Carbon offsetting cannot be the majority lever for the corporate world in the fight against climate change

In November 2021, 60% of the FTSE100 had pledged to eliminate their contribution to carbon emissions by 2050. This figure has since increased to over 80%. But while this presents itself as a positive trend, it is important for businesses to realise that the methods used achieve those targets have a seismic impact on how much change is actually implemented.

In the corporate world, carbon offsetting has been used as a go-to solution for businesses to address their carbon emissions. Although a necessary component in the big picture, this option is often selected by businesses wanting a ‘quick-fix’.

We are seeing companies make bold sustainability claims, using buzzwords and phrases such as ‘carbon neutral’ or ‘net zero’ because they have invested heavily in carbon offsets. Not only is this misleading, but it undermines the gold standard set by the Science Based Targets Initiative (SBTi) – that businesses should prioritise reducing 90% of their emissions before turning to offsets.

Having said this, carbon offsetting does have its place in a net zero strategy and should not be entirely dismissed. A bespoke combination of carbon reduction and offsetting is a much more meaningful and robust approach used by businesses with some of the most commendable sustainability strategies. Companies that refer just to offsetting, however, are greenwashing, and these instances should raise alarm bells about how genuine or effective their climate ambitions really are.

If a business is looking into offsetting, there are also disparities in the quality of offsets available on the market. Like other commodities, the quality of different offsets varies. Businesses should only purchase from trusted and verified providers, such as Climate Care and Pachama.

Cost is also indicative of how effective an offset will be in practice. Businesses that take offsetting seriously pay closer to £100 per tonne of carbon addressed, understanding that even if that's not the price today, that's what it will cost soon when the markets are pricing them effectively.

Reducing carbon footprints

There is no excuse for industry laggards when it comes to carbon emissions. While more education is needed for businesses to best understand how to create and implement a sufficient net zero strategy, the information is available, and the corporate world must be proactive in how they make use of it.

As advised by the SBTi, cutting operational and supply chain emissions is the 'proper' way to address corporate carbon reduction. The first step is developing a strong baseline understanding across all three scopes – direct emissions in scope 1, indirect emissions from purchased energy in scope 2, and all other indirect emissions across the value chain in scope 3 – highlighting the carbon hotspots to drill into and focus on. The best way to accomplish this is for companies to take carbon data as seriously as they do financial information, as granularity helps to identify which areas need to be addressed.

The process of cutting emissions must be informed by sufficient data. Walmart is a good example of this, whereby the multinational retail corporation used data to discover that it could seriously cut the emissions it was responsible for by decreasing the size of its wooden pallets used to ship goods. By decreasing the air gaps in its pallets, Walmart could ship more products per shipment. As a result, fewer shipments are now required – meaning decreased fuel consumption.

What’s the deal with supply chain emissions?

Achieving net zero requires companies to tackle their upstream, and where possible downstream emissions. The preliminary accounting for Scope 3 emissions can be done using spend data from procurement teams. However, primary data is required to get the granularity of information necessary to help suppliers reduce their emissions, which is where supplier engagement is needed.

At *Emitwise*, we help businesses understand, track, and reduce their carbon footprint, engaging their full supply chain. Addressing Scope 3 emissions is not currently mandatory, but companies should really be addressing this category despite the lack of regulation, given it accounts for more than 11 times that of many businesses’ carbon footprints.

In essence…

Carbon offsets have been positioned as low-hanging fruit for businesses to reach net zero. The reality is a different picture – businesses serious about achieving net zero status must invest in transforming emission-heavy activities and making structural changes where necessary, especially when it comes to supply chains. Offsetting simply cannot be the majority lever.

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