

Addendum to complaint lodged 12 April 2021

This document is submitted as an addendum to our complaint lodged on 12 April 2021 against Shell's promotion of "CO2 compensation" in its "Rij CO2 neutraal" campaign. It addresses claims made by Shell in the context of decision 2021/00002, which had not been publicly available at that point.

A.6.1. Shell successfully misled the Reclame Code Commissie in its submissions on case 2021/00002

Shell submitted a number of factually incorrect and misleading claims to the RCC in regard to case 2021/00002. **These will be identified and refuted in detail** below. In particular, it will be shown that Shell's **references to the ISO 14021:2016 standard and the PAS 2060 guideline are deceptive.**

Claim 1

"In de uiting worden de termen 'compensatie' en 'CO2-neutraal' gebruikt om aan te geven dat Shell bij deelname door een klant aan het compensatieAAN-programma ervoor zorgt dat de gehele CO2-uitstoot die vrijkomt bij winning, productie, distributie en verbruik van de gekochte brandstof wordt gecompenseerd."

"In the advertisement, the terms "offset" and "carbon neutral" are used to indicate that when a customer participates in the compensatieAAN program, Shell ensures that all CO2 emissions released during extraction, production, distribution and consumption of the purchased fuel are offset."

The alleged intention of the advertiser in using a specific term in a marketing communication is immaterial to the question whether it is misleading for the average consumer. The sole criterion of relevance is how the average consumer understands it. The complaint shows conclusively that the average consumer must be assumed to expect that **the promoted mechanisms do what Shell explicitly promises they will do**. The wording of slogans like "Drive CO2 neutral" ("Rij CO2-neutraal") and "CO2 compensation" ("CO2 compensatie") suggests that payment for the promoted product will neutralise, fix, or "make up for" the harmful effects of CO2-pollution from using Shell's fossil fuel products. This, however, is **factually incorrect, as the product does not, and cannot deliver what it promises**. This is shown conclusively in the complaint. According to the Reclame Code Commissie, the literal text of the advertisement will create certain **expectations among consumers**. These expectations must align with the **reality of the product**.¹ This is explained extensively in [section A.4](#) of the complaint.

Claim 2

"Om deze compensatie te realiseren, koopt Shell CO2-credits uit natuurprojecten die – naast verschillende andere standaarden – voldoen aan internationale carbon standaarden, bijvoorbeeld de op dit moment wereldwijd meest gebruikte Verified Carbon Standard (VCS/Verra, tot 2014 'Voluntary Carbon Standard'-maatregel geheten)."

¹ Reclame Code Commissie *Vattenfall* (2019) 2019/00656/A.

“To achieve this offset, Shell buys CO2 credits from nature projects that - among several other standards - comply with international carbon standards, for example, the currently most widely used worldwide Verified Carbon Standard (VCS/Verra, called 'Voluntary Carbon Standard' measure until 2014).”

Different to what Shell claims, the **“Verified Carbon Standard”** is neither **“international”** nor a **“standard.”** It is merely a system of “voluntary carbon credits”, for which **no publicly recognized rules** exist, neither on the international nor the national level. Instead, they are a product **created by a private entity**, Verra. It creates “voluntary carbon credits” on the basis of **“methodologies” that can be written by the project operators themselves**, and are therefore not objective. Moreover, no independent verification takes place, as the contracted entities have a financial interest in “verifying” compliance with those self-written “methodologies” (**“verification-for-pay”**). This is extensively explained in **sections A.5. and B.6.** of the complaint.

Claim 3

“CO2-credits worden verhandeld tussen overheden en bedrijven.”

“Carbon credits are traded between governments and companies.”

Governments are generally not involved in the creation or transaction of “voluntary carbon credits”, and certainly not in regard to the “voluntary carbon credits” that Shell promotes as “offsetting” its CO2-pollution. The market for “voluntary carbon credits” is not subject to public regulation or oversight.

Claim 4

“Om de kwaliteit en integriteit van de CO2-credits te waarborgen, is er een robuust programma van normen, verificatieprocessen en registers van derden.”

