

Addressing Scope 3 – how insetting can be scaled to tackle supply chain emissions

Opportunities and challenges in the insetting value chain | November 2023



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Foreword from Abatable and IPI

In the ever-evolving landscape of corporate sustainability, insetting has emerged as a promising approach for companies to achieve their climate and nature targets. The practice provides companies with an avenue to drive carbon reductions and removals within their supply chains and harmonise their operations with the ecosystems they depend upon.

With more than half the world's GDP moderately or highly dependent on nature, accelerating nature positive investments within corporate supply chains is critical to address the dual climate and nature crisis, while also enhancing the livelihoods of farmers and local communities.

It is clear that the project developers interviewed for this report see insetting in a similar light. Throughout the interviews we conducted, developers reiterated that they see insetting as the future of carbon markets, especially within the agriculture and food sectors which account for approximately 30% of global greenhouse gas (GHG) emissions.

Yet, one of the largest barriers that inhibits the scaling of insetting is a lack of consensus on what it actually is, including alignment on best practices and the associated claims companies can make towards their emissions reduction targets.

Insetting is currently an umbrella term used to describe both on-farm emissions reduction and removal activities that can be traced to a particular buyer, as well as broader landscape approaches that contribute to strengthening supply chains and improving the resilience and integrity of ecosystems across production landscapes.

From a corporate claims perspective, the boundary of where an in-value chain (Scope 3 emissions reduction or removal) claim stops and a Beyond Value Chain Mitigation¹ (BVCM) claim starts is blurry. The GHG Protocol is actively working on this very topic in its Land Sector and Removals Guidance, but many developers are worried that the boundaries of Scope 3 reduction and removal

¹ See the Science Based Target initiative's [Beyond Value Chain Mitigation definition](#)

claims may be too restrictive and could discourage necessary action by companies, especially in instances when there is imperfect traceability of commodities. Other project developers, focused on on-farm interventions, are calling for strict boundary definitions as a means to bring greater integrity and credibility to the market.

Additional consensus is also required on the supply side as the rules on how interventions are measured, verified, and attributed are still ambiguous or in development.

There are two routes to insetting: certification and non-certification. The former relies on infrastructure and methodologies used in the voluntary carbon market (VCM), and the latter relies on self-defined quality criteria. Self-certification offers the opportunity for companies to be more agile and reduce the costs associated with validation and reporting. When done well and with robust impact monitoring and verification, this route can be as effective as seeking certification. However, if such safeguards are not in place, it could open up the door to poor-quality insetting projects.

This is an area where further alignment between stakeholders is critical in setting the minimum criteria all projects should follow.

Ultimately, we need to accelerate climate and nature-positive action and develop the necessary enabling environment for companies to act, and insetting could be an effective vehicle to enable this. Moving forward relies on organisations such as the GHG Protocol and the Science Based Targets Initiative (SBTi) to further develop guidelines that ensure the integrity of insetting projects without disincentivising action and innovation. This includes taking learnings from the VCM, while also focusing on agility and cost reduction.

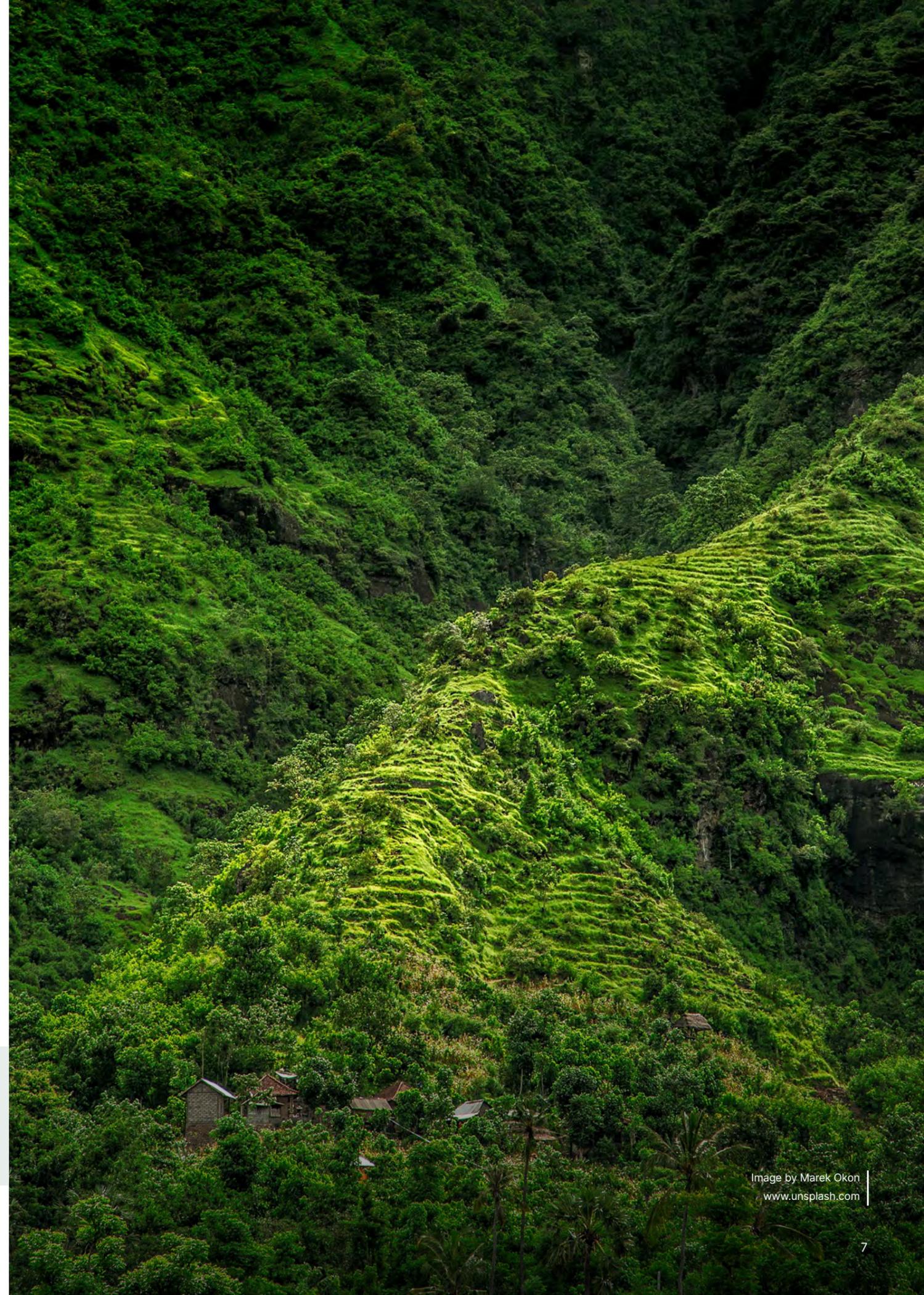
We sincerely hope that this report serves as an effective catalyst for further discussions, collaborations, and innovations to enable insetting to reach its full potential.



