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E of ESG 2.0:
Coordinating on Climate Targets in Venture Capital

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VentureESG is a London-based non-profit organisation working with 500+ VC funds and 110+ LPs and asset owners, globally, on meaningful ESG integration across the VC value chain. Our goal is firstly to equip VCs and LPs around the world with responsible investing knowledge; secondly, we research, build and distribute fit-for-purpose tools and resources and thirdly provide training to VCs and LPs. Since 2022, we have trained VCs and LPs from 150+ institutions, across Europe, the US, LatAm and Africa.

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Executive Summary

Building on VentureESG's foundational 2024 "E of ESG for VC" which introduced environmental management basics for generalist VCs, this whitepaper addresses the need for **standardised carbon accounting and target-setting related to financed emissions across the venture capital ecosystem.** As environmental regulations tighten and stakeholder expectations grow, it is increasingly important for VCs to track and reduce the emissions linked to their investments ("financed emissions"). Aligning how these emissions are measured and managed, along with improving portfolio engagement strategies, has become a strategic priority for VCs working towards net zero.

The venture capital ecosystem faces three key challenges in addressing climate impact within their portfolios. First, there is a **lack of VC-specific guidance and practical tools** to manage the disproportionately high financed emissions associated with portfolio companies. Second, VCs encounter **difficulties in engaging with diverse start-ups** to effectively measure and reduce Scope 3 emissions, as environmental impacts vary significantly across sectors. Third, **compensation strategies for residual emissions** remain complex, with uncertainty around the use and integrity of carbon credits and nature-based solutions.

The paper is designed for VCs who are just starting their environmental journey. This guidance paper draws on insights from over 20 interviews with VC ESG managers, investors, and sector specialists. The goal is to reduce fragmentation and make climate action more accessible. Rather than introducing a new framework, it offers a stage-based guidance that uses and analyses existing frameworks and best practices to address:

1. **Setting Emission Reduction Targets:** VCs could use existing frameworks in a way that is relevant to the portfolio company's maturity. Avoid setting portfolio decarbonisation targets until portfolio companies reach a certain stage (specifically recommending decarbonisation targets at Growth and Science-Based Targets (SBTs) for Late-Stage).

2. **Portfolio Company Climate Engagement:** VCs should prioritise light-weight engagement initiatives until the portfolio company reaches early stage, with a measured increase thereafter. This includes setting expectations early through ESG clauses, providing founders with tools for emissions measurement, embedding impact objectives into company strategy, and fostering peer learning.

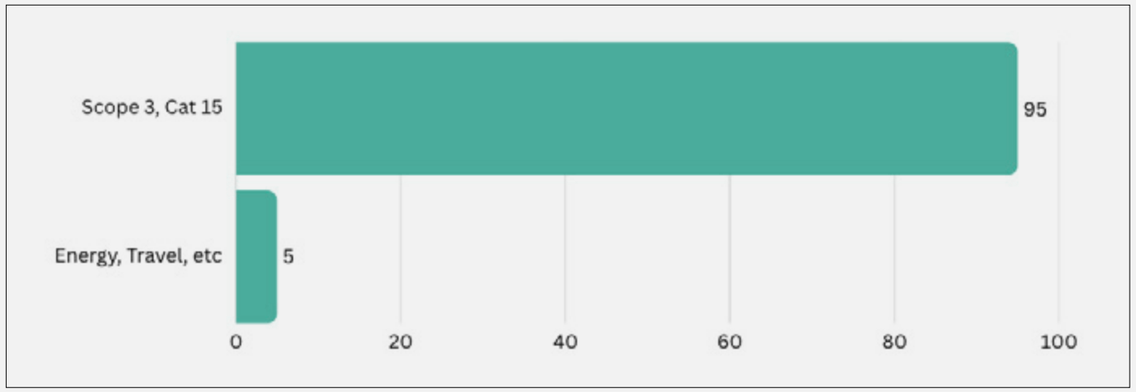
3. **Compensation for Portfolio Emissions:** VCs should focus on operational emissions, with mixed approaches to Scope 3 Category 15 (financed emissions) by either adopting an internal carbon pricing mechanism, allocating a budget for carbon removals or avoidance.

Addressing the ‘Carbon Elephant’ in the room

Venture Capital investors wield transformative power, shaping industries and societal norms through their funding of disruptive technology startups. They occupy a unique position to lay the foundation of sustainability at the genesis of high-growth companies before unconscious operational practices become entrenched.

