Insight session

Approaches for climate action

Tom Popple
Senior Manager, Climate Change & Sustainability

We harness the power of business to create a more sustainable world.

If you ask us, it's only natural.

East African Community Reforestation Programme, Kenya
Location: KTDA Kionyo

It starts with our clients.
Visionary companies with ambitious goals.

Serving more than 300 clients in 34 countries, we are specialists in delivering climate finance and carbon neutrality solutions.

We have more than 20 years’ experience working with our clients to develop industry-leading programmes that make a measurable impact.

We’ve been recognised as Best Offset Retailer by Environmental Finance for nine years running and Best Advisory Service for the last three years.

Why Carbon Neutral.

It delivers business benefits and climate action.

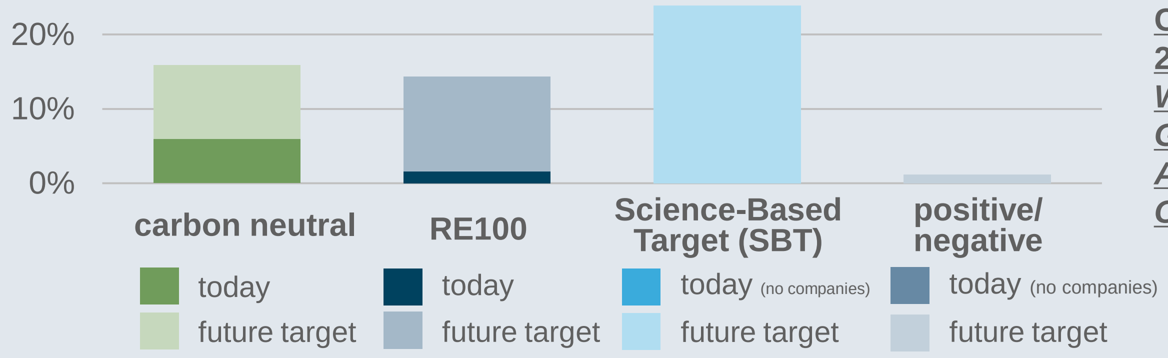
Immediate action. Carbon neutrality is not a distant target, it's action today, supporting the transition to a low-carbon economy by financing projects (see graph, right).

Clear and understandable action to strengthen your license to operate. Carbon neutrality gives clarity to staff, customers and other stakeholders by taking climate action for all of your carbon emissions (see graph, bottom right).

Drives internal emissions reductions. Stops "business as usual" by putting a real price on every tonne of carbon emissions into the budget.

Immediate action

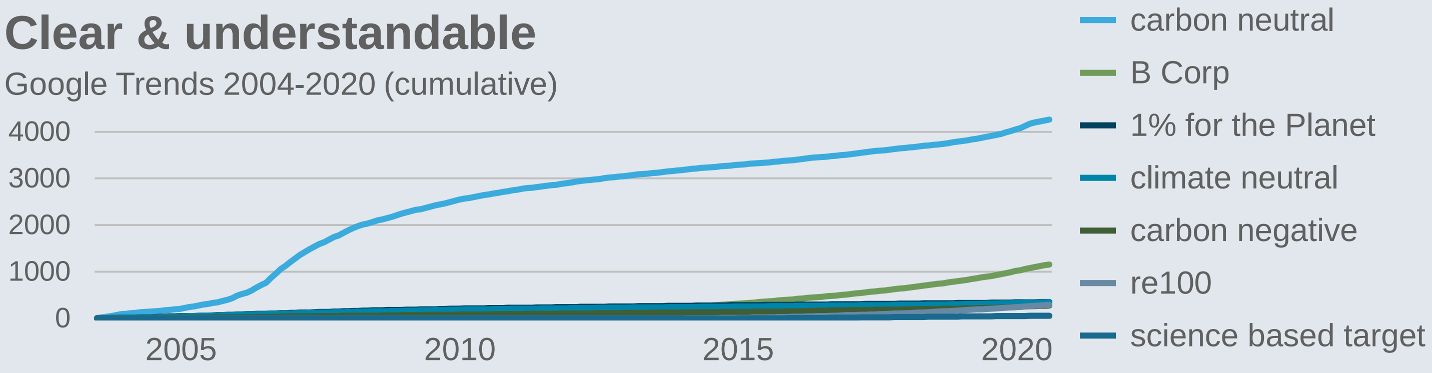
% of Fortune Global 500 companies headquartered in Europe & U.S.



Source: **Natural Capital Partners, 2019, *Deeds Not Words: The Growth Of Climate Action In The Corporate World***

Clear & understandable

Google Trends 2004-2020 (cumulative)



Source: **Google Trends, 2020**. This graph compares the cumulative share of search traffic for terms/phrases. All monthly values are indexed from 100 - the highest monthly share of total search traffic of any terms (achieved by "carbon neutral" in 2007)

Corporate climate leadership drives transformational change.

It's a journey building capability, credibility and commitment.

Carbon neutral

Microsoft · UPS · sky · Ørsted · vmware · wessanen · M&S EST. 1884 · BAIN & COMPANY

Internal reductions

- Puts a price on carbon
- Companies that have a carbon neutral commitment are 4 x more likely to have an SBT[1]
- Companies that offset carbon are more likely to have absolute targets for emission reductions[2]

External reductions

- Established, independent, third party standards
- All project types: avoided and sinks

Messages

- Clear, simple statement of action
- Delivering immediate reductions
- Closing the finance gap
- Building low carbon sustainable development
- Supporting people most impacted / least responsible

Value chains and net zero

Microsoft · sky · TAYLORS of HARROGATE · Ørsted

- Definitions vary
- Balancing emissions with removals which may include a focus on carbon sinks
- Includes Scope 3 emissions
- Could include a Science-Based Target

