

Climate claims: what's the latest in EU policy?

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Empowering Consumers for the Green Transition

EU Directive - *Agreed by EU institutions (pending final adoption)*

- Expands blacklist of banned B2C commercial practices

- + • Bans generic and unsubstantiated environmental claims
- + • Bans environmental claims based on GHG emissions offsetting for goods and services
- • Does not define GHG emissions offsetting

Green Claims outlines the substantiation criteria for claims not banned under Empowering Consumers

Climate claims based on carbon credits are currently allowed only at organisational level

Green Claims Directive

EU Directive - *Under negotiation in Parliament and Council*

- Governs substantiation and communication of B2C environmental claims
- Applies to all companies except micro-enterprises

- + • Requires disaggregation of GHG emissions, emission reductions and carbon removals(1)
- + • Potential Delegated Act to specify the case of climate claims
- + • Requests traders to prioritise emission reductions and address their residual emissions through carbon removals
- • Does not define climate neutrality or net zero claim for companies
- • Offsetting with emission reduction and avoidance credits is possible
- • Residual (hard-to-abate) emissions not rigorously defined(2)
- • Does not enshrine the like-for-like principle(3)

CRCF does not set guardrails for use cases(5) and Green Claims is not linked to CRCF.

Green Claims certificates of conformity should integrate with CRCF for claims based on carbon removal credits.

Lack of alignment despite both governing organisational level data on carbon removals and carbon credits.

Carbon Removal Certification Framework (CRC-F)

EU Regulation - *Trilogue negotiations*

- Voluntary EU-wide framework to certify carbon removals generated in Europe
- Criteria for defining high-quality carbon removals and the process to monitor, report and verify their authenticity

- + • Expected to distinguish between carbon removal and emission reduction units(4)
- • Does not set guardrails on the uses of certified units(5)

Carbon removals inside a company's value chain reported under ESRS must abide by the CRCF

European Sustainability Reporting Standards (ESRS)

Delegated Act under Directive on Corporate Sustainability Reporting

- Improves ESG reporting in company annual reports
- No authority over claim-making
- Applies to large companies and listed SMEs (adapted standards)

- + • Improves reporting for net zero plans, emissions, and removals
- + • Disaggregation of emissions, carbon credits and carbon removals
- + • Disaggregation by carbon source and storage (geosphere or biosphere)
- • Residual (hard-to-abate) emissions not rigorously defined(2)
- • Net zero claims not defined, nor differentiated from net zero targets
- • Different treatment of carbon removals if in or out of value chain

(1) Claimants would have to disclose the share of total emissions addressed through offsetting and specify whether these come from emissions reductions or carbon removals (see Recital 21, Art. 3.1h and Art. 5.6f in the proposal).

(2) There should be a binding requirement stating that companies can only compensate for, or balance, their residual (hard-to-abate) emissions in order to combat mitigation deterrence.

(3) The "like-for-like" principle is an approach that matches the nature and timescale of carbon emissions with corresponding removal techniques. In practice, short carbon cycle emissions, such as those from land-use changes, could be effectively offset by biosphere-based carbon removal methods, such as reforestation. In contrast, long-lived emissions, such as those from burning fossil fuels must be addressed through geological storage.

(4) Both Parliament and Council have established a distinction between different types of certified units so that emissions reductions are not mistaken for carbon removals.

(5) The Parliament requests that the use of certificates should be regulated under the CRCF. In the case of voluntary compensation claims, the Parliament asks undertakings to follow the rules set under Empowering Consumers with further details to follow in a Delegated Act. The Council does not cover use cases in their position.