



# **The Quest for Climate Neutrality** and responsible use of carbon credits



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## Preface

This report is an English summary version of a longer report written in Norwegian by the Zero Emission Resource Organization (ZERO) and PwC Norway. The intended audience of the original report was Norwegian business and industry, however, due to interest outside of Norway and from Norwegian-registered foreign enterprise, we have translated key chapters from the original report into English.

In this summary version, we have not included chapters describing the history of the voluntary carbon market, the difference between compliance and voluntary carbon markets, and the current landscape of carbon credits in Norway. We have also excluded a chapter on the trends and projections for the future of the voluntary carbon market, the reasoning behind the particular

consideration given to forestry projects and the classification of EU Allowances (EUAs) in our traffic light model (see chapter 2).

This report seeks to answer the question “how can a company achieve climate neutrality?”. The first part of the original report spent time looking at the relationship between climate neutral ambitions and the purchasing of carbon credits, finding a distinct correlation among Norwegian companies. An important starting point, therefore, is defining what climate neutrality means in a literal sense. Climate neutrality is a state where an organization has no impact on the climate. In other words, when an organization emits one tonne of CO<sub>2</sub>e, they must simultaneously remove one tonne of CO<sub>2</sub>e from the atmosphere in order to claim climate neutrality, or net zero<sup>1</sup>.

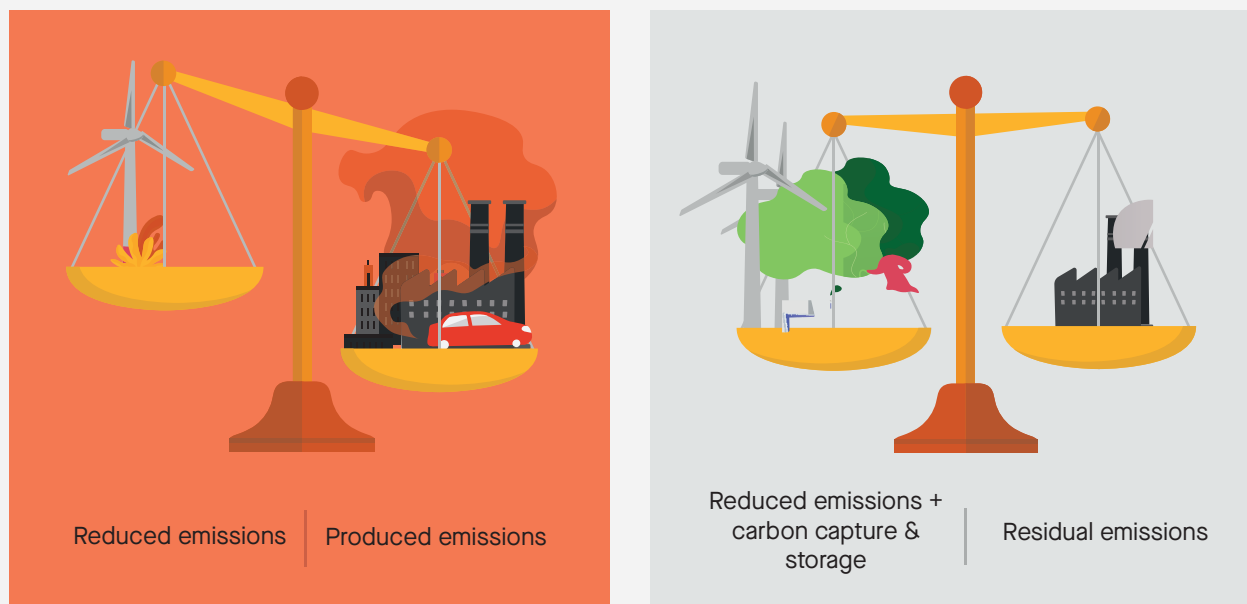


Figure 1: Climate neutrality, or net zero, is a state where greenhouse gas emissions are balanced by removals of greenhouse gases from the atmosphere.

<sup>1</sup> Internationally, the term net zero is more widely used and recognized for the concept of neutralizing remaining emissions with carbon credits. In Norway, the term climate neutrality (klimanøytral) is the most used term. In this report, the two terms are considered synonymous and used interchangeably.