When it comes to climate action, however, the VC ecosystem has been struggling with significant hurdles. Complex regulations, inconsistent emissions tracking, sector-specific challenges, and a lack of harmonised LP guidance have been preventing a unified approach. Uneven policies and fragmented tools further complicate coordinated efforts and increase the risk of underreporting progress (“greenhushing”).

Crucially, as we already laid out in our introductory 2024 ‘E of ESG’ guidance, VCs need to look beyond their own emissions; financed emissions—those linked to portfolio investments—make up the majority of a VC’s carbon footprint, often exceeding 95% and sometimes reaching over 99%.



With this guidance, we want to outline best practices for VC and portfolio emission action across three chapters:

Chapter 1:
Setting Emission Reduction Targets for Financed Emissions:
We report which frameworks are used in the ecosystem to establish credible reduction pathways while not sacrificing growth ambitions. We propose a stage-based approach to build climate capability proportionally to portfolio development.

Chapter 2:
Portfolio Company Climate Engagement:
We reflect on engagement strategies and emerging practices adopted by VCs with their portfolio across education, monitoring and support.

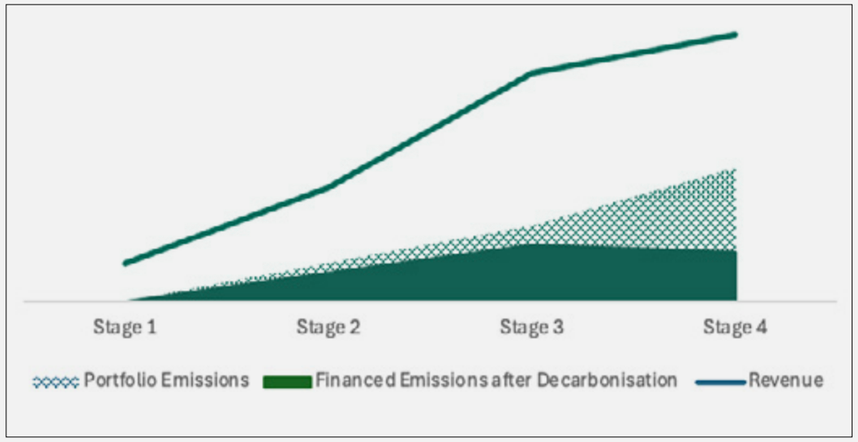
Chapter 3:
Should VC Funds Compensate for Portfolio Emissions?
How are VC firms addressing compensation (offsetting) for financed emissions? We dive into internal carbon pricing, removal-focused credits, and carbon avoidance credits.

Setting Emission Reduction Targets for Financed Emissions

Unlike traditional asset managers, venture capital investors (VCs) face unique hurdles in addressing financed emissions. These include data scarcity (since early-stage firms often lack robust emissions tracking), limited influence due to minority stakes, and methodological gaps, as frameworks like SBTi's Private Equity Guidance require adaptation for VC-specific dynamics such as frequent pivots, rapid portfolio turnover and sector diversity. Many VCs, often operating with small teams and limited environmental expertise, struggle to set and implement emissions targets. Compounding these challenges is the core VC business model: portfolio companies are expected to scale rapidly. How does that square with emissions reduction targets at all, and should it?

Fast growth and emission targets – A Paradox in VC, especially for SBTi

The Science Based Targets initiative (SBTi) is widely recognised for aligning emissions reduction targets with the Paris Agreement. However, it is rarely adopted directly by early-stage VCs because its absolute reduction targets, focus on operational stability, and limited flexibility do not fit the realities of fast-growing startups. Several structural mismatches underscore the need for more flexible, VC-specific approaches that align with climate goals without penalising innovation. SBTi's stringent near-term net-zero targets are often impractical for VCs, whose portfolios prioritise rapid growth. VCs we interviewed consistently found SBTi too inflexible, unable to account for the exponential growth and associated emissions of their startup companies. Absolute reduction targets mostly don't work for the context of VC and startups.



In response, many VC firms are adopting **engagement-led strategies** for their scaling companies and using **intensity-based metrics** (e.g., emissions per unit of revenue or product) instead of absolute reduction targets. These metrics are better adapted to startup trajectories and allow for alignment with climate goals while maintaining growth.

