



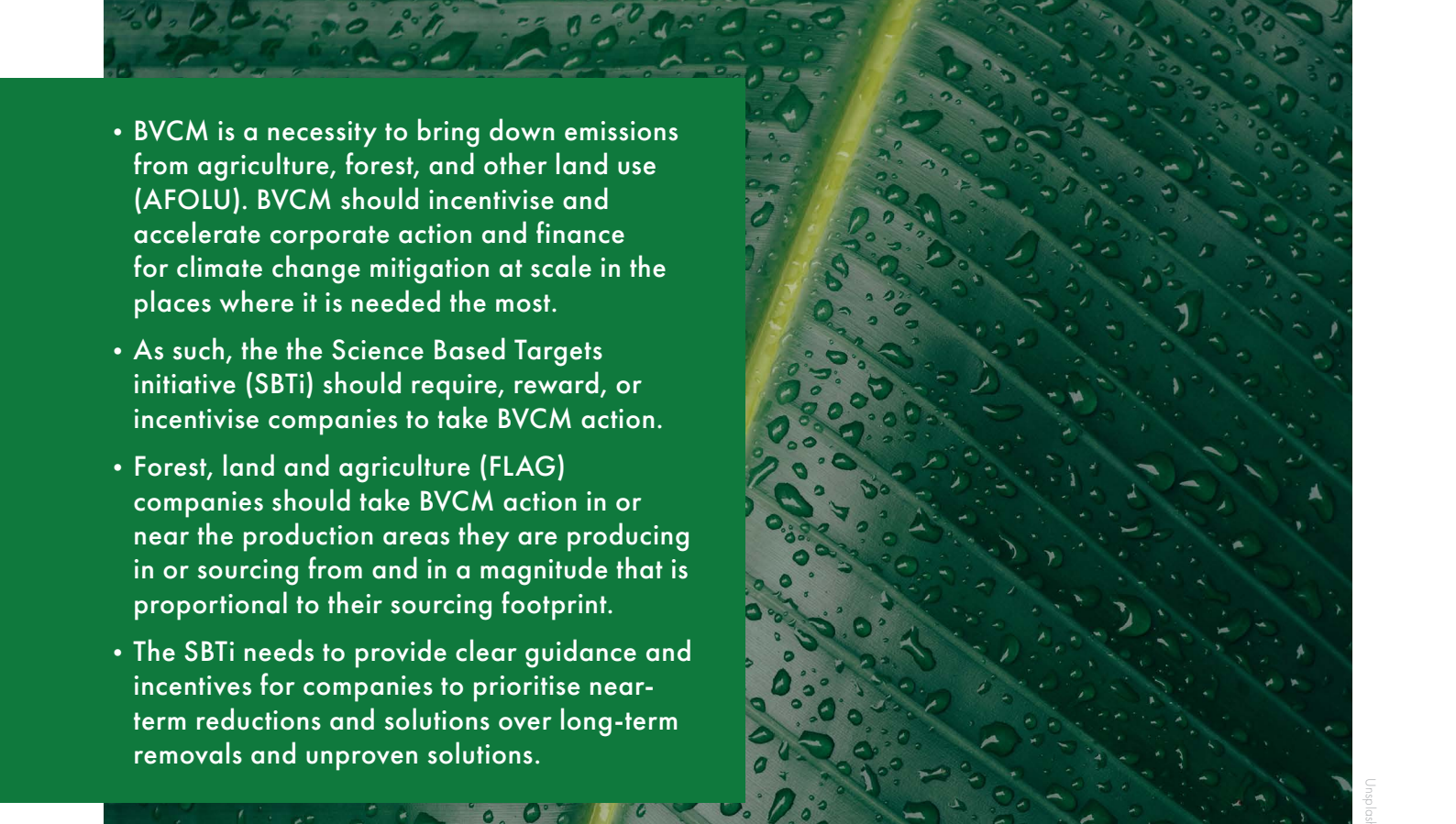
JOINT POSITION ON

BEYOND VALUE CHAIN MITIGATION

INCENTIVISING CORPORATE ACTION AT
LANDSCAPE AND JURISDICTIONAL SCALE



AUGUST 2023

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- BVCM is a necessity to bring down emissions from agriculture, forest, and other land use (AFOLU). BVCM should incentivise and accelerate corporate action and finance for climate change mitigation at scale in the places where it is needed the most.
 - As such, the the Science Based Targets initiative (SBTi) should require, reward, or incentivise companies to take BVCM action.
 - Forest, land and agriculture (FLAG) companies should take BVCM action in or near the production areas they are producing in or sourcing from and in a magnitude that is proportional to their sourcing footprint.
 - The SBTi needs to provide clear guidance and incentives for companies to prioritise near-term reductions and solutions over long-term removals and unproven solutions.

