

Primer

Corporate Process for Purchasing Carbon Credits



Purpose

This primer is the first in a series of BASCS resources intended to help new corporate climate funders engage with the voluntary carbon market. The document is a high-level guide to inform strategy, decision-making, and process development for a corporate carbon credit procurement program. However, it is not a comprehensive set of step-by-step instructions. Companies may consider this primer as a broad overview of corporate carbon credit procurement and as a starting point for entry into the voluntary carbon market.

The Business Alliance to Scale Climate Solutions (BASCS) aims to equip companies with the necessary information, resources, and assistance to scale high-quality and high-integrity climate solutions. Through the activities of the Alliance—including building partnerships, hosting webinars and workshops, and publishing knowledge resources—BASCS intends to build the climate financing capabilities of companies both inside and outside of its membership.

Given the complexity, rapid evolution, and critical importance to the transition to a net-zero economy of the voluntary carbon market, BASCS is initially focusing its efforts on building knowledge and capacity within companies aiming to establish a carbon credit program. While this primer presents a high-level overview of establishing a carbon credit program, future related primers might explore topics including constructing and optimizing carbon credit portfolios, issuing request for proposals (RFPs), and using differing financing mechanisms and structures to catalyze corporate climate action. These knowledge briefs will be complemented with tools and templates to tangibly facilitate the market participation of new buyers and financiers, such as RFP templates, project evaluation matrices, transaction term sheets, template agreements, and more.

Intended Audience

This series of primers is for companies establishing a carbon credit procurement and financing program. While these primers are primarily intended for organizations at the beginning of their respective decarbonization journeys, it is our hope that experienced organizations will contribute to and use these primers to advance standardization and efficiency across the corporate climate funding landscape.

About the Business Alliance to Scale Climate Solutions

BASCS is a coalition of companies, NGOs/IGOs, and experts working to increase the scale and impact of corporate carbon credit purchases and other climate solutions funding. To drive systemic change and scale climate solutions, BASCS provides companies with a neutral platform to learn, collaborate, and act. Please visit www.scalingclimatesolutions.org/ to learn more.

Table of Contents

➤ Executive Summary	04
➤ Introduction	06
➤ Context: The Necessity and Purpose of Corporate Carbon Credit Purchases	08
➤ Process Overview	09
➤ Step 1: Develop a Climate Strategy	10
➤ Step 2: Develop a Carbon Credit Procurement Strategy	12
➤ Step 3: Build Internal Support and Alignment	18
➤ Step 4: Begin Sourcing Credits	22
➤ Step 5: Vet and Screen Projects	24
➤ Step 6: Finalize and Execute	26
➤ Step 7: Manage Inventory and Records	28
➤ Conclusion	30



Executive Summary

To address the climate crisis and fulfill the collective vision of a 1.5°C future established by the Paris Agreement, we must take immediate, ambitious action to halve emissions by 2030 and accelerate an inclusive transition to a global net-zero economy by 2050.

The Business Alliance to Scale Climate Solutions (BASCS) is guided by [four core principles](#)— 1) emissions reductions, 2) ambition to action, 3) measurable impact, and 4) co-benefits—BASCS prioritizes collaboration and knowledge-sharing to help businesses begin and advance along their climate funding journeys. This primer series is one example of our commitment to sharing actionable knowledge and is derived from the experiences of BASCS members.

BASCS aims to support corporate carbon credit buyers by equipping companies with the tools, know-how, and network to build high-quality and high-integrity programs. This primer acts as a high-level guide and outlines a seven-step process for purchasing carbon credits for corporations in the voluntary carbon market (VCM).

Carbon markets can serve as a tremendous channel of climate finance to underserved communities around the world and are an important tool for a just transition to a net-zero economy. The private sector can play an important role in improving and scaling this climate solution by sending strong demand signals for increased volume, integrity, and quality of carbon credits available in the world. Purchasing high-quality and high-integrity credits that adhere to rigorous carbon accounting standards is a credible form of climate action that can deliver multiple co-benefits beyond climate mitigation when combined with investments in deep emission reductions.

01

Develop a Climate Strategy:

A comprehensive climate strategy must be in place at your company to effectively implement a carbon credit program. The strategy should frame carbon credits as a complement to, not a substitute for, direct emission reduction actions.

03

Build Internal Support and Alignment:

Engage key internal stakeholders throughout your company to garner support for a carbon credit program.

05

Vet and Screen Projects:

Assess whether the project meets the criteria for high-quality and high-integrity credits and other specific criteria aligned to your carbon credit procurement objectives.

