FACTSHEET

What does Beyond Value Chain Mitigation mean in practice?

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What is Beyond Value Chain Mitigation (BVCM)?

In addition to radical emission reductions, which should be aligned with climate science, companies are now encouraged to also start implementing so-called beyond value chain mitigation.

BVCM is action or investments that take place outside of a company's value chain.

It can be considered as a last-mile tool, offering organizations a possibility to further support the global target to limit climate warming to 1.5 degrees.

According to the Science Based Targets initiative's Net-Zero Standard, companies' priority needs to be in rapid, deep emission cuts, covering their entire value chain emissions (scopes 1–3). Second, companies need to set near- and long-term targets: organizations should make rapid emissions cuts now, halve their emissions by 2030, and produce close to zero emissions by 2050, neutralizing 'any residual emissions that are not possible to eliminate'.

SBTi's Mitigation Hierarchy

1. Focus on rapid, deep emission cuts
2. Set near- and long-term targets
3. No net-zero claims until long-term targets are met
4. Go beyond the value chain (BVCM)

In addition to this, the SBTi recommends organizations make investments or actions outside their value chain, i.e. beyond value chain mitigation, emphasizing that these investments cannot replace deep emissions cuts. Companies should always follow the mitigation hierarchy and reduce their value chain emissions before investing in those outside their value chain.

According to the UN Environment Programme, the current policies in place are leading to a 2.8°C temperature rise by the end of the century. To prevent this, more ambitious climate action is needed. In addition to the SBTi, the UN and IPCC also highly encourage organizations to start doing BVCM as part of their climate action toolkit.

What kind of investments companies can make when implementing BVCM?

The Science Based Targets initiative states that companies can, for example, purchase 'high quality, jurisdictional REDD+ carbon credits that support countries in raising the ambition on and, in the long-term, achieving their nationally determined contributions'. Optionally, companies can invest in 'CDR technologies such as direct air capture (DAC) with geological carbon storage'.

Before a company achieves its net zero target, purchasing carbon credits is considered something that 'supports society to achieve net-zero emissions by 2050', according to the SBTi. When the net zero target has been reached, companies are expected to neutralize any residual emissions within their value chain 'with an equivalent amount of carbon dioxide removals at their net-zero target date, and these removals can be sourced from carbon credits'.

Even though the net zero target can only be reached when emissions have been reduced close to zero, a company can aim to be carbon neutral by offsetting all its emissions by using high quality carbon credits.

As examples of beyond value chain mitigation, the Science Based Targets initiative mentions:

- Forestry, for example, Jurisdictional REDD+
- Conservation projects, for example, peatland or mangrove
- Energy efficiency, for example, cookstove projects
- Methane destruction, for example, landfill gas projects
- Renewable energy, for example, solar/wind/biogas
- Industrial gasses, for example, N2O destruction at nitric acid facilities
- Scale-up of CDR technologies, for example, Direct Air Capture (DAC) and Storage

In line with the Oxford Principles, Compensate strongly encourages companies to focus on carbon removals.

According to these principles, 'creating demand for carbon removal offsets today will send the necessary market signal to increase supply'. Compensate's white paper, Getting the Claims Right, explains more thoroughly, what kind of carbon credits a company can use if it wants to make a carbon neutrality claim.

Ensuring the positive impact of carbon credits used for BVCM

Both the SBTi and the United Nations' high-level expert group state that the carbon credits used for beyond value chain mitigation should be 'high quality' or 'high integrity'. What does this mean in practice?

Compensate has evaluated more than 170 nature-based, certified carbon projects and out of those, less than 10% meet our criteria co-created with the scientific community. Our white paper, Reforming the Voluntary Carbon Market, reveals why these projects fail our criteria. The voluntary carbon market has its flaws – however, there is currently ongoing work to improve the regulation of carbon credits.

Due to the urgency of the climate crisis, organizations should not wait but instead, pay close attention to the credits they are purchasing. One of the most important criteria for a high integrity carbon credit is additionality. This means that the project would not have happened without carbon credit revenue and the project goes beyond its host country's climate objectives. We also encourage organizations not to use double-counted carbon credits. In addition, carbon projects shouldn't be harmful to biodiversity and human rights.

