

MAY 2024

# DIGITALEUROPE Recommendations to Council of the EU on Green Claims Directive



## Introduction

DIGITALEUROPE supports the ambition of the Commission's proposal on the substantiation of explicit environmental claims to make green claims reliable, comparable, and verifiable across the EU; and protect consumers from greenwashing. We support requirements that set clear and ambitious thresholds for making environmental claims, based on thorough substantiation, transparency, and verification.

DIGITALEUROPE members believe that the integrity and credibility of environmental claims are the keys to help increase consumer trust and reward investments in greener business practices..

As such, DIGITALEUROPE welcomes the proposal by the European Commission on the substantiation of green claims and call upon the Council of the EU to take the following considerations into account during the development of their position:

### **Climate-related compensation claims should be allowed, provided traders:**

- ▶ Demonstrate significant and rapid reductions in emissions in line with pathways informed by the latest climate science, measured against a transparently disclosed baseline scenario, and independently verified by third party standards and institutions. Apply carbon removal strategies against residual emissions only<sup>1</sup>.
- ▶ Ensure carbon credits are real, additional, measurable, and quantified — with systems in place to avoid double counting.
- ▶ Credits based on high quality removals (nature-based and geological storage) should be allowed for compensation claims, provided they address reversals in full and avoid leakage.

---

<sup>1</sup> *Residual emissions: unabated GHG emissions remaining after reducing emissions.*

- ▶ Ensure credits have been verified according to internationally accepted standards, such as Verified Carbon Standard, Climate Community and Biodiversity Standard, Gold Standard, Climate Action Reserve, American Carbon Registry.

According to the IPCC we need a significant and rapid scale-up of carbon removal to limit warming to below 1.5°C and avoid the worst impacts of climate change. Nature-based solutions are the only near-term (within several decades) solution available to reach the scale that the IPCC says is necessary. Only allowing for geological storage disincentivizes nature-based removals which according to IPCC are more scalable in the short term and therefore provide a critical opportunity to close prevalent emission gaps.

The quality of carbon removals can be demonstrated in multiple ways; it can be intrinsic to the storage mechanism, or it can be externally maintained through liability mechanisms and processes (including discounts, buffers, and monitoring). Nature-based removals can endure for decades or centuries when they are well designed and managed. Many factors related to reversal risks can be addressed during project design - for example, by creating long-term financial incentives, or creating legal restrictions to ensure the land isn't over-harvested or converted for other uses.

There's no silver bullet to meeting global climate targets and all carbon removal strategies must be pursued. Ensuring strict requirements for high quality removals, either technological or nature-based is the only path towards ensuring both substantiated consumer information on the climate impact of traders' activities, and a drive in the market for necessary investments in corporate climate action.

With the Green Claims Directive, EU institutions have the opportunity to set a high bar for traders' accountability and transparency when it comes to environmental claims. By setting high integrity rules for corporate climate-related claims, the EU should seek to support and incentivise business investments in the voluntary carbon market and nature-based solutions.

## Climate-related contribution claims can be considered as an alternative for companies that have not yet achieved sufficient reductions in emissions

- ▶▶ Contribution claims should be defined as a choice made by the trader to advertise their investment as a contribution towards global climate change rather than a compensation for an emission. It should not be determined by whether the credit does or does not count towards the NDC of the host nation.<sup>2</sup>
- ▶▶ Emissions are necessarily nested and recorded in separate accounts of both the traders' and a country's inventory. Similarly, credits can be accounted for in both a trader's emissions and a country's inventory without causing double counting of the credit's impact.
- ▶▶ Climate-related compensation claims should only be allowed if the trader achieves significant reductions in emissions, with contribution claims as a fall-back option for traders that have not yet achieved the necessary reductions. As compensation claims are more valued by the market, this tiered approach will incentivize a greater amount of emissions reduction, while voluntary climate investments remain attractive for all traders.

---

<sup>2</sup> Further DIGITALEUROPE recommendations on better communication of national corporate climate accounting:

Compensation claims can contribute towards countries nationally determined contributions (NDCs) without risking double-counting the impact of the carbon project, in most cases.

Emissions are necessarily nested and recorded in separate accounts of the traders' and a country's inventory, in much the same way as one company's Scope 1 emissions are nested within another trader's Scope 3. Similarly, credits can be accounted for in both a trader's emissions and a country's inventory without causing double-counting in any single accounting framework.

