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# Net Zero or Carbon Neutral, That is the Question

**The UK government's Net Zero Strategy sets out the nation's pathway to Net Zero. Whilst there is no clear directive for UK organisations to set actual Net Zero targets, there is an increasing requirement to demonstrate to numerous stakeholders that climate risk and emissions are being tackled. These might be responding to customers, shareholders or competitor drivers and the message is also reinforced through regulatory requirements such as Streamlined Energy and Carbon Reporting (SECR) and Task Force for Climate-Related Disclosures (TCFD).**

Organisations have responded to these drivers through setting their own targets for greenhouse gas (or carbon) emissions reductions, with the ambition to go carbon neutral or net zero. Until a few years ago, these terms were considered interchangeable, but with the publication of documents such as the Science-Based Targets Initiative (SBTi) Corporate Net-Zero Standard, together with increased scrutiny on greenwashing, it is incredibly important for target-setting and environmental claims to be transparent and credible.

Which option is right for your organisation will depend on which stage you are at on the emissions reduction journey, whether you would like to go for verified targets and the level of investment (both financial and resourcing) your organisation is willing to provide. However, the use of the right terminology is key to ensure all key stakeholders understand what the company has signed up to and is trying to achieve.

## WHAT IS THE DIFFERENCE?

### 1. Carbon Neutral

Carbon neutral is essentially about ensuring that an organisation's emissions are tackled through reduction and off-setting through carbon credits. This involves measuring the organisation's footprint across Scope 1, 2 and (optionally) 3 and deciding on the appropriate reduction and off-setting pathway. There is no limit to the amount of off-setting which can be done, so in theory 100% can be off-set through carbon credits. This approach is particularly appealing when the Scope 3 emissions are difficult to tackle and can sometimes be a stop-gap approach on the way to Net Zero. It also can help the organisation to set out their initial commitment to tackle climate change, with the intention to accelerate into Net Zero at a later date.

Concerns about carbon neutrality disclosure can be alleviated by certification under PAS2060, an internationally recognised BSI standard. This involves setting out specific targets, timelines and a pathway to achieve carbon neutrality. It also requires the use of credible off-setting schemes (e.g., the Verified Carbon Standard).

Whilst emissions reduction is encouraged to achieve Carbon Neutral, complete flexibility is allowed in the approach to using off-setting, including the types of projects which can be invested in, which can avoid, reduce or remove carbon. This can cover anything from carbon sequestration through tree-planting, to community water projects, to renewable energy generation.

**PROS**

- Requires carbon footprinting and ongoing measurement to quantify carbon off-sets, which can help the organisation become more informed about their key impacts.
- Can help energy and sustainability managers to gain acceptance from the senior management or board to provide an initial commitment to carbon reduction.
- Generally seen as lower

investment and time-resource than tackling carbon reduction, especially for Scope 3.

- More flexible than Net Zero as the organisation can access different kinds of carbon off-setting schemes.

**CONS**

- Does not necessarily require Scope 3 footprinting, which could mean that over 90% of an organisation's value chain emissions may not be accounted for.
- Using carbon credits could be seen as a licence for organisations to continue to operate in the same way without change or active carbon reduction.
- The volume of credible projects and carbon credits is limited and unsustainable. Oxfam's report "Tightening the Net" details the sheer land mass required for meeting off-setting commitments. In the report, Oxfam explain the volume of carbon credits required to meet off-setting for every organisation with carbon commitments would require a land mass five times the size of India and, additionally, the knock-on impacts on food production and communities.
- In the wake of increasing Net Zero commitments, carbon neutrality may be seen as less ambitious and un-competitive compared with other organisations leading the way.

## 2. Net Zero

Net Zero is considered more holistic, sets a higher bar and requires organisations to go further than Carbon Neutral. Net Zero is about being accountable for all the emissions an organisation is responsible for emitting across their whole value chain, from upstream emissions such as manufacturing to the organisation's on-site operations to downstream emissions such as customer use of a product.

Committing to Net Zero involves assessing the greenhouse gas footprint across ALL emissions from Scope 1, 2 and 3 and creating a reduction pathway. A limited use of carbon credits is allowed, but the primary focus is the active reduction


(and avoidance of the creation) of emissions across each scope. The outcome should be zero emissions. There are several guides to help organisations create their pathway to Net Zero, including the EMA's Net Zero guide for energy managers.

The organisation may also decide to sign-up to or follow the principles of the SBTi, which provides independent verification that the organisation's targets and performance will lead to reductions to limit emissions to a 1.5°C temperature rise as per the 2015 Paris Agreement. Many large and/or global organisations are already signed up to this framework, it is only available at a parent level. It involves setting a near-term and a long-term target to achieve Net Zero by 2050.