Positive/Negative

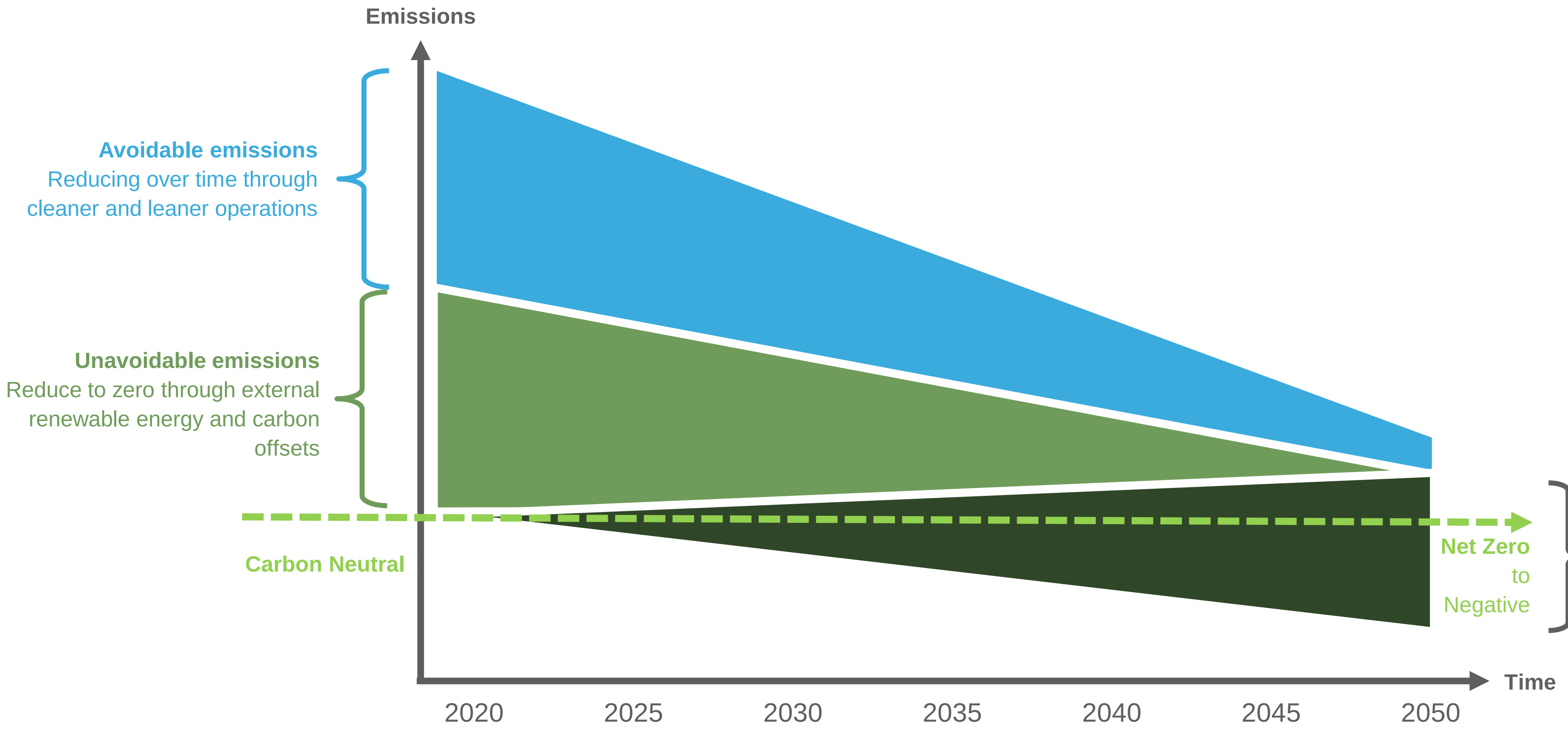
Microsoft · BCG

- Many and varied definitions
- Aspirational
- Few corporate claims or achievements to date
- Will include some type of offset programme

1 Deeds not Words
2 The Bottom Line: Taking Stock of the Role of Offsets in Corporate Carbon Strategies

Building a removal-based climate action programme.

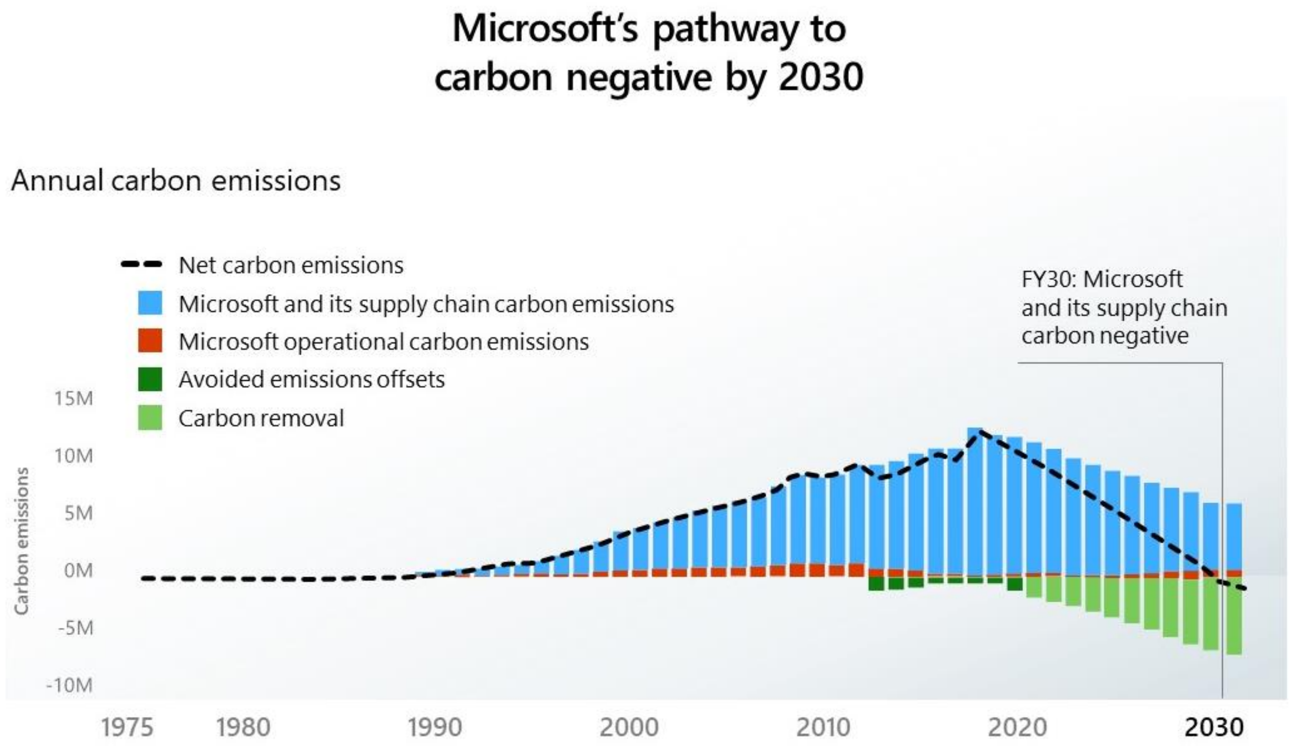
It can take [a lot of] time to reach net zero; start now.



