





Over the last decade, carbon offsets have gained popularity within the retail and consumer

products industry as a voluntary tool to mitigate their Scope 1, 2, and 3 greenhouse gas (GHG) emissions. The quality and type of offsets play a critical role, however, in the credibility of a GHG emissions reduction claim. Lately, the environmental and sustainability communities have sent mixed messages on the efficacy of nature-based carbon offsets.

### **Removal and Avoidance Offsets**

Carbon offsets come in two basic forms—removal and avoidance. Removal offsets are generated by activities that take carbon out of the atmosphere, and can be nature-based (e.g., tree growth and algae) or technology-based (e.g., point source carbon capture and sequestration). Avoidance offsets, on the other hand, are voluntary actions that prevent carbon emissions from entering the atmosphere in the first place. Some avoidance activities that produce carbon offsets can be nature-based, including preventing further deforestation and voluntarily capturing methane from dairy farms.

Nature-based removal and avoidance solutions have drawn recent scrutiny. Some nature-based offsets are cheap and boast environmental benefits that are tough to verify; for instance, how likely is it over the next 50 years that a natural ecosystem will be destroyed to make way for industry? Some forest-based offset projects have literally gone up in smoke when wildfires devastated large swaths of trees previously "protected" to generate offsets. Critics point out inconsistent crediting and verification standards that allegedly make it too easy for retailers and brands using cheap offsets to claim progress toward a "net-zero" goal. Nature-based offsets have been at the center of consumer protection litigation, including recent false advertising litigation against Danone alleging that forest-based carbon sequestration cannot count as a carbon offset, because the benefits of tree growth over a decade cannot make Danone's products "carbon neutral" today.

For those reasons, technology-based solutions such as direct air capture and fossil fuel power generation with carbon capture and storage are marketed as more reputable carbon offset tools. Unlike nature-based solutions, which involve long-term forecasting, newer technologies like direct air capture offer immediate GHG removals and can be measured more accurately. But the most talked-about technology-based carbon removal solutions are an order of magnitude more expensive than nature-based solutions, making them out of reach for most

businesses and consumers to meet net-zero commitments.

The United Nations Framework Convention on Climate Change (UNFCCC) is uncertain whether to support technology-based solutions in draft rules for a new global carbon market. UNFCCC cited concerns that technology-based solutions are unproven at scale and could pose unknown environmental and social risks. On the other hand, while nature-based offsets can be difficult to monitor, they are more affordable and more plentiful, making them more accessible. The EU's Green Deal advocates for nature-based solutions as part of its Carbon Removal Certification Framework, with one goal to cover 20% of the EU's land and sea with nature-based restoration measures like carbon farming.

## Takeaways

Regardless of the debate between technology-based and nature-based solutions, in all cases, retailers and brands making claims toward their sustainability goals must rely on credible registries and verification bodies as independent arbiters of sustainability claims. Purchasing unverified offsets based on short-term nature-based protocols may result in unintentional greenwashing or even *increased* carbon emissions. While "in-house" emissions reductions remain a priority for most brands, for emissions that cannot be reduced to zero, carbon offsets offer a credible claim toward mitigating a brand's carbon footprint. While both technology-based and nature-based solutions have their pros and cons, all offsets require a close review to ensure the company is purchasing credible emissions reduction or avoidance claims.

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