The Beyond Value Chain Mitigation (BVCM) [public consultation document](#)¹ is a welcomed step forward on the efforts that the SBTi is taking to raise the bar for companies to increase their ambition, given the escalating climate and nature crises. The forthcoming guidance will guide the companies to take the necessary steps outside of their value chains and contribute to the global need to keep temperature increase below 1.5°C, as mandated in the Paris Agreement.

According to the Intergovernmental Panel on Climate Change (IPCC), the forestry, land, and agriculture (FLAG) sectors contribute 22% of global human-caused Greenhouse Gas (GHG) emissions. Deforestation and natural ecosystem conversion for commodity production have caused biodiversity loss and contributed to increased numbers of floods, droughts, and forest fires, which disproportionately affect local communities in the production landscapes.

Climate targets have become a key lever for private sector action. Yet more is needed to ensure these processes support and enable inclusive, holistic, and just land use transformations on the ground and in collaboration with local governments and communities.

Various organisations have engaged many companies interested in taking urgent, and much-needed BVCM action in production landscapes, including in tropical forest regions, which hold huge climate change mitigation potential. Without strong incentives to take BVCM action, this investment is at risk.

Within this context, representatives from Conservation International (CI), the Earth Innovation Institute, the Earthworm Foundation, Emergent, IDH, ISEAL, Land-Scale, Proforest and the Tropical Forest Alliance (TFA) have been reviewing the BVCM public consultation document. The main driving question is: How can the BVCM guidance effectively incentivize companies to take action at landscape/jurisdictional scale to tackle deforestation and climate change in production landscapes?

This joint position contains a summary of some of the feedback from these organisations to the SBTi as part of its public consultation process and aims to serve as a reference and discussion point for stakeholders interested in building incentives for companies to take BVCM actions.²

1. The SBTi welcomed inputs on the BVCM document on 19 June-30 July 2023. The SBTi will use these inputs to shape the guidance that is scheduled to be published by end 2023.

2. CI, Emergent, EDF, IDH, ISEAL, Proforest and TFA have also reviewed the GHG Protocol draft land sector and removal guidance and published [consolidated feedback](#) in end 2022. A key ask is for the SBTi to encourage the development of mechanisms that allow companies to add carbon impacts (positive and negative), generated outside farm boundaries, within jurisdictional sourcing regions, to be accounted for within a company's GHG footprint.



KEY RATIONALE

BVCM should incentivise and accelerate corporate action and finance for climate change mitigation at scale in the places where it is needed the most.

FLAG companies³ have worked to reduce commodity-driven deforestation in their individual supply chains. Unfortunately, this approach has failed to slow deforestation – a major driver of GHG emissions – in any meaningful way. All examples to date that have shown relative success in addressing commodity-driven deforestation have required a combination of supply chain action with strong government and wider stakeholder action e.g., in palm oil producing areas in Indonesia.⁴

Understanding this, an increasing number of companies have taken action and invested in landscape and jurisdictional scale activities within sourcing and production regions. Both individually and through various precompetitive coalitions, companies are collaborating with local stakeholders to create structural change in the systems around their supply chains and produc-

tion.⁵ It is crucial these investments are prioritized and recognized through BVCM.

On the forest side, companies have also started to support efforts from multiple countries to develop and deliver inclusive Reduced Emissions from Deforestation and Forest Degradation (REDD+) strategies at national and subnational scale. These strategies include developing ambitious, landscape-scale plans and monitoring systems, with the explicit expectation of results-based payments from the private and public sectors.

The inclusion of forest-based mechanisms such as REDD+ hold the potential to accelerate efforts to achieve sustainable land at scale, complementing efforts from commodity producers and buyers to address deforestation in production areas. It also opens the opportunity for non-FLAG sector companies to contribute to these efforts, which is critically important to achieve the scale needed to reach Paris-aligned targets.

