

# Net zero drafting checklist

Based on our [Net zero explainer](#) and [Net zero: what is it? Video](#)

*Notes show [Race to Zero criteria](#) of starting line (pledge, plan, proceed, publish) and leadership practices (scope, sinks and credits and empowerment and equity)*

Lawyers drafting or negotiating net zero concepts in contracts need to understand the shades of green and nuances of net zero targets, to be transparent and clear. Net zero is the point where there is **no net impact** on the climate from GHG emissions. This is achieved through a combination of **reducing and removing emissions**. However, it would not be appropriate for an organisation to reach net zero solely through offsetting rather than reducing emissions. The seven rows of our [Net zero dashboard](#) show the key elements of an ambitious net zero target. Not all elements may be relevant for each clause.

Net zero drafting questions	Covered?
<p><b>1. Scope.</b> Do the emissions reporting and reduction requirements of the clause apply to the total emissions of one or both parties, or emissions relating just to the activities, or both? Do the reporting and reduction requirements cover <a href="#">scope 1, 2 and 3 emissions?</a> <sup>1</sup></p> <ul style="list-style-type: none"> <li>● Scope 1: direct emissions from sources owned or controlled by the organisation.</li> <li>● Scope 2: indirect emissions associated with electricity purchased by the organisation.</li> <li>● Scope 3: all other indirect emissions from sources not directly owned or controlled, upstream and downstream in the supply or value chain.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Yes</b></li> <li>● <b>No and no need</b></li> <li>● <b>No and needs amendment</b></li> </ul>

<sup>1</sup> As defined by the [Greenhouse Gas Protocol Corporate Accounting and Reporting Standard Revised Edition 2015](#) as updated from time to time.

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<p>The clause may intentionally only address one or two of the scopes, but if it involves organisational targets it should ideally specify reductions of all three scopes.</p> <p><i>Race to Zero (leadership practices: scope) targets must cover all greenhouse gas emissions, including scope 3 where they are material to total emissions and where data availability allows them to be measured sufficiently.</i></p>	
<p><b>2. Scope.</b> Could or should the clause cascade obligations through the chain to other parties to cover Scope 3 emissions?</p>	
<p><b>3. Warming.</b> Does the clause, its definitions or recitals explicitly <u>align with the Paris Agreement goal of limiting global temperature increase to 1.5°C?</u> (Companies that emit highly then decarbonise rapidly for 2050 will bake in higher warming than will be the case where immediate, gradual emissions reductions are made.)</p> <p><i>Race to Zero (starting line: pledge) pledge at the head-of-organisation level to reach (net) zero GHGs as soon as possible, and by midcentury at the latest, in line with global efforts to limit warming to 1.5C. Set an interim target to achieve in the next decade, which reflects maximum effort toward or beyond a fair share of the 50% global reduction in CO2 by 2030 identified in the IPCC Special Report on Global Warming of 1.5C.</i></p>	

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<p><b>4. Warming/timing and targets.</b> Could the clause reflect (e.g. in the recitals) or require joining <a href="#">Race to Zero</a> and/ or setting a <a href="#">Science Based Target</a>?</p>	
<p><b>5. Timing and targets.</b> Does the clause facilitate net zero or <a href="#">absolute/ gross zero</a> being achieved by 2050 or sooner and net negative thereafter?</p> <p><i>Race to Zero (starting line: proceed) take immediate action toward achieving (net) zero, consistent with delivering interim targets specified.</i></p>	
<p><b>6. Timing and targets.</b> Have you included interim targets and are emissions reduction requirements continuous and measured?</p> <p><i>Race to Zero (starting line: plan) within 12 months of joining, explain what actions will be taken toward achieving both interim and longer-term pledges, especially in the short- to medium-term.</i></p>	
<p><b>7. Timing and targets.</b> Is a pace of decarbonisation specified? It has been suggested that, as a minimum, organisations should aim to halve absolute emissions every decade (a 7% year on year reduction).<sup>2</sup></p>	

<sup>2</sup> The 'Carbon Law'; and J. Rockström et al., [A roadmap for rapid decarbonisation](#), Science 355.6331, 1269-1271 (2017); [Summary Report: Race to Zero criteria consultations](#); EU Technical Expert Group on Sustainable Finance, [TEG final report on EU climate benchmarks and benchmark ESG disclosures](#) (September 2019).

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<p><b>8. Offsetting.</b> If the clause involves gross or <u>net zero</u> emissions reductions targets that the parties intend to satisfy using offsets, the clause should:</p> <ul style="list-style-type: none"> <li>● embed the <u>offsetting</u> mitigation hierarchy (continuously reduce, properly account for and disclose absolute emissions of all Scopes and scale up removals within the value chain <b>before</b> compensating unavoidable or <u>residual emissions</u>); and</li> <li>● set out how the parties GHG emissions will be addressed through offsetting.<sup>3</sup></li> </ul> <p><i>Race to Zero (leadership practices: sinks and credits: 1.) prioritise reducing emissions, limiting any residual emissions to those that are not feasible to eliminate.</i></p>	
<p><b>9. Offsetting.</b> Does the clause specify that offsets should move:</p> <ul style="list-style-type: none"> <li>● from short-lived, uncertain and higher risk storage to long-lived storage methods which have low risk of reversal over millennia;</li> <li>● to emissions sinks that correspond with the source of emissions in terms of their warming impact, and in terms of the timescale and durability of carbon storage ('like for like'<sup>4</sup>); and</li> <li>● to offsets that remove emissions, rather than avoid or reduce third parties' emissions?<sup>5</sup></li> </ul>	

<sup>3</sup> [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#)