07

Manage Inventory and Records:

Remain in touch with the project developer, monitor developments, and/or work with a partner to ensure the project satisfies expectations, and that records are managed appropriately for accounting, reporting, and communications purposes.

02

Develop a Carbon Credit Procurement Strategy and Plan:

Create a carbon credit program that includes setting objectives in alignment with your overall climate strategy, purchasing and managing carbon credits, and establishing a policy to make credible corporate claims related to carbon credits.

04

Begin Sourcing Credits:

Use RFPs, carbon brokers, or consultancies to identify the right carbon credits for your company. Partners can help develop internal criteria and frameworks to aid credit selection.

06

Finalize and Execute:

Fulfill your program's goals by choosing projects that work toward building a portfolio of high-quality and high-integrity credits. Buying and/or financing credits may involve negotiations, in which case legal, procurement, and other partners might need to be involved.

Introduction

To address the climate crisis and fulfill the collective vision of a 1.5°C future established by the Paris Agreement, we must take immediate, ambitious action to halve emissions by 2030 and accelerate an inclusive transition to a global net-zero economy by 2050. In the April 2022 instalment of the United Nations Intergovernmental Panel on Climate Change’s [Sixth Assessment Report](#), the IPCC found that carbon removals—inclusive of nature-based, hybrid, and technological removal solutions—are necessary for any emissions pathway that limits warming to 1.5°C.

A climate future in line with the Paris Agreement requires corporations to take a “both/and” approach, investing in both internal emission reductions as well as climate solutions beyond their value chains. Alongside decarbonization actions to directly reduce emissions, climate funding from businesses—including for climate projects and related carbon credit purchases and other forms of climate finance—can be catalytic in accelerating and scaling the climate solutions necessary to achieve a just and sustainable 1.5°C future by 2050.

The Business Alliance to Scale Climate Solutions (BASCS) is a coalition of companies, nonprofit partners, and technical experts working to increase the volume, scale, and impact of corporate funding for climate solutions.

The collaboration is guided by four core principles:

- 1 Emissions Reductions:** BASCS members first and foremost prioritize work to avoid and reduce their emissions in line with science-based targets.
- 2 Ambition to Action:** BASCS members work to catalyze and deepen investments in global emissions reductions, avoided emissions, and removals across and beyond their respective value chains.

- 3 Measurable Impact:** BASCS members apply sound and verified methodologies to ensure high social and environmental integrity and quality of investments.
- 4 Co-Benefits:** BASCS members support investments that deliver environmental and social co-benefits and have strong safeguards, in addition to driving real GHG emissions reductions.

Aligned to principle 2 above, BASCS and its members prioritize collaboration and knowledge-sharing to help other businesses along their climate funding journeys. The primer is based on the experiences of BASCS members—many of whom have been sourcing carbon credits for several years, and at varying program sizes.

Before developing a carbon program, BASCS encourages companies to learn about and understand the role of carbon credits in climate change mitigation and corporate climate action. To take credible action in the VCM, companies ought to have a foundational knowledge of carbon credits as well as be familiar with the associated risks and opportunities.



Context: The Necessity and Purpose of Corporate Carbon Credit Purchases

Along with the increased growth and recognition of corporate sustainability, interest and funding for corporate carbon credit procurement has expanded significantly. Yet, while more resources are available, the voluntary carbon market can be a challenging marketplace for new buyers to navigate.

Editorials sharing details of flawed carbon credit projects, coupled with calls for increased transparency when communicating and reporting on carbon credit purchases, have heightened caution and uncertainty among businesses concerning the development and management of carbon credit programs.

BASCS aims to support corporate carbon credit buyers by equipping companies with the tools, know-how, and network to build high-quality and high-integrity programs. The VCM is a major channel for delivering climate finance to some of the most vulnerable and underserved areas in the world and an important tool for affecting an inclusive transition to a net-zero economy. That said, the VCM is not without its flaws.

One of the key concerns for buyers around the world is the wide variability of carbon credit quality—attributes of the project and related carbon credits, like co-benefits—and integrity—how closely aligned the project and related carbon credits are to robust, universally accepted methodologies. Understanding a need to ensure a minimum level of integrity and quality throughout the market, several initiatives are seeking to update key components of how the VCM functions. As the marketplace evolves and continues to improve, there is an enormous opportunity for business to help scale the volume and impact of climate solutions it supports.