## Preface

The recommendations in this report have been prepared based on recent guidelines from leading international initiatives, in particular from the Science Based Target initiative's *Corporate Net Zero Standard* (2021) and the *Oxford Principles for Net Zero Aligned Carbon Offsetting* (2020), which point to a much stricter practice for the use of carbon credits to meet the goal of climate neutrality.





# 01 Introduction

**More and more companies, both in Norway and internationally, set goals to become climate neutral or net zero, or declare that they already have a climate neutral business or a climate neutral product. This has created a rapidly growing demand for carbon credits from the voluntary carbon market. This is a positive trend when taken at face value. In order to meet the objectives of the Paris Agreement, large amounts of private capital are needed for the development of renewable energy, the conservation and restoration of ecosystems, the removal and storage of carbon and a number of other solutions and technologies for cutting emissions. The voluntary carbon market can play an important role in financing and scaling up these solutions, and it gives private companies the opportunity to help finance emission reductions outside their own operations.**

At the same time, there are major challenges associated with the voluntary carbon market. The market is complex and characterized by a lack of transparency and standardization. A major criticism is that the voluntary carbon market has rested on a high supply of cheap carbon credits. As a result, the voluntary carbon market has facilitated an expanding industry that promotes the idea that companies can easily and cheaply become climate neutral by compensating for their carbon footprint.

Most companies experience the voluntary carbon market as difficult to understand and navigate. The market is by definition voluntary and unregulated, with a lack of transparency

and standardization. Although most players in the market are serious and mean well, there is little doubt that many companies still buy credits from projects with doubtful or uncertain climate impacts<sup>2</sup>. This is particularly problematic if the credits are used as direct compensation for own emissions or to meet climate neutrality targets.

Today, Norwegian companies often refer to guidelines from the Norwegian Consumer Agency<sup>3</sup> (*Forbrukertilsynet*) or initiatives such as the UN's Climate Neutral Now<sup>45</sup> to describe how their activities are or will be climate neutral. However, these guidelines are outdated and not in line with either the Paris Agreement's objectives or more ambitious standards for climate neutrality, such as the University of Oxford and the Science Based Targets initiative (SBTi).

**In light of this, our report has three main objectives:**

1. To provide specific recommendations for how the use of carbon credits should be included in companies' overall climate strategy.
2. To establish clear guidelines for which carbon credits should be used to meet the goal of climate neutrality.
3. To increase the understanding of the voluntary carbon market and promote responsible purchasing of carbon credits.

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<sup>2</sup>Nicolas Kreibich & Lukas Hermwille, "Caught in between: credibility and feasibility of the voluntary carbon market post-2020," *Climate Policy* 21, 7

<sup>3</sup>These guidelines were first developed in 2009 and the Agency themselves regard the guidelines as outdated and void, but they are nonetheless available online and used by companies as a recipe for climate neutrality.

<sup>4</sup>Guideline: Climate Neutral Now Pledge," UNFCCC Climate Action, 2015.

<sup>5</sup>The UN's Climate Neutral Now initiative was launched in 2015 with guidance on how to achieve climate neutrality. In recent months, the initiative has distanced itself from claims of climate neutrality.

The starting point for this report is the growing number of companies setting goals for climate neutrality, which has resulted in a rapidly increasing demand for carbon credits. For many companies, however, it is difficult to distinguish between high- and low-quality credits. Furthermore, companies lack common definitions and practices for concepts such as “climate neutrality” and “climate compensation” in their marketing, sustainability reporting and climate strategies.

We believe that the principles developed by the University of Oxford and the Science Based Target initiative should be used as a basis for companies that want to use carbon credits to achieve climate neutrality. Based on these standards, ZERO and PwC have developed a traffic light model to categorize different carbon credits.

The main goal of the model is to draw a clear distinction between which credits can be used to achieve climate neutrality, and which credits should only be used as a financing mechanism for emission reduction measures, especially in developing countries and emerging economies. In both categories, it will also be necessary to carry out a due diligence assessment<sup>6</sup> to ensure that the credits stem from projects that meet strict requirements for climate impact and other environmental considerations.

