



# Green Claims Directive: NEP position paper

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*The Negative Emissions Platform (NEP) is a Brussels-based partnership of European and international organisations focused on carbon removals. Our members are primarily technology companies, but also include project developers, investors, carbon marketplaces, and buyers of carbon removals. We provide a forum in which diverse like-minded organisations actively collaborate to improve political and public recognition of carbon removals.*

The Intergovernmental Panel on Climate Change (IPCC) has made it absolutely clear that net-zero is unattainable without carbon removals [1]. Globally, we will need to be removing up to 10 gigatonnes of CO<sub>2</sub> a year by 2050 – we are currently at 2 gigatonnes with less than 1% going towards permanent carbon removals [2]. To ensure sustainable net-zero, we need to be scaling up permanent carbon removals and we need to be doing it now. The sector currently relies on a few funding tools to get project off the ground, with the Voluntary Carbon Market (VCM) being one of the key sources of funding.

It is essential that rules are in place to avoid greenwashing whilst simultaneously facilitating the necessary investment in permanent carbon removals now. The Green Claims Directive, as proposed by the European Commission, aims to establish rules that require companies to substantiate, effectively communicate, and validate their environmental claims including setting out rules on how carbon credits can be used to make these claims. With these new rules, the objective is to instill trust in environmental claims and provide consumers with reliable information, enabling them to make informed choices when buying products.

[1] IPCC: [AR6 Synthesis Report](#) (2023)

[2] Steven M Smith, Oliver Geden, Jan C Minx, Gregory F Nemet: [The State of Carbon Dioxide Removal](#) (2023)



## Key messages

1. The scope of the Green Claims Directive and the Empowering Consumers Directive regarding **product and corporate claims needs to be clarified;**
2. The Green Claims Directive should **incentivise the use of CDR before net-zero, at net-zero, and to get to net-negative by allowing the use of carbon credits to make compensation claims as long as they meet strict safeguards:**
  - a. Ensure carbon credits meet high-quality standards, with removals aligned with EU's Carbon Removal Certification Framework.
  - b. Ensure carbon credits don't hinder efforts for absolute emissions reduction.
  - c. Transparently report the use of carbon credits.
3. The Green Claims Directive should **enable companies to make climate claims even if the mitigation outcome took place outside the EU**, as long as the claims are third- party verified by a body approved by the European Commission and comply with the standards set under the CRCF and other EU standards as may be necessary.
4. The EU should **encourage co-claiming**, which involves a claim and accounting in both the corporate and national systems, in particular in the context of permanent carbon removal efforts. Co-claiming is a pre-requisite for comprehensive co-funding to help support the deployment of the technology-based CDR sector.



## 1 Scope of Empowering Consumers Directive & Green Claims Directive

In the last two years, the European Commission put forward two pieces of legislation regarding claims and greenwashing that were seen to complement each other: the Empowering Consumers Directive and the Green Claims Directive. It was understood that the former, which has been adopted by the co-legislators, would regulate products and service-level claims and the latter would regulate corporate claims.

However, the Parliament's stance seems to partially overlap with product-level claims, causing confusion in the division of scope. This lack of clarity regarding the intended scope and interaction of the Empowering Consumers Directive and the Green Claims Directive raises concerns about potential regulatory inconsistencies and market uncertainty. As such, it is imperative that policymakers provide clarification on the intended scope and interplay of these legislative measures to ensure coherence.

## 2 Allowing for claims based on carbon removal credits

The IPCC has stated that CDR can serve three distinct and complementary functions on both a global and national scale:

1. **Furthering reduction of net emissions in the near-term:** CDR initiatives can play a role in promptly decreasing net-CO<sub>2</sub> or overall greenhouse gas (GHG) technologies, offering a means to mitigate climate impact in the near term.
2. **Counterbalancing residual emissions in hard-to-abate sectors:** CDR technologies can serve to neutralise challenging-to-address residual emissions. This can aid in reaching net-zero CO<sub>2</sub> or GHG emissions within a mid-term timeframe.
3. **Achieving and sustaining long-term net-negative emissions:** In the event that CDR technologies are implemented at levels surpassing annual residual emissions, they have the potential to drive net-negative CO<sub>2</sub> or GHG emissions over the long run, thereby contributing to reducing the concentration of greenhouse gases beyond achieving annual carbon neutrality.



If the EU looks to leverage permanent removal technology in any and all of the three phases mentioned, the permanent CDR sector needs strong and clear incentives now. The VCM and rules on claims need to be developed to reflect this. While the European Parliament's position on the Green Claims Directive is welcome, it overlooks this need, effectively prohibiting any climate claims until companies reach the residual emissions stage.

The failure to recognise the importance of all stages risks postponing investment in carbon removals for many, many years until all non-residual emissions have been abated and only the residual hard-to-abate emissions remain. With the time it takes to scale CDR technologies, the delay would put the EU on a path of failure for reaching its net-zero target by 2050 which would undoubtedly have a negative impact on the climate. Also, it would seem to contradict the spirit of Article 6 of the Paris Agreement not to engage in voluntary climate mitigation until the residual level is reached. The Parliament's position therefore needs to be amended to acknowledge the role that a high-integrity VCM, carbon credits and compensation claims can and should play in the path leading up to net-zero.