Triangulating Climate Action: A proportional approach for Venture Capital

To address the complex challenge of reducing financed emissions in a fast-growth startup environment, VCs in our community are mostly using three alternative frameworks: Venture Climate Alliance (VCA), Net Zero Investment Framework (NZIF), and Portfolio Management Disclosure Recommendations (PMDR). While frameworks like NZIF, and PMDR were initially designed for private equity, they offer adaptable solutions for VC portfolios. VCA was developed explicitly with the above problem in mind and is hence well-adjusted for the VC and startup ecosystem.

While not specifically designed for venture capital, the **NZIF** was the most commonly referenced framework among interviewed VCs due to its practical approach to aligning with net zero. Its engagement-led design and focus on portfolio-level target setting make it suitable for minority investors, like VCs, and early-stage companies, where comprehensive emissions data may be lacking. Specifically designed for the venture capital context, the **VCA Framework** was also widely used by VCs to shape internal roadmaps and set expectations with portfolio companies. The VCs we interviewed acknowledged that it accounts for VC-specific challenges such as limited data, long investment horizons, and high uncertainty, while focusing on engagement and forward-looking impact rather than solely historical emissions, but it does not provide external validation. **PMDR** is primarily used by VCs as a complementary tool to enhance transparency around climate strategies, targets, and progress. VCs indicated that it supports portfolio accountability through clear, structured disclosures and works well alongside other frameworks like NZIF or VCA. However, it is not a target-setting framework itself and can be technically complex and burdensome for smaller firms without streamlined processes. For measurement and data approximation, tools like **Partnership for Carbon Accounting Financials** (PCAF) are used to estimate financed emissions. Overall, many VCs strategies have been to combine **sector-relevant flexibility, pragmatic engagement, and portfolio-level target setting** to support climate goals without stifling innovation or growth.

Note: Find a slightly more in-depth comparison of the above frameworks in Appendix 2.

Emissions Target across Maturity: Roadmap for Emissions Accountability across Stages

Rather than introducing another framework, our aim is to provide a combined best practice, related to what we are seeing in the ecosystem, based on **practical guidance on combining existing frameworks.**

To bring structure to how VCs use these tools, we recommend a **stage-based approach across startup maturity**. VCs should build climate capability proportionally to their portfolio development.

Stage	Pre-Seed/Validation	Seed/A	B+	Pre-IPO
Revenue	>$1m	>$10m in revenue	>$50m in revenue	>$100m in revenue
Capital raised	>$5m	>$25m raised	>$250m raised	>$500m raised
FTE	>30	>100	>500	>1000
Emissions Reduction Target Setting				
VC's Emissions Target	Operational emissions reduction targets excluding financed emissions	Operational emissions reduction targets excluding financed emissions	Operational emissions reduction targets, *plus* intensity reduction target for financed emissions	Emission reduction targets including financed emissions aligned to a climate pathway
Emission Measurement	Estimate financed emissions using industry averages; measure operational emissions.	Collect actual emissions data (Scope 1, 2, 3) from portfolio companies; improve accuracy	Gather detailed, company-specific emissions data (Scopes 1, 2, 3); report comprehensive financed emissions	Full portfolio coverage: all portfolio companies report emissions
Target Setting for Portfolios	No reduction Targets	No reduction Targets	Decarbonisation target	SBTi aligned target (NZIF/PMDR/SBTi)
Engagement Target	% coverage of portfolio companies with ESG policy and/or climate assessments	% coverage of portfolio companies tracking emissions	% coverage of portfolio companies committed to a decarbonisation strategy	% coverage of portfolio companies aligning or aligned to a net-zero pathway

However, even for companies in the early-stages, engagement around climate action can begin. As with ESG generally, raising awareness early is key for the development of a sustainable culture. This is what Chapter 2 is focused on.

CHAPTER 2

Portfolio Company Climate Engagement: Best Practices

Developing an effective emissions reduction engagement strategy requires tailoring approaches to a portfolio company's maturity, balancing ambition with operational realities. This chapter explores how a practical but ambitious approach balances startup flexibility with establishing clear accountability early on, turning climate goals from a box-ticking exercise into a springboard for scalable, future-proof innovation.

How VCs Are Engaging their Portfolio?

