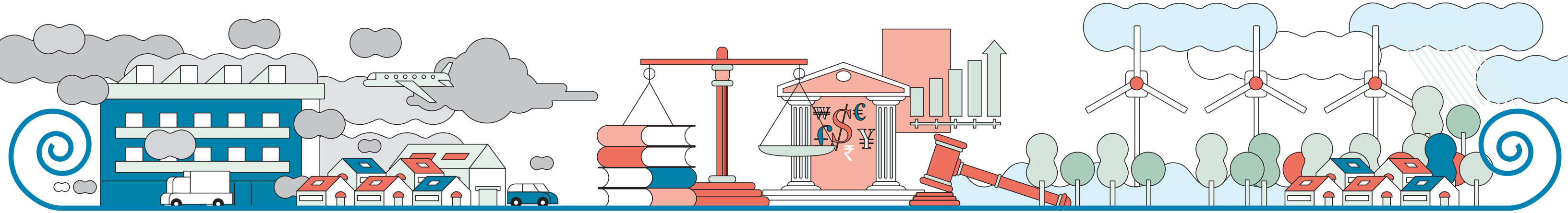
BT Explains

How carbon credits work

A carbon credit is a certificate that represents a reduction of one metric ton of CO2 emission. Buying carbon credits help companies and individuals offset unavoidable emissions to meet their carbon neutrality or net-zero goals. ***BY ANITA GABRIEL***



Stage 1

CO2 is emitted into the atmosphere from industrial output, transportation, power generation and travel. Companies – one of the main sources of emissions – need to cut emissions by taking steps to measure, report and eliminate them. But they won't be able to cut carbon footprint entirely in the short run.

Stage 2

Companies purchase high-quality carbon credits via exchanges and marketplaces. They compensate by retiring carbon credits equivalent to the emissions which they have not yet eliminated, supporting the transition to a zero-carbon future.

Step 3

Proceeds from sale of carbon credits fund climate mitigation actions including projects such as reforestation, wetland restoration and renewable electricity generation. These projects also create additional benefits for local communities and biodiversity (e.g. livelihoods, protection of endangered species).

Source: Climate Impact X