An important principle in the Paris Agreement is that an emission reduction can only be counted once. In the case of climate cooperation between countries, a corresponding adjustment must therefore be made, where the emission reduction from a project or activity is distributed between the countries. It is currently unclear whether this principle will also apply between countries and private companies, and there are several interpretations of the regulations that were adopted at COP26. In the future, both credits with and without corresponding adjustments

will probably be traded in the voluntary market. In our traffic light model, we have not indicated whether corresponding adjustments should be a prerequisite for achieving climate neutrality.

In the long term, all emissions in Scopes 1, 2 and 3 must be reduced by a minimum of 90 percent by 2050 in line with the 1.5°C target. In the shorter term, however, it is appropriate to distinguish between Scope 1 and 2, and Scope 3. This is because Scope 3 is, after all, other companies' Scope 1 and 2 emissions, and because companies have the greatest chance at reducing their Scope 1 and 2 emissions in the short term.

#### **The traffic light model is based on three basic assumptions:**

1. Companies must set emission reduction targets in line with the Paris Agreement, which cover all emissions in Scopes 1, 2 and 3, including a short-term target of reducing emissions in Scopes 1 and 2 by at least 50 percent by 2030.
2. Climate neutrality is achieved by compensating for residual emissions in Scopes 1 and 2 with credits from projects that remove carbon from the atmosphere, and emissions in Scope 3 with forest projects that ensure avoided deforestation through jurisdictional programs, such as ART / TREES.
3. Purchases of credits from projects that realize emission reductions or contribute to avoided emissions should be considered a contribution to climate financing, but

<sup>6</sup>See our due diligence guidance in Appendix A

## Traffic light model for carbon credits

### **Green projects can provide climate neutrality**

In our traffic light model, the green credit types are the ones that can be used by companies to declare climate neutrality. This will be a project where companies can trust that one credit corresponds to one tonne of CO<sub>2</sub>e being removed from the atmosphere, beyond any reasonable doubt. The green projects must also be in line with other established quality criteria to ensure high environmental integrity. For bioenergy with carbon capture and storage (BECCS), for example, it is an absolute prerequisite that only sustainable raw materials are used, and that global use is within the framework set for biodiversity and sustainable land use.

In the short term, i.e. until 2030, we believe that it is reasonable to distinguish between the emissions in Scope 1 and 2 and the emissions in Scope 3. In order to achieve climate neutrality, the emissions in Scope 1 and 2 must be reduced by at least 50 percent by 2030, while residual emissions are offset by credits that remove carbon from the atmosphere. In addition, the emissions in Scope 3 can be compensated with credits from projects that contribute to avoided emissions from avoided deforestation. However, this assumes that these credits come from jurisdictional programs, i.e. that conservation and restoration of forests and ecosystems takes place at national or regional level, and in line with other criteria

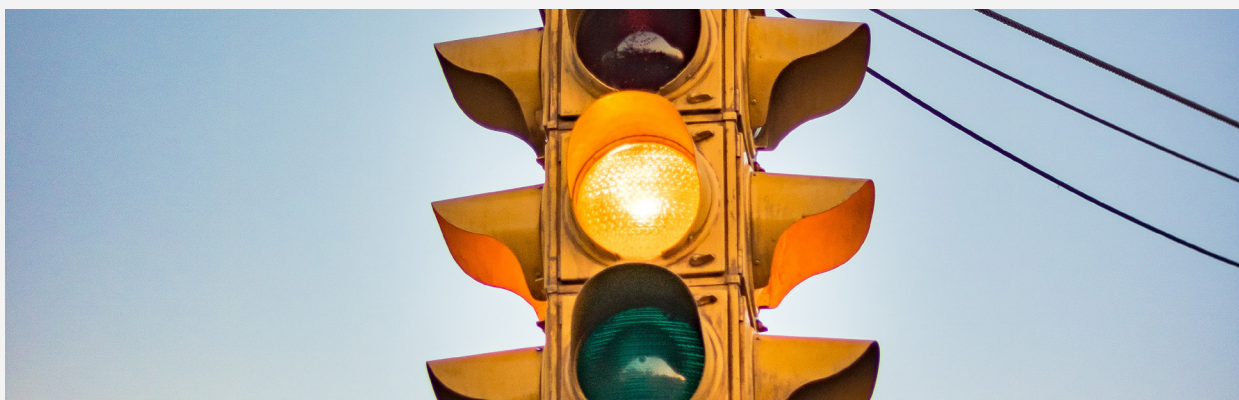
in Appendix A. We have classified these projects as light green.