“To ensure the quality and integrity of CO2 credits, there is a robust program of standards, verification processes and third-party registries.”

As already stated, “voluntary carbon credits” are created **outside of public regulation** and oversight. **No uniform, objective standards exist.** Instead, the Verra “methodologies” can be written by the project operators themselves, and the “verification” process is not independent (**“verification-for-pay”**).

Claim 5

“Een CO2-credit staat voor het vermijden of verwijderen van één ton CO2 uit de atmosfeer. Het verwijderen van CO2 wordt bereikt door opslag daarvan door natuurlijke (groei)processen van planten en bomen, terwijl het vermijden van CO2 wordt gerealiseerd door te voorkomen dat als gevolg van ontbossing een hoeveelheid CO2 in de atmosfeer belandt die zonder boskap in dat bos opgeslagen zou blijven.”

“A CO2 credit represents the avoidance or removal of one ton of CO2 from the atmosphere. Removing CO2 is achieved by storing it through natural (growth) processes of plants and trees, while avoiding CO2 is achieved by preventing, as a result of deforestation, an amount of CO2 from being released into the atmosphere that would remain stored in that forest in the absence of forest clearing.”

Creating “voluntary carbon credits” for “avoided emissions” projects, and in particular for **“avoided deforestation” projects are extremely controversial**, as e.g. illustrated by a recent article in the Financial Times (see below). As the complaint shows, **forest-based “compensation” activities are not equivalent to CO2-pollution from driving** in any meaningful way: They constitute a **merely temporary redress to a permanent problem**, as the CO2 remains in the short-term carbon cycle and is re-emitted into the atmosphere **when the tree dies** (section B.1.). Moreover, it is a **highly uncertain “solution”** to a certain problem, as the **long-term survival of forests is increasingly put at risk with climate change** (section B.2.). Even in theory, the alleged benefits of “avoided deforestation” projects can be assumed only if a stringent set of conditions is met, which is not the case for Shell’s promoted projects, which have been established in areas already under protection (section B.3.). From a perspective of climate policy, the continuation of CO2-pollution (with or without “compensation”) is undesirable (section B.4.): **Climate science unequivocally agrees that the measurement of carbon-takeup by forests is extremely difficult and uncertain**. Claiming an exact amount of “avoided emissions” from forest-based activities is therefore scientifically unsound (section B.5.). Finally, burning fossil fuels adds real, physical CO2-pollution to the carbon cycle, whereas **“avoided deforestation” projects create “emission reductions” that are hypothetical only**, existing in the books alone (section B.6.).

Carney's stumble at Brookfield intensifies focus on 'net zero' claims

Controversy over so-called 'avoided emissions' highlights creative carbon accounting issues

The backlash illustrates the complexity of climate accounting, which lacks standardisation and is open to manipulation, and the ease with which even experienced climate ambassadors can fall foul of the still-emerging rules.

Critics of the "avoided emissions" method of carbon accounting say it is selective, misleading and illegitimate. The inclusion of the measure in making carbon footprint calculations is "taking credit for something that happens independently from your own carbon footprint", said Alexander Farsan, a member of the Science Based Targets initiative steering committee.

"You shouldn't account for reductions where you haven't accounted for the emissions in the first place," Farsan said.

Avoided emissions are generally baked into carbon accounting already: they are the reduction that results from switching to a clean energy source, for example.

What is net zero?

The UN [Intergovernmental Panel on Climate Change](#) defines net zero as being achieved by cutting emissions to as close to zero as possible over a specified period and compensating for any remaining emissions with projects that remove emissions from the atmosphere.

The concept of avoided emissions has also generated debate in the market for carbon offsets, which organisations can use to compensate for their emissions as part of net zero plans. Many schemes generate offsets on the basis of carbon avoidance, rather than removal, such as those that protect existing forests.

Since companies buy offsets as a "trade" for reducing their own emissions, what matters is whether those purchases represent "a tonne [of carbon] removed", not avoided, said Jonathan Goldberg, chief executive of the advisory group Carbon Direct.

Farsan said claiming carbon neutrality on the basis of having bought avoidance offsets was illegitimate, since those credits "cannot play the role of carbon removals".

