Carbon markets must be a transparent, high integrity part of broader corporate climate action.

The recent synthesis report from the Global Stocktake is a stark reminder: the world continues to veer dangerously off course from the long-term objectives outlined in the Paris Agreement. With global greenhouse gas emissions set to reach an unprecedented high in 2023, we must move immediately to accelerate near-term action to reduce emissions. The private sector must play a critical role in creating and driving solutions that deliver emissions reductions today.

The exponential growth of corporate climate commitments, including more than 13,000 companies setting targets through organizations such as the Science Based Targets Initiative and SME Climate Hub, is demonstrating that companies are taking ambitious action on climate by focusing on the decarbonization of their value chains. However, these commitments alone are not sufficient to generate the flows of corporate climate finance needed to keep global climate goals in reach. Since 2018, annual corporate climate finance has increased by just 5%, from $183 billion to $192 billion annually.[1]

To keep our climate goals in reach, more must be done to incentivize and recognize corporate climate investments today. Corporate investment must help address urgent and underfunded climate priorities, including halting and reversing nature loss by 2030 and incentivizing emerging economies to shift away from building new fossil fuel energy infrastructure.

While carbon markets are not a panacea, when used properly they are important in moving climate action further, faster. Emerging evidence demonstrates that companies engaging in voluntary carbon markets are doing so responsibly, using markets as a mechanism to accelerate climate action alongside much-needed investments to decarbonize their own operations and those of their suppliers.[2][3][4] Companies purchasing carbon credits are investing three times more on emission reductions efforts within their own supply chains and are nearly twice as likely to decarbonize year-over-year compared to companies not investing in the carbon market.[5] Despite this, companies purchasing carbon credits are more likely to be criticized than commended, and the voluntary carbon market remains a relatively untapped source of potential climate finance.

If we wish to bring corporate climate finance to the scale needed for 1.5C goals, the voluntary and policy frameworks that drive corporate investment must provide strong, unambiguous incentives to act today—within companies' value chains, and outside of them. But there is far too little of this in today's climate targets and claims frameworks.

One voluntary corporate climate framework that recognizes this need is the Voluntary Carbon Market Integrity Initiative (VCMI), which represents a step-change in defining how carbon markets should be integrated into corporate climate strategies. VCMI is the first major voluntary corporate climate initiative to:

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[1] https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2019/, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/
[2] https://trove-research.com/report/corporate-emission-performance-and-the-use-of-carbon-credits
[3] https://www.sylvera.com/resources/carbon-credits-and-decarbonization
[4] https://www.accenture.com/content/dam/accenture/final/accenture-com/document-2/Destination-Net-Zero-2023-Report.pdf
[5] Based on an analysis of companies reporting to CDP - https://www.ecosystemmarketplace.com/articles/new-research-carbon-credits-are-associated-with-businesses-decarbonizing-faster/

- **Ensure companies are delivering progress towards their science based targets.** VCMI requires companies contribute to lowering global emissions every year on their pathway to net-zero – while recognizing no individual company's trajectory will be linear and flexibility will be needed on their journey.
- **Incentivize companies to take immediate climate action.** VCMI provides robust claims to companies which act today and channel finance to underfunded climate priorities, recognizing we cannot wait until 2030 to demonstrate progress towards meeting commitments.
- **Use high-integrity credits**. VCMI requires companies to purchase high-integrity carbon credits that deliver true emissions reductions aligned with the Core Carbon Principles Assessment Framework developed by the Integrity Council on Voluntary Carbon Markets (ICVCM)
- **Require companies to transparently disclose on carbon credits**. VCMI establishes requirements for transparency and annual disclosure on carbon credit usage, bringing greater accountability around the role of carbon credits in corporate climate strategies.

VCMI represents a major step forward, but much more needs to be done to create effective corporate climate incentive frameworks that work in the real world and drive investment in climate solutions today.

We also recognize the climate community must come together to address existing gaps in the corporate net-zero architecture. This includes developing more comprehensive approaches to objectively assess annual progress towards meeting targets, allowing us to better understand the appropriate circumstances under which carbon markets should be incentivized.

The scale and urgency of the climate challenge cannot be overstated and will require the deployment of every credible tool at our disposal. While voluntary carbon markets have faced rightful scrutiny, advances from the VCMI and ICVCM are charting a new, high-integrity pathway forward based on transparency and accountability. We need more frameworks and standards to follow suit, creating a clear set of guidelines to incentivize the private sector to invest today in carbon markets as a transparent, high integrity part of their broader climate action efforts.

Signed,