BASCS encourages companies to consider the following program characteristics when developing a carbon program that aligns with the latest science and reflects best practices in corporate sustainability.

- › Carbon credits should be utilized for residual emissions after exhausting emission reduction efforts. These are often the hard-to-abate emissions in a company's decarbonization strategy. The credits may also be used as an instrument to provide finance for climate solutions that mitigate emissions beyond a given company's value chain.
- › Understanding the voluntary carbon market, the variety of projects, and the ecosystem of actors can take time. Newcomers may wish to engage an external advisor to support their orientation to the market and the establishment of a program.
- › To accurately compensate for a company's emissions, credits should meet a minimum level of environmental integrity and quality. This includes accounting for fundamental considerations such as additionality, accurate baselining and carbon accounting, non-permanence risk, leakage, and exclusivity of claims. At a minimum, companies should limit carbon credit purchases to credits sourced from climate projects developed using credible standards. Standards that have been endorsed by the [International Carbon Reduction and Offsetting Alliance \(ICROA\)](#) are a starting point for navigating the market.
- › Companies must avoid projects that have adverse community and ecosystem impacts, and instead, select projects that have been co-developed with, and proactively deliver socio-economic co-benefits to, communities influenced by the project. Where possible, BASCS encourages companies to support projects which share benefits with Indigenous peoples and local communities.

Process Overview

The steps outlined in the primer are considered foundational and imperative to the corporate carbon credit procurement process. Please note, however, these steps are not exhaustive, and companies should introduce complementary steps as needed.

Step 1: Develop a Climate Strategy



Step 2: Develop a Carbon Credit Procurement Strategy and Plan



Step 3: Build Internal Support and Alignment



Step 4: Begin Sourcing Credits (Through RFPs, Carbon Brokers, or Consultancies)



Step 5: Vet and Screen Projects



Step 6: Finalize and Execute



Step 7: Manage Inventory and Records



Step 1: Develop a Climate Strategy

A comprehensive climate strategy that is both in line with the latest science and adopted as a business priority is essential. A climate strategy should identify a baseline of the company's Scope 1, 2, and 3 emissions, outline how those emissions will grow over time, and determine the key decarbonization levers that may be used to reduce emissions over a certain time. An effective climate strategy may include the development of short-, medium-, and long-term decarbonization targets and key operational and implementation aspects, including how emission reduction interventions will be implemented, budget requirements and sources, organizational processes, and the accountability and reporting structure and associated metrics required to track progress.

Useful frameworks to develop climate targets include the [Science Based Targets initiative \(SBTi\)](#), [UN Race to Zero](#), and the Exponential Roadmap Initiative's [1.5°C Business Playbook](#). Salesforce, a BASCS founder, applies the 1.5°C Business Playbook's four-pillar framework) to their [Climate Action Plan](#).

Key Takeaway

- **Establish a climate strategy, inclusive of all Scopes, that identifies emission reduction levers**

Once an overarching climate strategy, including goals and targets, is in place, a company may consider how to nest various climate actions, including carbon credit procurement programs, under that strategy. For example, guidance from the [Voluntary Carbon Market Integrity Initiative's \(VCMI\) Provisional Claims Code of Practice](#) states that "companies must set clear science-aligned interim targets to reduce emissions in the near-term as they progress toward long-term net-zero commitments consistent with limiting global temperature increases to 1.5°C above pre-industrial levels," before using carbon credits and making associated claims. The [Science Based Targets initiative's Corporate Net-Zero Standard](#) also includes

The 1.5°C Business Playbook recommends a four-pillar framework:

- **Reduce your own emissions**
- **Reduce your value chain emissions**
- **Integrate climate in business strategy**
- **Influence climate action in society**

an extensive discussion of how businesses can think about arranging and prioritizing climate actions through the use of the greenhouse gas mitigation hierarchy, i.e., Avoid, Reduce, Restore, Compensate/Offset.

While building a climate strategy, companies should not stop at the four walls of their operations. BASCS encourages companies to consider how to extend the impact of their climate action beyond their value chains. In addition to spurring internal decarbonization, corporate climate finance can also be directed towards global impact like the purchase of carbon credits that both remove and sequester carbon while providing social and environmental co-benefits.