Venture capitalists – both climate and generalist firms – are increasingly taking steps to work with their portfolio companies on climate goals, with a growing focus on education, accountability and culture. Our interviews with investors revealed five best practices:

1. Start in DD: The majority of VCs emphasised that integrating climate clauses at the initial investment stage is absolutely critical, with many now including ESG—and specifically climate—requirements in term sheets from the outset. Generalist ESG clauses and specialists clauses on E/climate in term sheets are common, often requiring companies to adopt a climate or sustainability policy within the first year of investment. These policies usually cover carbon footprint measurement, setting emissions targets (beyond implementing diversity / governance frameworks).

2. Support Founders with Reporting Tools: To ease the reporting burden, especially for early-stage startups, some VCs provide access to GHG accounting tools or partnerships with external carbon-accounting providers. These help founders track and report on their emissions as well as other ESG metrics and provide a regular reminder that ESG/E matters. As one investor highlighted, "*providing carbon accounting tools supports consistent methodology and data structure across the portfolio, making reporting easier and more comparable for the fund.*" VentureESG maintains a curated list of carbon accounting platforms commonly used within our community.

3. Offer Tailored Support: Ongoing engagement is a key theme. Some firms hold ESG workshops or climate risk assessments with portfolio companies. These sessions can highlight risks / opportunities, and help tailor action plans. They also provide a regular reminder and check-in opportunity. Reflecting on their experience, an investor noted, "*Running co-investor workshops with our portfolio companies has been incredibly valuable, especially as a smaller fund with a more focused portfolio. These sessions foster alignment not just among the founders, but also between co-investors and our own internal team. It creates a shared understanding of climate priorities, helps us pool expertise, and ensures everyone is moving in the same direction on sustainability goals.*"

4. Promote Peer Learning Opportunities: Some VCs facilitate peer learning and benchmarking across their portfolios (based on the annual reporting of emissions) to raise overall ESG standards and foster best practice sharing. Several investors also referenced (startup) communities, like Leaders for Climate Action as additional sources of peer learning.

5. Prioritise Education Over Enforcement First: Especially in earlier stages, many VCs focus on education rather than enforcement. They aim to build awareness of E(SG) issues among founders, offering the above kinds of support to enable the scaling of a sustainable culture; more concrete action, e.g. around target setting, is made easier in this way as it becomes material at scale. Another investor recommended appointing a senior ESG executive at the portfolio company level—ideally someone closely linked to finance—saying, "*This leadership embeds sustainability in strategic decisions and streamlines both data collection and reporting.*"

A Climate Progression Framework

How are we observing VCs slowly build up their engagement, eventually leading towards action? Below is a roadmap for VCs across investment stages. This phased approach addresses the resource asymmetry in the ecosystem (e.g., seed-stage portcos lack ESG personnel, while growth-stage firms face regulatory scrutiny).

Engagement Initiatives				
Stage	**Pre-Seed/Validation**	**Seed/A**	**B+**	**Pre-IPO**
Revenue	**>$1m**	**>$10m in revenue**	**>$50m in revenue**	**>$100m in revenue**
Capital raised	**>$5m**	**>$25m raised**	**>$250m raised**	**>$500m raised**
FTE	**>30**	**>100**	**>500**	**>1000**
Actions	Materiality assessment and education on climate	Carbon footprint measurement	Decarbonisation roadmap	SBTi-aligned target
Initiatives	Lightweight frameworks to assess baseline emissions and identify material risks	Decarbonisation support, e.g. access to carbon accounting tools and green procurement incentives.	Decarbonisation roadmap based on baseline assessment	Advanced metrics & reporting: Implement frameworks like TCFD (now integrated with IFRS) or SASB for granular climate disclosures
	Education around carbon-footprint scopes	Development of formal environmental policy	Introduce board-level ESG oversight	Conduct ESG due diligence audits to maximise valuation premiums
	-	ESG ownership established	Dedicated ESG resource	ESG team / distributed responsibility

CHAPTER 3

Should VCs Compensate for Portfolio Emissions?

While often used interchangeably, offsetting and compensation are related but not identical. **Offsetting** involves balancing your company's carbon emissions by purchasing carbon credits that support external projects—such as reforestation, renewable energy, or clean cookstove initiatives. **Compensation** is a broader concept: it can include offsetting, but also covers other financial or non-carbon measures to address environmental or social harm, such as funding community adaptation projects or biodiversity initiatives.

The cohort of VC firms interviewed are increasingly reflecting on how to address their financed emissions, i.e. the emissions of their portfolio companies. Most first tackled their own **operational emissions**, with still widely differing approaches to **Scope 3 Category 15 (financed emissions)**.

