

Net Zero Drafting Definitions & Sample Wording

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Previous versions	Amendment History Table

Why read this?

This document is part of TCLP's Net Zero Toolkit. The toolkit is a suite of tools to help lawyers and contract professionals in private and public sector organisations:

- accelerate their understanding and delivery of net zero targets; and
- apply net zero targets in commercial contracts.

This document contains:

1. frequently used definitions for drafting net zero aligned contracts;
2. sample wording aligned with the seven categories in TCLP's [net zero dashboard](#); and
3. wording to help you draft solutions to the questions posed in TCLP's [net zero drafting checklist](#).

Keeping this document up to date

The Chancery Lane Project (**TCLP**) maintains this document with support from its community. It contains the latest version of best practice net zero contract definitions and sample wording.

TCLP's climate clauses and glossary are updated periodically by our community on a different maintenance timetable. This means they may not yet reflect the best practice net zero drafting in this document. When using our clauses and glossary terms, check them against this document to see if they reflect best practice net zero drafting.

Contents

1. [Definitions](#)
2. [Sample Wording](#)

Definitions

Below are some key defined terms for net zero contracts.

Carbon Dioxide Equivalent (CO₂e or CO₂eq) means the standard metric measure to compare the global warming potential of various Greenhouse Gases (**GHGs**) over a specified timescale.¹ [It allows a Carbon Footprint consisting of different GHGs to be expressed as a single number²].

Carbon Footprint means the total annual [GHG Emissions]/ [Scope 1, 2 and 3 Emissions] relating to the [product] [event] [Company] [party].³

Climate Mitigation Measures means the measures taken or planned by the [Company/ Parties] [and [supply chain partner]] to reduce or remove their GHG Emissions to meet the Net Zero Target.⁴

GHG Emissions means

Option 1 - For contract emissions⁵

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

² Drafting note: If using the language in square brackets, you will need to add Carbon Footprint as a definition.

³ Drafting note: If using the defined term GHG Emissions, remove “Scope 1, 2 and 3 Emissions”. See also TCLP Glossary - [Carbon Footprint](#).

⁴ See TCLP Glossary for definition options and explanatory notes.

⁵ Drafting note: Contract emissions are GHGs emitted by the activities governed by the contract. It is possible to use different GHG accounting standards to measure contract emissions. The GHG Protocol is one standard provider. It has several GHG standards with different accounting methodologies. To measure the emissions associated with a contract, a party may decide to use either the methodology in the GHG Protocol’s [Project Protocol](#) or the GHG inventory methodology (which is used in the GHG Protocol’s [Corporate Standard](#) and [Scope 3 Standard](#)). If you use Option 1 (i.e. you are measuring contract rather than organisational emissions), you will also need to use the defined term Greenhouse Gases (GHGs). If you are using the GHG Protocol’s inventory methodology and you are already separately using the defined term Scope 1, 2 and 3 Emissions (as below) for other purposes, replace lower case scope 1, 2 and 3 emissions with the defined term.

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- Emissions of GHGs related to this [Agreement] classified as [scope 1, 2 and 3 emissions/ primary and secondary effects]⁶ by [The GHG Protocol]⁷ [, expressed as a total in units of carbon dioxide equivalent (CO₂e)].

Option 2 - For organisational emissions⁸

- The Company's emissions of GHGs classified as scope 1, 2 and 3 emissions by [*The GHG Protocol*]⁹ [, expressed as a total in units of carbon dioxide equivalent (CO₂e)].

GHG Protocol means [*The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition 2015/ The Greenhouse Gas Protocol for Project Accounting*] as updated periodically.¹⁰

Greenhouse Gases (GHGs) means the gases that trap thermal radiation in the earth's atmosphere. They are specified by the United Nations Framework Convention on Climate Change (**UNFCCC**) in Annex A to the Kyoto Protocol and may be updated periodically.¹¹

Net Negative means the GHGs removed from the atmosphere [by a party] are greater than [its] GHG Emissions.¹²

Net Zero means a balance between [a party's] sources and sinks of GHGs by [2050/ *Insert earlier date*]. This is achieved by reducing GHG Emissions and removing GHGs [to meet [the goals of

⁶ Parties that use the GHG Protocol's inventory methodology (which is used in the GHG Protocol's [Corporate Standard](#) and [Scope 3 Standard](#)) should select "scope 1,2 and 3 emissions" and parties that use the methodology in the GHG Protocol for Project Accounting should select "primary and secondary effects". See the footnote above for further explanation.