Recommended Resources

- [Science Based Targets initiative](#)
- [Science Based Target initiative's Corporate Net-Zero Standard](#)
- [UN Race to Zero](#)
- [1.5°C Business Playbook](#)
- [Voluntary Carbon Market Integrity Initiative's \(VCMI\) Provisional Claims Code of Practice](#)



Step 2: Develop a Carbon Credit Procurement Strategy

Once a clear and robust climate strategy, which includes near- and long-term targets and prioritizes internal emissions reduction efforts, has been adopted, companies can begin to develop a carbon credit procurement strategy. The procurement strategy should include objectives that align with the overall climate strategy; a plan for purchasing and managing carbon credits; a policy to make credible corporate claims related to carbon credits; and a vision.

Set Carbon Credit Objectives, Criteria, and Alignment with Overall Climate Strategy

Companies that nest carbon credit procurement within a broader climate strategy should clearly outline the rationale for purchasing carbon credits. This rationale is critical to support internal discussions as well as conversations with external stakeholders that may have questions and concerns related to credit purchases.

Quality is crucial to ensure that carbon credits provide authentic emissions reductions. Existing carbon offset programs provide a necessary level of quality and integrity assurance for the credits they issue, and entities like the [Carbon Credit Quality Initiative \(CCQI\)](#), [Voluntary Carbon Market Integrity Initiative \(VCMI\)](#), and the [Integrity Council for the Voluntary Carbon Market \(IC-VCM\)](#) offer guidance for both the demand and supply side. EDF's [Carbon Credit Basics for Business](#), Greenhouse Gas Management Institute and Stockholm Environment Institute's [Carbon Offset Guide](#), and BASCS' [Foundational Resources](#) hub offer fundamental knowledge on carbon credits.

In addition to the widely accepted five critical components of quality, a company may want to incorporate additional criteria to guide its carbon credit procurement. For example, a company may strive to activate market transformations within industries or geographical areas of relevance to their core corporate operations. Others may wish to generate positive socio-economic impacts and “more than carbon” ecosystem benefits (e.g., biodiversity, water quality) in specific communities. Other specific objectives may relate to affecting policies; land-use change and conservation; benefits related to Black, Indigenous,

There are five key components of credit quality:

- **Additionality**
- **Permanence**
- **Monitoring, reporting, and verification**
- **Zero or minimized leakage**
- **Environmental and community safeguards and co-benefits**

and People of Color (BIPOC) communities; Indigenous land rights—free, prior, and informed consent (FPIC); and other considerations. When choosing additional criteria for carbon credit procurement, it is important to consider potential trade-offs. For example, if market transformation is the focus of a corporate carbon program, policy advocacy may be less of a priority.

BASCS member Meta outlines its carbon program's selection criteria in its [2021 Sustainability Report](#). Meta invests in carbon removal projects that “are designed to be a reliable and additional source of carbon sequestration, are quantified using existing standards and verified by a third party, do not create adverse impacts elsewhere, and prioritize climate justice and equity.” Microsoft, another BASCS member company, details “criteria for high quality carbon dioxide removal” in a [publication](#) co-authored by [Carbon Direct](#).

➤ STEP 2

After clarifying the carbon credit procurement criteria, companies can select what type of credits to purchase and navigate procurement. There are two types of offsets: avoidance and removals.

- ➊ Avoidance credits represent emissions reductions—avoided emissions compared to a baseline scenario, like energy efficiency or renewable energy infrastructure.
- ➋ Removals credits represent emissions extracted from the atmosphere and stored, such as reforestation or direct air carbon capture.

Avoided emissions or emissions reduction credits are readily available and play a critical role today in climate mitigation, but some standards and climate target bodies do not accept avoidance. For example, SBTi does not allow for avoidance credits in a company's pathway to science-based net-zero targets. Although avoidance does not address emissions already in the atmosphere, avoidance projects, as mitigation levers for greenhouse gases, should be complemented with removal offsets to make notable climate progress. Removals credits in the form of nature-based solutions and engineered removals are still limited, but they will prove significant in managing emissions by mid-century. It is important to note that the balance between these two types of credits is not static and may shift, and rebalancing approaches should also be considered.

Purchase Carbon Credits

After selecting the desired type of credits, determine the volume, price, time frame, and associated risks. Be aware of [pricing trends](#) in forecasting reports, trade-offs in procurement methods, and potential risks, such as delivery risk.

Being familiar with carbon credit pricing trends can help ensure that a company does not overpay for carbon credits and that its available budget fits the annual demand for credits. Carbon credit prices have continued to rise rapidly, and budgets will have to keep pace. For some sustainability teams, this can be a challenging task, and forecasting reports provide program managers with additional evidence and justification when seeking internal budget allocations and approvals.