The Financial Times (9 April 2021) describes carbon accounting as "open to manipulation", and explains that credits for "avoided emissions" do not represent actual removal of CO2-pollution.²

² C Hodgson, 'Carney's stumble at Brookfield intensifies focus on 'net zero' claims' *Financial Times* (9 April 2021) <<https://www.ft.com/content/2d96502f-c34d-4150-aa36-9dc16ffdca2>> accessed 14 April 2021.

Claim 6

“Zowel herstelnieuwe aanplant van bos als bescherming van bestaand bos kan worden gebruikt om uitgestoten CO2 te compenseren. Dat beide opties deel uitmaken van het compensatie-AAN programma, wordt door Shell uitdrukkelijk op haar website vermeld in de toelichting op het programma en in (artikel 2.3 van) de deelnamevoorwaarden.”

“Both restorative planting of forest as well as protecting existing forests can be used to offset CO2 emitted. That both options are part of the Compensation AN program is explicitly stated by Shell on its website in the explanation of the program and in (article 2.3 of) the terms of participation.”

The complaint shows that **neither of the projects promoted by Shell is actually claiming “voluntary carbon credits” from tree-planting (section A.5)**. The constant reference to tree-planting by Shell in its promotion of “CO2 compensation” is therefore misleading.

Claim 7

“Het gebruik van CO2-credits om CO2-neutraliteit te bereiken, is conform de Industrie Standaarden PAS 2060 en ISO 14021, die ‘CO2-neutraal’ definiëren.”

“The use of CO2 credits to achieve CO2 neutrality conforms to Industry Standards PAS 2060 and ISO 14021, which define “CO2 neutral.”

PAS 2060 is not a publicly recognized, international standard at all. It is merely a “publicly available specification”, which the BSI promotes to companies in order to, inter alia, “raise your profile.”³ According to the BSI, only 30% of PAS eventually “form basis of international standards.” Moreover, the PAS 2060 cannot be considered a neutral, objective guideline. It was co-written by a number of entities with a clear conflict of interest. Most notably, the PAS explicitly promotes “Gold Standard” credits, while the Gold Standard Foundation has co-written the guideline.⁴

The **PAS 2060 is a process-based guideline**. As such, it **neither confirms nor refutes the use of “voluntary carbon credits” from “avoided deforestation” projects**. Instead, it lays down formal requirements that claims of “carbon neutrality” should fulfil to ensure transparency and accountability: “The fundamental principle that the methodologies used to collate evidence that substantiates such declarations need to be clear, transparent, and scientifically sound, documented and readily available remains as the foundation of PAS 2060.”⁵ In other words, it does not relieve

³ BSI, ‘What is a PAS?’

<<https://www.bsigroup.com/en-GB/our-services/developing-new-standards/Develop-a-PAS/what-is-a-pas/>> accessed 14 April 2021.

⁴ PAS 2060:2014, ii.

⁵ PAS 2060:2014, iii.

Shell from the obligation to prove that the mechanism it promotes as ensuring “carbon neutrality” actually meet the various requirements laid down in the PAS 2060, such as scientific soundness (Articles 5.2.5., 6.1.3., 8.2.3., 9.1.3.). More specifically, **it does not relieve Shell from the obligation to prove that their “voluntary carbon credits” for “avoided deforestation” actually meet the conditions of additionality, avoidance of leakage and permanence** (Article 9.1.2.b). The complaint conclusively shows these conditions are difficult, if not impossible to meet for forest-based “compensation” projects (Section B.3). The complaint also shows specifically the two projects Shell promotes do not meet these conditions.

