Combatting greenwashing at COP27 – UN High Level Experts report & ISO Net Zero Guidelines

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1. Introduction

What do companies mean when they say that they have net zero targets? How can you tell if it is marketing hype or a serious commitment to decarbonisation?

Two new publications timed to coincide with COP27 in Egypt aim to set out what net zero means for all 'non-state actors' to combat greenwashing. The first is the catchily-named 'High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities'. The second is the international standard-setter ISO's Net Zero Guidelines (IWA 42:2022).

This article provides an overview of these documents and explains what they mean for companies with net zero targets, or those who are planning to set them.

2. Net zero – a (very) short history

The term net zero really caught on following the 2015 Paris Agreement, which called for a balance between sources and sinks of greenhouse gas (GHGs) by 2050. The premise of this is that to do so will mean global carbon budgets not exceeding 2 degrees of warming by the end of the century, therefore avoiding the worst impacts of climate change. Thousands of cities, regions, companies and financiers swung behind the concept before there being a practical definition. Some were keen to get on with the urgent task of decarbonisation, whereas other saw a convenient route to keeping emitting with the promise of offsetting emissions elsewhere. As a result, the term net zero risks undermining the integrity of the Paris Agreement and thus derailing global efforts to combat climate change.

Of the net-zero pledges by 25 companies evaluated in the 2022 Corporate Climate Responsibility Monitor report, only one was deemed as having 'reasonable integrity' and none scored 'high integrity'. The study found nearly all exaggerated the ambition of their claims and climate targets by a variety of means.

3. Efforts to nail down a net zero definition for corporates

The Science Based Targets initiative (SBTi) was quick off the mark in creating a framework for private companies to set emission reduction targets in line with the Paris Agreement, establishing criteria for setting near-term (5-15 year) emission reduction targets based on science-based emissions pathways to limit global warming to 2 degrees. It followed up with the Net Zero

Corporate Standard in October 2021, which provided the first global definition of corporate net zero, including the limited use of carbon removals to achieve net zero emissions.

The UN launched it's 'Race to Zero' campaign launched in the run up to COP26 in Glasgow in 2021 to encourage non-state actors to sign up to one or more of a range of networks and initiatives (including the SBTi) that all met campaign's 'minimum criteria' for net zero. The rigour and requirements of these initiatives varies widely.

While these initiatives have been influential, they do not provide a common set of concepts and terminology that can be adopted by policy makers, regulators, cities, regions, companies and other organisations. They are also voluntary. There is thus plenty of scope for interpretation of what net zero means and hence the proliferation of greenwash – some of it done unwittingly, some of it more calculated

4. How do these recent UN and ISO publications help?

Both publications provide guidance and recommendations, so in themselves do not provide any mandatory requirements. Their weight derives from the role of the UN and ISO in standardising global terminology and concepts in the expectation that they will be adopted by policy makers, regulators and disclosure frameworks. It also gives companies and their stakeholders a reference point beyond that of the voluntary initiatives. This is particularly helpful as actors have naturally viewed the voluntary initiatives as optional, and thus free to define net zero as they see fit.

5. Why are there two publications and what is the difference between them?

They have been developed in parallel by different entities but with similar aims. The UN High Level Expert Group was set up by the UN Secretary-General António Guterres on 31st March 2022 in response to the risk of greenwashing undermining the Paris Agreement goal to limit the global temperature increase. The UN Expert Group publication is a report designed for a general audience to be read end-to-end with five overarching principles and ten recommendation chapters.

The International Standards Organisation (ISO) exists to create and maintain standards and they recognised the need for one for net zero. The guidelines are the first step to launching formal ISO Standard to which organisations can be certified, which is likely to be some years away. The guidelines are a technical reference document, setting out definitions, principles and requirements.

6. What are the main features of the UN recommendations and ISO guidelines for net zero?

Both documents cover similar ground in different presentational styles. There is a good deal of overlap between the two, as well as the previously-mentioned voluntary initiatives (SBTi, UN Race to Zero, and others besides) which are sometimes cross-referenced.   The table below summarises some of the main headlines, but clearly there is a more detail contained in the 30+ pages of each publication. Nonetheless, adherence to just these summary recommendations would close many of the major loopholes that facilitate greenwashing.

Table 1: Some of the definitions from the ISO Guidance

Term	Definition
Net zero GHG	Condition in which human-caused residual GHG emissions are balanced by human-led removals over a specified period and within specified boundaries
GHG inventory	List of GHG sources and sinks and their quantified GHG emissions and removals over a specified period and within specified boundaries.
Baseline	Quantified GHG emissions and removals of an organisation at a specified time against which assessment of progress towards net zero can be performed.
Science-based pathway	Trajectory to achieve global net zero GHG emissions based on scientific evidence
Residual emission	GHG emission that remains after taking all possible actions to implement emission reductions
Avoided emission	Potential effect of GHG emission that occurs outside of the boundaries of the organisation (Scope 1, 2 and 3).
Removal	Withdrawal of a GHG from the atmosphere as a result of deliberate human activities.
Credit	Tradeable certificate representing the mitigation of a specified amount of GHG emissions (note: an organisation can retire a credit without using it as an offset).
Offset	Emissions reduction or removal resulting from an action outside of the organisation's boundaries used to counterbalance its residual emissions

