# Carbon Credit Fact Sheet

## Best practices for corporate use of carbon credits under an ambitious net zero commitment

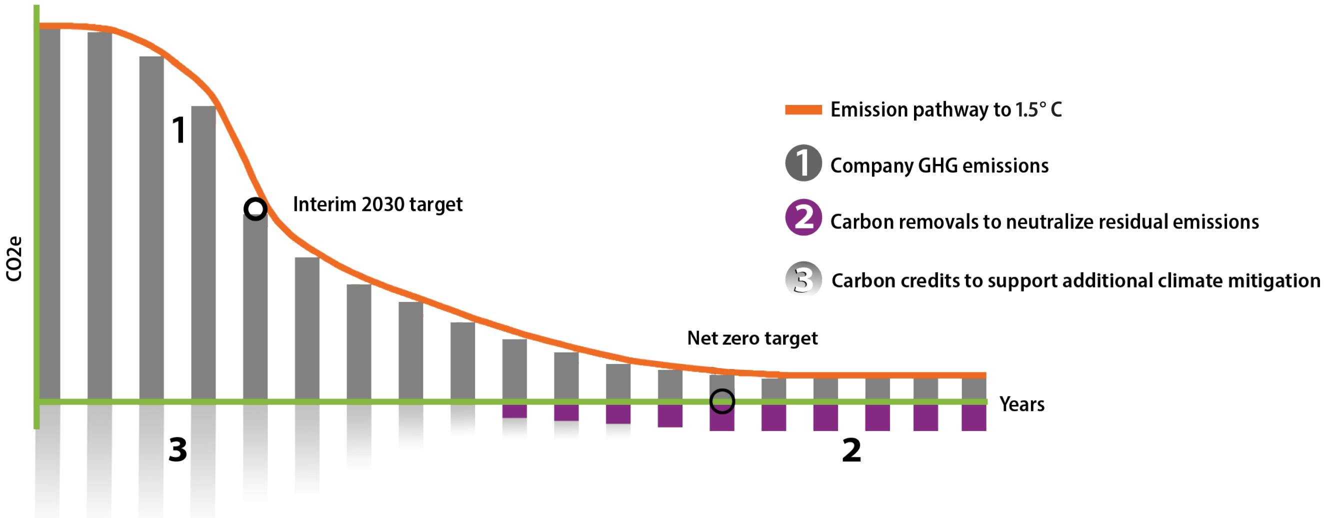
A carbon credit represents one unit of greenhouse gas (GHG) emissions reduced or carbon dioxide removed from the atmosphere. **Carbon credits should only be used to raise the ambition of climate commitments, not to replace efforts to decarbonize and reduce emissions throughout the value chain.** First, companies should set ambitious corporate climate commitments that include:

| Net Zero Goals | | Interim Science-based Targets | | Climate Transition Plans |
|---|---|---|---|---|
| A net zero target for 2050, or earlier, that is science-based and aligned with 1.5 °C pathways. | + | Interim (short- and medium-term) science-based targets that cover the entire value chain (scope 1, 2, and 3). | + | A forward-looking list of actions taken in the near term to align internal strategies and external climate and energy policy advocacy to reduce GHG emissions in line with a 1.5° C pathway and achieve a just transition. |

Elements of an ambitious climate commitment. Adapted from Ceres' Evaluating the Use of Carbon Credits, 2022.

To raise the ambition of commitments, companies should:

1. Prioritize reducing their value chain emissions (scope 1, 2, and 3) following an emission pathway that limits warming to 1.5° C,
2. Neutralize any remaining residual emissions that are unfeasible to abate with carbon removals, and
3. Strive to go above and beyond their net zero journeys by financing emission reductions and carbon removals outside their value chains.




Use of carbon credits while on the journey to net zero. From Ceres' Evaluating the Use of Carbon Credits, 2022.

Companies should source high-quality credits that **a) provide credible climate change mitigation** and **b) contribute to a just and equitable transition.**

**a)** GHG crediting programs have rules and requirements to ensure that carbon credits are additional, permanent, conservatively measured, leakage accounted for, verified, and exclusively claimed.

**b)** Social and environmental programs require projects to implement measures to prevent undesirable outcomes for Indigenous Peoples, local communities, and Afro-descendant Peoples and ecosystems.

To learn more about the different types of mitigation measures that can generate carbon credits, see Ceres' guide Evaluating the Use of Carbon Credits. A carbon credit is different from a renewable energy certificate (REC), which represents one megawatt-hour of energy generated from a renewable source. RECs cannot be used to counterbalance emissions, as they do not represent an emission reduction.

Carbon credits are typically purchased on the voluntary carbon market (VCM), which includes all carbon credit transactions that occur outside of regulated cap-and-trade systems implemented by governments to reduce emissions. These programs certify carbon credits for the VCM:


Carbon credit certification programs, Ceres' The Role of Natural Climate Solutions in Corporate Climate Commitments, 2021.

**It is best practice for companies to disclose details about their carbon credit strategy and the credits they purchase, including:**

- Short-, medium-, and long-term emission reduction targets aligned with 1.5° C and progress against those targets
- A credible transition plan for achieving targets
- Their anticipated residual emissions and the percentage they plan to neutralize with carbon dioxide removals
- The volume of carbon credits purchased to counterbalance emissions and support climate change mitigation outside of their value chains
- The GHG crediting programs, suppliers, and projects from which they source carbon credits
- Whether the carbon credits have additional certification from a social and environmental standard

**These resources provide more details about ambitious commitments and carbon credits:**

- **Climate Transition Action Plans: Activate Your Journey to Climate Leadership**
- **Evaluating the Use of Carbon Credits: Critical Questions for Financial Institutions When Engaging with Companies**
- **The Role of Natural Climate Solutions in Corporate Climate Commitments: A Brief for Investors**