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EXECUTIVE SUMMARY

A lack of consensus is hindering insetting action



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Insetting is discussed frequently as a solution for companies to mitigate emissions within their supply chain and address biodiversity and nature loss, though to date the practice is relatively ill-defined and there is no widely agreed-upon framework and clear pathways for how organisations should approach insetting projects.



The IPI defines insetting projects as interventions along a company's value chain that are designed to generate greenhouse gas emissions reductions and carbon storage, and at the same time create positive impacts for communities, landscapes and ecosystems.

This report presents the findings of 20 qualitative interviews with project developers and broader industry stakeholders on insetting – often also referred to as in-value chain interventions – and the practice's associated opportunities and challenges. The research was collaboratively conducted by the [International Platform for Insetting \(IPI\)](#) and [Abatable](#). Interviews focused predominantly on the agriculture and food sector, however, the report's learnings are also applicable to other sectors.

The research highlights the huge potential of insetting, particularly as the practice aligns with companies' Scope 3 emissions reduction efforts under frameworks such as the SBTi and GHG Protocol, while also supporting more climate-resilient and regenerative business models.

However, the primary conclusion from the research is that, in the short term, the lack of clear and consistent guidance is hindering many developers and companies from taking insetting action.

This report conveys the opportunities and challenges project developers see with insetting today, with the aim of focusing the conversation and providing useful feedback to organisations actively working on defining insetting and its associated rules.

It poses six key questions that need to be resolved to accelerate action and enable the practice to scale:

1. What is insetting?
2. Where do the boundaries of the 'in-value chain' lie and what are credible claims?
3. What does 'high integrity' look like for insetting?
4. How much does insetting cost?
5. What is the role of policy and regulation in insetting?
6. How ready are corporates to engage with insetting?

This report does not aim to answer these questions but rather reflects the different perspectives of interviewees. It finds that while there is some alignment between interviewees, there is still a strong divergence in the views of project developers and broader stakeholders on most of the questions posed.



INSETTING

The state of play and key questions to resolve

Based on interviews with 20 project developers and broader industry stakeholders (see **Appendix** for the list of interviewees), Abatable and the IPI have identified six key questions that need to be addressed to enable companies currently involved in insetting, and those considering this practice, to scale insetting as a credible solution to address the dual climate and nature crisis.

QUESTION ONE

What is insetting?

The state of play: Definitions and understanding of insetting best practices vary significantly among project developers and wider stakeholders, hindering investment by both corporates and project developers.

The way forward: Further clarity is needed from guidance setters. Key stakeholders, including civil society, corporates and project developers, should work collaboratively to achieve consensus on insetting definitions and best practices, which can inform the development of relevant frameworks and guidance.

QUESTION TWO

Where do the boundaries of the supply chain interventions lie, and what are credible claims?

The state of play: There is a high divergence in opinions on where the geographical boundaries of insetting lie.

The way forward: Further convergence and alignment between standards, guidance, and data providers can help improve boundary setting, traceability, and the availability of primary and secondary data for insetting activities. It is important to recognise there is a clear need for flexibility – at least in the short term – based on the traceability limitations of different supply chains and commodities and the availability of consistent and granular data to measure and report on project outcomes. Pragmatic solutions are needed to ensure the current lack of supply chain visibility does not hinder the recognition of supply shed and landscape level interventions.

QUESTION THREE

What does 'high integrity' look like for insetting?

The state of play: There are differing views on the need for insetting project certification but, despite these, there is a lack of standards and guidance on what high integrity looks like.

The way forward: When standardising guidance and methodologies there needs to be some flexibility to accommodate diverse activities and supply chains. A practical focus on modular, adaptable approaches and defining core methodological principles can balance flexibility with stringency across the various insetting environments.

QUESTION FOUR

How much does insetting cost?

The state of play: The relative lack of a historic reference for pricing and few established commercial structures make it difficult to understand the true costs of insetting.

The way forward: There needs to be a recognition that there is a requirement for a higher revenue share in comparison to offsetting. Companies are likely to be willing to pay more for insetting due to the additional direct business benefits and longer-term returns they will enjoy - such as greater supply chain resilience and protection against future carbon pricing dynamics - which are not available through offsetting.

QUESTION FIVE

What is the role of policy and regulation in insetting?

The state of play: Insetting remains completely unregulated even though it intersects with various aspects of policy and regulation.

The way forward: The trend towards an increasing amount of Scope 3 emissions disclosure regulation could benefit insetting, and more generally policy can play a key role in facilitating insetting practices by setting traceability rules. It remains to be seen whether host countries, particularly in producer countries, decide to regulate insetting activities and apply the same rules as are applied for offsetting.

QUESTION SIX

How ready are corporates to engage with insetting?

The state of play: Many companies are shying away from taking value-chain action due to a fear of stakeholder scrutiny, and short-term focus on optimising procurement costs.

The way forward: Companies should be conservative with insetting claims to avoid accusations of greenwashing, while also proactively communicating about their insetting projects to further build the business case for insetting and share key learnings and challenges with their peers. They also need to take a longer-term view on the return on insetting investment, which will take place further down the line by increasing supply chain resilience and ensuring compliance with forthcoming regulatory requirements. Pre-competitive collaboration between buyers and suppliers to enable sector- or regional-level insetting approaches could also unlock large economies of scale for insetting.

The following sections of the report explore interviewees' perspectives on these questions in more detail.