### **Yellow projects make important contributions to climate finance**

The traffic light model also provides clear guidelines for how companies can use the voluntary carbon market to support climate mitigation measures in developing countries and emerging economies, or in their own value chains. This can be done through carbon credits from projects that meet strict quality requirements in line with evaluation criteria in Appendix A, but which do not contribute to climate neutrality. We classify these projects as yellow.

### **Red projects involve a high risk of greenwashing**

Projects with uncertain climate impacts are classified as red in our model. This will typically be projects where there is great doubt about additionality, or where the projects were verified in line with a methodology that has since been improved. Red projects are also those that are a part of historical oversupply in the voluntary carbon market, so that the credits represent emission reductions that took place several years ago. We believe that the use of red credits as direct compensation for the companies' own emissions will constitute greenwashing, because there is great uncertainty about the real climate impact of these projects.








## The traffic light model

Category	Description	Project types	Use in climate strategy
 <b>Green</b>	Activities that remove CO <sub>2</sub> from the atmosphere with long-term storage	<p>1) Carbon capture and storage activities that do not contribute to carbon lock-in, for example:</p> <ul style="list-style-type: none"><li>• Direct Air Capture (DACCS)</li><li>• Production of bioenergy with CCS (BECCS)</li></ul> <p>2) Projects that capture and store carbon, for example:</p> <ul style="list-style-type: none"><li>• Biochar</li><li>• Enhanced weathering</li><li>• Mineralization</li></ul> <p>3) Forest and land-use projects that remove carbon from the atmosphere and ensure long-term storage, such as restoration of mangrove forests. The projects must meet strict quality requirements, among other things to ensure permanence and avoid leakage effects (see Appendix A for requirements for due diligence assessment).</p>	Can be used to achieve climate neutrality, given that the company also cuts emissions in line with the goal of net zero by 2050.
 <b>Light-green</b>	Programs that contribute to avoided deforestation	Forest projects that ensure avoided deforestation through jurisdictional programs, such as ART/TREES.	Can be used to achieve climate neutrality in Scope 3, provided that the company achieves at least a 50 percent reduction in own emissions by 2030, and that residual emissions in Scope 1 and 2 are compensated with "green" credits.
 <b>Yellow</b>	Projects that contribute to emission reductions or avoided emissions	<p>1) Projects that can be documented as sound through a due diligence assessment (see Appendix A) within</p> <ul style="list-style-type: none"><li>• Waste management</li><li>• Renewable energy</li><li>• Household and society</li><li>• Industrial production</li></ul>	Can be reported as climate finance or climate contribution, but can <i>not</i> be used to achieve climate neutrality

Category	Description	Project types	Use in climate strategy
		<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Carbon capture and storage at industrial plants</li> <li>• Chemical processes</li> <li>• Forest and land use (not classified as green or light green)</li> <li>• Transportation</li> </ul> <p>2) EU emission allowances (EUAs)</p>	
.....			
	Projects with questionable climate impact	<p>1) All projects that cannot be defended through a due diligence assessment (see Appendix A)</p> <p>2) Projects that were developed and approved under the Kyoto Protocol, i.e. all projects under Joint Implementation and CDM</p> <p>3) Project that contribute to carbon lock-in</p>	Claims of climate neutrality based on such projects will entail a great risk of greenwashing.

Our traffic light model does not necessarily cover all project types sold in the voluntary carbon market. And it is of course not the case that this model provides a definitive answer to how different projects should be assessed. The market is changing rapidly, both with new standards, project types and evaluation criteria. A number of international initiatives are underway to improve the voluntary carbon market and establish guidelines for how carbon credits should be used in climate strategies and to achieve climate neutrality.