For both their Scope 1 / 2 and Scope 3 emissions, we mostly encountered the following thinking and patterns across our interviews:

1. Caution Towards Offsetting: Some firms choose not to offset financed emissions, due to lack of transparency and validated quality of carbon credits. Instead, they emphasise engagement (Chapter 2) to lead scaling portfolio companies on a path of eventual reduction targets setting (Chapter 1). One investor highlighted a cultural shift away from traditional offsetting in favour of concrete decarbonisation action plans and 'sustainable scaling' i.e., embedding sustainability principles—such as carbon footprint measurement, resource efficiency, and emissions reduction—into the portfolio company's business model and operations from the outset, rather than retrofitting them later.

2. Internal Carbon Pricing and Removal-focused Approaches: A wide array of firms have introduced internal carbon pricing (e.g. $100–$120 per tonne CO_2e, see Milkywire's guidance on setting an internal carbon fee and Atomico case study in E of ESG) for their (Scope 1 / 2) operational emissions. These fees are usually used to fund carbon removal projects (biochar, regenerative agriculture), Nature-based Solutions (NbS) with long-term impact. Firms increasingly adopt a dynamic

approach, reviewing carbon tax levels and offset strategies annually in light of market prices, policy changes, and scientific recommendations. One investor corroborated, "*Because financed emissions far outweigh our operational footprint, full offsetting isn't realistic—especially as carbon prices rise. Instead, we've adopted a 'climate contribution' mindset, supporting carbon removal as a public good. This approach helps us avoid greenwashing and aligns with SBTi's best practices*"

3. Investment in Removal, Not Just Reduction: Some VCs have moved beyond traditional offsets to focus solely on carbon removal credits—with the goal to actively extract carbon from the atmosphere. Multiple firms, for instance, contribute to the Milkywire Climate Transformation Fund, aligning spend with long-term removal, restoration, and decarbonisation objectives. Others invest directly in carbon removal startups (e.g. Climeworks, CarbonLockdown, Frontier), demonstrating a "lead by example" approach.

4. Carbon-Offsetting Platforms: Some VCs offset only operational emissions (Scope 1–3 excluding Category 15), often through platforms like Ecologi, focusing on verified carbon credits (e.g., biochar, regeneration) recommended by the platform they use for their carbon accounting.

Compensation Strategy for Financed Emissions in the VC Ecosystem

What should VCs do in terms of their compensation strategy? Similarly to the emission target setting and engagement, best practice for VC funds is a tiered compensation strategy: insetting to decarbonise portfolios, contribution offsetting to scale frontier climate solutions, and traditional offsets for residual (remaining) emissions. This approach aligns with the iCI's guidance on responsible carbon credit procurement, mitigates regulatory and reputational risks, and positions VC firms as leaders in the net-zero transition. By integrating internal carbon pricing and adhering to the Oxford Principles, funds can ensure their compensation strategy is both credible and impactful. Below is a summary of a compensation approach informed by industry best practices and established frameworks:

Strategy	What It Is	Actions	Advantages	Disadvantages	Example Use Cases
Internal Carbon Pricing	Charging internal operational emissions a fee per ton of CO_2 emitted	Set price ($50–$80/ tCO_2e); reinvest in portfolio decarbonisation	Drives behavioural change; aligns with PCAF/TCFD	Complex to implement; needs emissions tracking & stakeholder buy-in	Set shadow price on VC operational emissions; reinvest in avoidance / removal credits
Traditional Offsetting	Purchase external carbon credits	Buy avoidance (e.g., REDD+), removal (e.g., reforestation)	Cost-effective, immediate action	Risk of greenwashing; permanence (minimum of +100 years) issues	Offset operational emissions via 'Gold Standard' carbon credits
Contribution Offsetting	Funding high-impact climate projects outside ops	Invest in Direct Air Capture (DAC) projects, blue carbon, or frontier removals	Neutralises legacy emissions; reputational leadership	Expensive; no direct portfolio de-carbonisation	Support DAC or mangrove restoration projects
Insetting	Emission reduction within portfolio/value chain	Support portfolio energy transition; support regenerative suppliers	Builds long-term value; supports SBTs	Resource-intensive; harder for early-stage	Invest in startup transition to 100% renewables
Oxford-Aligned Approach	Blend of nature- and tech-based carbon removals; phase out avoidance	Use biochar, DAC; phase out legacy offsets by 2030	Net-zero aligned; diversified project types	High cost; nascent tech (DAC)	Shift portfolio offsetting to removals like enhanced weathering
Fixed Budget Model	Capping carbon spending at a defined internal budget	Allocate a fixed annual offset budget	Predictable cost exposure	May limit impact if prices rise	Internal offset fund capped at $X/year

Note: A brief comparison of carbon credit quality grading is available in Appendix 3.