Planting trees today
Beyond carbon neutral future

- ✓ Restoring natural climate solutions
- ✓ Creating economic opportunities
- ✓ Supporting biodiversity

Climate leadership example.
Microsoft – Carbon Negative.



Programme Videos

[Canada - Darkwoods Forest Conservation]
[Malawi - Kulera Landscape REDD+ and Cookstoves]
[Madagascar - Makira REDD+]

4+ million tCO_2e offset
60+ projects

Beyond carbon

Carbon neutral: Condition in which the net GHG emissions associated with an entity is zero for a defined duration.

CarbonNeutral® certification: The process by which a client receives recognition that it has met the provisions of The CarbonNeutral Protocol for a specific subject. CarbonNeutral® certifications can only be awarded by a CarbonNeutral certifier.

Credible emission reduction programmes are underpinned by internationally recognised climate finance standards.

Any carbon credit used towards the achievement of CarbonNeutral® certification **must** meet the following criteria:

Additional: demonstrated that in the absence of the availability of carbon finance the project activity would not have occurred.

Legally attributable: clear record of ownership

Measurable: quantified relative to a transparent and robust baseline scenario.

Permanent: Emissions reductions are permanent; adequate; mechanism that guarantees the reductions will be replaced.

Unique: held and retired on a registry; no more than one carbon credit can be associated with a single emission reduction.

Independently verified: verified by an expert third party; qualified for use as an external environmental instrument to reduce a subject's GHG emissions.

Offsetting: Offsetting: The practice of compensating for GHG emissions by retiring (cancelling) carbon credits.

Carbon credit: A transactable, intangible instrument representing a unit of carbon dioxide-equivalent (CO2e) – typically one tonne – that is reduced, avoided or sequestered by a project and is certified/verified to an internationally recognised carbon accounting standard. Carbon credits are typically ultimately used to counterbalance or compensate for emissions occurring elsewhere.

Broader perspectives of climate action.
IPI and beyond.

INTERNATIONAL INSETTING PLATFORM

IPI MEMBERS CORPORATES

NESPRESSO, CHANEL, KERING, H&M Group, L'ORÉAL, ACCORHOTELS

IPI MEMBERS PROJECT DEVELOPERS

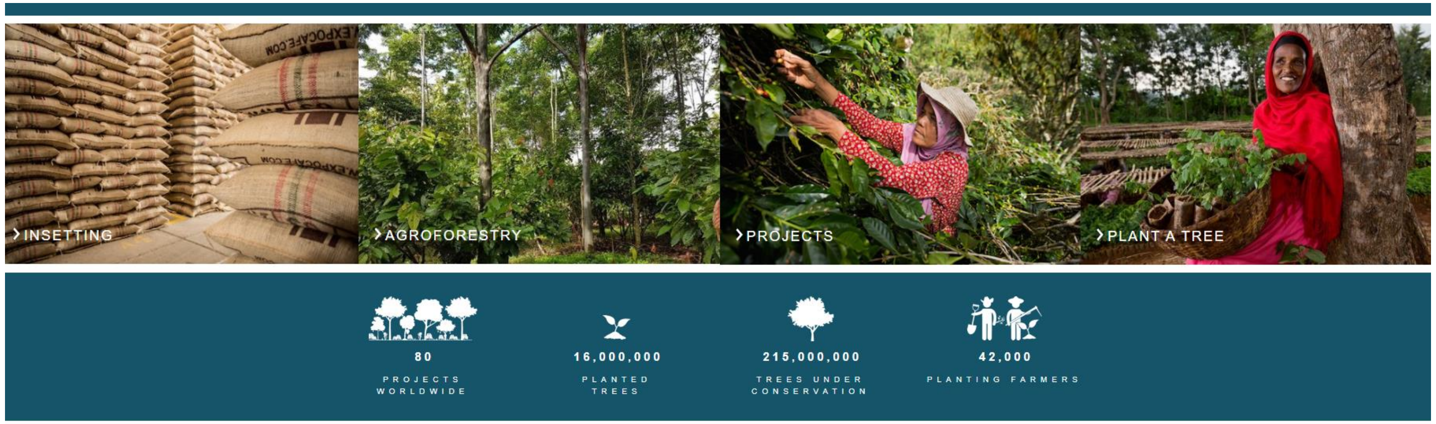
PUR PROJET, south pole, native energy, ecosphere+, ClimatePartner

IPI PARTNERSHIPS

BUSINESS FOR NATURE, TextileExchange

COMPANY	PROGRAM
NESPRESSO	The Positive Cup
ACCORHOTELS	PLANT FOR THE PLANET
L'ORÉAL	Carbon balanced
KERING	Beyond our limits