Case Study

Given the importance of expanding carbon removal, [advanced market commitments](#) (AMC), like the [Frontier Fund](#), can accelerate the development of carbon removal technologies and drive down costs of engineered removals by guaranteeing future demand.

Frontier is an AMC funded by Stripe, Alphabet, Shopify, Meta, and McKinsey through Stripe Climate. They have collectively pledged to purchase \$925M of permanent carbon removal between 2022 and 2030.



Companies can procure credits through a spot-market purchase, forward contracting, or equity investments. While spot-market purchases allow companies to obtain and use the credits immediately, forward contracting and equity investments linked to carbon credit streams may have the potential for higher impact because companies are launching and scaling new projects, growing the total available supply of carbon credits while more closely aligning to the fundamental components of quality. These latter instruments may also allow companies to lock in a multi-year supply of credits, lessening the pressure on future procurement efforts, while providing more competitive or discounted pricing (as compared to equivalent credits purchased on the spot market). With the set of carbon credit procurement criteria in mind, weigh the options to clarify the type of credit, budget, and procurement method to pursue the intended outcome.

What are big buyers doing?

As more companies enter the voluntary carbon market with a limited supply, prices are increasing and available volumes are going down. In response, many companies are moving away from spot-market purchases to forward contracting so that they can secure credits in the future and in line with their longer-term climate strategies.

Establish a Policy to Make Credible Corporate Claims Related to Carbon Credits

One of the key challenges with respect to corporate carbon credit programs has been uncertainty related to what credible claims a company can make as a result of their carbon credit programs. Various phrases, labels, and claims exist, with several companies defining individualized approaches to enacting and communicating on their respective climate action. In a [lessons learned document](#) describing early experience in the procurement of carbon removals, Microsoft noted that, “organizations are working in isolation and tracking outcomes in different ways that cannot be compared easily. This leads not only to inefficiency but also to inconsistencies in claims.”

Organizations like VCMI are working to address uncertainty by developing standards for both corporate buyers and suppliers of carbon credits. In their [Provisional Claims Code of Practice](#), VCMI outlines four steps for corporations to make credible claims and develop a procurement scope:

1 Meet the prerequisites

First and foremost, for companies to make credible claims, they must commit to reducing internal emissions through a public science-aligned long-term net-zero target as well as through public interim (i.e., “near-term”) emission reduction targets. These targets should be backed by a transformation plan.

2 Identify claims to make (enterprise-wide claims or brand-, product-, and/or service-level claims)

Determine what kind of claim the company is trying to make. Enterprise-wide claims are designated for achievement at the organizational level, while brand-, product-, and service-level claims are designated for achievements across the value chain of a specific brand, product, or service.

3 Purchase high-quality and high-integrity credits

Credits should meet the basic criteria for credits, be affiliated with and governed by recognized and credible standard-setting bodies, have social and environmental safeguards, and deliver co-benefits.

4 Report transparently on the use of carbon credits

Transparently reporting information related to carbon credit procurement in publicly available annual corporate sustainability reports is critical for substantiating a claim.

Once the strategy's objectives, a plan for purchasing and managing carbon credits, and a corporate carbon credit claims policy have been established, companies can tie it all together in their strategy's vision, outlining the intended outcome and impact of their future carbon credit portfolio and their approach for realizing the vision over time.

Recommended Resources

- ▶ [Carbon Credit Quality Initiative](#)
- ▶ [Provisional Claims Code of Practice](#)
- ▶ [Voluntary Carbon Market Integrity Initiative](#)
- ▶ [Integrity Council for the Voluntary Carbon Market](#)
- ▶ [EDF's Carbon Credit Basics for Business](#)
- ▶ [Greenhouse Gas Management Institute and Stockholm Environment Institute's Carbon Offset Guide](#)
- ▶ [BASCS' Foundational Resources](#)
- ▶ [Advanced Market Commitments: Insights from Theory and Experience](#)
- ▶ [Carbon Pricing: What Is a Carbon Credit Worth?](#)
- ▶ [Guidance Document Microsoft Carbon Dioxide Removal Procurement Cycle](#)

Key Takeaways

- ▶ **Be clear about the carbon credit procurement objectives as a part of a larger climate strategy that informs purchasing criteria.**
- ▶ **Decide what type and how many credits to buy over a given time frame.**
- ▶ **Understand supply options and potential trade-offs.**
- ▶ **Ensure a validation method for purchases against procurement criteria and goals and associated claims.**



Step 3: Build Internal Support and Alignment

Compiling information on carbon credits and crafting a business case aligned to existing corporate and climate strategies may preemptively address questions and concerns from internal stakeholders. However, building internal support takes time, and cultivating relationships and buy-in is an ongoing process.