<sup>4</sup> See [Race to Zero Lexicon](#)

<sup>5</sup> [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#)

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<p><i>Race to Zero (leadership practices: sinks and credits: 2.) clearly specify what sinks or credits are used to make what, if any, neutralisation claims, clarifying how sinks and credits are used both on the path to (net) zero, and after (net) zero is obtained. Any neutralisation of residual emissions must transition to permanent removals by the time (net) zero status is achieved.</i></p>	
<p><b>10. Offsetting</b> Does the clause specify the purchase of offsets from a recognised provider (to ensure that they are additional, permanent and verifiable)?<sup>6</sup></p> <p><i>Race to Zero (leadership practices: sinks and credits: 4.) ensure that any credits achieve robust outcomes for additionality, permanence, and accounting.</i></p>	
<p><b>11. Offsetting/Just transition</b> Does the use of offsets consider implications on global equity and wider social and ecological goals?<sup>7</sup></p> <p><i>Race to Zero (leadership practices: sinks and credits: 3.) encourage immediate contributions to the preservation and restoration of natural sinks, not necessarily linked to neutralisation claims.</i></p> <p><i>Race to Zero (leadership practices: sinks and credits: 4.) ensure that any credits do not undermine social justice or harm biodiversity.</i></p>	
<p><b>12. Governance.</b> Does the clause involve board-level engagement</p>	

<sup>6</sup> [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#)

<sup>7</sup> See [IUCN Global Standard for Nature-based Solutions](#).

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and decisions (with appropriate climate advice or expertise)?	
<p><b>13. Governance.</b> Does the clause incorporate transparency and accountability, including:</p> <ul style="list-style-type: none"> <li>● self reported and externally verified high quality disclosures);<sup>8</sup></li> <li>● mechanisms to measure progress (including use of external reporting frameworks); and</li> <li>● enforcement mechanisms?</li> </ul> <p><i>Race to Zero (starting line: publish) commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually. To the extent possible, report via platforms that feed into the UNFCCC Global Climate Action Portal.</i></p>	
<b>14. Governance.</b> Does the clause link climate targets to remuneration?	
<b>15. Governance.</b> Are there any fiduciary duties to the climate or environment?	
<b>16. Just transition.</b> The Paris Agreement requires equity and common but differentiated responsibilities, in the light of different national circumstances. Have you considered any negative unintended consequences of the clause on other parties, does it consider equity and sectoral or regional differences? (E.g. How might the obligations negatively	

<sup>8</sup> Aligned with [The Greenhouse Gas Protocol](#) and perhaps reporting to the [CDP](#) and in accordance with the [Task Force on Climate-Related Financial Disclosures](#) (TCFD). Public reporting in an annual report?

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<p>impact parties at the source of the chain? Can you include resource provision to support other parties with the obligations imposed?)</p> <p><i>Race to Zero (leadership Practices: empowerment and equity) seek to enable all actors to contribute to the global transition toward (net) zero through engagement, information sharing, access to finance, and capacity building. Develop pledges, plans, and actions in consideration of equity, drawing on, inter alia, the Sustainable Development Goals and Articles 2 and 4 of the Paris Agreement.</i></p>	
<p><b>17. Just transition.</b> Can you include a requirement for parties to consult and map how wider local and global stakeholders (including employees, clients, end customers and supply chain partners) are affected by climate risk and transition and to improve resilience?<sup>9</sup></p>	
<p><b>18. Just transition.</b> Does the clause consider the impact of resourcing choices? (E.g. local, low carbon materials and labour, giving surplus materials to community projects, investing in training for low carbon product manufacturing or helping underrepresented groups to access new green job opportunities.)</p>	
<p><b>19. Climate policy engagement.</b> Does the clause require <u>Paris-Aligned</u> lobbying activities, trade association memberships (and their lobbying activities and policies) and public policy positions?</p>	

<sup>9</sup> Grantham Research Institute on climate change and the environment, '[Investing in a just transition](#)'.

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<p><b>20. Climate policy engagement.</b> Does the clause require parties to embed climate policy engagement throughout their organisations (for example, by employee and business network education)?<sup>10</sup></p>	
<p><b>21. Climate policy engagement.</b> Does the clause require climate policy leadership (for example by sectoral collaboration or funding climate projects)?<sup>11</sup></p> <p><i>Race to Zero (leadership practices: empowerment and equity) seek to enable all actors to contribute to the global transition toward (net) zero through engagement, information sharing, access to finance, and capacity building.</i></p>	
<p><b>22. Net zero ‘adjacent’ requirements.</b> Does or should the contract consider other mechanisms beyond pure emissions reduction that indirectly drive emissions reduction or support the transition to net zero (either through contractual obligations or disclosure/ due diligence)? This might include general sustainability requirements, employee training and engagement (<a href="#">Athena’s Clause</a>), food procurement and waste (Runa’s Clause), circular economy considerations (<a href="#">Alex’s Clause</a>, <a href="#">Aatmay’s Clause</a>), reduction of single use plastics (<a href="#">Alice’s Clause</a>), risk/resilience and adaptation considerations (<a href="#">Archie’s</a>, <a href="#">Iris’</a>, <a href="#">Marni’s</a> Clauses), waste reduction, water conservation, biodiversity (<a href="#">Georgie’s</a>, <a href="#">Rory’s</a> and <a href="#">Edgar’s</a> clauses) or other environmental matters.</p>	

<sup>10</sup> See [Athena’s clause](#) and Section 4 of [The 1.5°C Business Playbook](#).

<sup>11</sup> Section 4, [The 1.5°C Business Playbook](#).