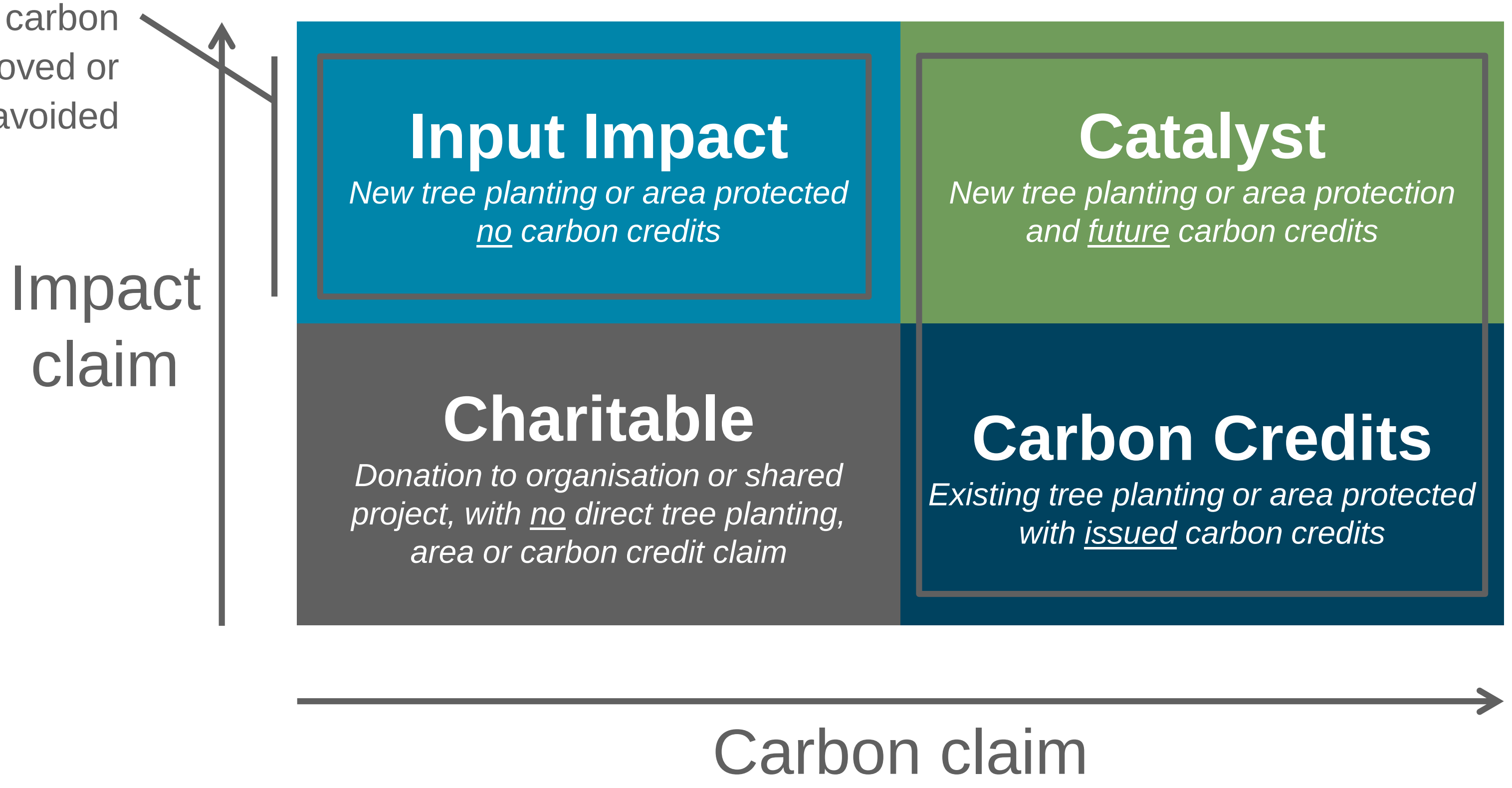
PUR PROJET



ACCOR, NESPRESSO, BEN&JERRY'S, Louis Dreyfus, CLARINS, CAUDALIE, KERING, Voyageurs du Monde, L'ORÉAL, YvesSaintLaurent, Ushuaïa, SAINT LAURENT PARIS, idh, CH Chocolats Halba, ALTER ECO, ALTER ECO, malakoff humanis, Avène, DESSANGE, Lamazuna, corsica ferries sardinia ferries, Vittel, NATURE, LÉA NATURE

Mechanisms for climate financing via Natural Climate Solutions.
Enabling unique and credible claims.

Provides “trees planted” or “area protected” claim and <u>estimated</u> carbon emissions removed or avoided



Only credible mechanisms for offsetting and claiming carbon neutrality (or Net Zero if removal focused)

Designing a carbon neutral programme

SELCO Solar Energy Access Project, India

Becoming carbon neutral and achieving certification.

Process outlined in The CarbonNeutral Protocol.

CERTIFIED CARBON NEUTRAL® company CarbonNeutral.com

CERTIFIED CARBON NEUTRAL® product CarbonNeutral.com

NATURAL CAPITAL PARTNERS

Step 1: Define

Understand exactly what should be covered in your footprint

Step 2: Measure

Calculate the footprint accurately and conservatively

Step 3: Target

Set a target to achieve carbon neutrality

Step 4: Reduce

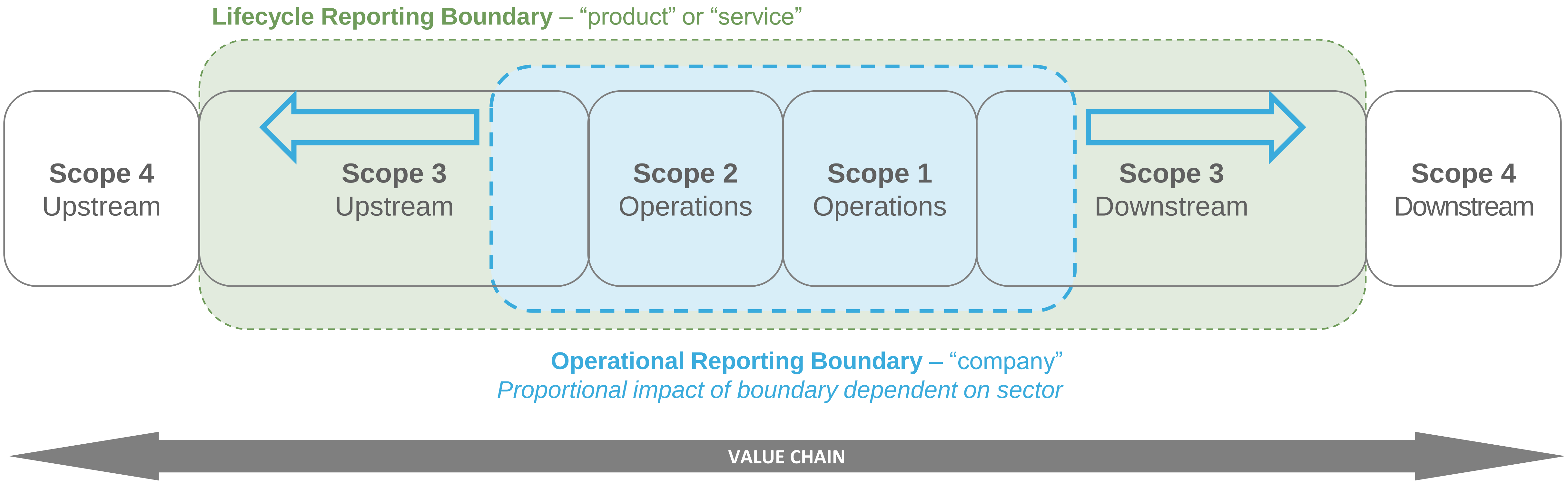
Achieve carbon neutrality through internal reductions, renewable energy and financing projects which deliver verified emissions reductions

