Corporate greenwashing or real climate action at COP28?

In September, the U.N. Climate Ambition Summit in New York was flooded with new corporate climate announcements and initiatives, too many of which reflected marketing flash rather than real plans to reduce emissions. In fact, corporate climate greenwashing has become so brazen the U.N. Secretary General has identified it as a major impediment to climate action. The upcoming U.N. Framework Convention on Climate Change (UNFCCC) 28th Conference of the Parties, also known as COP28, in Dubai, United Arab Emirates is another chance to combat corporate greenwashing. The good news is that countries are already taking steps to limit greenwashing by corporations and financial institutions. COP28 presents an important opportunity for country-level regulators to share best practices and move toward strong, legally binding rules that establish what companies can claim as real climate action.

The U.N. Climate Summit included a workstream focused on the “credibility” of corporate pledges that explored the operationalization of recommendations from a U.N. High Level Expert Panel issued at COP27 in the report *Integrity Matters*. That report shined a light on the damaging effect of corporate greenwashing on climate action and included these key recommendations for future climate pledges: 1) set near-term targets for 2025 and 2030 (not just 2040 or 2050); 2) focus on actual emissions reductions — particularly fossil fuels; 3) include scope 3 emissions (full supply chain) when calculating climate footprint; 4) no use of emission offsets in the near-term, including through 2030.

The recommendations in *Integrity Matters* had an immediate impact. When the Glasgow Financial Alliance for Net Zero, a coalition of eight financial sector alliances, pledged to adopt the report’s recommendations, a number of financial and insurance firms left the alliance. While the companies based their departure on concerns about antitrust violations, there were also liability concerns about meeting more rigorous net-zero standards.

The “credibility” challenge for corporate climate claims has spawned several actions by government regulators in the U.S. and Europe who are requiring more details from companies about their emissions and climate plans and installing guardrails to limit widespread greenwashing.

For the last several years, IATP has exposed climate greenwashing by food and agriculture companies. Too often, IATP’s research has found that corporate climate claims: 1) do not reflect measurable emission reductions from the company’s current (not future) operations, including supply chains; 2) claim emissions...
reductions that are not certified by an independent, transparent and credible third party, with ongoing monitoring; 3) rely on carbon offsets or removals that are not scientifically credible and lack integrity.

**Losing trust in corporate climate claims**

While more and more companies are using climate marketing terms like “climate neutral,” “zero carbon” and “climate smart,” there is growing confusion and skepticism among consumers and investors about exactly what those terms mean — for good reason. A recent analysis of over 700 companies making “net zero” claims found that more than two-thirds had not provided details on how they would achieve that goal. An analysis by Carbon Market Watch concluded that 24 of the world’s largest companies were greenwashing with their net-zero plans, while largely continuing business as usual. Global polluters like Shell, Chevron, BP and ExxonMobil boast about renewable energy investments, while increasing fossil fuel related emissions, another set of researchers found.

New climate-related claims are being made because companies accurately understand that consumers and investors care about climate action. An International Food Information Council survey found that consumers are concerned about climate change and that concern affects their purchases. A recent study of consumers by Johns Hopkins University found that food labels indicating a high climate impact deterred consumer purchasing. The North American Meat Institute found in an annual survey that about one-third of consumers who eat meat are looking for environmental claims and a portion explicitly want a lower climate footprint.

But several surveys indicate consumers are skeptical of corporate climate claims. A recent poll found that a majority of Americans (64%) believe corporate pledges on climate change are just for appearances and that the companies won’t stick to their promises. A survey commissioned by Changing Markets Foundation found that more than 50% of respondents were concerned about corporate greenwashing on food labeling with terms like “carbon neutral,” “climate positive” and “net zero.” A 2022 survey for the Advertising Standards Authority in the U.K. found that British consumers believed “carbon neutral” claims implied that an absolute reduction in carbon emissions had taken place and felt deceived when told that “carbon offsets” were used to reach the goal.

Most of the major meat companies use some type of climate-related marketing. JBS, the country’s largest meat company, prominently markets its “net zero by 2040” commitment. However, a recent decision by the industry-run National Advertising Division of the Better Business Bureau recommended that JBS discontinue these net-zero claims, finding that they “reasonably create consumer expectations that the advertiser’s efforts are providing environmental benefits, specifically ‘net zero’ emissions by 2040, a measurable outcome” that it did not believe could be substantiated.

