

SALESFORCE ON CARBON CREDITS:

A Just Transition to a Net Zero, Nature-Positive World

Salesforce's climate and nature action journey: What we've done and learned along the way, where we're headed, and why we want you to join us.

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The Climate Imperative

Today, we find ourselves confronting the biggest challenge humanity has ever faced: the climate crisis. Sea levels are rising, heatwaves and droughts are causing devastation, and increasingly powerful storms wreak havoc around the world. All of this means human lives lost, increased costs, supply chain disruptions, resource constraints, and huge challenges for governments, organizations, and individuals around the world. This crisis has been caused by human activity. And while we're already experiencing significant impacts, the consequences of temperatures rising by more than 1.5° C would be truly catastrophic.

To avoid surpassing 1.5° C of warming, we must collectively cut emissions in half by 2030 and achieve net zero emissions by mid century.¹ Reaching this milestone will require both deeply decreasing our emissions and, at the same time, removing CO₂ that has already been added to the atmosphere.

Inextricably linked to the threat of climate change is the importance of maintaining a functioning biosphere. Biodiversity is in free-fall. Earth's ecosystems are at risk of collapsing. If current trends continue, we'll overshoot 1.5° C of warming and find ourselves in a world with natural systems in disarray and with serious, irreversible consequences that impact our ability to thrive as a civilization. While we will all feel the impacts of these changes, it is the most vulnerable among us who will experience the worst impacts of climate change and nature loss.

A net zero and nature-positive world is a world in balance – a world where the cycles that sustain life are robust, leading to healthy ecosystems and, by extension, healthy animals and humans. **We must quickly make a just transition to a net zero, nature-positive world – together.**



¹IPCC 6th Assessment report, Working Group III on Mitigation from April 2022, <https://www.ipcc.ch/report/ar6/wg3/>

The Business Imperative

The climate crisis impacts everyone, and each of us must play a role in our collective journey to limit warming to 1.5° C. If we are to have a chance of succeeding, governments, businesses, investors, civil society, and individuals must demonstrate bold climate action while supporting each other to build momentum together.

Businesses are uniquely positioned to have an outside impact given their access to capital, global reach, and ability to move quickly and innovate. This moment, while challenging, also offers significant opportunities for companies that are ready to adapt their business models and ways of operating to prepare for the realities of a net zero and nature-positive world. A net zero global economy means new markets with demand for new products and services. And a nature-positive world is one where investing in natural capital and ecosystem health at a planetary scale will require an entirely new financial asset class and a vibrant economic sector focused on ecosystem restoration, conservation, and other nature-based solutions (NBS).

Organizations must use every tool at their disposal to make the necessary transition. Market mechanisms can help to spur innovation and cost-effective climate action, alongside public policy and other non-market measures. **Carbon credits – and carbon markets more generally – are critical tools that, made and used well, can play an important role in our collective journey to net zero while simultaneously helping us build a nature-positive world.**



The Role of Carbon Markets

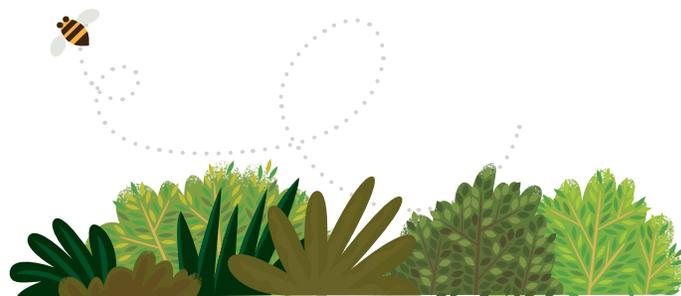
The first priority in any organization's net zero journey must be to reduce emissions. Each organization should set a 1.5° C aligned science-based target (such as [SBTi](#)), which it [monitors](#), and publicly discloses, while focusing on deeply reducing its absolute scope 1, 2, and 3 emissions. However, reaching individual targets and the level of decarbonization that science tells us is needed to limit warming to 1.5° C is dependent on societal, systemic changes – grid decarbonization, new technologies, shifts of fiscal incentives, etc. – all of which will take time.