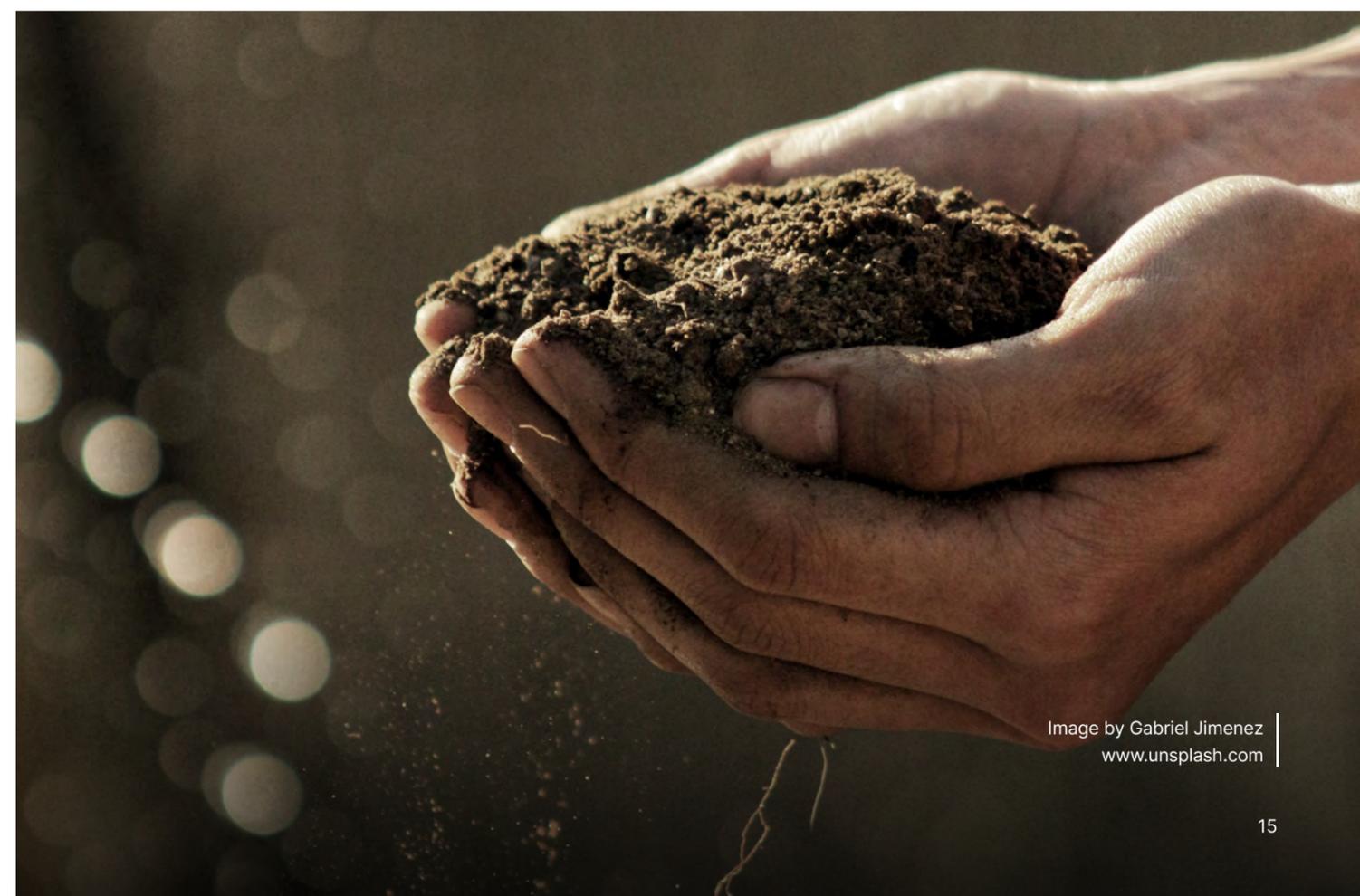


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QUESTION ONE

What is insetting?



INTERVIEW QUOTE

People are using the word ‘insetting’ in both a broad and a narrow sense – there’s self-interest in everyone using the word interchangeably to build market awareness that there’s something else on offer than offsetting. However, we need to be extremely careful as there’s a difference between activities directly happening in the value chain and activities happening around it. The effort to build market momentum by being loose with terminology could grow into an integrity risk.

While insetting-related activities are beginning to be adopted, the definitions and understanding of the concept vary massively among project developers and wider stakeholders and there are currently no globally agreed definitions for insetting.

The terms “direct investments”, “value chain initiatives” and “value chain reductions” came up frequently in interviews, with the general terminology trending towards supply chain interventions that are designed to reduce or remove GHGs, reduce a company’s impact on nature and ecosystems, and improve livelihoods.

As well as the wide range of terms to describe the practice (see **Figure one**), the views on what activities constitute insetting also vary greatly among interviewees. This is particularly evident within the food and agriculture sector – which this report largely focuses on – though the practice goes far beyond that, for example in helping to decarbonise other industrial sectors including cement, construction and marine shipping.

The understanding of the differences between insetting and offsetting are often nuanced and biased which remains a key challenge (see **Table one**), adding further confusion to an already complex topic.

Table one: Key differences between insetting and offsetting based on interviews

Offsetting	Insetting
Projects do not have to be tied to operations or the supply chain of the buying company	A clear relationship between the project or company operations and the supply chain needs to be established
Mature guidance and alignment on quality and claims	Limited guidance on quality and claims
Offsets are not countable within a company’s Scope 3 footprint, but may be used for neutralising or compensating for residual emissions	Scope 3 reductions and removals claims can be made for on-farm interventions. Some stakeholders argue such claims should also be allowed for interventions near supply chains, however there is no consensus here
Developers see a lot of ‘greenhushing’ by engaged companies due to recent bad press on offsetting and high public scrutiny	Companies tend to be quite transparent about the fact they are engaging in supply chain interventions, but details on methods and claims are lacking as companies are not held accountable to the same level as offsetting
Established market with strong methodologies, processes and established stakeholders, including registries and auditors	Nascent initiatives exist with no established rules or organisation that sets them, especially on the quality side
Relatively straightforward to develop a project as the project developer chooses where and with whom to work with	More complex connections with supply chain to manage, including with farmers, communities, and local initiatives, and as a result fewer suitable project locations are available
The prices of offsets (carbon credits) are tied to market dynamics	The price of insetting tends to currently be higher than offsetting due to smaller scales and links to specific supply chains
Offsetting can take the form of a one-off company purchase	Insetting by its nature requires long-term agreements between companies and developers
Offsetting is accounted for on a company level as part of an overall balance sheet	Insetting can be accounted on a product level where there is full traceability, and impacts can be co-claimed across the supply chain

Alignment needed on guidance

Primarily, there is a lack of clear guidance on defining insetting and associated best practices and many developers feel in the dark about how they may engage with it and its associated activities. As an emerging market there is a clear lack of historic reference points or use cases for ‘best practice’, making it difficult to effectively educate stakeholders on implementation methods.