⁷ Drafting note: Insert the GHG accounting standard used by your project. This may be a standard provided by a different body to the GHG Protocol.

⁸ Drafting note: Organisational emissions are an organisation's emissions from all sources (including its value and supply chains). In other words, they are an organisation's scope 1, 2 and 3 emissions. Organisational emissions are distinct from contract emissions (see Option 1) which caps emissions at activities governed by the contract only. If using Option 2, you'll also need to use the defined term Greenhouse Gases (GHGs). If you are already separately using the defined term Scope 1, 2 and 3 Emissions (as below) for other purposes, replace lower case scope 1, 2 and 3 emissions with the defined term.

⁹ Drafting note: Insert the GHG accounting standard used by your project. It is possible for parties to use standards from a different standard provider. See [The Greenhouse Gas Protocol](#) explanation of scope 1, 2 and 3 emissions on page 27.

¹⁰ See [The Greenhouse Gas Protocol](#).

¹¹ See also TCLP Glossary - [Greenhouse Gases](#).

¹² See also TCLP Glossary - [Net Negative](#). On a global scale, removals of GHGs 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 (2018), [Summary for Policymakers, Part C Emission Pathways and System Transitions Consistent with 1.5°C Global Warming](#) and Working Group III Contribution to the IPCC Sixth Assessment Report (AR6), [Climate Change 2022: Mitigation of climate change](#) (4 April 2022).

the Paris Agreement/ Paris Agreement Goals]].

Net Zero Target means

Option 1: For agreements where net zero is a defined term

- a target to achieve Net Zero by [2050/ *Insert earlier date*] and validated by [the Science Based Targets Initiative/ *Insert other standard*].

Option 2: For agreements where net zero is not defined

- a target to reduce and remove GHG Emissions, including by Offsetting Residual Emissions, to achieve a balance between the [Party's] sources and sinks of GHGs. This must be achieved by [2050/ *Insert earlier date*] and align with [the goals of the Paris Agreement/ Paris Agreement Goals].¹³

Option 3: Short form for non-disclosure agreements (**NDAs**) and heads of terms

- the goal of balancing a party's emissions and removals of greenhouse gases. This must be done by [2050/*Insert earlier date*] and aligned with the Paris Agreement goals.¹⁴

Net Zero Transition Plan means a plan to deliver the Net Zero Target and then remain Net Negative, that:

- (a) includes an Offsetting Strategy¹⁵;
- (b) sets interim GHG Emission reduction targets¹⁶ that are Paris Aligned;
- (c) links executive remuneration to achieving the interim targets;
- (d) is updated to address developments in science and technology;
- (e) is reviewed and approved annually by the Board; and

¹³ Drafting note: If using Option 2, you'll also need to use defined terms Offset/ Offsetting, Residual Emissions and Paris Agreement Goals.

¹⁴ Drafting note: This option is for short contracts and does not require any other defined terms.

¹⁵ Drafting note: Using certain combinations of the defined terms Net Zero Target and Net Zero Transition Plan may cause duplication in the definitions of Offset/Offsetting and Offsetting Strategy. This can be addressed by: a) combining the definition of Offset(ing) and Offsetting Strategy; and b) amending the reference in Net Zero Target to read "associated with the implementation of an Offsetting Strategy" in place of "associated with Offsets acquired". See [Cassie's Clause](#) and [Nozomi's Clause](#). [Scarlett's Performance Conditions](#), [Bella's Clause](#) and [Casper's Clause](#) also show ways of dealing with the overlap.

¹⁶ Drafting note: If the Net Zero Target will be validated by the Science Based Targets Initiative, consider replacing 'interim reduction targets' with the defined term Short Term Science Based Targets. See TCLP's Glossary - Short Term Science Based Targets.

- (f) promotes a just transition to a low carbon economy.

