

Net zero drafting definitions & sample wording

This document is part of The Chancery Lane Project's Net Zero Toolkit, a suite of tools for private practice lawyers, in-house counsel, private and public sector organisations in all jurisdictions to accelerate their understanding of net zero and how to apply it in practical ways in commercial contracts and clauses that deliver organisational/ company net zero targets.

This document provides definition of the terms most used when drafting net zero aligned contracts.

It also provides sample wording that is aligned with the seven categories used in the [net zero dashboard](#) and [net zero checklist](#) that TCLP has developed to support lawyers drafting contracts that align with net zero.

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Definitions

Below is a menu of defined terms for net zero contracts.

Carbon Dioxide Equivalent (CO₂e or CO₂eq) means the standard metric measure used by [the UN's Intergovernmental Panel on Climate Change (IPCC)] to compare the emissions from various Greenhouse Gases (GHGs) on the basis of their global warming potential over a specified timescale [in order to express a Carbon Footprint that consists of different GHGs as a single number¹].²

Carbon Footprint means the total annual [GHG Emissions]/ [Scope 1, 2 and 3 Emissions] relating to the [product] [event] [individual] [Company's] [party's] business[, expressed as a Carbon Dioxide Equivalent (CO₂e)³].⁴

¹ See TCLP Glossary - [Carbon Dioxide Equivalent](#).

² Drafting note: If not using Carbon Footprint as a defined term, remove text in square brackets referring to Carbon Footprint.

³ See TCLP Glossary - [Carbon Footprint](#).

⁴ Drafting note: Amend party names appropriate to the context. If using the defined term GHG Emissions, remove "Scope 1, 2 and 3 Emissions" and "[expressed as a Carbon Dioxide Equivalent (CO₂e)]" as both in the definition of GHG Emissions.

Climate Mitigation Measures means the measures taken [or that could be taken] by the [Company/ Parties] [and [name of supply chain partner]] to reduce or remove their GHG Emissions to meet the Net Zero Target [in the environmental policy].⁵

GHG Emissions means

Option 1⁶

- means emissions of the greenhouse gases listed at Annex A of the 1998 Kyoto Protocol to The United Nations Framework Convention on Climate Change, as may be amended from time to time including: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), nitrogen trifluoride (NF₃), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆), each expressed as a total in units of carbon dioxide equivalent (CO₂e).

Option 2⁷

- [a party's] [the [Company's/ Parties'] emissions of GHGs from all sources [related to this Agreement/Contract], categorised as Scope 1, 2 and 3 Emissions.

Option 3⁸

- [a party's] [the Company's/ Parties'] emissions of GHGs from all sources [related to this Agreement/ Contract], categorised as scope 1, 2 and 3 emissions by *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition 2015* as updated from time to time.⁹

GHG Protocol means *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition 2015* as updated from time to time.¹⁰

Greenhouse Gases (GHGs) means the natural and anthropogenic gases which trap thermal

⁵ See TCLP Glossary for definition options and explanatory notes.

⁶ Drafting note: Combines the definition of Greenhouse Gases (GHGs) and GHG Emissions into a single defined term. Option 1 is distinct from Options 2 and 3 which attribute the GHG emissions to a party and caps them at emissions relating to activities governed by the agreement. Only use this combination if you do not need the GHG definition in isolation (e.g. when referring to offsetting, the definition of GHGs may be needed to refer to GHGs being removed that do not fall within the definition of emissions (if that definition of emissions is party specific)).

⁷ Drafting note: Attributes the GHG emissions to a party and caps them at the emissions relating to activities governed by the agreement. Requires additional definitions Carbon Dioxide Equivalent, Greenhouse Gases (GHGs) and Scope 1, 2 and 3 Emissions.

⁸ Drafting note: Attributes the GHG emissions to a party and caps them at the emissions relating to activities governed by the agreement. Requires additional definitions Carbon Dioxide Equivalent and Greenhouse Gases (GHGs).

