



The Carbon Market Institute (CMI) welcomes the opportunity to provide this submission to support the Senate Inquiry into Greenwashing (**Inquiry**), which was referred to the Senate Standing Committees on Environment and Communications for inquiry and report by 12 February 2025.

CMI is an independent member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C. CMI's 150 strong membership includes organisations from across the economy, including primary producers, carbon service providers, First Nations organisations, legal and financial institutions, technology firms and emissions-intensive companies in Australia and the Asia Pacific region. CMI also administers the Australian Carbon Industry Code of Conduct, which was established in 2018 to promote and steward consumer protection and market integrity¹

In March 2024, CMI introduced a Member and Sponsorship Policy that requires carbon-intensive and large corporate members to have publicly available decarbonisation transition plans by mid-2025 to be eligible for full CMI membership, or to be a lead sponsor at major CMI events.²

The CMI Board updates CMI's Policy Positions annually, which draw on practical insights from—but are ultimately independent of—members.³ The positions put forward in this submission are CMI's view, independent of members, and do not represent any CMI individual, member company or industry sector.

Strategic outlook

Claims regarding greenhouse gas emissions and climate transition plans are part of the suite of environmental and sustainability claims made by companies. These claims, and the actions that underpin them, directly impact the substance and speed of our collective efforts to limit dangerous global heating, and adapt to its unavoidable impacts, in line with the Paris Agreement.

Misleading or false claims erode consumer and investor confidence and competitively disadvantage companies taking credible steps to decarbonise, impacting their ability to attract capital and realise long-term value in a net zero economy. Ensuring that corporate claims are accurate, trustworthy and evidence-based is therefore vital to the credibility of corporate transition approaches and the ability to scale investment into robust climate solutions.⁴

CMI recognises the importance of regulation in ensuring the credibility of companies' environmental and sustainability claims. CMI strongly supported the establishment of Australia's mandatory climate-related financial disclosure regime alongside additional regulatory guidance, oversight and enforcement from the Australian Securities and Investment Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC) that will support corporate best practice in climate risk management.

In addition to regulation, government-backed programs and guidance also have a role to play in uplifting capability and driving high-integrity, ambitious voluntary climate action. Well-designed government programs that provide best practice guidance and certification can support consumer trust and build business confidence to invest in climate solutions beyond what might be achieved through regulation and compliance frameworks alone. Clarifying the important role of carbon markets in private sector commitments to net zero transition should be prioritised by government.

¹ More information can be found on the Code website: <https://carbonmarketinstitute.org/code/>.

² See Further CMI Member and Sponsorship Policy (2024), Available at <https://carbonmarketinstitute.org/app/uploads/2024/03/CMI-Member-and-Sponsorship-Policy-FINAL.pdf>.

³ See Further CMI Policy Positions (November 2023), Available at https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf.

⁴ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Greenwashing/Additio nal_Documents_of_Australia



Best practice guidance on net zero and the credible use of carbon credits continues to mature

A range of best practice guidance is now available for businesses looking to adopt credible net zero pathways. For example, the International Organization for Standardization (ISO) Net Zero Guidelines released in 2022 build upon analysis of the existing landscape of major net zero standards and initiatives.⁵ Recent research highlights the suite of voluntary best practice guidance on organisational net zero transition is starting to mature and converge.⁶

Emerging best practice guidance is also available on the credible use of carbon credits as part of a broader net zero organisational strategy, for example in the Voluntary Carbon Market Integrity Initiative's (VCMI) Claims Code of Practice⁷ and the Integrity Council for the Voluntary Carbon Market's (IC-VCM) Core Carbon Principles⁸.

In June 2024, building on the ISO Net Zero Guidelines, ISO began developing the first independently verifiable international standard on net zero for organisations, that is anticipated to be launched by November 2025.⁹ Once finalised, the ISO Net Zero Standard will provide further opportunities to harmonise a complex and divergent net zero governance landscape to support credible corporate climate transition approaches and claims. Importantly, it will leverage the global quality infrastructure system (assurance, accreditation and measurement) that already underpins many aspects of the global economy. This will build trust and improve public confidence, preventing greenwashing by outlining robust guidance and requirements to verify organisational net zero claims.

Government can support voluntary corporate commitments to scale climate-related investments

Governments internationally are leaning into emerging best practice guidance and standards to support corporate commitments and scale private investments to support the net zero transition. At COP29 in November, the UK Government announced its 'Principles for voluntary carbon and nature market integrity' that directly builds on the work of the VCMI, IC-VCM and other leading frameworks to strengthen business confidence.¹⁰ In May, the US Government launched its 'Voluntary Carbon Markets Joint Policy Statement and Principles',¹¹ while the VCMI Claims Code of Practice also continues to receive strong support, with endorsement from Ministers from Kenya, the UK, the US, Ghana, Japan, and Finland among others.¹²

In the Australian context, the government-backed certification program Climate Active presents a unique opportunity to drive high integrity and high ambition approaches to voluntary corporate climate action and the use of carbon markets.

⁵ See further ISO Net Zero Guidelines (IWA 42:2022), Available at <https://www.iso.org/netzero..>

⁶ See for example Becker et al., (2024) *Governing Net Zero: assessing convergence and gaps in the voluntary standards and guidelines landscape*. Oxford Net Zero, available at <https://netzeroclimate.org/publications/governing-net-zero-assessing-convergence-and-gaps-in-the-voluntary-standards-and-guidelines-landscape/>; see also Net Zero Tracker Initiative *Net Zero Good Practice Guide* (2024), available at <https://zerotracker.net/net-zero-good-practice>.

⁷ See further VCMI Claims Code of Practice (November 2023), Available at <https://vcmintegrity.org/vcmi-claims-code-of-practice/>.