Step 5: Communicate

Demonstrate your climate action and engage your teams, customers and stakeholders

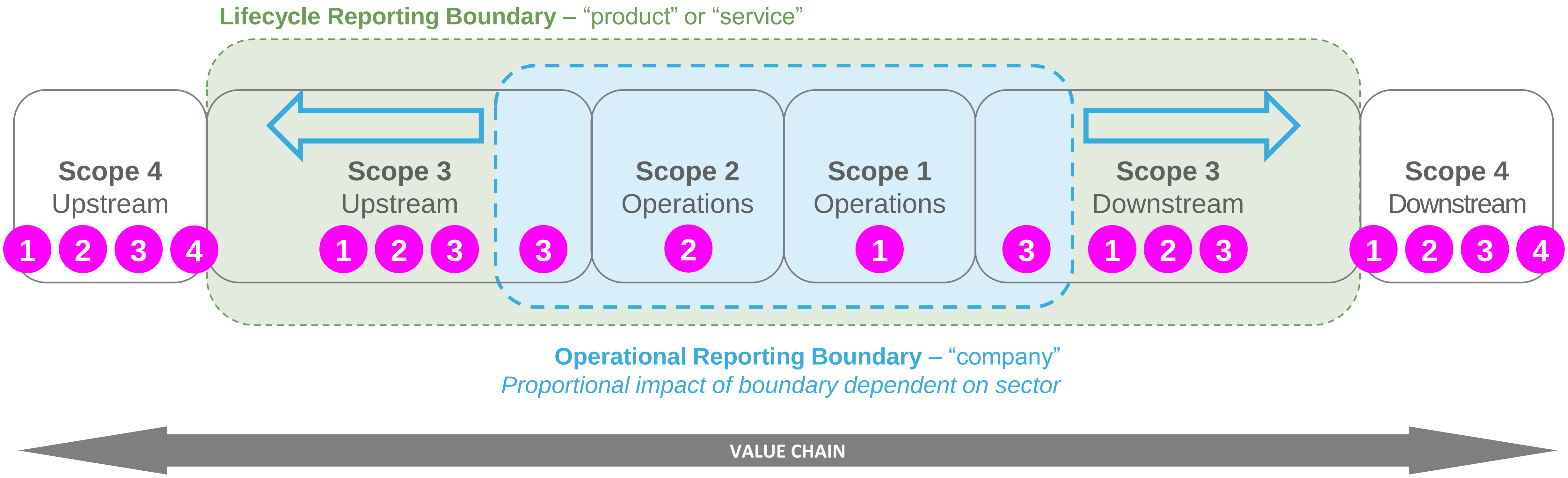
carbonneutral.com

Defining your scope of responsibility.
Emission source categories.



Defining your scope of responsibility.

Emission source categories – deeper dive into embedded Scopes.



1 4 = Emission source scopes – nested within Scope 3

Mechanisms to reduce emissions.

Portfolio approach – applying the right mechanism to emission source.