⁹ See [The Greenhouse Gas Protocol](#) - Scope 1, 2 and 3 emissions are defined on page 27.

¹⁰ See [The Greenhouse Gas Protocol](#) - Scope 1, 2 and 3 emissions are defined on page 27.

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radiation in the earth's atmosphere and are specified in Annex A to the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) [or otherwise specified by the UNFCCC at the date of this agreement], as may be amended from time to time[, which include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃),] each expressed as a total in units of Carbon Dioxide Equivalent (CO₂e).¹¹

Net Negative means that the aggregate of [a party's]/[the [Company's] actions to reduce its GHG Emissions and remove them from the atmosphere exceeds its unabated GHG Emissions.¹²

Net Zero means

Option 1¹³:

- a state of balance by [2050/ *Insert other date*] between all [of [a party's]/ [the [Company's/ Parties']] sources and sinks of emissions of Greenhouse Gases (GHGs) [in each calendar year] achieved by both an overall reduction and a removal of emissions of GHGs [to achieve [the goals of the Paris Agreement/ Paris Agreement Goals]].

Option 2¹⁴:

- a state of balance by [2050/ *Insert other date*] between sources and sinks of GHG Emissions [in each calendar year] [and for each subsequent year thereafter] achieved by both reducing GHG Emissions overall and removing GHG Emissions [to achieve [the goals of the Paris Agreement/ Paris Agreement Goals]].

Net Zero Target means

Option 1¹⁵:

- A Paris Aligned target to achieve by 2050 both a reduction of GHG Emissions overall and a removal of GHG Emissions associated with Offsets acquired to address Residual Emissions of [a party] to achieve Net Zero in a calendar year and for each subsequent year thereafter.

¹¹ See TCLP Glossary for definition options and explanatory notes.

¹² See TCLP Glossary for definition options and explanatory notes. Drafting Note: On a global scale, removals of Greenhouse Gases should be consistent with the mitigation pathways that would limit global warming to 1.5°C, with little to no overshoot. See IPCC Special Report on Global Warming of 1.5 °C, [Summary for Policymakers, Part C Emission Pathways and System Transitions Consistent with 1.5°C Global Warming](#).

¹³ Drafting note: Requires additional defined terms Greenhouse Gases (GHGs) and Paris Agreement Goals.

¹⁴ Drafting note: Requires additional defined terms Carbon Dioxide Equivalent, Greenhouse Gases (GHGs), and Paris Agreement Goals.

¹⁵ Drafting note: Use in an agreement where Net Zero is defined.

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Option 2¹⁶ :

- both a reduction of GHG Emissions overall and a removal of GHG Emissions associated with Offsets acquired to address the Residual Emissions of [a party/ the [Company/ Parties] by [INSERT DATE/ 2050 or sooner] to achieve a balance between the [Company's/ Parties'] sources and sinks of GHG Emissions in a calendar year and for each subsequent year thereafter and to achieve [the goals of the Paris Agreement/ Paris Agreement Goals].

Option 3:

- A Paris Aligned target to achieve by 2050 a balance between the sources and sinks of GHG Emissions in a calendar year and for each subsequent year thereafter by both removing GHG Emissions overall and using Offsets to cover Residual Emissions.

Option 4¹⁷:

- the goal of achieving by [2050/INSERT OTHER DATE] a balance between a party's emissions and removals of greenhouse gases aligned with the Paris Agreement goals.

Net Zero Target Plan means a plan [as agreed by the [Parties]] to deliver the Net Zero Target and to remain Net Negative thereafter that:

- (i) includes an Offsetting Strategy¹⁸;
- (ii) sets interim reduction targets for the Parties' [GHG Emissions/ Scope 1, 2 and 3 Emissions] that are aligned with Paris Agreement Goals];
- (iii) links executive remuneration to the achievement of the interim targets; and
- (iv) promotes a just transition to a low carbon economy.