One interviewee said: *“There’s no clear understanding of what insetting is. Different actors are continuing to advocate for different things and the differences between those articulations of what an ‘inset’ is are varied and add further confusion to the market.”*

The confusion stems not just from a lack of overarching guidance but also from stakeholders looking for guidance in different places. Naturally, the perspectives of project developers, corporates and NGOs differ depending on their priorities. The resources used – for example from the [GHG Protocol](#), [SBTi](#), Gold Standard’s [Scope 3 Value Chain Interventions Guidance](#) or Verra’s [Scope 3 Program](#) (See Table 2) – are not uniformly aligned on definitions across the market.

An additional key point interviewees raised was the potential for ‘credits’ – a tangible commodity used in the offset market – to significantly cloud the concept of insetting.



INTERVIEW QUOTE

You often have more than one company sourcing from a farm, so how do you make everyone pay for regenerative practices? One of the ideas is to use insetting credits where one company can invest, retire and claim the credits which are proportional to how much they source from the farm and then they can sell the remaining credits to other companies sourcing from the same farm. We are still figuring out how this could work and whether we just use Verra or Gold Standard or if we use something else.

Many advocate that insetting is a much more holistic, integrated approach to emissions reduction strategies that results in numerous additional benefits and encompasses both on- and

off-farm actions. The future verification of ‘inset credits’ as a commodity remains a topic for debate.

While there is a consensus that further clarity is needed to create a unified definition and understanding of insetting, in the meantime the reputational risk to the sector remains.

Continuing to use such broad terminology results in a lack of confidence from stakeholders and a delay in adopting climate mitigation practices for fear of scrutiny.

The way forward

Further alignment is needed from standard setters on how to define insetting and associated best practices. Key stakeholders, including civil society, corporates, and project developers should work collaboratively to achieve consensus on insetting definitions and best practices, which can inform the development of relevant frameworks and guidance. The current standards and frameworks need to converge to give companies greater assurances to act knowing they will get adequate recognition for their investments.

Figure one: Terminology and synonyms used to describe insetting



Interviewees were asked what terminology they used internally or with clients to speak about insetting. Some interviewees gave more than one answer.

QUESTION TWO

Where do the boundaries of supply chain interventions lie, and what are credible claims?

Defining the geographical boundaries of inseting activities is one of the biggest barriers to accelerating corporate investment in inseting as there is currently no consensus on the scope and types of claims companies can make.

There is a high divergence in opinions between developers interviewed as part of this study. Some interviewees who operate in highly traceable commodities are pushing for the boundaries of inseting to be strict and limited to on-farm activities to maintain the integrity of the practice. Other interviewees are advocating for more flexibility to account for instances where traceability to the farm is not currently possible.

Finally, many large NGOs and REDD+ carbon project developers are advocating for more holistic landscape approaches that include recognition of activities on-farm and in adjacent landscapes to really help scale the practice.



INTERVIEW QUOTE

Do we allow inseting to be aggregated by country of origin because that's how the supply chains work? Is that a supply shed? Can you make an inseting claim? I don't know.

Boundary disputes

There is currently no consensus on where the geographical boundaries for inseting should lie, with interviewees selectively arguing that they should be at the farm, regional, or national level. The current draft of the GHG Protocol's Land Sector and Removals Guidance, expected to be finalised in mid-2024, is expected to provide clarity on the scope, types of activities,

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and associated claims that companies can make with different practices. The Value Change Initiative (VCI) has also worked to define how to determine the size of a supply shed in its *Achieving Net Zero Through Value Chain Mitigation Interventions: Exploring Accounting, Monitoring & Assurance in Food and Agriculture [guidance](#)*.

Terms like ‘supply shed’ and ‘landscape approach’ provide some flexibility, and while VCI is working to hone these they still lack defined parameters. Aggregating by supply shed for example, which can help address traceability gaps by widening boundaries to general sourcing areas (see **Figure two**), still contains ambiguity around how broad or narrow to define a supply shed.

Boundary definitions will affect who can claim insetting activities, whether that is a company, other stakeholders or a country.

Regardless of any consensus emerging on where insetting’s geographic boundary should be, there are still challenges to clearly track activities and allocate project impacts within diffuse supply chains.

End-to-end traceability is challenging – tracking emissions as well as project impacts on biodiversity and ecosystem services across fragmented and ever-changing value chains with inconsistent data systems is difficult. The location-specific nature of environmental impacts can also place a significant burden on producers who often lack the necessary technical capacity and resources required for primary data collection.

Supply chains often involve multiple stages and actors – it is rarely a linear farm-to-table system and aggregated crop storage is common. Granular traceability to pinpoint where specific products end up is currently operationally burdensome, and companies currently lack the capacity and alignment to do this. Flexibility on the precision of traceability and data collection methods for companies to demonstrate project impacts – at least in the short term – could help facilitate and incentivise corporate action but runs the risk of undermining credibility.

Limited transparency and traceability makes taking action on Scope 3 emissions very difficult. How can a company work with farmers if it doesn’t exactly know who they are?

This in turn also increases the risk of double counting. With poor traceability, alongside different supply chains using different boundaries when implementing projects and accounting for impacts, multiple entities could claim the same emissions reduction or removal activities. **Clear guidance on claims accounting and disclosure is needed to mitigate this concern.**

The way forward

Standards, guidance, and collaboration can help improve boundary setting and traceability for insetting activities. It is important to recognise that there is a clear need for flexibility and recognition for off-farm activities – at least in the short term – based on the traceability limitations of different supply chains and commodities.

Both standard setters and project developers can promote standardised emissions accounting and data transparency across entire supply chains to enable clearer emissions attribution. This can be phased in over time as capacity increases.

A balance needs to be found between pragmatic and credible data collection methods and improvements in both the quality and granularity of primary and secondary data sources to enable more cost-effective, transparent and accurate reporting of project impacts. Perfection does not need to be the enemy of progress, but safeguards need to be put in place while accuracy is improved. As guidance develops, conservative claims of BVCM rather than Scope 3 reductions or removals are advisable.

In addition, registries, whether those used in the VCM or dedicated insetting ones, can support with tracking emissions and co-claiming and avoiding double counting.

Figure two: On-farm, supply shed and landscape boundaries

Landscape is a geographic area that may include farms, natural areas, and other land features not related to production of a commodity.

Multi-stakeholder landscape projects between peers can increase scale and reduce costs. There are opportunities for collaboration – both in terms of (1) companies sourcing the same material from the same region, as well as (2) taking a ‘whole-farm’ approach, whereby different companies source different materials that are produced in the same landscape. Moving to landscape level not only means addressing farming at a larger scale beyond the own supply chain, it also means tackling challenges beyond the farm perimeter within the supply shed they source their crops from.