Offset or **Offsetting** means buying carbon credits from a project:

- (a) that has been verified by [*insert name of voluntary standard*] or the United Nations Framework Convention on Climate Change (**UNFCCC**) clean development mechanism (**CDM**) [or successor¹⁷ UNFCCC mechanism];
- (b) where the emissions of GHG¹⁸ avoided, reduced or removed by the project are additional;
- (c) [that prioritises removing GHGs from the atmosphere rather than avoiding or reducing third party emissions of GHG;¹⁹]
- (d) that, for GHG removals, uses storage methods with a low risk of reversal over millennia; and
- (e) that takes account of a just transition and addresses wider social and environmental goals.

Offset Provider means an organisation providing carbon credits or voluntary emission reduction credits for:

- (a) a project verified in accordance with [*insert name of voluntary standard*]; or
- (b) a United Nations Framework Convention on Climate Change (**UNFCCC**) clean development mechanism (**CDM**) [or successor²⁰ UNFCCC mechanism] project.

¹⁷ Drafting note: Article 6.4 of the Paris Agreement replaces the CDM by 2026. New rules implementing this were agreed at COP26. More detailed guidance will be released.

¹⁸ Drafting note: The reference to “emissions of GHGs” here is to GHG emissions generally. We don’t use the defined term GHG Emissions because in TCLP’s glossary that defined term has a specific meaning and relates to either (i) the emissions of a party under a particular agreement or transaction (see GHG Emissions - Option 1); or (ii) an organisation’s scope 1, 2 and 3 emissions of GHG (see GHG Emissions - Option 2).

¹⁹ [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#) state that “an immediate transition to 100% carbon removals is not necessary, nor is it currently feasible, but organisations must commit to gradually increase the percentage of carbon removal offsets they procure with a view to exclusively sourcing carbon removals by mid-century. Most offsets available today are emission reductions, which are necessary but not sufficient to maintain net zero in the long run. Carbon removals scrub carbon directly from the atmosphere. This counteracts ongoing emissions after net zero is achieved and creates the possibility of net removal for actors choosing to remove more carbon than they emit.”

²⁰ Drafting note: Article 6.4 of the Paris Agreement replaces the CDM by 2026. New rules implementing this were agreed at COP26. More detailed guidance will be released on a future date.

Offsetting Strategy means a plan specifying:

- (a) the verified credits from a recognised Offset Provider that may be used by [the Company] to offset its Residual Emissions;
- (b) how [the Company] will transition:
 - (i) from using credits from offsetting projects that avoid or reduce emissions of GHG to projects that remove emissions of GHG; and
 - (ii) to GHG removals that involve long-term storage methods with a low risk of reversal²¹;
- (c) how [the Company] will reduce its use of credits by reducing its Residual Emissions [by [x] %] by 2050; and
- (d) the impact of the relevant offsetting projects on a just transition and wider social and environmental goals.

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

Option 1:

- that the GHG reduction targets and Climate Mitigation Measures of [the Company] help achieve the goals in Articles 2.1(a) and 4.1 of the UNFCCC's Paris Agreement[./, in particular limiting global temperature increase to 1.5 degrees Celsius above pre-industrial levels.]²²

Option 2:

- aligning with the goals in Articles 2.1 and 4.1 of the UNFCCC's Paris Agreement[./, in particular limiting global temperature increase to 1.5 degrees Celsius above pre-industrial levels.]²³

Paris Agreement Goals means the goals in Articles 2.1 and 4.1 of the UNFCCC's Paris Agreement[./, in particular limiting global temperature increase to 1.5 degrees Celsius above

²¹ [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#) state that "an immediate transition to 100% carbon removals is not necessary, nor is it currently feasible, but organisations must commit to gradually increase the percentage of carbon removal offsets they procure with a view to exclusively sourcing carbon removals by mid-century. Most offsets available today are emission reductions, which are necessary but not sufficient to maintain net zero in the long run. Carbon removals scrub carbon directly from the atmosphere. This counteracts ongoing emissions after net zero is achieved and creates the possibility of net removal for actors choosing to remove more carbon than they emit."

²² See TCLP Glossary - [Paris Alignment](#).

²³ See TCLP Glossary - [Paris Alignment](#).

pre-industrial levels.]

