EDITO

Reducing greenhouse gas emissions by 50% by 2030 to shield ourselves from the worst effects of global warming is becoming increasingly challenging as the years go by.

While some proponents of the "it's already too late" argument advocate a slowdown in climate action - demonstrating a complete disregard for scientific data, which instead emphasizes the need to fight against every tenth of a degree of additional warming - others turn to a different tactic in an attempt to preserve "business as usual" and protect the interests of fossil fuel-powered companies: carbon offsetting.

Carbon credits allow a company to account for carbon emissions reduction efforts to meet their climate targets without exerting any effort. Instead of making the changes needed for decarbonize their activities, companies can purchase the required volume of emissions from a third party that is supposed in turn to capture or prevent them. Carbon credits thus become a transfer of responsibility and a form of the right to pollute.

Aside from the numerous scandals - including frequent cases of human rights abuses and evidence that emission capture levels are rarely as high as claimed - carbon credits also discourage efforts to reduce emissions. And even more so when they are cheap and made more easily accessible.

In this context, using carbon credits to compensate financial actors participating in the closure of coal plants under the "Coal Transition Accelerator" launched at COP28 by France would be counterproductive, as it would discourage decarbonization efforts in other sectors of the economy.

It is only through a holistic approach, encompassing the entire economy and seeking emission reductions in all sectors, that it will be possible to limit warming to 1.5°C. This will not be achieved through market economy gimmicks but rather by adopting sector-specific policies based on scientific measures.

In other words, it is not possible to cheat when it comes to the imperative of slashing greenhouse gas emissions. Financial institutions must focus on reducing their emissions rather than attempting to conceal them with accounting tricks.

When the science warns that any new fossil fuel project is incompatible with a 1.5°C trajectory, including the construction of new blast furnaces fuelled by metallurgical coal, then financial actors must demand that their clients in the energy and steel sectors halt the development of these projects.

Yes, it is useful to continue the dialogue and to encourage companies to adopt more precise emission reduction targets. However, it is the measures they intend to implement now that determine their credibility. This is something for investors to bear in mind as shareholder meetings get underway. Reclaim Finance is urging them to vote for climate action now.

Lucie Pinson,
Director of Reclaim Finance

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