It is important to engage key internal stakeholders throughout the process to garner support, identify key implementation hurdles and peculiarities, and incorporate feedback and perspectives into a comprehensive proposal. Key internal stakeholders are those who will most likely be involved during the carbon credit procurement process, such as the finance, accounting, procurement, legal, communications, and leadership and investor relations teams. After internal teams have signed off, pull together a core program management team.

When launching a carbon program, teams may allocate a budget to hire personnel or consultants to run specific parts or the entire procurement process to build team capacity.

If financing is a constraint, teams may also consider introducing an internal price on carbon, charging the business units responsible for residual emissions that require carbon credits. Internal carbon pricing is one way for businesses to generate funding and budget for credit procurement. An increasing number of companies are putting an internal price on carbon according to [CDP's carbon pricing research](#). Workday, a BASCS member company, implemented [a carbon price](#) to fund their renewable energy and carbon offset projects as part of their journey to net zero. For companies looking to implement an internal carbon fee, Microsoft has an [open source webinar](#), “Accelerated Sustainability with an Internal Carbon Fee,” available.

A CEO pitch deck that consolidates key information about carbon credits and the business case for a carbon program is a useful tool for companies seeking to address business units' concerns as well as get corporate leadership on board.

Recommended Resources

- [Emerging Trends in Supply Chain Emissions Engagement: Building Internal Support](#)
- [Guide to Communicating Carbon Pricing](#)
- [Science-Based Target Setting Manual: Building Internal Support for Science-Based Targets](#)
- [Reducing Risk, Addressing Climate Change Through Internal Carbon Pricing: A Primer for Indian Business: Step 6 Operationalize Carbon Pricing—building internal support](#)
- [A Net Zero Roadmap for Travel & Tourism: 2.1 Leadership & Governance](#)

Key Takeaways

- **Assemble the pitch.**
- **Continually build and cultivate relationships with key internal stakeholders.**
- **Obtain internal approval.**
- **Build a program management team, including external partners if desired.**

Stakeholder	Key concern	Solution
Finance	Timing and magnitude of anticipated cashflows	(Co-)Develop and share multi-year volume and pricing forecasts, substantiated by market research and indicating areas of uncertainty
Accounting	Accounting treatment Evidence base for ESG and financial reporting and auditing	Identify materiality thresholds and determine whether new, carbon credit-specific accounting policies (i.e., related to capitalization) may be required Confirm quality and format of data (i.e., carbon credit retirements and dashboards) to be used for auditing and reporting purposes, and prospective timeline
Procurement	Contracting terms	Include procurement colleagues early on in contract negotiations
Legal	Contracting terms	Include legal colleagues early on in contract negotiations
Communications	Reputational opportunities and risks (i.e., related to claims)	Provide clear guidance on language and claims; consider SBTi and VCMI
Leadership and Investor Relations	Leadership and Investor Relations	Prepare summary materials and establish a schedule and format for executive updates





Step 4: Begin Sourcing Credits

RFPs

Procurement teams can solicit information through a request for information (RFI) and identify projects through a request for proposals (RFP) or intermediaries, like brokers or consultancies. RFPs allow companies to take a broad pulse of the market and negotiate contracts, removing the middleman and any associated premiums or fees. Through RFIs and RFPs, companies can gain insight into the project structure, pricing, and quality. Although RFPs give companies more ownership of the procurement process, collecting and reviewing responses and pursuing direct conversations with project developers is resource intensive and time consuming. To learn more about the structure of an RFP, Microsoft has a carbon dioxide removal program and offers [guidance documents](#) and a [proposal cover letter](#) for their procurement cycle.

Carbon brokers

While RFPs are good options for large procurement teams with greater capacity to run direct procurement and in-house due diligence, intermediaries such as carbon asset managers and credit retailers can be helpful in supporting smaller teams to achieve their carbon credit program objectives. Intermediaries typically have existing contracts with specific, pre-vetted projects that they know and trust. Some retailers have a portfolio of credits sourced from projects they have developed internally. Given these long-standing partnerships, retailers typically have a variety of projects and credit types available, and often may have credits immediately available if delivery time is a constraint.