On-farm activities relate to activities happening directly on a farm, or at a sourcing site, and limited to it.

Supply shed approaches only includes the constellation of farms that are producing a commodity of interest.

The Value Change Initiative promotes the ‘supply shed’ concept, where an aggregator or retailer collaborates with a group of suppliers within a specific geographic market to achieve verified carbon reductions. This allows the processor or retailer to claim the benefits of these reductions, regardless of which farm within the supply shed they source their crops from.



QUESTION THREE

What does ‘high integrity’ look like for insetting?

Defining clear standards and guidelines for quantifying and verifying emissions reductions from insetting activities is crucial to ensure credibility as companies scale their climate action.

Currently, some organisations certify insetting projects in alignment with the VCM, leveraging existing methodologies and processes, while others use other forms of verification to track and verify project impacts. It is common for companies to use a mix of approaches across their project portfolio.

Potential issues exist around misaligned accounting standards and the benefits and disadvantages of leveraging existing supply chain systems. There is also the issue that insetting claims could be made when the emissions reductions are already accounted for on a company’s emissions balance sheet and not on a product level.



INTERVIEW QUOTE

We have a range of different types of projects that we consider in the insetting bucket and they come in many different forms, but the main differentiation is whether they are certified or not certified. If the project is going for certification, we essentially follow the same route we would for any carbon offset project. If the client does not want certification, then the focus is really on the accounting but we try to introduce some elements from the carbon standards.

Integrity challenges

There are multiple considerations to take into account when assessing the impacts of insetting activities.

Uncertainty around claims

Without standardised rules, uncertainties exist around quantifying, claiming, and verifying emissions reductions and removals from insetting activities. The lack of guidance creates uncertainty and risks undermining credibility. Clear principles, accounting, and verification methods are needed.

Certification versus non-certification

Some companies experimenting with insetting are exploring certification while others are taking a more informal approach. In some cases, companies are also using a mix of both approaches, depending on whether a project is on or off-farm.

Certification brings credibility to insetting projects, but it can also increase project costs and timelines. As a result, some organisations view certification as unnecessary and use other means of verification (e.g. second-party verification). Others view a phased approach which starts without certification as being a practical route. This would see companies start with informal, uncertified pilot insetting projects to test methodologies and build internal capacity. Then, over time, more formal certification processes are phased in once these processes are matured and refined. This would allow a transition from more flexible, experimental approaches to greater credibility via certification.

Lack of standards and verification guidance

No established standards or verification protocols specific to insetting currently exist. As one interviewee said: *“The challenge we have at the moment is that there is no real insetting standard. How can we align ourselves with an internationally recognised insetting standard? Is there even such a thing?”*

Interviewees did not agree on whether specific insetting standards or verification protocols are a must-have for the market – some felt that the VCM offers robust methodologies that could be leveraged - while others felt that these should be streamlined and adapted to better fit the insetting context. The wide variability in how emissions reductions and removals are quantified and how baselines are set by different organisations creates complexity and uncertainty.

General GHG accounting frameworks are currently being used in lieu of better guidance, but tailored insetting standards and clear guidelines would enable more rigorous measurement, reporting and verification (MRV).

Use of registries

Currently, informal insetting arrangements like direct supply chain investments don't involve tradable credits or registries. Registries can provide oversight, and their absence can create uncertainty in accounting and claims reporting.

Existing methodologies can be used, but these are not applied uniformly

Standard core quantification methods are often available for use, but specifics on application vary. Specifics like measurement frequency, monitoring procedures and documentation requirements lack standardisation, and the variability in application creates uncertainty despite the availability of methodologies.

Key guidance to look out for includes the Science Based Targets initiative's FLAG guidance and GHG Protocol's forthcoming Land Sector and Removals Guidance, expected in mid-2024. Further guidance initiatives are listed in **Table two**.

The way forward

Standardised guidance and methodologies need to be developed which retain some flexibility to accommodate diverse activities and supply chains. A practical focus on modular, adaptable approaches and defining core methodological principles can balance flexibility with stringency across the various insetting environments.



Table two: Key insetting guidance and integrity initiatives

Organisation	Initiative	Insetting relevance	
GHG Protocol	Land Sector and Removals Guidance	What is it? The guidance will explain how companies should account for and report greenhouse gas emissions and removals from land management, land use change, biogenic products, CO ₂ removal technologies and related activities in greenhouse gas inventories.	Why does it matter for insetting? It is expected to clarify what can and cannot be counted as Scope 3 emissions reductions and removals by companies engaging in insetting activities.
SBTi	FLAG Guidance	What is it? FLAG provides the world's first standard method for companies in land-intensive sectors to set science-based targets that include land-based emission reductions and removals.	Why does it matter for insetting? Both SBTi and GHG Protocol have stated that the FLAG guidance and the Land Sector and Removals Guidance should align, unlocking the accounting and credible targets elements of insetting.
Value Change Initiative	Value Chain Interventions Guidance V.1.1	What is it? Consensus-driven guidance, tools and resources to help companies tackle their climate impact up and down their value chains. The guidance enables reporting on emissions reductions toward performance targets, in line with common accounting frameworks like the GHG Protocol. Gold Standard and SustainCERT are behind the initiative.	Why does it matter for insetting? The Value Change initiative introduced the supply shed concept, which many developers advocate the GHG Protocol should follow. This is similar to what the GHG Protocol calls the "sourcing region" in its draft Land Sector and Removals Guidance.
SustainCert	Value Chain "Scope 3" Impact Verification	What is it? SustainCERT verifies value chain interventions to ensure emission reductions or removal data can be trusted. It also offers a solution which enables value chain impacts to be allocated and transferred between players across the chain.	Why does it matter for insetting? SustainCERT was often mentioned by interviewees as one of the key organisations verifying insetting against the VCI standard.
Verra	Scope 3 Initiative	What is it? Formed in May 2022, the initiative encompasses a multi-stakeholder working group which includes a pilot project group, a broader consultative group and one-on-one exchanges with stakeholders. It investigates key barriers to implementing and scaling climate action in organisational Scope 3 emissions inventories. The goal is to modify some of Verra's standards to be used for insetting purposes and create a registry to track these actions.	Why does it matter for insetting? The initiative was mentioned by many interviewees as an initiative they were tracking.
Harvard University and the University of Oxford	The E-liability Institute	What is it? An accounting standard developed by a team of professors that mirrors the classic accounting technique of assets and liabilities, specifically for emissions.	Why does it matter for insetting? This approach allows for a separation of product, finance and emissions, and leaves a clear and actionable balance sheet. Working with clean data could allow the supply chain to invest in 'E-Assets' (like removals) and allocate these at the right product level.