It is also important to emphasize that the model is first and foremost an attempt to establish clearer guidelines for which credits should be used to claim climate neutrality. This means, for example, that projects related to renewable energy are classified as yellow, even though a very rapid development of renewable energy is absolutely crucial for meeting the goals of

the Paris Agreement. But in those markets where renewable energy is still more expensive than fossil fuels, which fortunately are dwindling, development should be supported through climate finance and risk mitigation - without private companies being able to use credits from renewable projects to compensate for their own emissions.

In addition, our focus on climate neutrality means that we have placed less emphasis on “co-benefits”, i.e. whether the projects have positive effects for local communities, the fight against poverty, the conservation of biodiversity or the like. However, it is a prerequisite in all the established standards that projects for emission reductions as a minimum can not have a negative impact on other sustainability goals.

## Traffic light model for carbon credits

A comprehensive discussion of the use of EU emission allowances is discussed in an appendix of the original Norwegian version of this report. If more information on this is needed, please contact the authors. Our main conclusion is that EU allowances can not be classified as green, because there are several factors that make it problematic to recommend the purchase of EU allowances on a large scale for companies that want to compensate for their own emissions.



**This report is primarily about the pursuit of climate neutrality and the challenges of the voluntary carbon market, but we would like to emphasize once again that carbon credits are only a small part of a high-integrity and comprehensive climate strategy for private companies. In order to put the use of carbon credits in the right context, we have therefore focused on three main questions in the formulation of our recommendations: 1) what defines a good climate strategy; 2) how to ensure responsible purchasing of carbon credits; and 3) how companies should report on their purchase of carbon credits.**

#### **Climate change strategy**

All companies should develop a climate strategy that includes emission reductions in their own operations (Scope 1 and 2), as well as in their value chain (Scope 3), in line with the 1.5°C target. A comprehensive climate strategy consists of:

- 1) A complete annual carbon account in line with the Greenhouse Gas Protocol (GHG Protocol), including all significant emissions in Scope 3.
- 2) A clear target of decarbonizing the business and the value chain in line with the 1.5°C goal. That is, a target of reaching net zero emissions by 2050 in all Scopes, and at least a halving of the emissions in Scope 1 and 2 by 2030.
- 3) A decarbonization plan that shows how the company will work to reduce emissions in Scopes 1, 2 and 3. The plan must include short-term milestones and specific activities and timelines.

4) Instruments and tools to drive decarbonization and ensure follow-up of the decarbonization plan. This should include, among other things, that companies:

- Develop an annual carbon budget that is followed up on equal footing with financial budgets.
- Establish clear governance structures related to decarbonization, including roles and responsibilities, routines and incentive schemes.
- Implement an internal carbon price that highlights the cost of CO<sub>2</sub> emissions in investment and business decisions.

Purchasing carbon credits is not a prerequisite for a high quality and comprehensive climate strategy. For many companies, it will be more appropriate to focus only on reducing emissions in their own business and their own value chains. Whether to buy credits in the short or long term is therefore one of the questions companies should clarify in the development of their climate strategies. The purchase of credits should also be considered against other alternatives, such as models where companies can contribute more directly to developing or scaling zero-emission technologies in their own value chain.

#### **Responsible purchasing of carbon credits**

Building a level of understanding of the voluntary carbon market and carefully considering the purpose of purchased credits is important for companies that choose to buy credits as part of their climate strategy. It is particularly important to clarify whether the credits will contribute to achieving climate neutrality, or whether the credits will be used to finance emission reductions outside their own operations (climate financing).

## Recommendations

In line with the traffic light model we have introduced in this report, we believe that the following recommendations will ensure a policy for responsible purchasing of carbon credits:

- 1) If the company wishes to use the credits to achieve climate neutrality or net zero emissions, the credits must stem from a project that removes carbon from the atmosphere (classified as green and light green in the traffic light model).
- 2) If the company wants to contribute to reduced or avoided emissions outside its own business, they can purchase credits from a number of different project types, such as renewable energy and clean cookstoves (classified as yellow in the traffic light model). Such contributions can be communicated as climate finance, but cannot be used to achieve climate neutrality.
- 3) Businesses should perform a thorough due diligence assessment before any purchase of carbon credits (green, light green and yellow). It can not be taken for granted that generic recommendations from brokers in the market ensure that the credits have a real climate impact. Due diligence of carbon credits can be done by building competence internally or through assessments from a third party.
- 4) Businesses should base their purchasing decision on the guidelines outlined in Appendix A, and report on whether the credits meet the evaluation criteria or not.