There are also alternatives schemes such as the Carbon Trust's Route to Net Zero standard, which provides 3 certification stages, depending on where the organisation is in setting their targets and reducing emissions.

However, it is not a requirement to join any scheme/standard to set a Net Zero target, this will depend on the size of your organisation and/or your stakeholder requirements. Above all, the organisation needs to set a transparent and clear pathway for emissions reductions, which does not rely on carbon credits. This would include operational and wider value chain (downstream or upstream Scope 3) emissions, involving - for example - good energy saving practices, decarbonisation with renewable energy sourcing and/or on-site generation, working with key suppliers within your goods and services supply chain, and reducing customer emissions related to product use.

Assessing an organisation's Scope 3 emissions is a challenging and sometimes complex exercise which should ideally be undertaken to the best of the organisation's abilities before a commitment to Net Zero commitment is made. A significant proportion of Scope 3 emissions may be outside of the organisation's influence or have limited data available and it is therefore acceptable to use estimations for activities, with a view to improving these over time. Details on all scopes included in an organisation's Net Zero commitment should be clearly defined and presented in the organisation's Net Zero strategy.

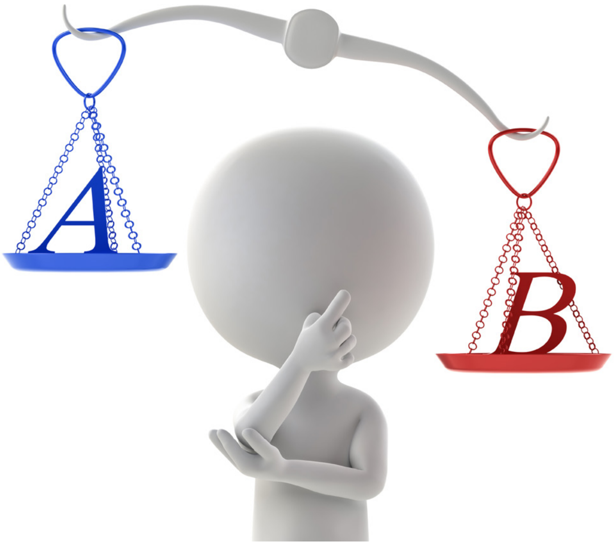
Under Net Zero good practice, the organisation should limit the amount of carbon credits (ideally to less than 10%), which means active reduction of emissions (ideally by at least 90%). Unlike Carbon Neutral, the carbon credits for the residual balance should only be sourced from carbon sequestration or carbon capture projects which remove and store emissions.

**PROS**

- Net Zero demonstrates that the organisation takes climate change and emissions reductions seriously.
- Going Net Zero requires a significant reduction in emissions for which the organisation is directly or indirectly responsible for, which improves the environmental impact across its operations, suppliers and customers.
- Signing up to an independent verification scheme can demonstrate clear ambition and provide assurance to stakeholders.
- Supporting others, such as your suppliers, to reduce emissions can help to form closer relationships and long-term partnerships or, in the case of customers, build trust in your brand.

**CONS**

- Sustainable change takes work - it requires commitment, investment, and time-resource from all parties to make active change happen, from leadership teams, to energy/environmental managers, to suppliers.
- Over 90% of emissions must be reduced to avoid misuse of the term Net Zero. Depending on your organisation, Scope 3 can represent a significant proportion of emissions over which you may not have direct or any influence.




## *TYPICAL PITFALLS*

- **Be wary of consultants who mix up Net Zero with Carbon Neutral and vice versa**, if they cannot clearly communicate with you or misunderstand the current thinking on Net Zero, then they are unlikely to help create an effective reduction pathway. It is ok to use both approaches, but be clear about the ultimate target and what you are aiming for.
- **Be clear in communications** whether the organisation is aiming for Carbon Neutral or Net Zero to avoid future misunderstandings of greenwashing, particularly when it comes to external and customer communications.
- **Re-establish intent from the senior leadership or board** – inform them of developments on Net Zero to ensure they are aware of the difference between this and Carbon Neutral so they are clear about what they have signed up to.
- **Scope 3 may seem like a huge requirement** and it can be overwhelming to know where to start – seek advice and share with others, also start with what you can control or influence.
- **Other terms such as Carbon Negative and Carbon Positive** may be thrown into the mix – assess what you feel is right for your organisation, particularly if you are just starting out.


**Author's profile:**
Kirsty is a sustainability professional with experience of developing strategic direction, delivering practical solutions and providing day-to-day advice. Her current role involves delivery of a Europe & Middle East Net Zero plan, corporate reporting requirements and community engagement. Kirsty's previous experience is across commercial, public body and charity sectors, and she is a qualified Low Carbon Assessor, ESOS Lead Assessor and PRINCE2 Project Manager.