Image by Narong Khueanka
www.es.vecteezy.com

QUESTION FOUR

How much does insetting cost?

There were a lot of varying perspectives from developers when it came to insetting pricing, costs and business models.

This is due, in part, to a relative lack of historical pricing data as insetting projects have mostly been pilot-scale. Some pricing references exist as the VCM pays farmers for emissions reduction projects, however, the variety of responses from interviewees is due to the wide range of practices currently adopted, and the specific combination of certified, non-certified, on-farm, supply shed or landscape-level projects (see **Table three**).

As one interviewee said: “The cost depends on how many players and how many partners you have in a particular programme, where they lie in the supply chain and what their level of value is for mitigations”.

Additionally, insetting has arguably more complex relationships between stakeholders when compared to offsetting, enhancing the requirement for further consultancy and technical skills, which can also add additional costs.



INTERVIEW QUOTE

Insetting projects are necessarily customised and transformative. It's therefore more difficult to apply a systematic approach. Obviously, you always have to adapt to the local context, as is the case with offsetting. But you need to consult more stakeholders and that requires additional skills.

Table three: Cost considerations for insetting

Consideration	Cost implication
Certification versus non-certification	Going for certification under a registry such as Verra or Gold Standard comes with a significant cost, which may be prohibitive for small-scale projects.
MRV solution used	Developers highlighted that tailored MRV solutions could be costly, especially for the scale at which certain insetting projects operate.
Consultancy work required	Some businesses require a lot of internal training on insetting. Interviewees noted this is an area that is not required in offsetting, and so requires a consultancy approach to upskill sourcing and sustainability teams.
Number of suppliers to engage	In addition to capacity building and training, insetting often involves benefit-sharing agreements with suppliers and farmers. The costs will therefore depend on how many stakeholders are involved and what community engagements look like.
The scale of the project	Developers mentioned that small projects tend to be very expensive and highly tailored, and the use of MRV solutions or going through the certification route can be financially prohibitive. Economies of scale and supply shed and landscape approaches can reduce costs.
One or multiple off-takers?	The number of companies involved in the project and whether the cost of insetting is shared or not can make a large difference to stakeholders.

Project developers interviewed highlighted that there is a requirement for a higher revenue share in comparison to offsetting, due to additional monitoring, training and implementation requirements that may arise. As a result, interviewees indicated that **insetting projects may require a greater upfront investment from companies compared to offsets, but will come with lower ongoing costs for developers**

as the projects do not require the same sales and marketing efforts offsetting projects do.

In light of this ongoing shift in practice and stakeholder sentiment and an increase in regulatory pressure, however – alongside the additional benefits which include increased supply chain resilience and shielding from carbon prices – companies may be willing to pay more for insetting projects in the future.

The way forward

There needs to be greater recognition that there is a requirement for a higher revenue share in comparison to offsetting, due to additional monitoring, training and implementation requirements that may result from the influence of additional stakeholders. If companies appreciate this and carbon prices rise due to regulatory requirements, the willingness to pay for insetting could increase.



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QUESTION FIVE

What is the role of policy and regulation in insetting?

Much like offsetting, insetting is a voluntary practice. However, unlike offsetting, which is becoming more and more regulated, insetting remains largely unregulated even though it intersects with various aspects of policy and regulation.

Not many interviewees identified policy as a risk, but those that did emphasised the very strong potential implications of policy changes, either as an opportunity or a threat. It remains to be seen whether host countries, particularly in producer countries, decide to regulate insetting activities and apply the same rules as for offsetting.

Opportunities

The EU's Corporate Sustainability Reporting Directive (CSRD) requires companies to disclose certain information about their Scope 3 emissions, which come from their supply chains and from the use of their products by customers. This is pushing companies to focus on those emissions, which could accelerate investment in insetting.

In California, SB 253 requires US companies doing business in California with annual revenues exceeding \$1bn to disclose their Scope 1 and 2 greenhouse gas emissions data starting in 2026, and their Scope 3 emissions data by 2027 (and annually thereafter). This will require companies to collect emissions data from upstream and downstream third parties. The bill shares similarities with US federal rules proposed by the US Securities and Exchange Commission (SEC).

More generally, policy can play a key role in facilitating insetting practices by setting traceability rules. For example, the European Union's regulation on deforestation-free products mandates collecting geographic coordinates of land where commodities are produced, which is crucial for verifying the absence of deforestation. Various methods including mobile apps and GIS can be used for this.

Threats

Within the VCM there is an understanding that double claiming and even double counting can happen at a national and company level. This is something many stakeholders do not believe is problematic, as the two accounting systems are not connected and overlap by design (each company's emissions inventory will overlap with at least one country's emissions inventory).

However, one thing to consider is whether the host countries of inseting projects will have the same requirements as for offsetting projects. As more and more countries regulate carbon markets and operationalise Article 6 of the Paris Agreement, this opens up questions about whether host countries will require corresponding adjustments for inseting, and whether they will have the same requirements for inseting they are developing for offsetting in terms of registration, authorisations, and other factors.

The way forward

The trend towards an increasing amount of regulation mandating the disclosure of Scope 3 emissions could benefit inseting, and more generally policy can play a key role in facilitating inseting practices by setting traceability rules. How host countries decide to regulate inseting should be an important area of focus for the developers and companies involved.



INTERVIEW QUOTE

The main concern I have right now is whether governments will invalidate projects that we consider inseting because they do not comply with their requirements for offsetting projects. I don't think governments understand the difference between offsetting and inseting and I don't think companies are bothered enough by the question.



QUESTION SIX

How ready are corporates to engage with insetting?

Many companies seem to be frozen and are shying away from taking value-chain action, due to a fear of backlash from stakeholders and industry observers following recent negative media coverage of both offsetting and insetting.

Interviewees implored however that action should not be delayed and that there are approaches to avoid accusations of greenwashing, for example by being conservative with insetting claims.

Managing expectations

The need for companies to manage their insetting cost expectations was expressed by numerous interviewees. Project developers stated they are often asked about returns on investment, while not fully appreciating the additional costs of engaging in insetting activities.

Interviewees expressed concern that the prevalent return on investment mindset could risk stretching farmers by asking them to engage in greener practices without adequately rewarding them for doing so. *“The risk is that farmers are just squeezed further, and they are already squeezed to breaking point,”* said one interviewee.