Tyson Foods has also made net-zero claims (by 2050) and recently introduced its so-called “Climate-Friendly” beef, which it claims produces 10% less greenhouse gas emissions. Tyson doesn’t make clear what its baseline for a 10% reduction is, nor how it is calculating those reductions on farms. As several articles have pointed out, the U.S. Department of Agriculture (USDA) approved a “climate friendly” label for Tyson but refuses to share how it has substantiated the label.

Further muddying the waters on corporate climate claims is the recently formed USDA “climate-smart commodities” program. The USDA defines a “climate-smart” commodity as one that reduces greenhouse gas emissions or sequesters carbon. However, there is no standard or guidance for the extent to which emissions must be reduced, for how long (in forestry and agriculture, carbon stored temporarily can be released later) and how the claim is verified or by whom. The USDA’s program has funded 141 different climate-smart agriculture projects, all with different definitions of “climate smart.” Most major food companies are involved in one of the USDA “climate-smart” commodity projects (Danone, PepsiCo, Hershey, Nestle, Kellogg’s and General Mills, among others), and several are already marketing projects as “climate smart” (such as Tyson’s Climate Smart Beef). Consumers and investors are left in the dark trying to understand “climate-smart” food products and how much of a climate benefit has been achieved by producing and purchasing such foods.
Many climate claims lack transparency and mislead

In multiple reports and analyses of corporate climate plans over the last five years, IATP has found that most meat and dairy companies that make climate-related claims do not count the full scope of their emissions. Scope 1 emissions are defined as a company's direct emissions, Scope 2 are emissions tied to energy and fuel use for the company, and Scope 3 emissions include the company’s full supply chain (usually the largest source of emissions). IATP’s analysis found that most meat and dairy companies do not include their full Scope 3 emissions in climate reporting. In addition, many do not report publicly their Scope 1 or Scope 2 emissions.

Further complicating matters, many food companies use a carbon intensity metric rather than an absolute emissions reduction metric in making climate claims. Carbon intensity numbers represent emissions per unit of output. For example, emissions per gallon of milk produced. It is possible for a company to reduce its carbon intensity yet increase its overall climate emissions if it expands production. In our analysis of dozens of meat and dairy companies, all project to expand overall production into the future. The carbon intensity metric has come under recent scrutiny as part of the global Science Based Target Initiative (SBTi), which works with companies to set credible emissions reductions targets. The 2022 Forest, Land and Agriculture (FLAG) guidance from SBTi allows companies to set emissions intensity targets, but they cannot result in flat or increased absolute emissions by the end of the 5-10-year target period.

Additional deceptive elements of climate-related marketing are claims based on speculative technology that has yet to be developed. Many meat and dairy companies make “net zero” claims based on technologies, such as special animal feed or animals fitted for gas-capturing masks, that have yet to be developed, assessed and proven to reduce emissions.

Climate claims based on carbon offsets lack integrity

“We must have zero tolerance for net-zero greenwashing. The absence of standards, regulations and rigor in voluntary carbon market credits is deeply concerning. Shadow markets for carbon credits cannot undermine genuine emission reduction efforts, including in the short term. Targets must be reached through real emissions cuts” — U.N. Secretary General, November 2022

Several climate-related claims, such as “carbon neutral,” “carbon free” or “net zero,” rely on carbon offsets to substantiate the label. Corporate climate claims based on offsets are deceptive to consumers and investors by giving the impression that the product and its supply chain either do not emit greenhouse gases or reduce emissions based on largely unregulated offset projects, the development of which may manipulate baselines and/or misrepresent the number of emissions offset with carbon credits.

Serious scientific questions about the validity of carbon offset credits are numerous and have grown over the last two decades. Scientists have not yet answered fundamental questions about precisely how much carbon can be sequestered in soil and for how long. The latest IPCC report concluded that there is not a one-to-one relationship between precisely measured industrial sources of emissions and less scientifically certain (and less permanent) land-based carbon sequestration, including farmland sequestration. Contributing authors to the IPCC report wrote that based on current climate science, “Results indicate that a CO₂ emission into the atmosphere is more effective at raising atmospheric CO₂ than an equivalent CO₂ removal is at lowering it, with the asymmetry increasing with the magnitude of the emission/removal.” (IATP emphasis) As CO₂ emissions and equivalent CO₂ removals increase, the degree of asymmetry increases.