There are a few downsides to working with brokers. First, the incentive of retailers is to sell credits and earn a margin; as such, buyers must be careful to monitor, understand, and scrutinize the due diligence process which the broker employs to ensure the quality and integrity of the credits it is selling. Companies typically do not receive full information on the underlying project, nor the specifics of credits that may be supplied from a project. Due to the value of the intermediaries' sourcing, diligence, and marketing services, pricing is typically higher than procuring from project developers directly and can change quickly (i.e., quarterly). The availability of credits from projects may also change quickly. Finally, buyers may not always have full certainty of when credits will be issued from the underlying projects and transferred to the buyer. This can pose challenges for meeting annual internal corporate commitments.

Key Takeaways

- **Identify projects through either an RFI, RFP, a broker, or a consultancy.**
- **Brokers may offer immediate availability, while consultants may help companies source credits for unique circumstances.**

Consultancies

Consultants can reach out to all stakeholders, including project developers, brokers, and retailers, on behalf of a client. Unlike brokers, consultants may not have pre-existing relationships with project developers, nor pools of credits that they can draw from, so may not have credits available immediately, and may provide less certainty around delivery timelines. However, using consultants to design and/or implement a procurement process can be beneficial for several reasons. Consultants often have deep carbon market expertise, can tailor offtake agreements across many dimensions (e.g., pricing, volume, purchase horizon, etc.), and can identify projects that are more aligned with companies' unique purchasing criteria and goals.

Once companies decide how they want to run the sourcing process, they will have to vet and screen the identified projects.

Recommended Resources

- [Duke Carbon Offsets Initiative: Request for Proposal Guide](#)
- [Guidance Document Microsoft Carbon Dioxide Removal Procurement Cycle](#)
- [Microsoft Procurement Cycle for Carbon Dioxide Removal](#)



Step 5: Vet and Screen Projects

When reviewing the identified projects, companies need to assess whether the project meets the criteria for high-quality credits and other specific criteria aligned to their carbon credit procurement objectives. Companies will also want to ensure that their projects don't take on unnecessary risk, such as geographical and political risks or higher risks of leakage. Buyers with little time to assess the riskiness of an offset should take on the least risky types. Conversely, buyers that have more time to assess the quality of an offset can look for higher risk and higher reward projects but will want to be sure they are asking the right questions during this phase. The [Carbon Offset Guide](#) provides an assessment of projects and their risk level, as well as questions that buyers should ask to better understand the risk of their projects and [details](#) on which projects might take on more risk.

BASCS recognizes current best practice is to vet and screen projects and hire an external, third-party consultant or verifier to do detailed quality reviews. Companies can also do the vetting on their own. This process may look similar to an investment due diligence process, in which buyers rely on the information provided by sellers directly and can additionally request third-party opinions. Buyers may also wish to consult key forms of project documentation that have been submitted to project registries, including the original Project Design Document (PDD), validation reports, and verification reports. Buyers may also wish to consult third-party rating agencies (e.g., [Sylvera](#) and [BeZero](#)). As a company, vetting projects independently can be labor intensive and requires niche, in-house technical expertise.

Recommended Resources

- [Three Considerations for Vetting and Investing in High-Quality Carbon Credits](#)
- [Verra VCU Labels](#)
- [VCM Related Claim Categorization, Utilization, & Transparency Criteria](#)
- [IC-VCM The Core Carbon Principles](#)
- [Criteria for Voluntary Carbon Offset Purchases: Standard](#)
- [Not All Carbon Credits Are Created Equal](#)

Key Takeaways

- **When vetting and screening projects, best practice is to hire a third party, external consultant, or verifier.**
- **Larger buyers of carbon credits (e.g., 500,000 tCO₂eq per year or more) may prefer to build in-house teams of carbon experts.**



Step 6: Finalize and Execute

While this primer walks through a single carbon credit purchase, building a portfolio through carbon credit purchases over time is important to scaling and improving climate solutions. Portfolio optimization—perfecting the mix of credit types to meet quality, financial, and timing goals as well as incorporating the carbon credit procurement strategy’s unique objectives and long-term vision—should be a routine practice for businesses procuring carbon credits. With an ideal portfolio in mind, companies will be prepared to enter negotiations and secure credits from projects that align with outlined credit procurement criteria and goals. Dimensions that companies may wish to optimize for across a portfolio purchase include but are not limited to:

- ▶ Avoidance vs. removals credits
- ▶ Price (e.g., [pricing trends](#) in forecasting reports)
- ▶ Geographic exposure
- ▶ Project type (e.g., renewable energy, energy efficiency, nature-based)
- ▶ Project size and future credit availability
- ▶ Co-benefits (e.g., socioeconomic, biodiversity, community development)

The negotiation and contracting processes can be executed internally or by an external consultant. If the company sourced a project through an RFP, sometimes the terms will have already been outlined for the project developers, and the only key negotiations would be on procurement volumes. That is not always the case, and a company’s level of negotiation depends on how the RFP is formatted. For any contract negotiation, companies may want to involve internal or external legal counsel, as well as their internal procurement partners.