3. According to the SBTi, FLAG companies are those that are either (i) in the following sectors: forest and paper products (forestry, timber, pulp and paper); food production (agricultural production); food production (animal source); food and beverage processing; food and staples retailing; and tobacco; and (ii) in any other sector with FLAG-related emissions that total more than 20% of overall emissions across scopes (SBTi 2022).

4. See for example Daemeter and TFA (2022), [Decade of Progress: Reducing Commodity Driven Deforestation in Indonesia and Malaysia](#).

5. See examples in reports on companies' landscape-scale action in [palm oil](#), [cocoa](#), and [pulp and paper](#) developed by TFA, Proforest and CDP.

JOINT POSITIONS

1. BVCM is a necessity to bring down AFOLU emissions. The SBTi should require, reward, or incentivise companies to take BVCM action.

- Current SBTi guidance for companies to reduce scope 3 emission limits action to within their supply chains. To achieve this target, companies can shift their supply out of specific areas and replace (higher risk) producers, including smallholders.⁶ While from scope 3 accounting perspective these are viable options and potentially cost-efficient 'quick wins', such 'remove and replace' supply chain strategies do not provide structural solutions to the large-scale mitigation of emissions from FLAG sectors and do not address the issue of leakage. The multi-actor dynamics of land use change and other factors impacting FLAG emissions also constrain which scope 3 emissions within supply chains can be meaningfully reduced in a way that is just⁷ and inclusive.
- While the SBTi was set up to help companies reduce internal emissions, the science is clear that emissions from land use change, in particular tropical deforestation driven by commodity production and other causes, urgently need to be halted and

reversed in this decade. Companies need to play their part in not simply avoiding sourcing from suppliers linked to deforestation but also in actively protecting threatened forest/natural ecosystems, many of which lie "off farm". This is also why it is essential that non-FLAG companies are encouraged to invest in protecting ecosystems that have high carbon values (tropical forests, coastal areas and rangelands).

- Additional financing to tackle companies' unabated emissions from land use change is essential. AFOLU investment represents only 2.5% of total climate finance tracked. By some estimates it requires a nearly 26-fold increase in annual funding to shift to a low-carbon and climate resilient trajectory ([Climate Policy Initiative, 2022](#)). The SBTi should require, reward, or incentivise companies to take BVCM action – this has the potential to trigger a strong corporate response and unlock much-needed finance.

2. FLAG companies should take BVCM action in or near the production areas they are producing in or sourcing from and in a magnitude that is proportional to their footprint.

- The fragmented production base and supply chains of companies in the FLAG sectors, which include millions of smallholders, mean that they especially need to invest beyond their direct value chains to achieve deforestation- and conversion-free commodity production in a way that is inclusive and just.
- FLAG companies should invest in mitigation actions related to the commodities they produce or source and in the production areas they produce in or source from. Investment should focus on addressing

structural factors to enable emission reductions in the landscapes they source from and frontier areas for deforestation related to their key commodities.

- FLAG companies should align BVCM investments with the priorities established under their nature targets including SBTN guidelines. They should work to align their tracking of SBTN and SBTi metrics eg. tracking and planning work in terms of both land area (hectares) and GHG emissions (tonnes CO₂e).

6. Five of every six farms in the world consist of less than two hectares, operate only around 12 percent of all agricultural land, and produce roughly 35 percent of the world's food ([FAO, 2021](#)).

7. The concept of a just transition relates to the concept of ensuring meaningful stakeholder involvement in planning and decision-making about the policies and changes that affect them (procedural justice), and the need to distribute the burdens and the benefits of the climate transition fairly (distributional justice), including by addressing the potential negative impacts on communities ([Just Rural Transition Initiative, 2023](#))

3. The SBTi needs to provide clear guidance and incentives for companies to prioritise near-term reductions over long-term removals in line with the mitigation hierarchy.