According to the PAS 2060, the primary means to support the claim of “carbon neutrality” must be actual emission reductions. Only “residual” GHG emissions should be “offset.” The **PAS 2060 states explicitly that “this specification does not make provision for a declaration of the achievement of carbon neutrality solely through offsetting.”**⁶ This requirement is not met by Shell’s product “CO2 compensation”, which, as Shell explains in its submission in case 2021/00002 as well as on its website is exclusively based on “offsetting” by means of “voluntary carbon credits.” Consequently, **Shell’s product “CO2 compensation” is not “carbon neutral” as defined by the PAS 2060.**

The **ISO 14021:2016** is an actual international standard. Similar to the PAS 2060, it neither confirms nor refutes the use of “voluntary carbon credits” from “avoided deforestation” projects. Instead, it defines minimum criteria for “self-declared environmental claims”, such as Shell’s self-declared claim that it could offer consumers “CO2-neutral driving”. The minimum criteria defined include the obligation that environmental claims are accurate and not misleading, must be substantiated and verified, and life-cycle based (Article 5.7). The **ISO 14021:2016 is therefore a type of instrument similar to the Milieu Reclame Code**. As a matter of fact, the Milieu Reclame Code is based on the ICC Advertising and Marketing Communications Code’s Chapter D on environmental communications, which in turn is based on the ISO 14021:2016 standard.⁷ It should therefore be obvious that **Shell is not relieved from the obligation to prove that its self-declared claims regarding “carbon neutrality” actually meet these minimum requirements**. The complaint shows that Shell’s promotion of “CO2 compensation” by means of “voluntary carbon credits” from “avoided deforestation” projects is misleading, as it promotes a product that does not, and cannot deliver what it promises.

⁶ PAS 2060:2014, 1.

⁷ “The chapter draws from national and international guidance, including, but not limited to, certain provisions of the International Standard ISO 14021 on ‘Self-declared environmental claims,’ [...]” International Chamber of Commerce, ‘ICC Advertising and Marketing Communications Code’ (2018) 11.

Claim 8

“Zo vermeldt onderdeel 7.17.3 van ISO 14021 (vertaald): ‘Ten aanzien van een product, vereist “CO2-neutraliteit” dat alle broeikasgasemissies (...) van alle fasen van de (levens-)cyclus van het product, en binnen het betreffende productsysteem, zijn verminderd, verwijderd of verwerkt door middel van een systeem van compensaties of credits, of op andere manieren.’ En onderdeel 9.1.1. van PAS 2060 luidt (vertaald): ‘Het bedrijf zal de benodigde hoeveelheid CO2-credits in overeenstemming brengen met dat wat nodig is om de broeikasgas-emissies te compenseren, zodat de status van CO2-neutraliteit wordt bereikt.’”

“For example, section 7.17.3 of ISO 14021 states (translated), ‘With respect to a product, ‘carbon neutrality’ requires that all greenhouse gas emissions (...) from all phases of the product’s (life) cycle, and within the product system in question, have been reduced, removed, or processed through a system of offsets or credits, or by other means.’ And section 9.1.1. of PAS 2060 reads (translated), ‘The company will match the amount of CO2 credits required with that needed to offset greenhouse gas emissions, so that the status of CO2 neutrality is achieved.’”

The fact that the ISO 14021:2016 and the PAS 2060 mention “carbon credits” **does not relieve Shell from the obligation to prove** that their “voluntary carbon credits” from “avoided deforestation” projects actually meet the minimum standards defined in these instruments, most notably **scientific soundness and accuracy**. The complaint shows conclusively that these conditions are not met.

Claim 9

“Voorbeelden van toegestane maatregelen om dergelijke ‘carbon credits’ te genereren, zijn vermeld in tabel C2 van PAS 2060. Hier wordt onder andere de ‘Voluntary Carbon Standard’-maatregel (thans Verified Carbon Standard/Verra genaamd) vermeld, waartoe de beide door klager genoemde projecten in Peru en Indonesië behoren.”

“Examples of permitted measures to generate such ‘carbon credits’ are listed in Table C2 of PAS 2060. This lists, among others, the Voluntary Carbon Standard measure (now called Verified Carbon Standard/Verra), to which the two projects in Peru and Indonesia mentioned by the complainant belong.”

The **PAS 2060 merely lays down a presumption of conformity, which is, and must be, rebuttable**. It does not relieve Shell from the obligation to scrutinize and confirm that the “voluntary carbon credits” it promotes actually conform to the minimum standards laid down in the PAS 2060, most notably additionality, permanence and lack of leakage (Article 9.1.2.b). In fact, the PAS 2060 requires explicitly that “[e]ntities shall confirm and record that their use of the selected scheme does not conflict with those principles.” (Article 9.1.3).