As the system for corresponding adjustments under the Paris Agreement becomes more established, everyone who purchases credits must also decide whether to use this mechanism. If a company uses the voluntary carbon market to contribute to climate financing, corresponding adjustments will not be necessary. Then the host country can use the emission reduction to meet its target in the Paris Agreement, while the companies

that have contributed to the realization of the project can report their contribution as climate financing. Several developing countries have announced "conditional targets" under the Paris Agreement, which means that their emission reductions will be increased through external financing. The overall level of ambition in the agreement can thus be increased if more private actors contribute to this type of climate financing.

### Reporting purchased carbon credits

Lack of transparency is a major problem in the voluntary carbon market. If a business wants to buy credits as part of its climate strategy, they must follow best practices in reporting those credits. If the company purchases credits through a broker, they must request detailed information about the projects, along with proof that the credits have been canceled from a registry (cancellation receipt). We recommend that companies that purchase carbon credits communicate this as an integral part of their annual sustainability reporting.

The annual reporting must at a minimum contain the following information:

- Project number, project type, number of credits purchased per project type and certification standard
- The price paid for the credits
- Reference to publicly available information about the projects
- Due diligence assessment of the projects in accordance with the evaluation criteria in Appendix A
- Cancellation receipt must be available upon request
- Whether or not a corresponding adjustment has been made when purchasing the credits.

If the company has purchased credits categorized as "green" in the traffic light model as part of its strategy to compensate

## Recommendations

for annual remaining emissions, we recommend that the credit purchase be reported with, for example, the following wording:

*“We have calculated our total greenhouse gas emissions in Scopes 1, 2 and 3 to be [X tCO<sub>2</sub>e in the reporting year]. In addition to the fact that we have implemented emission reduction measures [insert measures implemented during the reporting period], we have neutralized our greenhouse gas emissions through the purchase of carbon credits from [project name and number].”*

If the company has purchased credits categorized as “yellow” in the traffic light model, we recommend that the credit purchase be reported with, for example, the following wording:

*“We have calculated our total greenhouse gas emissions in [insert scope, e.g. Scope 1, 2 and 3] to be [X tCO<sub>2</sub>e in the reporting year]. In addition to the fact that we have implemented emission reduction measures [insert measures implemented during the reporting period], we want to contribute to financing emission reductions outside our own operations. That is why we have chosen to support [insert project name and number].”*





# 04

## Concluding remarks

**The aim of the recommendations in this report is to make it easier for Norwegian companies to navigate the voluntary carbon market and to provide guidance for companies that want to ensure integrity in their climate strategies. This report was developed in response to the growth in claims about climate neutrality that lean heavily on the purchase of carbon credits. This growth in climate neutrality claims is seen as particularly problematic if companies use credits with a questionable climate impact, or if it leads to the weakening of efforts to reduce their own greenhouse gas emissions. However, this report finds that not all types of credits should be used in strategies to achieve climate neutrality or in the marketing of climate-neutral products.**

In response, this report introduces a traffic light model with three clear recommendations for the responsible use of carbon credits:

- 1) Companies that want to buy carbon credits must first and foremost establish a comprehensive climate strategy. This includes setting emission reduction targets in line with the Paris Agreement, covering all emissions in Scopes 1, 2 and 3. This must also include a near-term target of cutting emissions in Scopes 1 and 2 by at least 50 percent by 2030.
- 2) Climate neutrality is achieved by compensating for the remaining emissions in Scopes 1 and 2 with credits from projects that remove emissions from the atmosphere, and emissions in Scope 3 with credits from forest projects that ensure avoided deforestation through jurisdictional programs, such as ART / TREES.
- 3) Purchases of credits from projects that realize emission reductions or contribute to avoided emissions should be considered a contribution to climate financing,

but cannot be used to meet the companies' goals of climate neutrality.