Scientists have also concluded that climate change itself, through rising temperatures and the increasing frequency of extreme weather events, will slow or disrupt the soil’s ability to sequester carbon on farms and forests over time. For example, floods and soil erosion could reverse emissions reductions claimed by offset project developers. Other recent science highlights the complexities and uncertainties of measuring soil carbon.

Aside from the substantial scientific questions, there is inconsistent and poor oversight of unregulated private carbon offset credit markets around the world, as well as weak standards and verification. An assessment by CarbonPlan of 14 soil carbon credit protocols in the U.S. concluded that “the lack of rigorous standards makes it hard to ensure good climate outcomes.”
2021 Congressional Research Service (CRS) report on agriculture carbon credits within private markets identified multiple credibility weaknesses.

Many offset projects involve emissions avoidance, such as not cutting down a forest, which do not reduce emissions in a way that can be measured objectively. Furthermore, developers of avoidance projects have a strong economic incentive to greatly overestimate emissions avoided. The SBTi’s corporate net-zero standard disallows counting avoided emissions towards emission reduction targets.

Due to the lack of effective monitoring and oversight, offsets are facing increasing scrutiny. A string of investigations into offset credit projects has revealed how many are ineffective in reducing emissions and that some appear to be outright fraudulent while others cause harm to local communities.

Governments respond to greenwashing

In response to the many challenges associated with corporate climate claims, governments are starting to act. In March 2023, the European Commission published its Green Claims Directive designed to set common criteria against greenwashing and deceptive environmental claims, including climate-related marketing. The directive (proposed legislation to be adapted and enforced by EU Member States) requires companies to substantiate any climate claims through a lifecycle analysis with accompanying data and independent verification. It also includes additional informational requirements for climate-related claims reliant on offsets, including details on how much any claim relies on offsets, the type of offset and certifier of the offset. The EU Commission’s Green Claims Directive still needs to be approved by the EU Parliament and Council.

In the U.S., the Federal Trade Commission is updating its Green Guides for corporate marketing, with a new emphasis on climate claims. The Securities and Exchange Commission (SEC) is issuing new climate risk disclosure rules for publicly traded companies, which mandate disclosure of physical risks related to climate change, plans to manage its climate-related financial risks and reporting on the company’s emissions. California recently passed its own climate risk and emissions disclosure rules that will require large public and private companies, including food and agriculture companies, to provide full supply chain reporting with more detail than the SEC.

In February 2023, Britain’s Advertising Standards Authority (ASA) published new rules on corporate claims specifically for “net zero” and “carbon neutral.” The ASA guidance recommends avoiding unqualified claims of “net zero” and “carbon neutral” and requires additional information for consumers describing the basis for these claims, including details on the use of offsets. The ASA has already ruled against climate claims used by retail banks, an airline, and an oil and gas company. U.K. regulators are in the process of developing Sustainable Disclosure Requirements and investment labels (“SDR”), with a policy statement and final rules expected this summer. France also has issued new rules on “carbon neutral” advertising, requiring companies to prove such claims. South Korea has drafted a law to fine companies for deceptive climate-related claims.

In the absence of government action, others are turning to the courts. At least 20 climate-washing cases have been filed before courts in the U.S., Australia, France and the Netherlands since 2016, while an additional 27 cases have been filed before non-judicial oversight bodies (such as advertising standards boards), legal researchers report. Experts expect the number of climate-washing cases will rise in the future without clear government guidance and rules on climate-related claims.

The U.N. Secretary General was right to emphasize the importance of “credibility” in corporate climate claims at the U.N. Climate Ambition Summit in New York, and the conversation should continue at COP28 in Dubai. One clear goal for country-level regulators at COP28 should be to advance strong guidelines on what companies can and cannot claim as climate action. The planet cannot wait for corporations to stop business-as-usual greenwashing and instead invest in real climate action.