This means that while emissions reduction goals should be prioritized, to reach them companies must also seek to affect change outside their own operations. One critical tool to that end is financial capital such as impact investing, philanthropy, and purchasing carbon credits, which help accelerate the development and deployment of climate solutions. Carbon credits, which represent the avoidance, reduction, or removal of greenhouse gasses (GHG) in order to compensate for emissions created elsewhere, are one such climate finance tool with a great deal of promise.

Today, there is a lot of excitement and also trepidation about the growth of the voluntary carbon market. The risk, as with all tools, is that carbon credits may be made poorly or used with bad intent. When made poorly, carbon projects can harm local communities, or might not achieve the emissions benefit they are meant to represent. Or carbon credit purchasers can misuse them by choosing only to offset, instead of prioritizing reducing their emissions. **We cannot offset our way to net zero.**

The promise of the voluntary carbon market (VCM) lies in its potential to scale, from hundreds of millions of US dollars today to [\\$10B–\\$40B by 2030](#), spurring innovation and fueling the emergence of a large economic sector for nature-based solutions and technological carbon dioxide removal that the world desperately needs.

While carbon markets today are far from perfect, they are one of the best tools we have for financing these critical climate solutions. They are not a silver bullet and should only be used as part of a suite of climate actions. But this is no excuse for inaction. Salesforce believes in our collective ability to mitigate the risks of carbon markets and seize their immense potential.





Salesforce's Net Zero Journey

Our First Carbon Credit Purchases

While continuing to focus on reducing emissions across our full value chain, in 2017 we kicked off a new pillar of our climate action strategy by purchasing our first carbon credits. We see carbon credits as a way to finance nature-based solutions and new technologies for carbon dioxide removal that lack other forms of funding today, while also putting a price on carbon inside our company to further incentivize emissions reduction efforts.

When we made our first carbon credit purchases, we relied almost entirely on a few trusted brokers – many of whom we still work with today – to find, vet, and source credits on our behalf. Since then, the voluntary carbon market (VCM) as well as the few compliance markets around the world have undergone massive changes – mostly for the better. They have become more complex to navigate, but the overall benchmark for transparency and quality has risen steeply. And massive leaps forward in the creation and use of carbon credits are upon us thanks to efforts like the [Integrity Council for the VCM](#) and the [VCM Integrity Initiative](#). The evolution of verification methods and standards, and the emergence of third-party rating agencies like [Sylvera](#) and [Calyx Global](#), can also help to improve the quality of credits.

In September 2021, we reached [net zero residual emissions across our full value chain \(scopes 1, 2, and 3\)](#) and achieved 100% renewable energy for our global operations.²

But achieving the shared goal of global net zero will take all of us working together. That's why, throughout our continuing journey, we are always keen to share what we've learned with the world. We are also using the full power of Salesforce to create tools that will help others achieve net zero faster. Tools such as [Net Zero Cloud](#) and our new [Net Zero Marketplace](#) will enable all those who want to take climate action – including those in small- and medium-size enterprises – to accelerate their own journeys to net zero.

Our Focus on Justice and Nature

Since 2017, we've continued to focus on deeply reducing our emissions - especially in the areas of [Business Travel](#), [Supplier Enablement](#), [Work from Anywhere](#), and [Infrastructure](#) - while simultaneously investing in climate action through carbon credit purchases, as well as [renewable energy procurement](#), [impact investments](#), and grants. In 2021, we also launched our [\\$100 million Ecosystem Restoration and Climate Justice Philanthropic Fund](#), which provides grants to organizations that pioneer climate action around the world.

²We define 100% renewable energy as purchasing enough renewable energy to match all electricity used globally within our operations on an annual basis. In early 2022, these achievements were confirmed by our third-party assurance provider.