Conclusion

Venture capital investors are vitally important in shaping how sustainable the next generation of companies will be. They have both the power and responsibility to make their portfolio companies aware, engage and support them on their climate journey. While VCs face distinct challenges — limited data, framework and offsetting confusions and the tension between business growth / emission reduction — starting the climate journey early is key. In this best practice guidance, based on ~20 interviews with investors and experts, we explored three facets of this journey.

As detailed in Chapter 1, setting meaningful **emission reduction targets** requires a nuanced approach. The limitations of frameworks like SBTi for early-stage ventures necessitate more flexible tools, such as the NZIF and VCA; a proportional approach ‘mixing frameworks’ might work best.

Chapter 2 highlights the importance of proactive **portfolio company engagement**, emphasising education, collaboration, and tailored support to drive emissions reductions. From setting early expectations through ESG clauses to providing tools and resources for emissions measurement, VCs can empower founders to integrate sustainability into their core strategies as they scale.

Finally, Chapter 3 lays out the complex issue of **compensating for portfolio emissions**, discussing the potential of internal carbon pricing and carbon removal initiatives, while acknowledging the limitations of traditional offsetting approaches.

Ultimately, the shared efforts of VCs, founders, and the broader stakeholder community hold the key to accelerating the transition to a low-carbon economy. By embracing innovation and adaptability, the venture capital sector can demonstrate that ambitious climate action and entrepreneurial growth are not mutually exclusive, but rather, intrinsically linked in building a more sustainable future

Glossary (Alphabetical Order)

Carbon Credits: Verifiable units representing the reduction or removal of one tonne of carbon dioxide equivalent (tCO_2e) from the atmosphere, typically used to offset emissions.

Carbon Neutral: Achieving a balance between carbon emissions and carbon removals (or offsets) in a specific period (usually a year).

Carbon Removals: Processes that actively remove carbon dioxide (CO_2) from the atmosphere and store it in geological formations, durable products, or biomass.

Compensation for Financed Emissions: Mechanism to balance residual emissions that includes offsetting but also encompasses financial or non-carbon measures to address environmental or social harm, such as funding community adaptation or biodiversity projects.

Contribution Offsetting: Allocating funds for scaling carbon removal technologies or supporting external projects beyond the VC's direct influence (e.g., investing in DAC).

DAC (Direct Air Capture): A technology that extracts carbon dioxide directly from the ambient air.

Decarbonisation: The process of reducing carbon emissions associated with economic activity or operations.

Emissions Intensity: A ratio measuring emissions per unit of economic output (e.g., tCO_2e per revenue).

Enhanced Weathering: A climate mitigation strategy that accelerates the natural process of rock weathering to remove carbon dioxide (CO_2) from the atmosphere.

Financed Emissions: Greenhouse gas emissions associated with a VC firm's investments in portfolio companies (also known as Scope 3, Category 15 emissions).

Greenhushing: Underreporting or concealing environmental initiatives or progress for fear of scrutiny.

Insetting: Investing in emission reduction or removal projects within a VC firm's portfolio companies or value chain.

Nature-Based Solutions: Conservation, restoration, and sustainable management of ecosystems to address climate change and biodiversity loss.

Net-Zero: A state in which greenhouse gas emissions with an emphasis on permanent carbon removals, resulting in no net impact on the climate.

Portfolio Engagement for Emissions Reduction: A strategic approach where VC firms actively work with their portfolio companies to measure and reduce emissions through tailored engagement strategies, emissions reduction targets, and education and support.

REDD+: Stands for Reducing Emissions from Deforestation and Forest Degradation; the "+" includes conservation, sustainable forest management, and enhancement of forest carbon stocks. It is a UNFCCC framework that provides financial incentives to developing countries for reducing forest-related emissions and increasing carbon removals through these activities

Social Cost of Carbon: An estimate of the economic damages resulting from emitting one additional tonne of carbon dioxide into the atmosphere.