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While the PAS 2060 indeed mentions VCS/Verra credits, **Shell fails to mention** that the “Table C.2.” is located in the Annex C, which is explicitly termed “informative”, as opposed to “normative” (such as Annex A). It would in any case be **absurd to assume a blanket conformity of all VCS credits**, given that Verra, like the whole “voluntary carbon market”, operates outside of publicly established rules and public oversight. Moreover, **Verra itself has acknowledged** that it has, in the past, **enabled the creation of “voluntary carbon credits” from projects that were actually hugely harmful for the climate.**⁸ This concerned, in particular, the creation of credits from the destruction of HFC-23 gas, which incentivized the overproduction of an extremely harmful greenhouse gas.⁹ Consequently, the fact that VCS credits are mentioned in the PAS 2060 does not absolve Shell from the obligation to prove that “voluntary carbon credits” from “avoided deforestation” projects actually work, which they don’t, as the complaint conclusively shows.

Claim 10

“het IPCC (Intergovernmental Panel on Climate Change) erkent dat verminderde en vermeden ontbossing een methode is om klimaatverandering te bestrijden.”

“the Intergovernmental Panel on Climate Change (IPCC) recognizes that reduced and avoided deforestation is a method of combating climate change.”

The **IPCC report certainly does not recommend the payment to forest-related projects as an alternative to reducing CO2-pollution from individual transport.** Instead, the IPCC urges a cut of GHG emissions by 45% within this decade.¹⁰ **Massive reforestation is necessary in addition to massive cuts in fossil CO2-pollution.**¹¹ This is explained in **section B.4** of the complaint. The urgent need to protect forests does not change the fact that the use of fossil fuels must be stopped as soon as possible. Just earlier this week, 101 Nobel laureates called for an international ban on fossil fuels (see Guardian article below).

⁸ Allie Goldstein, ‘VCS Says Regulation Beats Trading For This Dangerous Greenhouse Gas’ *Ecosystem Marketplace* (10 January 2014) <<https://www.ecosystemmarketplace.com/articles/vcs-says-regulation-beats-trading-for-this-dangerous-greenhouse-gas/>> accessed 14 April 2021.

⁹ Elisabeth Rosenthal et al, “Winsten op koolstofkredieten drijven de productie van een schadelijk gas aan” *New York Times* (8 augustus 2012) <<https://www.nytimes.com/2012/08/09/world/asia/incentive-to-slow-climate-change-drives-output-of-harmful-gases.html?pagewanted=all>> accessed 16 April 2021.

¹⁰ Intergovernmental Panel on Climate Change (IPCC), ‘Global Warming of 1.5°C’ (2018) 12.

¹¹ Ibid 17.

101 Nobel laureates call for global fossil fuel non-proliferation treaty

Dalai Lama among those to sign letter to world leaders calling for rapid shift to renewable energy



▲ The Dalai Lama, one of the 101 Nobel prizewinners to sign the letter. Photograph: MIND AND LIFE

A hundred and one Nobel laureates, including the Dalai Lama, are calling for governments around the world to sign up to a **fossil fuel non-proliferation treaty** to help tackle the climate crisis.

In an open letter to world leaders published on Wednesday former presidents, scientists, novelists and religious leaders are urging governments to commit to a rapid and just transition away from fossil fuels, and a “transformational plan” to ensure everyone around the world has access to renewable energy.

In an open letter to world leaders, 101 Nobel laureates call for a “rapid ... transition away from fossil fuels.” They demand that “[f]ossil fuels must be kept in the ground.”¹² This stands in clear conflict with Shell’s promotion of the continued use of fossil fuels.

¹² Matthew Taylor, ‘101 Nobel laureates call for global fossil fuel non-proliferation treaty’ *The Guardian* (21 April 2021) <<https://www.theguardian.com/environment/2021/apr/21/101-nobel-laureates-call-for-global-fossil-fuel-non-proliferation-treaty>> accessed 22 April 2021.