Residual Emissions means [a party's] GHG Emissions [from all operations including its value chain] that are emitted after all reasonable efforts have been made to reduce them.²⁴

Science Based Targets means

Option 1:

- [an organisation/a project] target to reduce GHG Emissions aligned with the latest climate science on the scale and pace of action needed to limit the global temperature increase to 1.5°C above pre-industrial levels.²⁵

Option 2:

- [the Company]'s target to reduce its GHG Emissions as validated by the [Science Based Targets initiative (**SBTi**)].²⁶

Scope 1, 2 and 3 Emissions means the three classifications of emissions in the GHG Protocol.²⁷

Sustainable means activities that meet the needs of the present without compromising the ability of future generations to meet their own needs. This includes the conservation of finite resources.

Sustainability Measures means Sustainable initiatives and practices taken or to be taken by the parties and their supply chains [./, including implementing circular economy principles, waste management, water management and reducing negative impacts on nature and biodiversity].²⁸

²⁴ See TCLP Glossary - [Residual Emissions](#). Remove the language in square brackets “[from all operations including value chains]” if using a definition of GHG Emissions that refers to scope 1, 2 and 3 emissions as defined by the GHG Protocol or the defined term Scope 1, 2 and 3 Emissions.

²⁵ See TCLP Glossary - [Science-Based Targets](#).

²⁶ Drafting note: Consider using other organisations that validate science-based targets.

²⁷ See also TCLP Glossary - [Scope 1, 2 and 3 Emissions](#).

²⁸ 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) and other environmental matters.

Sample Wording

Below is sample wording taken from TCLP clauses for each of the seven rows of our [net zero dashboard](#). For more examples of ‘best in class’ net zero drafting, [visit TCLP's net zero best in class clause collection](#).

Net Zero Dashboard row	Sample wording
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 all of the [Company's/Party's] supply chain contracts that relate to the [Company's/Party's] obligations under this agreement, and provide any support (financial or otherwise) required to its subcontractors to help them fulfil those obligations[; and][.] ²⁹
Warming	<u>For recitals</u> See Eddie's Recitals (Climate Recitals)
Timing and Targets	To deliver the Net Zero Target, [the [Company/ Parties] shall include climate clauses (for example, clauses published by The Chancery Lane Project ³⁰) in: <ol style="list-style-type: none"> 1. all of the [Company's/ Parties'] activities and relationships; and 2. the majority of the standard form precedent contracts used by the organisation.
Offsetting	A. The [[Company/ Client/ Supplier/ Parties] ³¹ shall buy carbon credits equal to the amount of [annual/quarterly] Residual Emissions. [The carbon credits will come from a project that has been verified under [<i>Insert name of voluntary standard</i> ³²].

²⁹ To answer question 2 of our [net zero checklist](#).

³⁰ See TCLP's [Climate Clauses](#).

³¹ Drafting Note: Responsibility to be agreed by parties.

³² Drafting note: Alternatively, parties may wish to consider using the Clean Development Mechanism under the Kyoto Protocol. This will be replaced by a mechanism under Article 6.4 of the Paris Agreement in 2026. New implementing rules were agreed at COP26. More detailed guidance is pending.

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	<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 on a just transition and wider social and environmental goals;(iii) buy Offsets only through verified O[ffset P]roviders;[(iv) prioritise projects that remove emissions of GHG rather than avoid or reduce third parties' emissions of GHG;]³³ [and](v) remove GHGs from the atmosphere through long-lived storage that has a low risk of reversal over millennia[./ and] <p>C. (vi) <i>[Insert any details of insetting projects.]</i></p> <p>D. We consider the implications of Offsets we buy on a just transition and wider social and ecological goals. We only offset GHG Emissions we cannot reduce and buy our Offsets through verified O[ffset P]roviders to ensure accountability and best practice. We prioritise projects that [remove emissions of GHGs, rather than avoid or reduce third parties' emissions of GHGs, and]³⁴ remove GHGs from the atmosphere through long-lived storage with low risk of reversal over millennia. <i>[Insert any details of Insetting.]</i> [Details of our offsetting projects are available at <i>[Insert details].</i>]</p> <p>E. [The Company] shall only use Offsetting for Residual Emissions after it has:</p> <ul style="list-style-type: none">(i) complied with the [interim reduction] targets in clause [];
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³³ [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#) state that "an immediate transition to 100% carbon removals is not necessary, nor is it currently feasible, but organisations must commit to gradually increase the percentage of carbon removal offsets they procure with a view to exclusively sourcing carbon removals by mid-century. Most offsets available today are emission reductions, which are necessary but not sufficient to maintain net zero in the long run. Carbon removals scrub carbon directly from the atmosphere. This counteracts ongoing emissions after net zero is achieved and creates the possibility of net removal for actors choosing to remove more carbon than they emit."