So far, our climate solutions funding and carbon credit portfolio has mostly focused on nature-based solutions like reduced deforestation, forest ecosystem restoration, rangeland management, and mangrove restoration. Nature is the world's most powerful carbon sink, and investments in nature can provide benefits for people across all sustainable development goals. The total mitigation potential of nature-based solutions is between 5 and 11.7 gigatons of CO₂e per year according to the UN Environment Programme (2021). Unlocking the full potential of nature-based solutions will be determined by how well, how much, and how fast we invest. If we succeed, nature-based solutions could close about one third of the overall estimated emissions gap. Stopping deforestation alone could lower global greenhouse gas emissions by 10%.

We support nature because it is the right thing to do for people and the planet on many levels, including building a more resilient society through more resilient ecosystems. In this spirit, Salesforce is a co-founder of the 1 trillion tree initiative, 1t.org. It provides a global learning platform where we can all improve our approach to forest ecosystem restoration, with benefits for people, nature, and climate.

Despite their enormous potential, climate goals solutions only received 8% of climate finance in 2017-2018³ and face a \$711 billion annual funding gap through 2030 to reach their potential for climate and biodiversity. This lack of other funding makes them both well suited for and in desperate need of carbon markets.

However, the emissions avoided or removed as a result of nature-based solutions also face serious risks of being undone or reversed, for instance by fires or agriculture-driven deforestation. Carbon credits are mainly used to compensate for greenhouse gas emissions, which will remain in the atmosphere for hundreds to thousands of years. So if the emissions avoided or removed by a nature-based solutions project are undone, any claims made using the carbon credits from that project are no longer true. Some believe this risk is high enough to warrant stopping investments in nature via carbon markets entirely. However, forests and other ecosystems, if measured across large enough areas, are highly stable over millennia, and the science is clear: Nature in aggregate must play a major role in mitigating climate change. We believe the risk of reversal is motivation to improve the quality and durability of nature-based credits so they can reach their full potential. To that end, we're working to develop new forms of carbon credits that further mitigate risks with partners like the LEAF coalition, which generates credits from entire countries and jurisdictions rather than more vulnerable individual projects.

³Source: <https://nature4climate.org/news/a-snapshot-of-nbs-in-action-today/>.



What We've Learned

Taking bold climate action is not easy. It requires resources, innovation and determination. But it is feasible, and doing so will result in better, more successful organizations. We've learned much about carbon markets since we made our first net zero commitment in 2015, from both our mistakes and from our successes. These learnings have enabled us to improve our programs, develop and share tools like our new Net Zero Marketplace, and support holistic market improvements like VCMI and ICVCM. Based on what we've learned, we have built internal quality criteria for carbon credit purchases and developed and linked climate action tools like our internal price on carbon across our business operations. We are still on a learning journey, but this is a good time to take stock of what we've learned so far.

Along the way, we continue encountering the same four fundamental issues, which in aggregate keep the VCM from reaching its potential: *integrity, complexity, quality, and supply*. Let's take these in turn and reflect on what we've learned, and why all these challenges can and will be overcome.

Opportunities to Scale the Voluntary Carbon Market



Companies must reduce AND compensate: this is not a moment for “either/or”.

The first – and perhaps the largest – challenge is a lack of **integrity**. The primary criticism of the VCM is that it's an easy way out; an excuse for not taking more difficult or more costly climate action, such as reducing emissions. The solution is a simple one: companies must set separate targets for reducing emissions in line with a 1.5° C world **AND** compensating for any remaining emissions with carbon credits. Today, we cannot view these actions as interchangeable, or in conflict, but as complements.

That's why we've set an ambitious emissions reductions target, which goes even further than our science-based target, to reduce our scope 1, 2 and 3 emissions 50% by 2030, without the use of renewable energy credits, carbon credits, or any other market-based tool. In addition, we are also committed to purchasing carbon credits equivalent to our residual emissions on an annual basis. While these targets are linked, as both relate to our emissions, they are managed separately.



In practice, our participation in carbon markets has only served to help drive our separate emissions reductions target further. Purchasing carbon credits sets an **internal price on carbon** that drives investments into the business changes needed to achieve our emissions reduction goal. As an organization decreases its emissions, it directly reduces the number of carbon credits it must purchase to achieve net zero. The “price on carbon” is, at a minimum, the cost of buying those credits. This creates an additional financial incentive for organizations like ours to invest in solutions that reduce emissions, making “business as usual” less desirable than innovation.