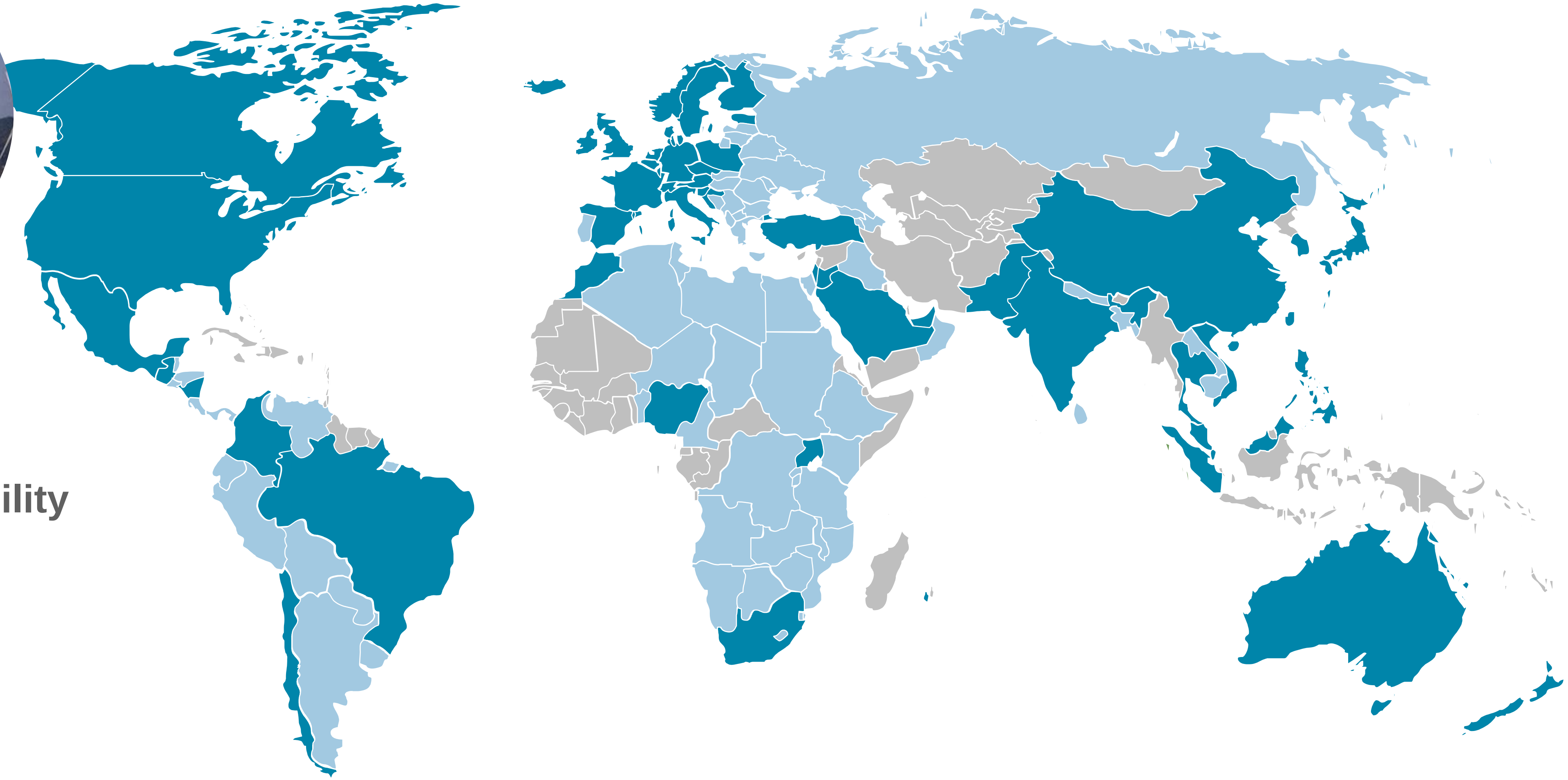
Behaviour change
Technology
Innovation

Onsite
Offsite
EACs

Households
Communities
Landscapes

Current renewable electricity solutions available.

Based on Energy Attribute Certificates (EACs).



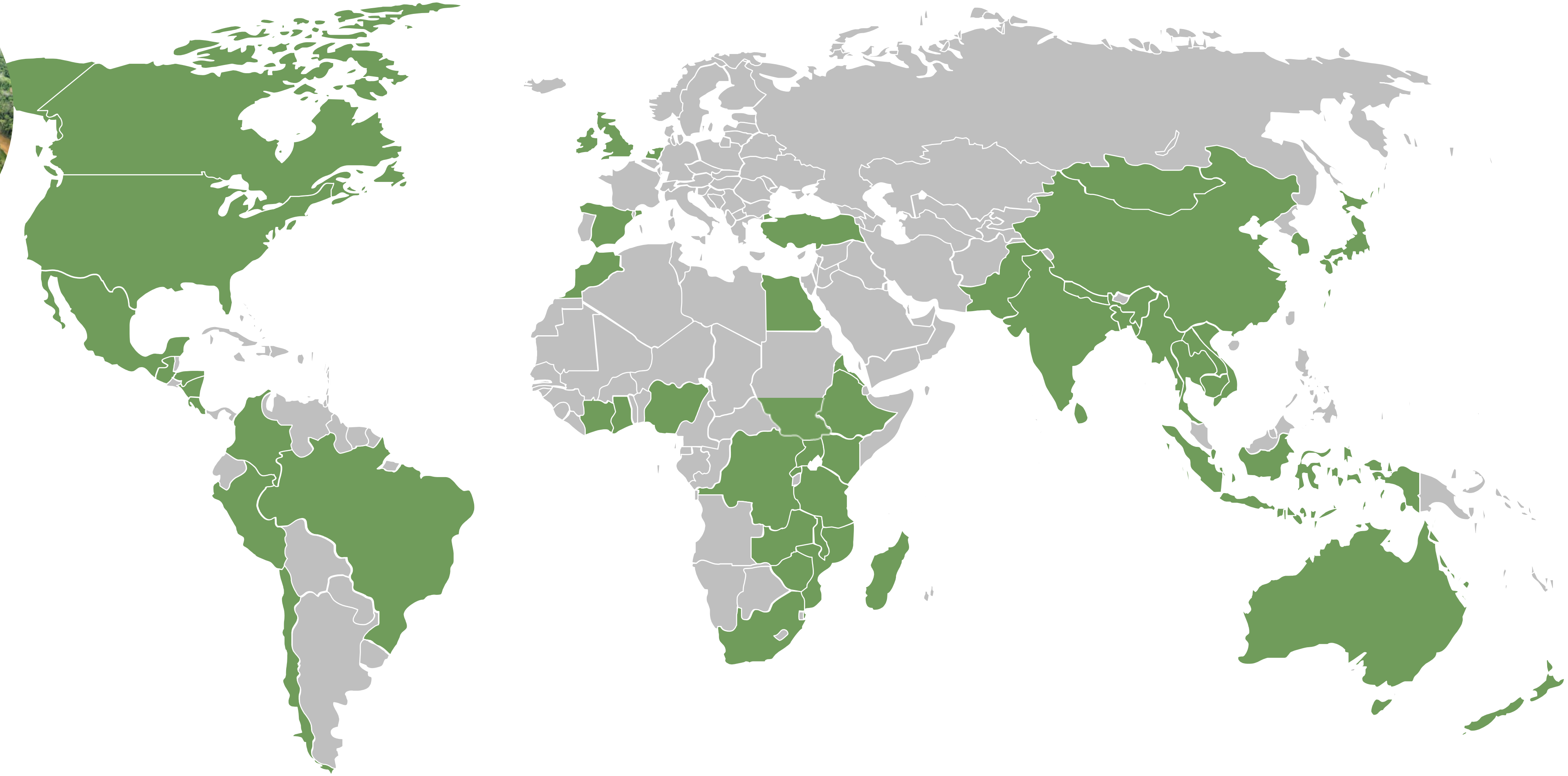
Current availability

In-country

Market

Operating climate finance projects.

Based on Natural Capital Partners' client solutions.



Climate finance unlocks the potential of technology, nature and society.

There are lots of opportunities available to businesses, our partnership ecosystem delivers over 350 projects across 40 countries and 5 continents.

Natural climate solutions **reduce carbon emissions and store more carbon in the landscape.**

- Forest and peatland conservation
- Working forests
- Reforestation
- Grasslands
- Mangroves

Health and livelihoods **projects boost social impact and create economic opportunity.**

- Clean water and sanitation
- Cookstoves
- Household solar

Sustainable infrastructure **avoids greenhouse gas emissions and reduces the use of fossil fuels.**

- Solar energy
- Wind power
- Biomass conversion
- Refrigerants

Beyond carbon impacts.
Project impacts aligned with UN SDGs and corporate objectives.

NATURAL CAPITAL PARTNERS

Project standard

Gold Standard for the Global Goals

VERRA

CCB

United Nations Framework Convention on Climate Change

Impact identification

Corporate objectives

Methodology, monitoring, reporting and verification

Climate finance projects are structured around characteristics that influence price and impact.