To mitigate this risk, **corporates need to appreciate what return on investment means in the context of insetting and take a longer-term view – ROI will take place further down the line in the form of supply chain resilience, and this takes long-term transition planning to be captured.**

Procurement practices

Project developers also highlighted the need for companies to reconsider their procurement approaches to better reflect the realities of transitioning to more sustainable practices. This means, for example, looking to commit to long-term contracts and committing to upfront finance to support farmers and other stakeholders with their transitions.

Some interviewees mentioned the challenge of having to work

with procurement or sourcing teams as a core stakeholder. This is typically not the case for offsetting projects, which are generally led by sustainability teams, and so procurement teams need a certain level of education on insetting and its aims. Others stated that this dynamic can put pressure on costs, as procurement teams are more focused on cost-cutting compared to sustainability teams. Some interviewees thought there was a risk this could result in farmers losing financial support for insetting actions.

On the other hand, some interviewees stated that insetting can make procurement teams more focused and aware of sustainability, as they will see how climate change is impacting crop supplies and how supply chain action can mitigate this.



INTERVIEW QUOTE

One of the challenges of insetting has to do with how companies are organised internally. Insetting typically falls under the remit of purchasing teams, but [as a developer] they are not your only stakeholder. In big companies you often also have to work with the climate, water and human rights teams. They typically don't optimise for the same KPIs and sustainability teams struggle to work with purchasing teams; they really struggle to align. Offsetting is a lot simpler as you typically only have to deal with the climate team.

The way forward

Companies should be conservative with insetting claims to avoid accusations of greenwashing, while also proactively communicating about their insetting projects to share key learnings and challenges with their peers and further build the business case for companies to invest in improving practices within their supply chain. They also need to take a longer-term view on return on insetting investment which will take place further down the line by increasing supply chain resilience and ensuring compliance with forthcoming regulatory requirements

Pre-competitive collaboration between buyers and suppliers to enable sector- or regional-level insetting approaches could also unlock large economies of scale for insetting.



INTERVIEW QUOTE

It's very difficult to find companies that understand what insetting takes. Some companies seem to believe that farmers will invest in becoming greener without guarantees from buyers. Farmers actually need long-term contracts and assurances that they will be rewarded for their efforts. A lot of companies we talked to want their suppliers to be more sustainable, but are not prepared to help and change the way they procure.



INTERVIEW QUOTE

We've heard that our end buyers would be willing to pay more for products that are traceable, with associated environmental metrics attached. They are often willing to pay more at an organisational level but their procurement teams are not willing to pay more from a sourcing perspective as they still want to be competitive. The green premium often comes from a different budget, which is why buying carbon credits is so much simpler.



THE WAY FORWARD

Insetting recommendations from project developers

As we have outlined, there are many opportunities for action to allow insetting to scale as an effective climate solution.

Standards, guidance, and collaboration can help improve boundary setting and traceability for insetting activities. It is also important to recognise there is a clear need for flexibility – at least in the short term – based on the traceability limitations of different supply chains and commodities.

Standard setters should develop clear guidance and principles for setting geographical boundaries that balance flexibility with consistency. This will allow room for hybrid approaches that mix precision and aggregation.

Project developers should work to leverage existing infrastructure like certifications and supply chain custody systems to connect traceability gaps. This will help promote integrity and transparent data sharing without reinventing the wheel. By taking a phased approach, companies can make stepwise progress.

Both **standard setters** and **project developers** should promote standardised emissions accounting, data transparency, and data availability across entire supply chains to enable clearer emissions attribution and the measurement of project outcomes. This can be phased in over time as capacity increases, companies are not going to be immediately compliant as soon as a standard is agreed upon or published.

Collaboration will be key to developing consistent guidance and innovative solutions. Clarity on geographical boundaries and emissions accounting will enable credible claims and power scalable, high-integrity insetting.

There is also an opportunity to standardise practices with consensus and methodologies, but this needs to be balanced with the flexibility to accommodate diverse activities and supply chains.

Insetting currently lacks detailed bespoke methodologies, and aligning and standardising the application of these along with MRV is key for scalability. **A practical focus on modular,**

adaptable approaches and defining core methodological principles can balance flexibility with stringency across the various insetting environments.

A summary of recommendations for various stakeholders based on our research can be found in **Table four**.

Table four: Stakeholder-level recommendations

Insetting stakeholder	Recommendation
Scope 3 and insetting-focused forums	Strengthen the definition of insetting and associated best practices, and differentiate between the different intervention types to protect market integrity.
Greenhouse gas accounting and standard setters	Take a pragmatic approach when designing guidance around Scope 3 emissions reduction and removals to capture the diverse traceability maturity of different commodities, and include concepts such as supply sheds to incentivise greater adoption of insetting by corporates.
Corporate target-setting initiatives	Incentivise BVCM and landscape approaches, which contribute to maintaining the world's natural carbon sinks, as well as the scaling of nascent solutions. Ensure market-based mechanisms count towards emissions-reduction plans while guidance is being finalised.
Industry collaboration initiatives	Facilitate increased opportunities for corporates to co-invest in insetting projects across production landscapes to scale impact and achieve economies of scale. Establish clear principles to adequately reward farmers for the ecosystem services they are investing in.
Companies considering and already investing in insetting	Do not delay climate and nature action – invest in upskilling and aligning your sourcing and sustainability teams on what insetting is and how to integrate it into your business strategy.
Companies considering and already investing in insetting	Shift your business approach of optimising for competitive sourcing prices to sourcing from supply chains that will be healthy in the future. Don't squeeze the farmer – work with them.