This perceived loophole in climate targets is closing rapidly since the [Science-Based Targets Initiative \(SBTi\)](#) entered the scene, followed by the [Voluntary Carbon Markets Integrity Initiative \(VCMI\)](#) which “is developing a Claims Code of Practice to guide credible, voluntary use of carbon credits and associated claims.” However, the variability of integrity to date has hampered the growth of the market since companies are afraid of triggering a greenwashing backlash if they make a mistake on their climate journey. According to the [Twitter 2022 Marketing Report](#), mentions of corporate greenwashing have grown 158% over last year. However, the urgency of the climate crisis demands we use every tool we have. While expectations around integrity continue to evolve, every organization must hold itself to high moral standards and make choices that accelerate us toward our shared global goal of net zero. No one should sit on the sidelines, stymied because of the fear of potential backlash. Companies should use carbon credits, just not instead of taking other actions.

Buying quality credits is hard, and it shouldn't be.

The next challenge is **complexity**. Businesses like ours are working hard to buy high-quality carbon credits. But doing so and navigating the rapidly-evolving voluntary carbon market is challenging. Knowing how to buy what from whom is difficult for even the largest corporate sustainability teams, and it shouldn't be.

That's why in 2021 we helped create the business alliance for scaling climate solutions ([BASCS](#)), which “aims to gather and disseminate information and opportunities for and from peers, practitioners, and experts, including sharing best practices, funding opportunities, and research and insights to scale and improve climate solutions,” including via carbon credits.

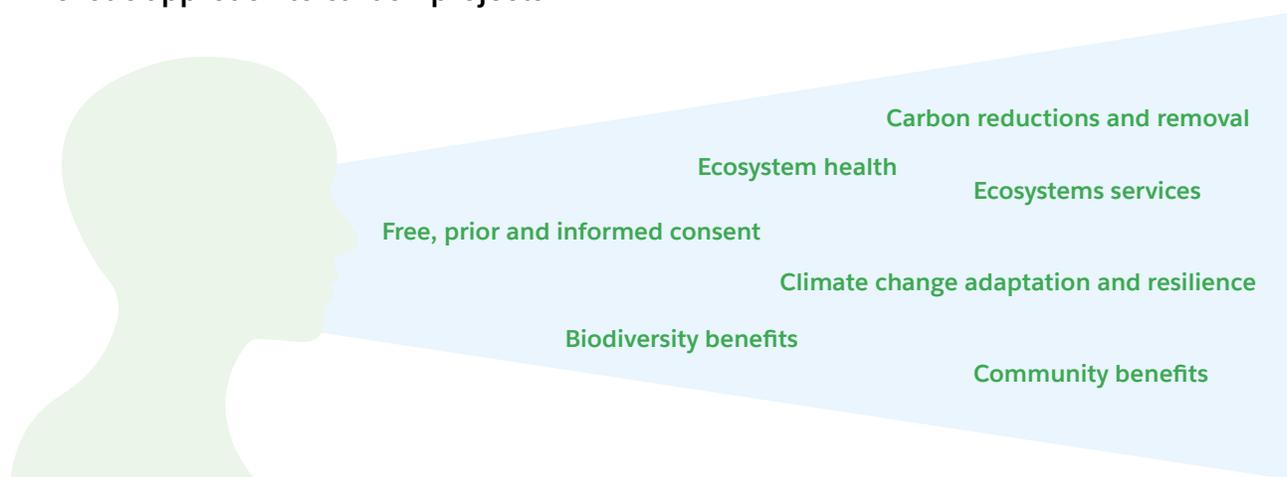
This year we're excited to bring together our technology and ecosystem to address this challenge head-on, based on our [core values](#). With the Net Zero Marketplace – built on Salesforce's own Commerce Cloud platform – we've created a seamless e-commerce experience for organizations to find innovative projects and connect with ecopreneurs around the world. We're also partnering with industry-leading carbon credit providers and independent third-party carbon credit raters to help buyers identify quality projects, bringing transparency and trust to this complex market. With detailed information, clear pricing, and third-party ratings for most projects, we're taking steps to strip away complexity and put the power in the hands of organizations to decide which carbon projects align with their priorities, standards, and broader emissions reduction goals.