³⁴ [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#) state that "an immediate transition to 100% carbon removals is not necessary, nor is it currently feasible, but organisations must commit to gradually increase the percentage of carbon removal offsets they procure with a view to exclusively sourcing carbon removals by mid-century. Most offsets available today are emission reductions, which are necessary but not sufficient to maintain net zero in the long run. Carbon removals scrub carbon directly from the atmosphere. This counteracts ongoing emissions after net zero is achieved and creates the possibility of net removal for actors choosing to remove more carbon than they emit."

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	<p>(ii) removed [quantity] of its GHG Emissions through Insetting;</p> <p>(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</p> <p>(iv) ensured that all Offsetting aligns with the Oxford Principles for Net Zero Aligned Carbon Offsetting.</p>
<p>Governance</p>	<p>A. For recitals</p> <p>The [Company has/ Parties have] implemented all 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] must establish a sustainability committee within its board of directors to oversee the development, implementation and review of the Net Zero Transition Plan. The committee shall be:</p> <ul style="list-style-type: none"> ● chaired by a [non-executive] director with experience of improving sustainability and mitigating the Carbon Footprint; or ● advised by an appropriately qualified sustainability consultant with the skills and experience to advise on improving sustainability and mitigating the Carbon Footprint. <p>C. Reporting requirements:</p> <p>The [Company/ Parties] shall report [annually] [and publicly] on:</p> <ul style="list-style-type: none"> ● [Add CDP disclosures here]; ● climate risks and opportunities for the [Company] under Task Force on Climate-related Financial Disclosures (TCFD) recommendations; ● sustainability information under Sustainability Accounting Standards Board (SASB) standards; ● the effects of the Company's Offsets and reduction of GHG Emissions on key stakeholders and how they affect a just transition to net zero. Key stakeholders include employees, clients and supply chain partners; and

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	<ul style="list-style-type: none"> • all climate policy engagement, climate leadership, lobbying activities, trade association memberships and public policy positions that directly or indirectly relate to climate change.
Just Transition	<p>A. [...] in a manner that promotes a just transition to a low carbon economy.³⁵</p>
Climate Policy Engagement	<p>A. The [Obligor] shall comply with the indicators in the appendix to the Global Standard On Responsible Corporate Climate Lobbying[, as if they were terms of this [Agreement]].</p> <p>B. See Emilio's Checklist for disclosure questions relating to a company's climate-related lobbying, financing, sponsoring and climate leadership activities.</p> <p>C. For a recital or internal policy document:</p> <p style="padding-left: 40px;">[The Company] has a strategy to:</p> <ul style="list-style-type: none"> • show climate policy leadership; and • enable others (including clients, suppliers and business networks) to contribute to the global net zero transition through information sharing, access to finance and capacity building; <p>D. The [Company] will evaluate its climate-related lobbying activities annually to ensure they are aligned with the goals of the Paris Agreement. This includes evaluating its own public policy positions and the activities and policies of [affiliates or relevant trade associations].</p> <p>E. The [Company] will not carry out any direct or indirect climate policy engagement, lobbying activities, trade association memberships or public policy positions that conflict with the goals of the Paris Agreement.</p> <p>F. [The Company] shall provide an [annual/ quarterly/ monthly] environmental and sustainability training programme for employees and contractors which will cover:</p>

³⁵ A TCLP practice note on just transition will be released in 2022.

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	<ul style="list-style-type: none"> (i) the latest climate science; (ii) climate change policy and legal context (including core terms of the Paris Agreement and any national implementation measures); (iii) the economic and social (e.g. health) benefits 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 contract commitments, targets and governance in relation to climate change and sustainability; and (vi) other topical climate and sustainability issues.
<p>Net Zero ‘adjacent’ requirements</p>	<p>Use our Climate Clause Selector to search our climate clause collection for examples of drafting for 50 different climate solutions, including:</p> <ul style="list-style-type: none"> ● general sustainability requirements; ● employee training and engagement; ● food procurement and waste; ● circular economy; ● reduction of single use plastics; ● risk/resilience and adaptation considerations; ● waste reduction; ● water conservation; and ● Biodiversity.

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