Offset or **Offsetting** means the purchase of carbon credits from a project:

- (i) that has been verified in accordance with [insert name of voluntary standard] or under the United Nations Framework Convention on Climate Change (UNFCCC) clean development mechanism (CDM) [or [successor/ equivalent] UNFCCC mechanism];

¹⁶ Drafting note: Use in an agreement where Net Zero is **not** defined.

¹⁷ Drafting note: Short form for Heads of Terms and NDAs.

¹⁸ Drafting note: when using certain combinations of definitions of Net Zero Target and Net Zero Target Plan both definitions of Offset/Offsetting and Offsetting Strategy may be incorporated, creating duplication and overlap. This can be addressed by combining the definition of Offset(ing) and Offsetting Strategy into one definition of Offsetting Strategy, and amending the reference in Net Zero Target to read "associated with the implementation of an Offsetting Strategy" in place of "associated with Offsets acquired", as demonstrated in [Cassie's Clause](#).

- (ii) where the emissions of GHG¹⁹ avoided, reduced or removed by the project are additional;
- (iii) that, in relation to GHG removals, employs long-lived storage methods that have a low risk of reversal over millennia;
- (iv) that prioritises the removal of GHG from the atmosphere rather than avoids or reduces third party emissions of GHG; and
- (iv) that takes account of a just transition and addresses wider social and ecological goals.

Offset Provider means a provider of carbon credits or voluntary emission reduction credits that relate to:

- (i) a project that has been verified in accordance with [insert name of voluntary standard]; or
- (ii) a United Nations Framework Convention on Climate Change (UNFCCC) clean development mechanism (CDM) [or [successor/ equivalent] UNFCCC mechanism] project.

Offsetting Strategy means a plan [as agreed by the Parties] specifying:

- (i) the verified credits from a recognised Offset Provider that may be used by the [Company] to offset its Residual Emissions;
- (ii) how the [Company] will transition from using credits resulting from offsetting projects that avoid or reduce emissions of GHG to those from projects that remove emissions of GHG and involve long-term storage methods that have a low risk of reversal; [and]
- (iii) how the [Company] will [use best endeavours to] reduce its use of credits by reducing its Residual Emissions [to zero/ by [x] %] by 2050[;] [and][.]
- [(iv) the impact of the relevant offsetting projects on a just transition and wider social and ecological goals.]

Paris Alignment [or **Paris Aligned**] means

Option 1:

- that the GHG reduction targets and Climate Mitigation Measures of the [Company] support the achievement of the three goals set out in Articles 2.1 and 4.1 of the UNFCCC’s Paris Agreement[./, in particular pursuing efforts to limit global temperature increase to 1.5 degrees Celsius above pre-industrial levels] ²⁰

¹⁹ Drafting note: The reference to “emissions of GHGs” here is to GHG emissions generally. The defined term GHG Emissions is not used because in general, the defined term relates to the emissions of a party relating to a particular agreement or transaction.

²⁰ See TCLP Glossary - [Paris Alignment](#).

Option 2:

- Aligning with the three goals set out in Articles 2.1 and 4.1 of the UNFCCC's Paris Agreement[./, in particular pursuing efforts to limit global temperature increase to 1.5 degrees Celsius above pre-industrial levels]²¹

Paris Agreement Goals means the three goals set out in Articles 2.1 and 4.1 of the UNFCCC's Paris Agreement[./, in particular pursuing efforts to limit global temperature increase to 1.5 degrees Celsius above pre-industrial levels.]

Residual Emissions means GHG Emissions [from all operations of [a party] including value and supply chains] that are emitted after all reasonable efforts have been made [by the party] to reduce GHG Emissions [from all operations including value and supply chains].²²

Science Based Targets means the [Company]'s target to reduce its GHG Emissions in line with latest climate science as validated and published by the Science Based Targets initiative (SBTi).²³

Scope 1, 2 and 3 Emissions means the three classifications of emissions in the GHG Protocol.²⁴

Sustainable means activities that meet the needs of the present without compromising the ability of future generations to meet their own needs, including the conservation of resources, all of which are assumed to be finite.