Projects need to be better built.

A third challenge is the low **quality** of many carbon credits on offer. For example, many of the projects offered in the voluntary carbon market today do not meet the requirements proposed in the draft Core Carbon Principles by the ICVCM. While these principles are currently perhaps too ambitious, they set an important north star for high quality. However, there are major investments underway into the development of higher-quality projects and independent third-party reviews of quality. We must also start thinking about a project's quality in much broader terms than simply the value and quality of its carbon impacts. We need to avoid "carbon tunnel vision". Carbon removals and reductions do not happen in a vacuum, and we must aim for a holistic approach to quality when selecting which projects to support. A core criterion for Salesforce in assessing quality are the social and environmental co-benefits a project can generate beyond carbon sequestration. A holistic approach to carbon projects, especially for nature-based solutions, will make projects more durable and – in the long run – more profitable for local communities, land owners, and project developers. Projects that lack local, national, social, or political acceptance or ignore biodiversity considerations will be inherently unstable.

A holistic approach to carbon projects



We have learned invaluable lessons from successful projects. However, some of our most important lessons have come from our engagement with projects that don't end up meeting our high standards for quality and co-benefits. For example, sometimes project developers are unable to credibly document how investment funds are being used and what portion is shared back with the local community. Other times, projects will use unrealistic calculations of their climate benefits (i.e., over estimating what deforestation rates might have been without their intervention).





Through our many project investments, we have learned that there is no shortcut to any place worth going to. Good projects take time to develop, but their benefits are worth the investment. By a “good project” we mean one that fits our **internal Salesforce project criteria**, which in broad terms parallel the criteria being proposed by [ICVCM’s Core Carbon Principles](#). By selecting projects based on these principles and criteria, we help ensure our investments produce benefits beyond carbon. In particular, we aim to invest in projects with clear social benefits, which increase biodiversity and improve local capacity for climate change adaptation.

Discerning what is and isn’t high quality is a tall order for an individual company. Thankfully standards are always improving, and a range of emerging efforts have the potential to distinguish and dramatically improve overall quality.

We need an ecopreneur revolution.

The final issue relates to **limited supply**. There simply aren’t enough high-quality carbon credit projects generating credits today. Certainly not for the billions of credits some estimate will be sold by 2030. This challenge will persist for a while, as creating new high-quality projects takes time. However, deep and transformational change is coming. This change will be driven by **tens of thousands of ecopreneurs** - the changemakers of our generation. This is the decade of the ecopreneur revolution.

To accelerate this change, Salesforce is working to democratize carbon market participation with access to technical and financial resources, especially for those least responsible for and often most impacted by climate change, such as indigenous peoples and local communities.

As a founding sponsor of [UpLink](#), Salesforce is helping to connect more than 50,000 ecopreneurs around the world as they develop the next generation of climate solutions and accelerate progress on the [UN Sustainable Development Goals](#).

We are also investing in the development of blue carbon solutions - carbon credits from marine and coastal ecosystems, like mangroves and seagrass. One project that we’re especially excited about is [The Ocean Foundation’s Blue Resilience](#) project in Xcalak, Mexico, developed in partnership with the Mexican Commission for Protected Areas (CONANP), several Mexican universities, and the local Mayan fishing community. Xcalak is the last area along the Mayan Riviera that has been spared development and the population of Xcalak and the surrounding area remains about 80% Mayan. [The project](#) will include capacity building for ecosystem restoration and management, completion of a large-scale feasibility assessment and mangrove restoration plan, a blue carbon baseline assessment, and direct support for hydrological restoration and mangrove planting. This project takes a seascape approach, planning for mangrove, seagrass, and coral restoration in a coordinated fashion while also putting indigenous livelihoods, values, and goals at the center of planning and execution. The Xcalak community will receive rights to all carbon credits the project produces.



Carbon credits are far from enough.