Furthermore, the emissions and credits used by a trader are rarely reflected in national inventories for purposes of reporting. With few exceptions, traders should be able to utilize such credits without geographic restrictions and without negatively impacting the goals of Paris Agreement

Contribution claims should hence be defined by whether the trader is advertising their investment as a contribution towards global climate change. It should not be determined by whether the credit does or does not count towards the NDC of the host nation.

**In addition to the above outlined recommendations, DIGITALEUROPE calls the EU institutions to take the following broader considerations into account:**

- ▶ Principle of mutual recognition: Member States' decisions on specific claims should be recognised and accepted in all other EU countries.
- ▶ Traders may use the labels awarded to them by verified and compliant labelling schemes, without having to go through additional claim-by-claim approval and verification procedures. Having all claims verified by a third party imposes disproportionate costs and administrative burden on traders. In order to reduce the burden on industry without compromising the effectiveness of the proposal, traders should be allowed to make environmental claims based on a simplified verification procedure including, where appropriate, a presumption of conformity as long as the claims comply with an accepted standard or methodology.
- ▶ Electronic labelling (e-labelling) via a data carrier (QR code or URL) is preferred over – and should replace where possible – information and substantiation requirements at point of sale, as it is the more sustainable alternative. Digitisation also allows companies to add voluntary certifications and company specific DPP attributes in accessible formats for consumers and circular economy actors; and enables efficient market surveillance.
- ▶ New public labelling schemes should only be established by the EU (not by Member States). Only environmental labels established under EU law may present a rating or score of a product/trader based on an aggregated indicator of the environmental impacts of a product or trader. Aggregated indicators help consumers to be informed of the overarching score rather than being overwhelmed by information.
- ▶ We support setting appropriate time limits for the verification process to avoid lengthy processes that will delay the provision of the information to the consumer.
- ▶ Environmental labels other than EU ecolabel: Limiting environmental labels to those awarded under environmental labelling schemes established under Union law will limit the products awarded environmental labels due to the limited scope of products currently covered. There are many well accepted and respected international environmental labels (e.g., EN ISO 14024 type I ecolabels, EPEAT, TCO, etc.) that present a rating or score of a product based on an aggregated indicator of environmental impacts that should be accepted and allowed to continue guiding consumers.
- ▶ Ensure alignment with the Corporate Sustainability Reporting Directive (CSRD). CSRD reporting requires an unprecedented level of details subject to third-party assurance by EU recognized auditors, and

another review by another third party would be duplicative without adding any additional assurance or information. This effort should be recognized to streamline additional administrative burden and facilitate the use of information published in the CSRD reporting as substantiated and verified claims.

- ▶▶ Harmonization of methodologies: We encourage the Council to follow a similar approach to the Commission's proposal and European Parliament's position and consider methodologies beyond the product environmental footprint methodology (PEF) which is not equally suitable for all product groups.
- ▶▶ Longer transition period: Certifying claims and phasing out products that have non-compliant claims will require adequate transition time. We support an extended transition time for application of the new rules, granting economic operators at least an 18-month transition period following Member States' national transposition during which existing claims could still be used, in line with the European Parliament's adopted position.

FOR MORE INFORMATION, PLEASE  
CONTACT:



Tim Sollberger

**Senior Policy Manager**

[tim.sollberger@digitaleurope.org](mailto:tim.sollberger@digitaleurope.org) / +32 490 44 83 61

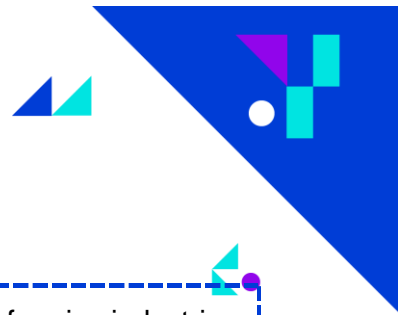
---



Raphaëlle Hennekinne

**Director for Sustainability Policy**

[raphaelle.hennekinne@digitaleurope.org](mailto:raphaelle.hennekinne@digitaleurope.org) / +32 490 44 85 96



## About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. We wish Europe to grow, attract, and sustain the world's best digital talents and technology companies. Together with our members, we shape the industry policy positions on all relevant legislative matters and contribute to the development and implementation of relevant EU policies. Our membership represents over 45,000 businesses that operate and invest in Europe. It includes 108 corporations that are global leaders in their field of activity, as well as 41 national trade associations from across Europe..