⁸ See further IC-VCM Core Carbon Principles, Available at <https://icvcm.org/core-carbon-principles/>.

⁹ See ISO (27 June 2024), 'Creation of international standard on net zero gets underway'. Available at [ISO - Creation of international standard on net zero gets underway](https://www.iso.org/news/00/42/19/00421901.html).

¹⁰ See further UK Principles for voluntary carbon and nature market integrity (15 November 2024), Available at <https://www.gov.uk/government/publications/voluntary-carbon-and-nature-market-integrity-uk-government-principles/principles-for-voluntary-carbon-and-nature-market-integrity..>

¹¹ See further The White House (May 2024), Voluntary Carbon Markets Joint Policy Statement and Principles, Available at <https://www.whitehouse.gov/wp-content/uploads/2024/05/VCM-Joint-Policy-Statement-and-Principles.pdf>.

¹² See further VCMI (May 2024), 'VCMI welcomes U.S. backing of high-integrity voluntary carbon markets', Available at <https://vcmintegrity.org/us-backs-vcms-claims-code/>.



As CMI elaborated in our submission to the Government's Program Direction Consultation,¹³ by reforming Climate Active to move away from carbon neutral certification and better align with maturing international best practice on net zero, the Australian Government can help to build investment and community confidence in private sector leadership on climate action and demand-side integrity in the use of carbon markets.

In turn, a reformed Climate Active program could be drawn upon as a leading example and support broader international efforts to advance high integrity approaches to corporate net zero transition as governments look to operationalise principles through programs and regulation. The timely reform of Climate Active presents an opportunity for Australia to demonstrate regional climate leadership as economies across the Asia Pacific consider their own government policies and programs to ratchet climate ambition.

CMI welcomes the Australian Government's commitment¹⁴ to develop and publish best practice guidance for the disclosure of corporate transition plans by the end of 2025. This guidance should clarify expectations on the role of carbon markets in organisational net zero transition.

The web of government regulation, programs, and maturing best practice guidance ensures all companies are supported in their transition journey, including when it comes to making credible claims free of overreach or exaggeration. Differences in company size, capacity and complexity suggest that this multifaceted approach is required to allow companies to detect and avoid greenwashing.

Recommendations

CMI makes the following recommendations with respect to the important role that government-backed programs and guidance can play as a complement to regulation in helping businesses mitigate greenwashing risk and formulate credible net zero strategies and claims:

1. The Government-backed certification program Climate Active should be retained and strengthened to align with best practice net zero guidance and standards.

CMI appreciates the important role Climate Active has played since its establishment in 2010, in supporting voluntary climate action by businesses and organisations to measure, reduce, offset, and publicly report their emissions. Climate Active's delivery of more than 700 certifications through to October 2023 is a testament to its ability to build capacity amongst Australian businesses and organisations to more effectively manage the risks and opportunities associated with climate change.

We also recognise that as best practice matures, government certification programs need to be strengthened to drive credible, net zero-aligned approaches to the use of carbon markets, rather than to certify carbon neutrality achieved through offsetting.

When governed by high-integrity frameworks and used in addition to broader decarbonisation strategies, CMI believes that voluntary investment in carbon credits can make a meaningful contribution to the Paris Agreement goals and the UN Sustainable Development Goals. Investment in high-integrity carbon credits should be encouraged in net zero aligned decarbonisation strategies to support beyond value chain mitigation that complements, but is not a substitute for, directly emissions reductions.

A reformed and strengthened Climate Active program should retain its certification process. This would help to build investment and community confidence in private sector leadership on climate action.

¹³ See CMI Submission (December 2023) Department of Climate Change, Energy, the Environment and Water Climate Active Program Direction Consultation, https://carbonmarketinstitute.org/app/uploads/2023/12/CMI-Submission_Climate-Active-Program-Direction-Consult_Dec-2023_FINAL.pdf.

¹⁴ See Priority 3 in: Australian Treasury 2024, 'Sustainable Finance Roadmap', <https://treasury.gov.au/publication/p2024-536290>.



2. The Government's proposed guidance for the disclosure of transition plans should also clarify expectations on the role of carbon markets in organisational net zero transition.

Best practice guidance provides that companies should be demonstrating progress towards interim emissions reduction targets in accordance with a declared Paris-aligned net zero pathway. Both during and after their transition to net zero, companies should also be encouraged to take responsibility for remaining emissions through investments towards beyond value chain mitigation. Alongside other investment opportunities, carbon markets allow companies to contribute to economy-wide net zero by supporting investments in emissions reducing, removing or avoiding activities across the economy.

Companies can mitigate the risk of greenwashing in carbon credit investments by subscribing to best practice guidance, that underscores the following elements:

- a) Within value chain, companies should prioritise emissions reductions rather than using carbon credits, in accordance with the mitigation hierarchy.
- b) While carbon credits should not be counted towards the achievement of interim emissions reduction targets, at a point of net zero, residual emissions should be counterbalanced with durable carbon removals and companies should be developing early strategies on how they plan to address future residual emissions.
- c) At a point in time in a company's transition, where a company deviates from its declared Paris-aligned net zero pathway, carbon credits should also be purchased to support the economy-wide transition. The company should explain the deviation and develop a clear action plan to realign with the declared pathway.
- d) Investment in carbon credits during and after a company's transition to net zero can also enable companies to address remaining emissions while contributing to climate, nature positive and social outcomes in the economy-wide net zero transition.
- e) Carbon credits procured should be high integrity, reflecting regulatory and best practice standards.

Should you have any questions about CMI's submission or wish to discuss, please contact me at kurt.winter@carbonmarketinstitute.org.

Yours sincerely

A handwritten signature in black ink that reads "Kurt Winter". The signature is written in a cursive, slightly stylized font.

Kurt Winter
Director, Corporate Transition