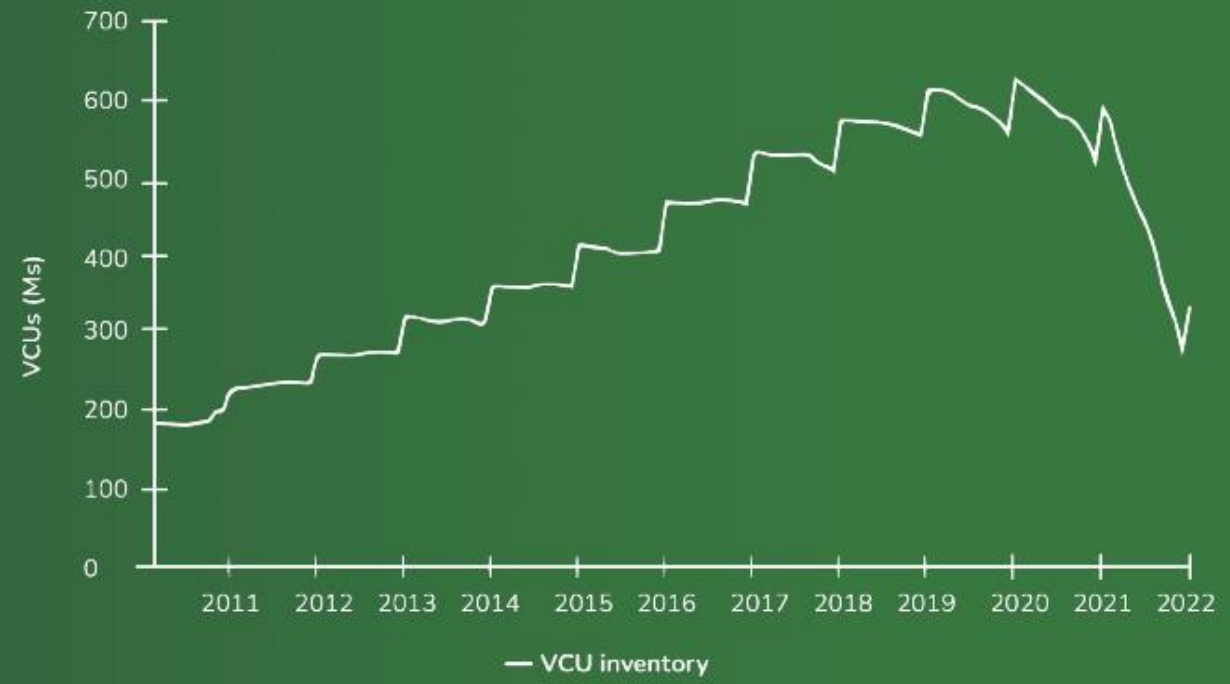
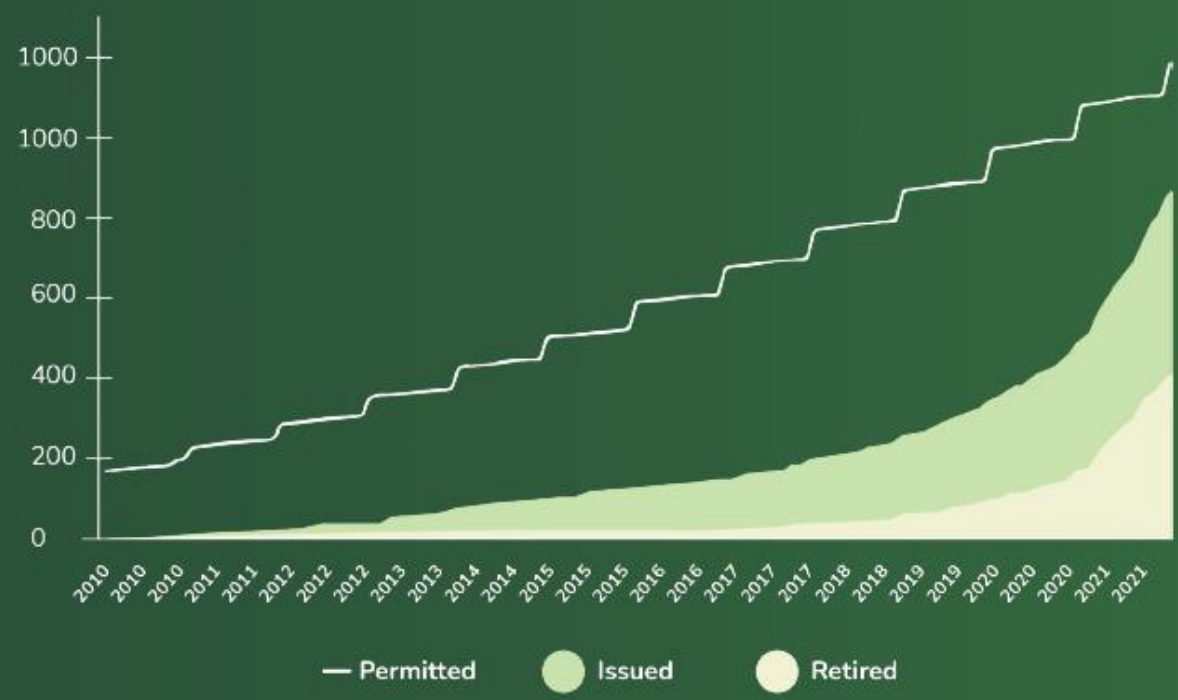
Founded in 2020, Wildsense **certifies high quality restoration projects** on the voluntary carbon markets.