Declaring climate neutrality will be more demanding for businesses that follow our recommendations. Indeed, climate neutrality will and should be a long-term goal integrated into a credible climate strategy in line with the goals of the Paris Agreement. Carbon credits must be used responsibly, in line with strict due diligence requirements, where the main emphasis is on removing carbon from the atmosphere. Only then will climate neutrality really be what the word is perceived as, namely that companies' activities do not have a net negative impact on the planet's climate.

Measured against our traffic light model, there are likely no Norwegian companies with significant emissions that are climate neutral today. This does not mean that companies that have declared themselves climate neutral are engaging in deliberate greenwashing. On the contrary, many of these companies have come a long way in reducing emissions in their own businesses, and their purchase of carbon credits is in most cases an expression of high climate ambitions. The fact that many companies still buy credits that we have classified as red in our traffic light model, i.e. from projects with a very uncertain or doubtful climate impact, shows first and foremost that it is difficult to orient oneself in a complex market.

Today, the Norwegian Consumer Agency's (Forbrukertilsynet) guidelines for the use of climate neutrality in marketing are the only guidelines available from the Norwegian authorities for private companies' use of carbon credits. However, this guide is severely outdated, and in our view is directly misleading for companies that want to use carbon credits to achieve climate neutrality.

## Concluding remarks

For companies that follow our recommendations, it will be more demanding to declare their business as climate neutral. For most companies, climate neutrality will be a long-term goal, which is integrated into a credible climate strategy in line with the goals of the Paris Agreement. This means that companies must at least halve their emissions by 2030 and reach net zero by 2050. Remaining emissions must be compensated with credits from projects that remove carbon from the atmosphere. Only then will climate neutrality really be what the word is perceived as, namely that the companies' activities do not have a net negative impact on the planet's climate.

All climate scenarios that limit global warming to 1.5°C degrees show that it will be necessary to remove large amounts of CO<sub>2</sub> from the atmosphere. This assumes large-scale use of solutions that are still both expensive, immature and difficult to finance. The voluntary carbon market is likely an integral element for achieving a much faster upscaling of carbon removal projects.

At the same time, it is important to emphasize that our recommendations are not a general warning against buying carbon credits. In order to meet the goals of the Paris Agreement, large amounts of private capital are needed for the development of renewable energy, energy efficiency and a number of other solutions and technologies to reduce emissions. The voluntary carbon market can play an important role in financing and scaling up these solutions, and it gives private companies the opportunity to contribute to realizing emission reductions outside their own operations. By using the voluntary carbon market in this way, private companies can trigger major emission reductions in developing countries and emerging economies, so that these countries can increase their ambitions under the Paris Agreement.

How the voluntary carbon market develops in the next few years will therefore also be important for global climate efforts. In the worst case, the use of credits can postpone the demanding restructuring of private companies and become a low-integrity shortcut to climate neutrality. But the voluntary market can also be an important mechanism for climate financing of a wide range of climate solutions, and large companies' net zero ambitions can be an important driver for realizing carbon removal and other low carbon solutions on a completely different scale than what will be possible to obtain through public funding schemes.



## Appendix A: Guide for responsible purchase of carbon credits

Every purchase of carbon credits should undergo a due diligence assessment where the buyer of the credits assesses the quality through the checklist<sup>7</sup> below.

Checklist for due diligence	Important questions to ask before buying:
<p><b>Additionality:</b> the purchase of credits should trigger new removals or emission reductions that would not otherwise have occurred</p>	<ul style="list-style-type: none"> <li>• Is the project dependent on financial support through the credit purchase?</li> <li>• Does the project's documentation show additionality in line with a recognized standard?</li> <li>• Has the project secured a buyer of carbon credits before implementation?</li> <li>• How large a share does the income from carbon credits make up compared to other income streams or cost savings in the project?</li> <li>• Would the project stop reducing emissions if it did not continue to receive income from carbon credits?</li> <li>• If the project is not (currently) required by law, is there reason to believe that the project is being implemented due to looming legal requirements (or to avoid triggering such requirements in the future)?</li> </ul>
<p><b>Permanence:</b> the project's emission reductions or stored emissions must be permanent.</p>	<ul style="list-style-type: none"> <li>• Does the project have a formal plan for managing and reducing reversal risk, including an accepted level of risk, and is this plan being followed?</li> <li>• Has the project established measures or mechanisms to mitigate negative consequences of reversal, such as a buffer stock or an insurance mechanism?</li> <li>• How long is permanence guaranteed by the standard that issued the carbon credits?</li> <li>• For stored emissions from projects that use technology to remove CO<sub>2</sub>, is the storage at least 100 years?</li> </ul>
<p><b>Exclusivity:</b> the credit and associated emission reductions shall only be counted and sold once.</p>	<ul style="list-style-type: none"> <li>• Does a cancellation receipt accompany the purchase of the carbon credits, and does the cancellation receipt contain traceable information about the project?</li> <li>• Are emission reductions outside the project's limits excluded from the project's total credit calculation?</li> <li>• Is the credit supported by a corresponding adjustment?<sup>8</sup></li> </ul>