TCFD: The Task Force on Climate-related Financial Disclosures (TCFD) is a global initiative established by the Financial Stability Board (FSB) to develop recommendations for voluntary and consistent climate-related financial disclosures.

APPENDIX 2

Summary of Climate Frameworks

Framework	Primary Use	Best for	Advantages	Limitations
NZIF (Net Zero Investment Framework)	Net zero targets and portfolio alignment	VCs seeking flexible, engagement-led approaches	Flexible, suitable for minority investors, allows for incomplete data, portfolio-level targets, well-established (IIGCC-backed)	Primarily designed for institutional investors, needs adaptation for early-stage VC
VCA (Venture Climate Alliance)	Portfolio alignment and climate action tailored to VC	Venture capital firms, especially early and growth stage	Built for VCs, recognises data gaps and uncertainty, engagement and impact focus, forward-looking	New and evolving, fewer benchmarks, may require complementary tools (e.g., PCAF, PMDR)
PMDR (Portfolio Management Disclosure Recommen-dations)	Reporting on climate strategy and progress	Enhancing disclosures	Improves accountability, structured communication, complements NZIF/VCA	Not a target-setting tool, can be challenging for small VCs
SBTi (Science-Based Targets initiative)	Science-based emissions reduction targets	Large corporates and financial institutions with robust data	Internationally recognised, aligns with 1.5°C pathways, third-party validation	Rigid, not well-suited to early-stage or high-growth companies, requires detailed data and operational stability
PCAF (Partnership for Carbon Accounting Financials)	Measuring financed (Scope 3) emissions	GHG Accounting for Portfolio emissions	Standardised methodology, consistent tracking, widely accepted	Not a target-setting framework, complex for small teams, relies on fair market value which can fluctuate

APPENDIX 3

A Guide to Carbon Credit Quality Grading

Type	Price Range (USD/tCO_2e)	Examples	Quality Drivers
High-Quality Removals	$50–$500+	Direct air capture (DAC) with renewable energy, biochar, enhanced weathering	Permanence (100+ years), third-party verification, tech scalability, co-benefits
Nature-Based Removals	$20–$200	Reforestation, afforestation, soil carbon sequestration, mangrove restoration	Biodiversity impact, community co-benefits, MRV (monitoring/reporting/verification)
High-Quality Avoidance	$10–$50	REDD+ with Indigenous safeguards, renewable energy in coal-dependent grids	Additionality, leakage prevention, social equity certifications (e.g., Gold Standard)
Legacy/ Low-Quality	$1–$10	Older renewable energy credits, unverified forestry projects, cookstoves	Outdated methodologies, lack of transparency, limited co-benefits

While no universal ranking exists, removal credits with robust certification and third-party ratings typically represent the highest quality, while avoidance credits require careful scrutiny to avoid greenwashing. VentureESG has curated a list of carbon offset providers commonly used by venture capital firms, as well as additional suitable options.

Key Quality Indicators

- Additionality: Does the project demonstrably reduce/remove emissions beyond business-as-usual?
- Permanence: For removal credits, is storage durable (e.g., geological vs. biological)?
- Verification: Is the credit certified by rigorous standards (e.g., Verra, Gold Standard) and rated by agencies like Sylvera or Calyx Global?
- Transparency: Are project data, baselines, and methodologies publicly accessible?

APPENDIX 4

Methodology

This report was developed in early 2025 through qualitative interviews with 20 VCs, LPs, and sector specialists, complemented by desk research. We extend our gratitude to all respondents, for their valuable insights and contributions to this research, including:

Alicia Walker, Eka VC

Alex Shadbolt, Future Planet

Anaïs Blarel, Revaia

Aston Rosin, Lowercarbon Capital

Emily Matthews, Oxford Science Enterprises

Kate Glazebrook, Blackbird

Lauren Densham and Grace Murphy, Energize Capital

Laura Weidman Powers, Base10

Lena Thiede, Planet A

Louisa Mesnard and Xavier Evans, Elaia

Lukas Raue, KfW Capital

Mehdi Lichani, Caroline Truong and Eléonore Güntzer, Lightrock

Natàlia Costa i Coromina and Javier Luna, Energy Impact Partners

Peter Hirsch, 2150

Rebecka Elming Saidac, Kinnevik

Tess Dury, Extantia

Weronika Sowa, Index Ventures

A special thank you to Mari Brossard (Sagard) and Sara Simonds and Alexandra Harbour (Venture Climate Alliance) for their feedback.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