In order to ensure their integrity, compensation claims should be permissible as long as they are clearly substantiated. Corporations should therefore be allowed to use carbon credits under the following conditions:

1. The **carbon credit meets high-quality criteria** – in the case of carbon removals, should be aligned with the criteria for permanent carbon removal as defined under the EU Carbon Removal Certification Framework (see next section);
2. That they **do not interfere with absolute emissions reduction efforts and targets**; and
3. That the **use of carbon credits are transparently reported, as described in the European Sustainability Reporting Standards (ESRS) in items E-6 and E-7 on disclosure of Scope 1 to 3 emissions and GHG removals, respectively.**



While a net-zero claim should be reserved for the point where like-for-like removals are applied towards the final residual emissions, the articulation of compensation claims on the path to net-zero needs to be further specified to allow corporations to make justifiable claims about their climate actions to address their remaining emissions as well as to allow consumers to be able to meaningfully compare the claims of different corporations. Such further specification could either be laid out in delegated acts or be entrusted to reputable organisations working to strengthen the quality and integrity of the VCM.

In finalising the Green Claims Directive, it should also be evaluated if any compensation claim can be made unless the company has, and executes on, a Paris Agreement compatible emissions reduction plan covering its entire value-chain (Scopes 1 to 3), where the potential for economically reasonable reduction measures should be continuously explored before beyond value-chain measures on the VCM are considered.

### 3

## **Where does the Carbon Removal Certification Framework fit in?**

In February 2024, the EU institutions reached an agreement on the Carbon Removal Certification Framework (CRCF), establishing a voluntary system for certifying carbon removals across the EU. The main goal is to standardise carbon removal methodologies, enhancing their credibility in the voluntary market and thereby increasing support for carbon removal activities.

The final text of the CRCF cited that the use of certificates would be clarified in other EU legislation, including the Green Claims Directive and the Corporate Sustainability Reporting Directive. However, the Commission's proposal for the Green Claims Directive failed to establish this connection, leaving uncertainty about how CRCF certificates could be used for climate claims.



To address this issue, the EU institutions must **establish clear rules that allow for the use of CRCF certificates within the framework of the Green Claims Directive**. This integration would enable companies operating within the EU single market to leverage the certifications obtained through the CRCF to support their climate claims.

As a result, climate claims would be backed by high-quality carbon removal credits that comply with standards set at the EU-level, thus boosting credibility in the carbon removal sector at a time when the sector is still in its nascent stage. By recognising the value of the CRCF certificates, the Green Claims Directive could enhance the transparency and trustworthiness of climate claims made by companies.

## **Climate claims: carbon removals credits beyond the CRCF**

Whilst a link with the CRCF is essential, it should also be noted that methodologies for all known CDR technologies are unlikely to be adopted for several years. Moreover, the final text of the CRCF limits the scope to carbon removal activities to within the EU. Given the global perspective of the Green Claims Directive as well as the Corporate Sustainability Reporting Directive, which include non-EU companies operating within the EU market, there is a pressing need to clarify how carbon removal credits beyond the CRCF can be used to make claims.

It is essential that high-quality is maintained and so an equivalence regime would need to be established. This could be addressed in the form of a **European Commission delegated act, which would set out certification schemes that are approved by the Commission and that comply with the standards agreed upon under the CRCF**. By allowing the use of these carbon removal credits to make compensation claims, the Green Claims Directive would ensure a level playing field and, consequently, would boost global standards for carbon removal credits.



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## **Double counting, double claiming, co-claiming: clarifying key concepts**

Due to the breadth of the proposal, the Green Claims Directive does not refer to ‘double counting’ or ‘double claiming’. However, given the potential interlinkages with the CRCF, these concepts need to be clarified.

Often, double claiming and double counting are conflated and therefore misunderstood. Double counting is a mechanism that prevents multiple entities, whether two nations or two companies, from using the same efforts to use the same mitigation activity towards their respective targets—National Determined Contributions (NDCs) for countries and net-zero objectives for companies.

In contrast, in the case of double claiming (or sometimes known as co-claiming) a claim and accounting in the corporate system will also appear in the national claiming and accounting system. This scenario applies to emissions reduction and should be extended to encompass carbon removal efforts as well. In this context, a country would consolidate the actions of various economic entities within its borders.

Co-claiming based on co-funding can help support countries’ climate targets. This is even more pertinent given the need for scaling up CDR whereby the combined funding from government aid and purchases by the VCM would adhere to the polluters pay principle. This can significantly expedite the deployment of permanent removals and minimise the cost for the taxpayer to bring about the CDR industry. Lowering the cost through government aid would drive a larger demand from the VCM, increasing the volume of negative emissions and helping get the sector to the capacity needed to tackle the climate crisis.

Against this background, the EU should encourage co-claiming, which is a pre-requisite for comprehensive co-funding.



*The EU has a real opportunity with the Green Claims Directive to crack down on greenwashing and ensure that environmental and claims are transparent, reliable and substantiated. This Directive also holds potential to stimulate significant investments in CDR technologies at a time when it is essential to get projects on the ground, and begin scaling up this climate-critical sector. For compensation claims, clear rules are needed to link the Green Claims Directive to the CRCF, as well as allowing the use of other carbon credits if substantiated by a third-party and are CRCF-compliant. Lastly, the EU should encourage co-claiming as an essential step toward enabling extensive co-funding for the CDR sector.*