Based in Europe and Central America, **we've certified projects in 3 countries** and are growing rapidly.

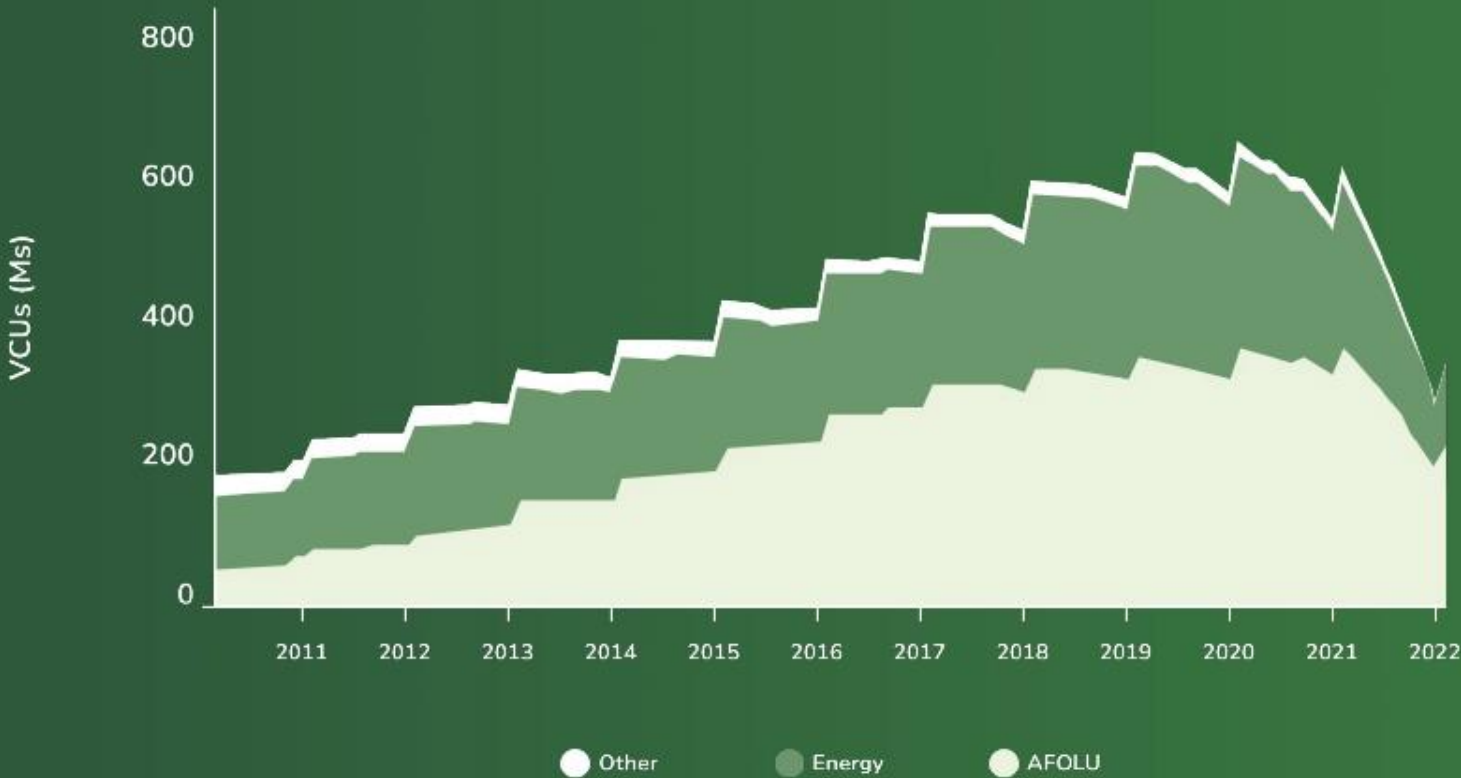
Our certification is **recognized by Ecovadis, the world's most trusted sustainable rating.**



Rapidly growing demand is chasing stagnant supply; prices doubled in 2021.



AFOLU credits make up most of the available the supply.*



Source: Sylvera - 2022 Carbon Credit Crunch Report

Factors to Consider



Carbon

Generally agreed-upon principles for carbon integrity are that the project must be additional, permanent, account for leakage; ensure no double-counting of credits.



Community

Community buy-in is crucial to project success. Restoration work must be carried out in partnership with the local community. All workers must be paid fair, living wages.



Biodiversity

All planted trees must be native species, preferably endemic to the region. Multiple species should be planted. Crop plans must be appropriate for the project's location.

Los Azules (Panama)

Project description

Over the next five years, local communities will plant a total of **28,800 native trees**, which will absorb a total of **18,700 tonnes of carbon equivalent** over its lifetime (hence **18,700 carbon credits** of which **14,025** can be sold and **4,675** will be set aside as an insurance pool in the case of unexpected events).

Wildsense will monitor the project using satellite imagery to ensure the planted trees survive over the project's lifetime.

The *Los Azules* site, which is part of the greater ecosystem of *Bahía de Parita* and *Área Protegida Municipal Los Manglares de Antón* will protect the community of *Los Azules* from erosion.





As the market develops,
carbon credit ratings agencies
are beginning to gain traction
to help compare credits
quality against objective
baselines.





Poll: Is your company using carbon credits?

- Yes
- No

Source: The Conference Board/Bloomberg, 2020.



Carbon Credits at Vattenfall



Upcoming webcasts

Thursday, 19th May
09:00 AM ET [09:00] (New York), 03:00 PM CET [15:00] (Brussels),
09:00 PM SGT [21:00]

Sustainability Watch May 2022

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