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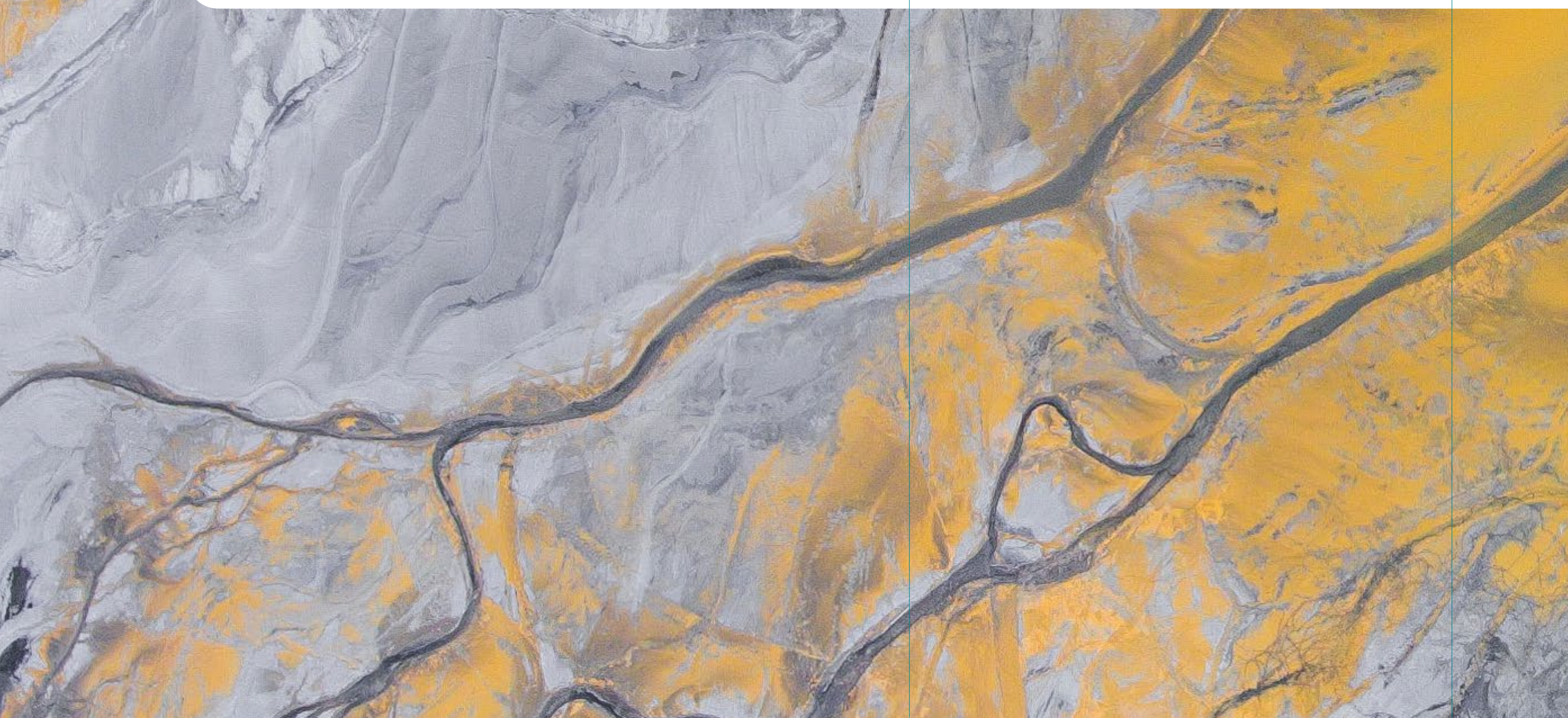
7 criteria for high integrity carbon credits



Taking responsibility for those emissions that cannot be avoided

Purchasing carbon credits also enables companies to take responsibility for their current unavoidable emissions and to reach carbon neutrality.

As net zero targets are set decades away, companies keep creating harmful emissions in the meantime.

When purchasing carbon credits, the mitigation hierarchy should always be kept in mind. However, companies can simultaneously work with radical emission reductions and offset those emissions that they currently cannot avoid or reduce.

At this stage of the climate crisis, implementing beyond value chain mitigation that aims for carbon neutrality, is highly recommended.