Of course, carbon credits alone aren't enough. Effectively addressing climate change requires a variety of actions, including a suite of financial tools to help scale climate solutions. Carbon credits are one financial tool, and they're best used to support the implementation and deployment of climate solutions that have no other potential funding source. However, they aren't well suited to other objectives like education and capacity building, early stage research and development into new technologies, and much more. That's why Salesforce also leverages other forms of capital such as impact investing, philanthropy, and our purchasing power.

Over the years, we have learned how catalytic such investments can be. One project of many that we are particularly proud of is [Accion Andina](#), a community-driven ecosystem restoration movement across multiple Andean countries of South America. Our support is helping Accion Andina to reach unprecedented scale and prepare for additional investments from the voluntary carbon market and other sources. Methodology has not yet been developed to account for the carbon impact of this unique high mountain forest ecosystem, and developing this methodology is one of the necessary upfront investments we can make. This will allow high Andean forests to benefit from additional investment through the voluntary carbon market.

At the same time that we build integrity, ease of use, high quality and more supply for the VCM, we also need to increase the ambition for climate action across the world's private sector. So far only 30% of the world's largest 2,000 companies have a climate action plan. And almost no small- and medium-size enterprises have set a climate action goal: of 60,000 companies [surveyed](#) in 2022 by South Pole, fewer than 2% had set a corporate climate neutrality target. Salesforce will continue to advocate strongly among our peers in the private sector that every company must set a science-based target and must have a climate action plan. Our tools and experience can help, and there is no excuse for inaction.

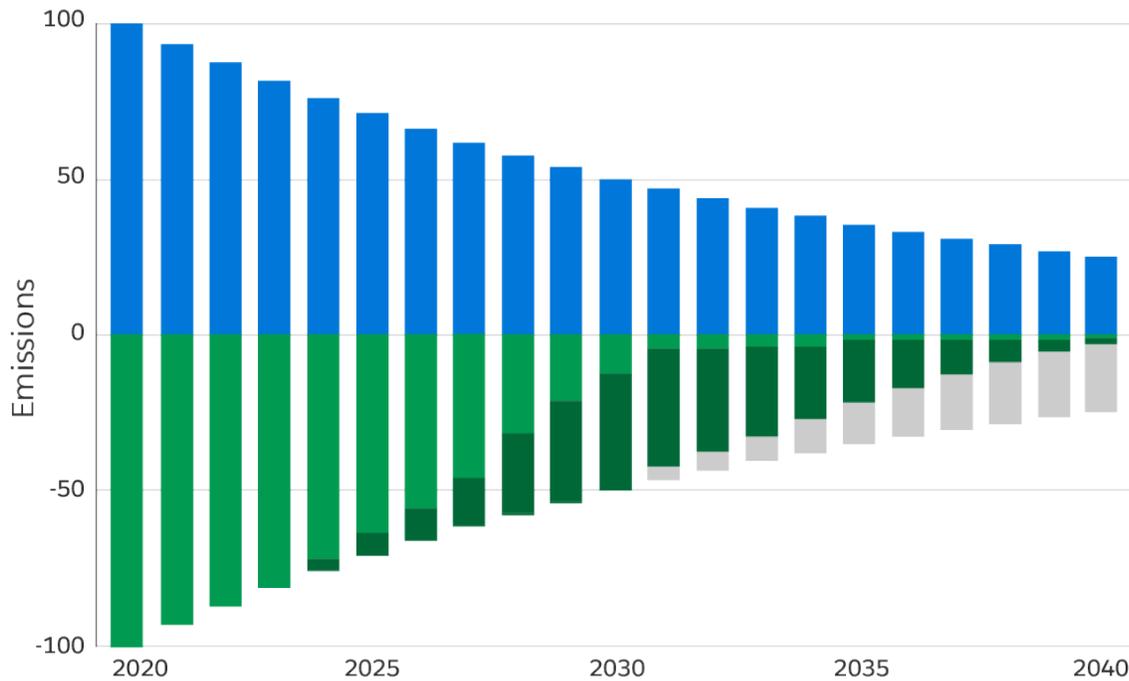
Governments have started to set clear rules and market signals for climate action, and to invest in research and development. Within those parameters - which are largely in place today- businesses can provide the innovation, entrepreneurship, financing, and the sheer force of hundreds of thousands of experts across all industries to tackle the monumental collaborative effort to halve emissions by 2030. It is a mission like the moonshot in the 1960s – unprecedented and full of unknowns, but also full of opportunity and hope.