Sustainability Measures means the measures taken or to be taken by each of the parties and their supply chains to develop and adopt Sustainable initiatives and practices (including but not limited to implementation of circular economy principles, waste management, water management and reducing negative impacts on nature and biodiversity).²⁵

²¹ See TCLP Glossary - [Paris Alignment](#).

²² See TCLP Glossary - [Residual Emissions](#). The language in square brackets “[from all operations including value and supply chains]” can be removed if using a definition of GHG Emissions that refers to scope 1, 2 and 3 emissions as defined by the GHG Protocol.

²³ See TCLP Glossary - [Science-Based Targets](#).

²⁴ See TCLP Glossary - [Scope 1, 2 and 3 Emissions](#).

²⁵ Drafting note: **Sustainability Measures** (as defined) might include employee training and engagement (see [Athena's Clause](#)), food procurement and waste (see Runa's clause), circular economy considerations (see [Alex's Clause](#), [Aatmay's Clause](#)), reduction of single use plastics (see [Alice's Clause](#)), risk/resilience and adaptation considerations (see [Archie's](#), [Iris's](#), [Marni's](#) clauses), waste reduction, water conservation, biodiversity (see [Georgie's](#), [Rory's](#) and [Edgar's](#) clauses) or other environmental matters.

Sample Wording

Below are extracts and sample wording taken from TCLP clauses for each of the seven rows of our Net Zero [Dashboard](#). For examples of ‘best in class’ net zero drafting [visit the TCLP best in class clause collection](#).

Scope	To ensure that clauses [] - [] [<i>cross refer here to clause numbers in the agreement that deal with Scope 1, 2 and 3 Emissions</i>] will be copied into any and all of the [Company/ Client/ Supplier / its] supply chain contracts that relate to the [Company’s/ Client’s/ Supplier’s/ its] obligations under this agreement, and provide any support (financial or otherwise) required to its subcontractors to assist them in fulfilling those obligations[; and][.]
Warming	<u>For recitals</u> See Eddie’s Recitals (Climate Recitals)
Timing and Targets	The [Company/ Parties] shall include within the [plan/ Agreement] the use of contractual clauses (for example using templates published by The Chancery Lane Project ²⁶) to embed the Net Zero Target in all of the [Company’s/ Parties’] activities and relationships and include climate related contractual clauses in the majority of the standard form precedent contracts used by the organisation.
Offsetting	<p>A. The [[Company/ Client/ Supplier/ Parties] shall [jointly] agree to]²⁷ purchase a quantity of carbon credits equal to the amount of [annual/quarterly] Residual Emissions associated with the Carbon Footprint from a project that has been verified in accordance with [insert name of voluntary standard].</p> <p>B. The [Company] shall:</p> <ul style="list-style-type: none"> (i) offset GHG Emissions that it cannot reduce; (ii) consider the implications of the Offsets purchased on a just transition and wider social and ecological goals; (iii) purchase offset credits only through verified Offset Providers that ensure accountability and best practice; (iv) prioritise projects that remove emissions of GHG rather than avoid or reduce third parties’ emissions of GHG; [and]

²⁶ TCLP, [Climate Clauses](#).

²⁷ Drafting Note: Responsibility to be agreed by parties.

