

Public Consultation on the Draft Nordic Code of Best Practice for Voluntary Compensation

Thank you for the opportunity to comment on the draft code on voluntary compensation. We think the code of best practice is needed and consider the exercise with stakeholders very useful.

We support the broad definition (page 4) taken on voluntary compensation in the draft code. The needs in different host countries can vary immensely: in some countries the announced targets are backed by strong agreed policies and measures and are thereby met without a need for voluntary compensation activities of the private sector whereas in others the announced targets can be very far from the likely emissions pathway. The definition of voluntary compensation should therefore be broad, but at the same time, processes and the related claims should be transparent and all stakeholders of the compensation activity understand the concepts in a similar way.

We find it problematic that the draft code does not make distinction between 1) direct and indirect emissions and 2) Scope 2 and Scope 3 emissions. Organizations cannot necessarily control the indirect emissions – in particular Scope 3 - as effectively as they control direct emissions. Also, unless not implemented very carefully a situation may arise, where multiple organizations address the same emissions, the oversight on the whole value chain is lost and emissions are reported and compensated multiple times by different actors. This can lead to unnecessarily high costs and thereby lower compensation activity levels.

Having high-integrity mitigation outcomes as a starting point is a good basis. In Annex B we would find it helpful to refer here to processes elsewhere so that the draft code would always be in line with broader development in this field.

We support the principle that companies need to cut their own emissions first before engaging in voluntary compensation activities. The draft code refers to an organisation-specific “1.5°C aligned pathway” as a basis for its climate action. We note that such

pathways are used in some voluntary corporate systems, like the Science-Based Targets initiative, but no widely agreed methods for determining the quality of different pathways exist. Determining whether an individual emissions pathway is “1.5°C aligned” or not is always to some extent subjective and not a very accurate black-or-white exercise. The Paris agreement is based on national climate targets that are determined on a bottom-up basis and are not necessarily based on 1.5°C-aligned pathways. In fact, only a very small number of countries have established 1.5°C aligned pathways (see e.g. Climate Action Tracker). For example, reaching climate neutrality by 2050 cannot necessarily be unequivocally considered “1.5°C aligned” in some countries like the US or the EU, but may well be so elsewhere. It is therefore questionable to what extent any very definite conclusions can be drawn on actions of individual companies operating in those countries. We therefore encourage the draft code to be less explicit on its references to “1.5°C aligned pathways” and refer e.g. to “rapid substantial emission reductions” instead. Organizations should then transparently describe for all stakeholders involved in the voluntary compensation activity how they understand such a pathway in detail.

It is important that compensation activities have sufficient environmental and social safeguards. Impacts need to be reported transparently.