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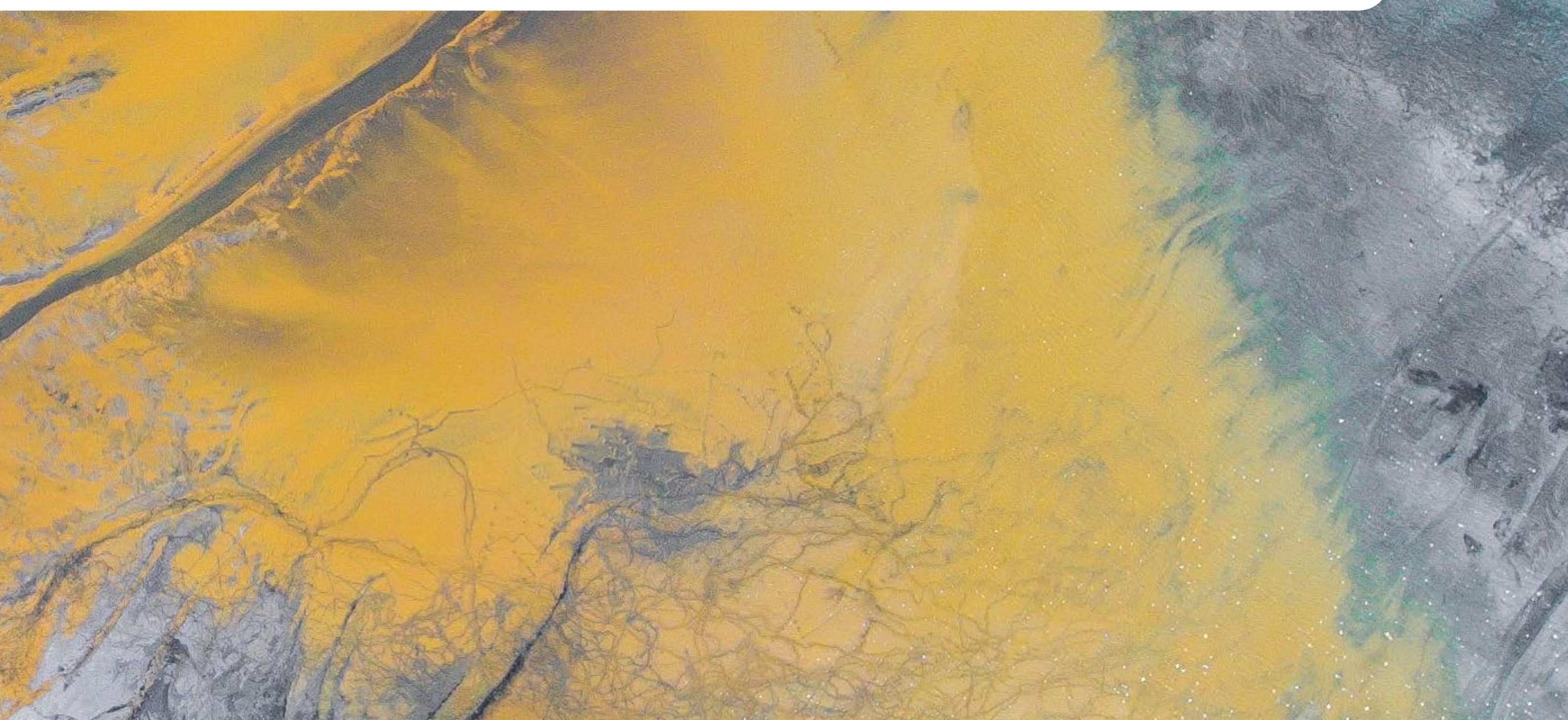

What kind of climate claims can a company make when implementing BVCM?

Carbon neutrality claims can be made today with the appropriate use of compensation. Net zero claims require deep decarbonization to have happened before a claim can be made. In both claims, aligning emission reduction pathways with the goals of the Paris Agreement puts compensation and using carbon credits “in the right place”, as a last-resort solution when all reasonable measures to reduce emissions have already been exhausted.

At Compensate, we firmly believe that carbon neutrality should be reached immediately with the appropriate use of compensation. We recommend taking all scopes into account and believe that companies should strive to include Scope 3 emissions whenever they are significant and can be reliably calculated. The bare minimum requirement is to be extremely transparent about what scopes are included.

If the target is not carbon neutrality but instead, a company wants to do additional climate action to support the global 1.5-degree target, it should transparently communicate what is this action and what is its achieved climate impact. The SBTi states that companies ‘should report annually on the nature and scale of those actions’. As the priority needs to be set on emission reductions and aiming for net zero by 2050, companies should focus on the mitigation hierarchy in their communication and transparently report how they are proceeding with their primary climate targets.

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The vast majority of carbon projects don’t meet basic sustainability checks. Acknowledging these flaws is key to understanding the risks associated with carbon neutrality and net zero claims that require the use of carbon credits. Compensation claims should be factual and unique. It is not acceptable to make a compensation claim using emission reductions or removals that have already been counted and claimed by the host country of the project. If a company is using double-counted carbon credits for beyond value chain mitigation, it can make a mitigation contribution or climate action claim, instead of a compensation claim. In this case, the nature of these credits and this climate action should be transparently communicated.

Compensate offers solutions for offsetting and beyond value chain mitigation for all types of businesses.

Get familiar with our resources or learn more about Compensate’s services for companies.

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