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	<p>(v) remove GHGs from the atmosphere through long-lived storage that has a low risk of reversal over millennia[./ and]</p> <p>(vi) <i>[INSERT ANY DETAILS OF INSETTING PROJECTS.]</i></p> <p>C. We are careful how we use Offsetting to reach our Net Zero Target. We consider the implications of the Offsets purchased on a just transition and wider social and ecological goals. We aim to offset only GHG Emissions we cannot reduce, purchasing our offset credits through verified Offset Providers that ensure accountability and best practice. We prioritise projects that remove emissions of GHGs, rather than avoid or reduce third parties' emissions of GHGs, and remove GHGs from the atmosphere through long-lived storage with low risk of reversal over millennia. <i>[INSERT ANY DETAILS OF INSETTING.]</i> [You can find details of our offsetting projects at <i>[INSERT DETAILS].</i>]</p> <p>D. The [Company] shall only use Offsetting for Residual Emissions after it has:</p> <ul style="list-style-type: none"> (i) complied with the [continuous] targets in clause []; (ii) [used reasonable efforts to] remove[d] <i>[INSERT QUANTITY]</i> quantity of] its GHG Emissions through Insetting; (iii) evaluated [to the satisfaction of the [Client] the implications of its Offsetting choices on a just transition and wider social and ecological goals; and (iv) [used reasonable endeavours to] ensure that all Offsetting aligns with the Oxford Principles for Net Zero Aligned Carbon Offsetting in all material respects.
<p>Governance</p>	<p>A. For recitals</p> <p>The [Company has/ Parties have] implemented in full the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in relation to the governance, strategy, risk management and disclosure of climate risks and opportunities;</p> <p>B. For a due diligence questionnaire or governance documentation:</p> <p>The [Company] shall establish a sustainability committee as a committee of its board of directors to oversee the development, implementation and review of the Net Zero Target Plan, either chaired by a [non-executive] director with experience of improving sustainability and mitigating Carbon Footprints, or advised by an appropriately qualified climate, sustainability or environmental consultant who has the skills and experience to diligently, competently and professionally advise on</p>

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	<p>improving sustainability and mitigating the [Company's] Carbon Footprint.</p> <p>C. Reporting requirements:</p> <p>The [Company/ Parties] shall report [annually] [and publicly] on:</p> <ul style="list-style-type: none"> • [add CDP disclosure here: https://www.cdp.net/en/?] • the climate risks and opportunities to the [Company] [and the Business] in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); • sustainability information in accordance with the standards set out by the Sustainability Accounting Standards Board (SASB); • the effects on key stakeholders (including [but not limited to] employees, clients, end customers and supply chain partners) of the measures taken by the [Company] to mitigate its GHG Emissions and how these can address a just transition to net zero; and • on all climate policy engagement, climate leadership, lobbying activities, trade association memberships and public policy positions that directly or indirectly relate to the UNFCCC's Paris Agreement.
<p>Just Transition</p>	<p>A. [...] in a manner that promotes a just transition to a low carbon economy</p>
<p>Climate Policy Engagement</p>	<p>A. For a recital or internal policy document:</p> <p>The [Company] has a strategy to engage in climate policy leadership and to enable others (including clients, suppliers and others in its sector and business network) to contribute to the global transition toward net zero through engagement, information sharing, access to finance, and capacity building;</p> <p>B. The [Company] will evaluate its climate-related lobbying activities on the anniversary of the [Contract Date], including [but not limited to] public policy positions and the activities and policies of [affiliates or relevant trade associations] to ensure its lobbying activities are aligned with the goals of the Paris Agreement.</p> <p>C. The [Company] will not undertake any direct or indirect climate policy engagement, lobbying activities, trade association memberships or public policy positions that may undermine or otherwise conflict in any way with the goals of the Paris Agreement].</p>

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| | <p>D. The [Company] shall provide an environmental and sustainability training programme on a regular basis (at least annually) for employees, personnel and contractors during their usual working hours (and online as required) which will cover, as a minimum:</p> <ul style="list-style-type: none">(i) the latest climate science;(ii) climate change policy and relevant legal context (including core terms of the Paris Agreement and any national implementation measures);(iii) the economic and social (e.g. health) benefits to the [Company] in reducing the workplace's environmental impact;(iv) sustainable lifestyle changes and issues relating to the workplace;(v) details of the [Company]'s public and contractual commitments, targets and governance in relation to climate change and sustainability; and(vi) other topical climate and sustainability issues. |
|--|---|