Lower price/impact		Higher price/impact
UN CDM	**Standard**	Gold Standard CCBA
China and India Economies in transition	**Location**	Africa Low-income countries
Wind and solar Methane capture	**Technology**	Natural climate solutions Cookstoves
Efficient carbon reductions	**Features**	Community-based Social and biodiversity co-benefits
Large scale	**Scale**	Small scale
Future vintages – pre-validation	**Vintage**	Near-term (+/- 2 years)

Carbon neutrality and climate finance fund sustainable development where it’s needed most.

Our portfolio builder enables you to determine which projects meet your needs, allowing you to manage priorities and resources with a high degree of precision. This example also shows client specific impacts – water in this instance.

Carbon credit project information								Alignment with UN Sustainable Development Goals **																
Location	Technology	Standard	Information	Unit price (EUR/tCO_2e) *	dentified health and wellbeing impact	Reportable water impact (m3/tCO_2e)	tCO2e required to matc annual water consumption (1500m3)																	
Natural climate solutions																								
East Africa	Community Reforestation	VCS, CCBA	Link	8.90				☑	☑	☑	☑	☑	☑		☑		☑			☑		☑		
Malawi	REDD+ (Kulera)	VCS, CCBA	Link	8.45	☑			☑	☑	☑	☑	☑	☑	☑	☑		☑	☑	☑	☑	☑	☑	☑	☑
Indonesia	REDD+ (Rimba Raya)	VCS, CCBA	Link	7.50				☑	☑	☑	☑		☑	☑	☑	☑	☑	☑	☑	☑	☑	☑		☑
Cambodia	REDD+ (Keo Seima)	VCS, CCBA	Link	5.20				☑	☑		☑		☑		☑					☑		☑		
USA	Grassland preservation (Colorado/Montana)	CAR	Link	13.70							☑									☑		☑		☑
Canada	Conservation (Darkwoods)	VCS	Link	5.35									☑							☑		☑		
Australia	AFOLU (Savanna Fire Management)	ERF	Link	20.00											☑					☑		☑		
Mexico	IFM + **Mangrove planting** (2 trees per tCO2e)	VCS	Link	9.50											☑					☑	☑	☑		
Communities																								
Sub-Saharan Africa	Water infrastructure	GS	Link	4.65	☑	1.00	1,50	☑		☑		☑	☑		☑	☑		☑		☑				
Kenya	Water infrastructure + **Mangrove planting** (2 trees per tCO2e)	GS	Link	10.00	☑	1.00	1,50	☑		☑		☑	☑		☑	☑		☑		☑		☑		
Guatemala	Water filters and cookstoves	GS	Link	5.00	☑	0.75	2,00	☑		☑		☑	☑	☑	☑		☑		☑	☑		☑		
Bangladesh	Cookstoves	CDM	Link	3.50	☑			☑		☑	☑	☑		☑	☑					☑		☑		
China	Biodigesters	GS	Link	5.00	☑			☑	☑	☑			☑	☑	☑	☑				☑				
Turkey	Wind energy	GS	Link	1.50				☑		☑				☑						☑				

To inform your programme, our Global Markets team conducts a thorough due diligence review of every project, ensuring we only contract with the highest quality projects.

To help focus on the impacts that matter and other non-carbon reportable benefits, we can identify key metrics. In this instance whether the projects have health/wellbeing or water impacts.

The United Nations’ Sustainable Development Goals (SDGs) are a framework for directing investment to solve social and environmental challenges on a global scale. We map each project against the SDGs to identify the additional benefits and impact.

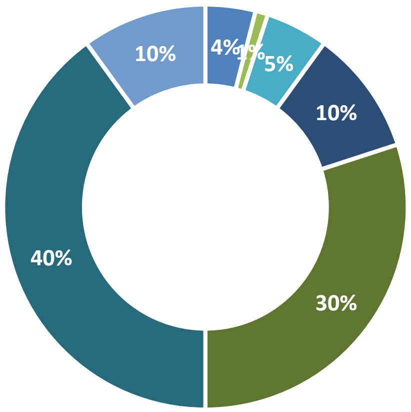
EXAMPLE – Consumer Goods: US climate action programme.

Portfolio analysis.

Americas

USD 5.94/tCO_2*e* (USD 843,480/year)

100% projects from North and Central America, focusing 60% on USA, 10% Canada and 30% Guatemala. Balance of all project themes and impact areas, including rare Californian project.

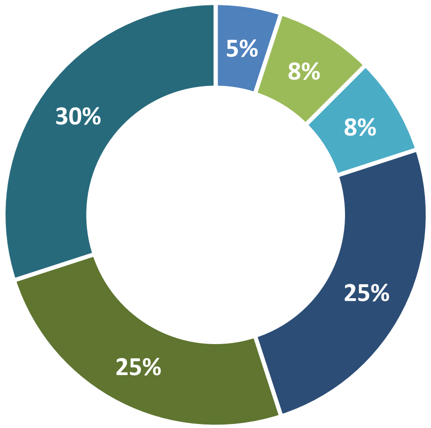


- USA (NY) - Improved forestry management (Albany Water)
- USA (CA) - Community forest (Arcata) *Limited to 1,700 tCO2e*
- USA (AR/MS/LA) - Reforestation (Mississippi Valley)
- Canada (BC) - Conservation (Darkwoods)
- Guatamala - Water filters and cookstoves
- USA (NY) - Landfill gas to energy (Seneca Meadows)
- USA (National) - Truck stop electrification

Water

USD 5.54/tCO_2*e* (USD 791,650/year)

Balance globally focusing on sustainable watersheds in North America and clean water access in Africa and Guatemala, price balanced with low cost renewable energy (30% of portfolio).

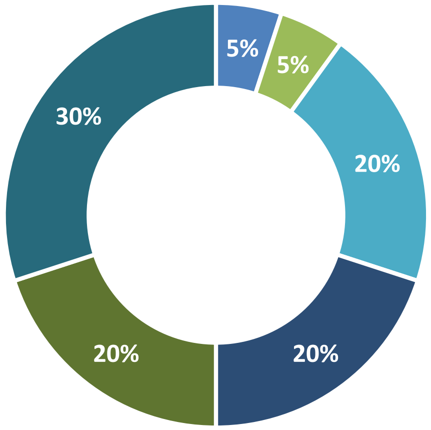


- USA (NY) - Improved forestry management (Albany Water)
- USA (AR/MS/LA) - Reforestation (Mississippi Valley)
- Canada (BC) - Conservation (Darkwoods)
- Sub-Saharan Africa - Water infrastructure
- Guatamala - Water filters and cookstoves
- Global - Wind/Solar energy

Forests

USD 7.71/tCO_2*e* (USD 1.1m/year)

100% projects from North and Central America, focusing 60% on USA, 10% Canada and 30% Guatemala. Balance of all project themes and impact areas, including rare Californian project.