What's Next

Example High Ambition Net Zero Journey



- **Emissions**
Portfolio priorities today: Reduce our emissions
- **Reduction/Avoidance Credits (Nature & Energy)**
Portfolio priorities today: Fund nature conservations and renewable energy deployment today
- **Removal Credits (Nature)**
Portfolio priorities today: Catalyze nature's potential to remove carbon
- **Removal Credits (Engineered)**
Portfolio priorities today: Spur innovation in engineered carbon removals

In the coming years, Salesforce will continue to invest in carbon removal technologies and nature-based solutions via carbon markets. Ecosystem conservation and restoration are our top priorities for now because the global community has decades of experience with these actions. And ecosystem restoration can be scaled up massively; the UN counts 1 billion hectares of degraded land which Governments have committed to restore. The IPCC 6th Assessment report Working Group III on Mitigation lists a range of nature-based solutions that can successfully be applied, from agroforestry to regenerative agriculture, reforestation, and restoration of high-carbon ecosystems such as wetlands, mangroves, and peatlands. Science tells us we will also need engineered carbon dioxide removal technologies at massive scale by mid century. That's why in May 2022, we committed to purchase \$100 million of durable carbon credits from technologies that remove carbon from the atmosphere by 2030. The investment is a part of an initiative from the First Movers Coalition (FMC), a group announced by President Biden at COP26, which aims to harness the purchasing power of companies to decarbonize “hard to abate” industrial sectors. Advance market commitments like those from FMC members send a clear demand signal that there's a market need which entrepreneurs will innovate to fill.

We will use our partnerships and platforms like the Business Alliance for Scaling Climate Solutions ([BASCS](#)) to practice, enable, mobilize, and showcase high-impact, high-integrity procurement and use of carbon credits. We will also continue to work in partnership to improve standards and market governance (e.g. through [ICVCM](#), [VCMI](#), [LEAF](#), [BCBA](#)), and invest in new products and services to improve quality and transparency such as [Sylvera](#), [Calyx Global](#), [Restor](#).

However, our greatest tool is our technology. Net Zero Marketplace, powered by Salesforce, will be a one-stop-shop for finding carbon credits from third parties and evaluating them using third-party expert reviews. Over time, we will further improve the Marketplace and add other forms of climate action like a green jobs board and ways to invest in ecopreneurs beyond carbon credit purchases.

Carbon markets are just one climate action tool. We will also continue to reduce our own emissions, engage suppliers, advocate for policy change, deploy other forms of capital, and much more. Check out our [Climate Action Plan](#) for more details.

As we champion best practices, we will continue to learn together. Carbon markets are complex, and collectively and individually we may make mistakes along the way. But the worst choice any of us could make today would be to do nothing. The impacts of the climate crisis will get worse before they get better. Yes there are solutions, there are changemakers, and there is hope. We're in this together, and we must work together to create a future all of us can be proud of – starting now.



Max Scher is Sr Director, Sustainability Strategy and Innovation. He has spent the last 7 years helping guide Salesforce efforts to affect a just transition to a net zero, nature-positive world, including leading the company's energy transition, climate finance, and carbon market programs.



Tim Christophersen is Vice President of Climate Action and leads Salesforce's nature-based solutions team. He previously led the United Nations Decade on Ecosystem Restoration 2021-2030, and the Nature for Climate Branch at the UN Environment Programme (UNEP). Tim and his UN team established cutting-edge blended finance facilities to support more investments in nature. He has pioneered the role of nature-based solutions for climate action and was instrumental in establishing the UN Programme on Reducing Emissions from Deforestation and Forest Degradation (REDD+), the Global Peatlands Initiative, and the #GenerationRestoration movement.



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