[Offset Guide](#) has guidance on carbon credit purchasing contracts, otherwise known as [Emission Reductions Payment Agreements](#) (ERPAs). Examples of ERPAs or pre-purchase agreements for innovative carbon dioxide removal (CDR) credits can be found on [Stripe’s Carbon Removal Source Materials GitHub](#) and [Microsoft’s CDR program](#) site.

In addition to focusing on carbon strategy and the quality and integrity of credits, it is critical that any

purchase agreement also satisfies the operational needs of the business. This may include items such as payment terms, delivery timelines, carbon credit registry operations, presentation of summary data for credits and retirements transferred, and other logistical considerations.

Key Takeaways

- ▶ **When finalizing purchases, keep a portfolio strategy in mind.**
- ▶ **Negotiation and contracting can be done internally or externally.**
- ▶ **Purchasing agreements should meet both the carbon program criteria and the business’s operational needs.**

Recommended Resources

- ▶ [Offset Guide](#)
- ▶ [Stripe’s Carbon Removal Source Materials GitHub](#)
- ▶ [Microsoft’s CDR program](#)
- ▶ [IISD The Paris Agreement’s New Article 6 Rules](#)
- ▶ [A Blueprint for Scaling Voluntary Carbon Markets to Meet the Climate Challenge](#)
- ▶ [Emissions Reduction Payment Agreements \(ERPA\)](#)



Step 7: Manage Inventory and Records

Once contracts are executed, companies will remain in touch with either developers directly, or intermediaries, to ensure credits are transferred in accordance with the timelines agreed to in the purchase agreement.

Companies that purchase directly from developers will likely wish to manage their inventory, requiring the development of one or several registry accounts. Once credits from the project are available, these can be transferred into the company's registry account. The company can then elect to retire the credits immediately or hold them for retirement (or transference) at a future date.

Companies that work with brokers and intermediaries may never need to create their own registry accounts, and instead, can elect to have brokers retire credits on their behalf. In this instance, companies must request that brokers share retirement certificates, showing proof of retirement on behalf of the company. Evidence of retirement is critical to inform any assurance (e.g., GHG accounting), third-party auditing (e.g., ESG reporting, sustainability/green bond reporting), and reporting and disclosure processes. Even after retirement, companies will want to maintain some level of ongoing monitoring to manage non-permanence risks.

Recommended Resources

- ▶ [Carbon Offset Guide: Registries & Enforcement](#)
- ▶ [Carbon Offset Guide: Program Administration and Authority](#)
- ▶ [American Carbon Registry](#)
- ▶ [American Carbon Registry Operating Procedures](#)
- ▶ [APX Inc.](#)
- ▶ [Markit](#)
- ▶ [Verra Registry System](#)

Key Takeaways

- ▶ **Once a contract is in effect, companies will need to continually monitor projects to understand the stage of the credit and address non-permanence even after the credit has been used for a claim.**

Conclusion

The voluntary carbon market holds immense potential for progressing towards an emissions pathway that limits warming to 1.5°C. The private sector needs to send a strong demand signal to increase the volume, quality, integrity, and impact of carbon credits, requiring more businesses to introduce carbon programs to their business and climate strategies. This is a time- and labor-intensive process and companies will need to expand internal capacity to carry out a carbon program effectively.

Companies entering the voluntary carbon market might benefit from this primer when used as a starting point to understand carbon credit procurement strategies and programs. BASCS intends to build the carbon credit capacity of companies inside and outside of its membership by drafting additional, in-depth primers on related topics such as financing mechanisms, blended finance, RFP templates, and buyer term sheets.

BASCS continues to build partnerships throughout the climate finance ecosystem; develop and hold programs such as workshops and webinars; and provide learning opportunities consisting of organized bootcamp curriculums; all with the end goal of fostering an environment that accelerates corporate

participation and investment in climate solutions. For more information on carbon credits and the carbon market, and to stay up to date on BASCS publications, please visit [BASCS's Foundational Resource Hub](#).