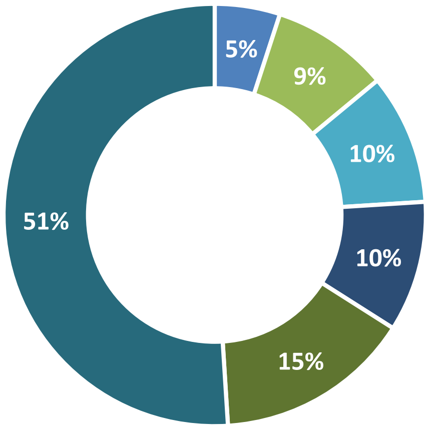


- USA (NY) - Improved forestry management (Albany Water)
- USA (AR/MS/LA) - Reforestation (Mississippi Valley)
- Canada (BC) - Conservation (Darkwoods)
- Brazil - REDD+ (Acre)
- Kenya - Water infrastructure + Mangrove planting (1 tree per tCO2e)
- USA (NY) - Landfill gas to energy (Seneca Meadows)

Balanced

USD 3.84/tCO_2*e* (USD 544,925/year)

Cost effective mix of projects whilst still delivering impact in North America and globally on water. 51% of portfolio from global renewable energy and 29% from North America.



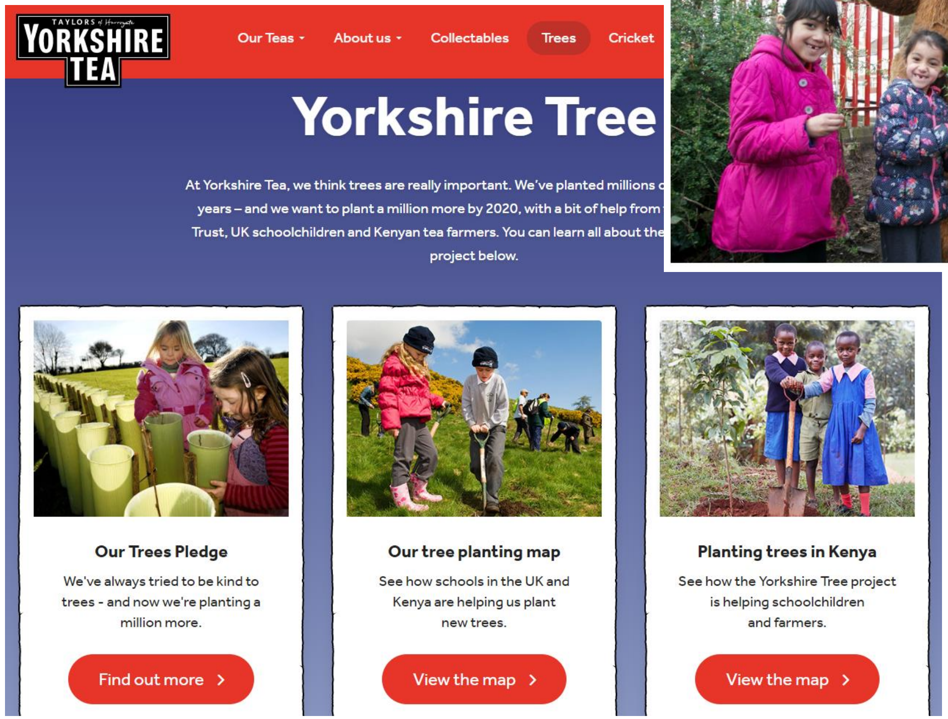
- USA (NY) - Improved forestry management (Albany Water)
- Canada (BC) - Conservation (Darkwoods)
- Mexico - IFM + Mangrove planting (1 tree per tCO2e)
- Sub-Saharan Africa - Water infrastructure
- USA (NY) - Landfill gas to energy (Seneca Meadows)
- Global - Wind/Solar energy

- **Two million trees** planted across Kenya, Tanzania and Uganda, over five years.
- Reforestation by over **8,000** smallholder farmers and community groups.
- **Planting** indigenous, medicinal and economic trees.
- **Diversifying livelihoods** with specialist trainings on agroforestry and conservation agriculture.
- Promoting **gender equality** and opportunities.
- Removing over **200,000 tCO_2e**.
- Best in class **technology** based monitoring, reporting and verification process.
- Delivering carbon credits for carbon neutral company status.

Client Stories

- Over **1 million trees** planted in Kenya over ten years.
- Reforestation by **6,500 smallholder** tea farmers that supply Yorkshire Tea.
- Planting trees to support **livelihoods** – avocado, fruit, nut, productive and medicinal.
- Building **resiliency** through nutrition and income diversification.
- Expanding **capacity and knowledge** of farmers on conservation agriculture and climate adaptation.
- Supporting over **800 hectares** of new forestry and reducing pressure on primary intact forest in upper Mount Kenya catchment.
- Removing over **85,000 tCO_2e**.
- Empowering and enabling **women and young people** with new opportunities.
- Best in class **technology** based monitoring, reporting and verification process.
- Delivering carbon credits for achieving **CarbonNeutral®** certified products.

Taylors of Harrogate.
Interface between responsibility and commerciality.



- Industry leadership
- Beyond certification
- Customers engaged
- Staff inspired
- Awards

- Commerical gains
- Preferred buyer
- Supply product innovations
- Resilient supply base

Contact Information.

Environmental reporting | Sustainability strategy
Carbon reductions | Renewable energy
Carbon neutrality | Results-based financing
Water stewardship | Biodiversity protection
Forest creation | Supply base resilience

Tom Popple
Senior Manager, Climate Change and Sustainability

tpopple@naturalcapitalpartners.com
+353 (0) 879 168 799

Natural Capital Partners
naturalcapitalpartners.com