## Appendix A: Guide for responsible purchase of carbon credits

<p><b>Avoid overestimation:</b> the calculated emission reduction is based on a conservative baseline that is documented in line with a recognized standard.</p>	<ul style="list-style-type: none"> <li>• Can the project refer to documentation that proves a conservative baseline? Are deviations from established methodology described and justified in an appropriate manner?</li> <li>• Are there deficiencies or other discrepancies in the project monitoring data, and have these discrepancies been described and justified in an appropriate manner?</li> </ul>
<p><b>Avoid damage:</b> the project's implementation creates no social or environmental damage.</p>	<ul style="list-style-type: none"> <li>• Have the project developers conducted consultations and dialogues with local stakeholders before implementation?</li> <li>• Is the project certified by an independent third party in accordance with an established standard for social and environmental benefits?</li> <li>• Has the project documented measures to minimize, reduce or avoid potential damage?</li> </ul>
<p><b>Price:</b> the price level of the credits creates confidence that the project is of high quality.</p>	<ul style="list-style-type: none"> <li>• What is the price of the credits compared to the average price on the voluntary market?</li> <li>• What is the price of the credits compared to the price of credits from similar projects?</li> <li>• What is the price of the credits compared to the price of carbon quotas in regulated markets e.g. EU ETS?</li> </ul>
<p><b>Vintage:</b> the emission reductions in the project took place fairly recently.</p>	<ul style="list-style-type: none"> <li>• When were the credits issued?</li> <li>• When buying credits that were issued more than 3-5 years ago, is it likely that current income from the sale of credits is necessary for the project to continue?</li> </ul>
<p><b>Dokumentasjon:</b> klimaeffekten til prosjektet og kjøp av kredittene må være grundig dokumentert.</p>	<ul style="list-style-type: none"> <li>• Does the project come with thorough documentation of calculations, assessments and basis for certification?</li> <li>• Does a cancellation receipt accompany the purchase of carbon credits, and does the cancellation receipt contain traceable information about the project?</li> <li>• Does the purchase of carbon credits come with sufficient information about the project that facilitates transparent reporting? (See Chapter 3 for recommendations related to reporting)</li> </ul>

## Appendix A: Guide for responsible purchase of carbon credits

<b>Carbon lock-in:</b> the project does not help maintain the use of fossil fuels.	<ul style="list-style-type: none"><li>• Er prosjektet tilknyttet produksjon, transport eller distribusjon av fossilt brennstoff?</li><li>• Bidrar prosjektet til at fossilt brennstoff skal fremstå som mer miljøvennlig?</li></ul>
<b>Carbon leakage:</b> the project ensures that activities that reduce or remove emissions in one place do not cause increased emissions in another.	<ul style="list-style-type: none"><li>• Har prosjektet redegjort for risikoen tilknyttet karbonlekkasje?</li><li>• Har prosjektet en formell plan for å håndtere og redusere lekkasjerisiko, og blir denne planen fulgt?</li><li>• Er prosjektet en del av et større jurisdiksjonelt program der beregningene er utført gjennom konsistente og konservative referansebaner og krediteringsmetoder?</li></ul>

<sup>7</sup>The checklist is partly based on the Carbon Offset Guide, but is more comprehensive to ensure high climate integrity.

<sup>8</sup>The regulations for this were adopted at COP26, but it will probably take several years before the system of corresponding adjustments is incorporated in climate cooperation between countries and in the voluntary carbon market.

A big thank you to the sponsors of this project:





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