Table 2: Key features and common themes in the UN and ISO net zero recommendations

Target setting	Net zero pledges to be made publicly by the organisation's leadership. Alignment of capital expenditures and executive renumeration with target achievement.
	Net zero targets to cover the whole value chain (scope 1, 2 and 3 emissions) and all GHG gases. Separate targets for material non-CO_2 GHGs e.g. methane by at least 30% from 2020 levels by 2030.
	Interim targets consistent with a fair share of 50% global GHG reduction by 2030 from a 2018 baseline. Net zero by 2050. Refer to sector-specific science-based pathways.
	Prioritise emission reductions over removals.
	Specific targets aimed at phasing out the use and/or support for fossil fuels
	Eliminate deforestation and peatland loss by 2025 at the latest, as well as the conversion of other remaining natural ecosystems by 2030.
Offsetting	Carbon reductions/removals outside of the value chain cannot be used towards interim targets (i.e. carbon offsets and avoided emissions sometimes referred to as 'scope 4')
	Only 'high-quality[1]' offsets to be used to counter-balance residual emissions to claim net zero (once science-based pathway reductions have been achieved).
Disclosure & verification	Publicly disclose Transition Plans, to be updated every 5 years and progress to be reported annually.
	Annual 3rd party verification of emission reporting and claims.
	Transition Plans and annual disclosures to outline the policies and regulation needed to cut emissions in line with a 1.5°C scenario.
	Disclose how lobbying and policy engagement is consistent with targets. Disclosure of all trade association affiliations.

[1] To be defined by the Integrity Council for the Voluntary Carbon Market (ICVCM).

7. Are there any controversial features or notable gaps?

The ISO guidelines contain a couple of technical points which are likely to receive some push back from stakeholders, even those engaged with voluntary initiatives such as the SBTi's Net Zero Corporate Standard.

- '*The organisation should ensure that targets are set separately for scope 1, 2 and 3*'. The SBTi corporate standard allows scope 1 and 2 to be rolled together for the purposes of target setting.
- '*When setting targets the organisation should calculate scope 2 emissions from energy using the average GHG emissions of the grid where the utility is based (location-based accounting) wherever possible*' and '*…avoid reliance on certificates of origin that allocate the renewable portion of a supply that contains a mix of other sources, including fossil fuels*'. Some companies anticipate relying heavily on renewables procurement based on certificates to meet their targets. Some have historically even extended the concept to scope 1 fuel combustion with green gas certificates, despite the lack of carbon accounting rules to do so, in the hope that the GHG Protocol will be revised to allow this approach.

The ISO guidance also makes mention to "carbon neutrality" and a separate ISO standard expected to be published in 2023 (ISO 14068). There is a risk that this will sow confusion and hence open yet more doors to greenwashing, as flagged up by the French energy agency ADEME. The High Expert Group document makes no mention of carbon neutrality, preferring to talk of 'beyond value chain mitigation' and increasing climate finance flows to developing countries.

The guidance in documents do nothing to overcome the problem found with applying the SBTi's framework in some cases – it's based on a concept of emission reductions against a baseline. This works for heavy emitters needing to transition to low carbon operations or business models, but not for companies that are providing the solutions for decarbonisation and hoping for dramatic growth e.g. new companies in renewable energy, smart grids, electric vehicles, alternative proteins, passive buildings…etc. It also penalises those who have taken early action.

The dirtiest companies are effectively granted the largest carbon budget to start with, whereas the SMEs and start-ups, hoping to grow by definition, little or nothing. A solution to this is a comprehensive set of product/sector-specific 'contraction and convergence' carbon intensities (i.e. emissions per physical unit) consistent with the global carbon budget. Incumbents can target these over a period of time whereas new entrants can potentially provide alternative low carbon goods and services from the off. At present these 'Sectoral Decarbonisation Approach' intensity targets are only available for select heavy industries.

8. What do they mean for companies that already have net zero targets or are setting them?

Companies should be aware of the content of the UN High Level Experts Group recommendations and ISO guidelines on net zero. If companies actively choose to deviate from them, then they should be ready to justify their position to avoid being accused of greenwashing. On a more positive note, both documents provide a useful resource for companies looking to maintain or develop a robust approach to net zero. The UN High Level Experts Group report in particular is well written and easy to read.

Following the guidance and recommendations will ensure that a company is contributing its fair share to achieving the goals of the Paris Agreement. It will help future proof the company against net zero regulation and the stakeholder societal expectation for companies to play an active part in mitigating climate change.

9. How do they affect SBTi targets that have already been set? Will companies have to do more?

Those already with validated-SBTi targets will already be aligned with the guidance (potentially bar the points above) to the extent that they overlap. The UN recommendations and ISO guidelines complement the more quantitative-nature of the SBTi's criteria, containing additional points on disclosure and Transition Plans as briefly summarised in the right-hand column of the table 1 above. Notably there is the recommendation for 3rd party verification of reported emissions and claims, plus multiple recommendations pushing for greater transparency of GHG inventories, Transition Plans, lobbying activity, policy engagement and supporting a just transition.

For further support or any other queries on net zero strategy please contact Tim Crozier-Cole, Head of 'Aim for Zero' Corporates.

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