- Natural climate solutions can provide 37% of cost-effective CO₂ mitigation needed through 2030 for a >66% chance of holding warming to below 2 °C (Griscom et al. 2017). The most efficient and cost-effective way of tackling emissions from land use change is to "keep forest standing", including in investing in avoided deforestation in key frontier landscapes linked to commodity production but not currently in global supply chains.
- As such, corporate portfolios of BVCM investments should be front-loaded with near-term priorities (i.e., emissions reductions) to align with corporate targets (e.g., to halt commodity-driven deforestation by 2030) as well as societal needs in this decade (also recommended in the Oxford Principles).
- The BVCM guidance should highlight this temporal dimension and urgency. Otherwise, companies will continue to prioritize long-term removals, jeopardizing our collective ability to reach the 2030 mitigation goals. Corporate portfolios of BVCM investments could gradually shift toward long-term removals at a pace commensurate with societal progress in addressing near-term priorities when the SBTi's requirement to neutralize residual emissions kicks in closer to 2050.
- The BVCM guidance should focus its recommendations on scientifically-proven solutions, such as nature-based solutions, and what is needed in the next few years. BVCM could signal that the guidance and its recommendations will be updated periodically over time as conditions change and knowledge improves.

4. The SBTi needs to provide practical guidance on which types of interventions and mechanisms can be covered by BVCM.

- The principles – scale, urgency, transformation (innovation), financing need, co-benefits and climate justice – are useful conceptually but do not effectively guide action as a company has to do considerable additional analysis to operationalize the principles and make actionable decisions.
- As further guidance, the SBTi should clarify that to be relevant, BVCM action needs to meet several principles, which could help avoid companies focusing only on low-cost/low-quality BVCM action that may only satisfy one principle.
- Two other potential ways – not exclusive to one another – to provide additional directions and operationalise the principles are:
 - i. The SBTi directs companies to take BVCM action in places that may have been directly and indirectly negatively impacted by their value chains, which could strengthen the principles of climate justice, co-benefits, and financing need;
 - ii. The SBTi directs companies to select BVCM actions with the biggest potential contribution to net emission reduction by 2030, as presented in Figure 6 of the public consultation document. In particular, FLAG target-setting companies should be required to prioritize proven AFOLU actions as showcased in Figure 6.
- A list of clear BVCM actions should be highlighted in the guidance to drive corporate action towards activities that can have the greatest impact. These should include practical mechanisms such as investments into landscape-level programmes (following best practice, see below), high-quality jurisdictional-scale REDD+ credits and jurisdictional certification efforts from credible schemes. Importantly, to ensure that BVCM achieves its objectives, the SBTi also needs to provide examples on what would not count as BVCM.
- Two useful references to clarify these principles and interventions relevant to be BVCM are: (1) "[What Constitutes a Company Landscape Investment or Action](#)", a joint position paper published by ISEAL Alliance and supported by 18 organisations, including CDP, CI, Proforest, TFA and WWF; (2) "[Tropical Forest Credit Integrity Guide for Companies Version 2](#)" published by eight organisations including CI, WRI and WWF.

5. All companies should report BVCM activities and investments publicly.

- At minimum, the SBTi should require all participating companies to report on their BVCM activities publicly, including on a public SBTi dashboard. Such reporting should be required regardless of whether the SBTi requires BVCM; companies choosing not to invest in BVCM would report “zero”.
- This visibility will provide reputational benefits and acknowledgement for companies that take

BVCM actions and overall confidence to investors, policymakers and consumers on companies’ contribution to societal goals.

- The BVCM reporting requirements should not be overly burdensome. In every way possible, reporting should be aligned with other frameworks such as CDP.

6. The SBTi should align BVCM claims to existing and emerging guidance on corporate claims related to climate, nature and landscape-scale actions.

- On carbon credits or similar investments, the SBTi should provide a broad best-practice framework for claims and then point to a limited number of initiatives including VCMI as key authorities on credible claims. This would strengthen the proposed streamlining of the SBTi, VCMI and ICVCM and avoid adding complexity and confusion.
- On landscape-scale action, the SBTi should aim to align with the latest ISEAL guidance on how

companies can make claims about their [landscape investment and actions](#), which is supported by 18 organisations including CDP, CI, Proforest, TFA and WWF. Guidance on how companies can make claims for landscape-scale outcomes is forthcoming.

- On nature, the SBTi should be linked to other mechanisms that recognise companies’ landscape-scale action, e.g., SBTN (land targets).