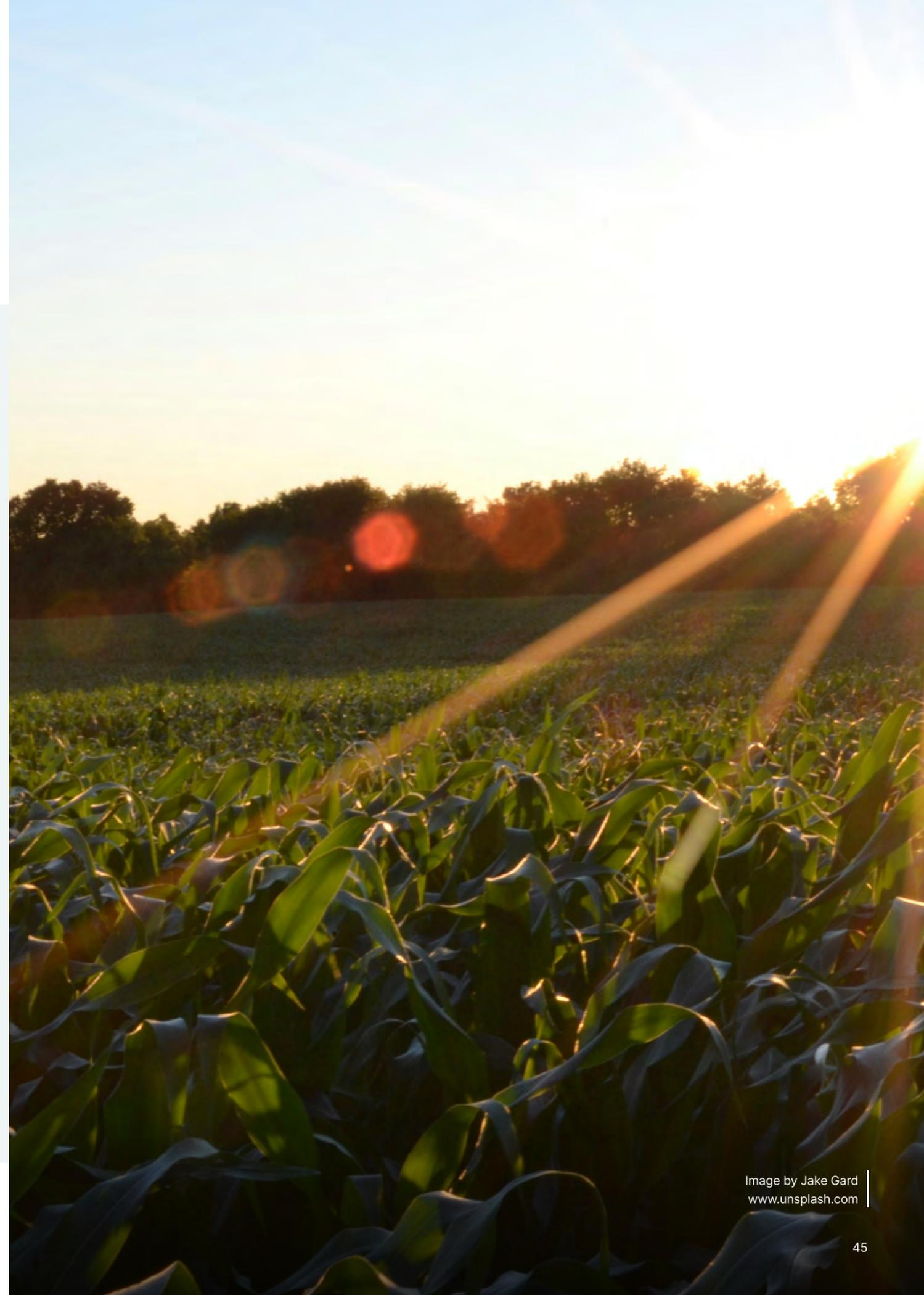


Image by Jake Gard | www.unsplash.com

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About the IPI and Abatable

About the IPI

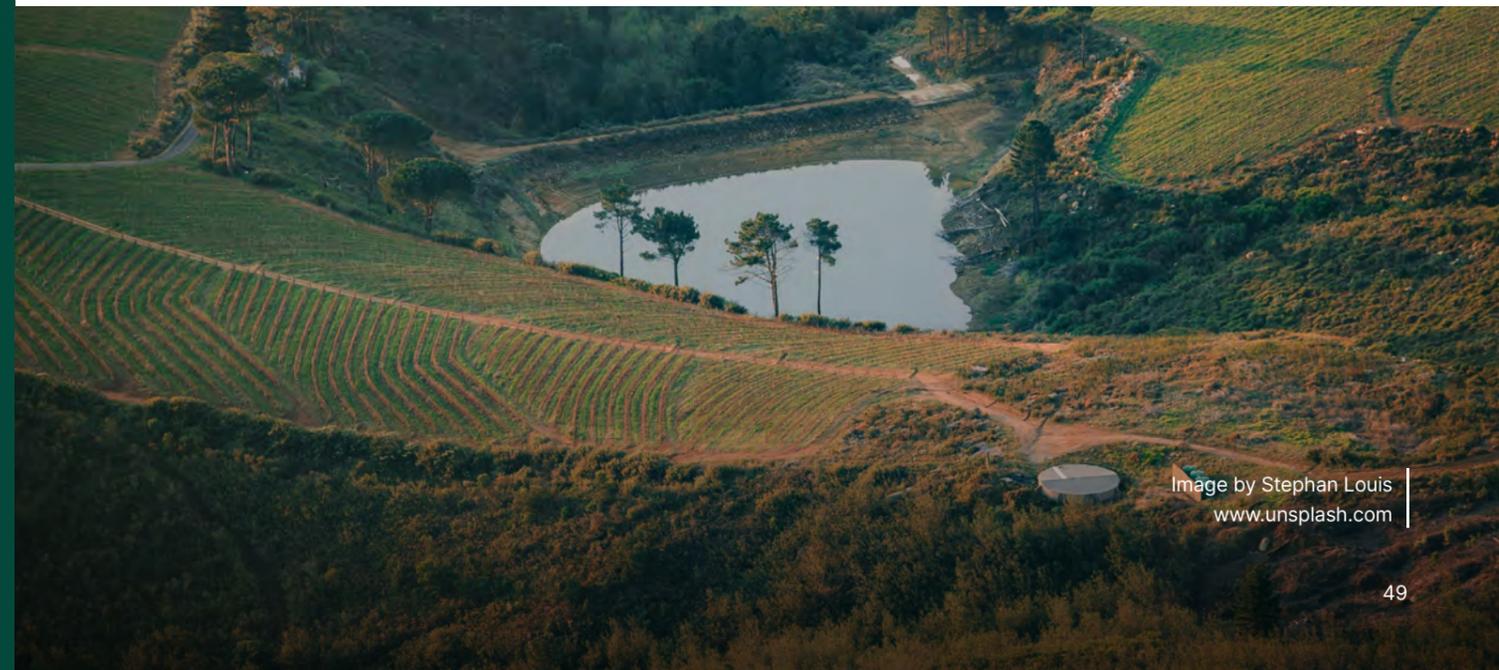
The International Platform for Insetting (IPI) is a collaborative membership organisation for businesses implementing insetting projects that achieve positive impacts for the environment and communities along their value chains. Our purpose is to support businesses with implementing effective and scalable nature-based solutions through insetting, enabling them to set and achieve ambitious climate goals, build resilient and regenerative business models, and reverse the loss of nature within and beyond their value chains.

 Find out more at insettingplatform.com

About Abatable

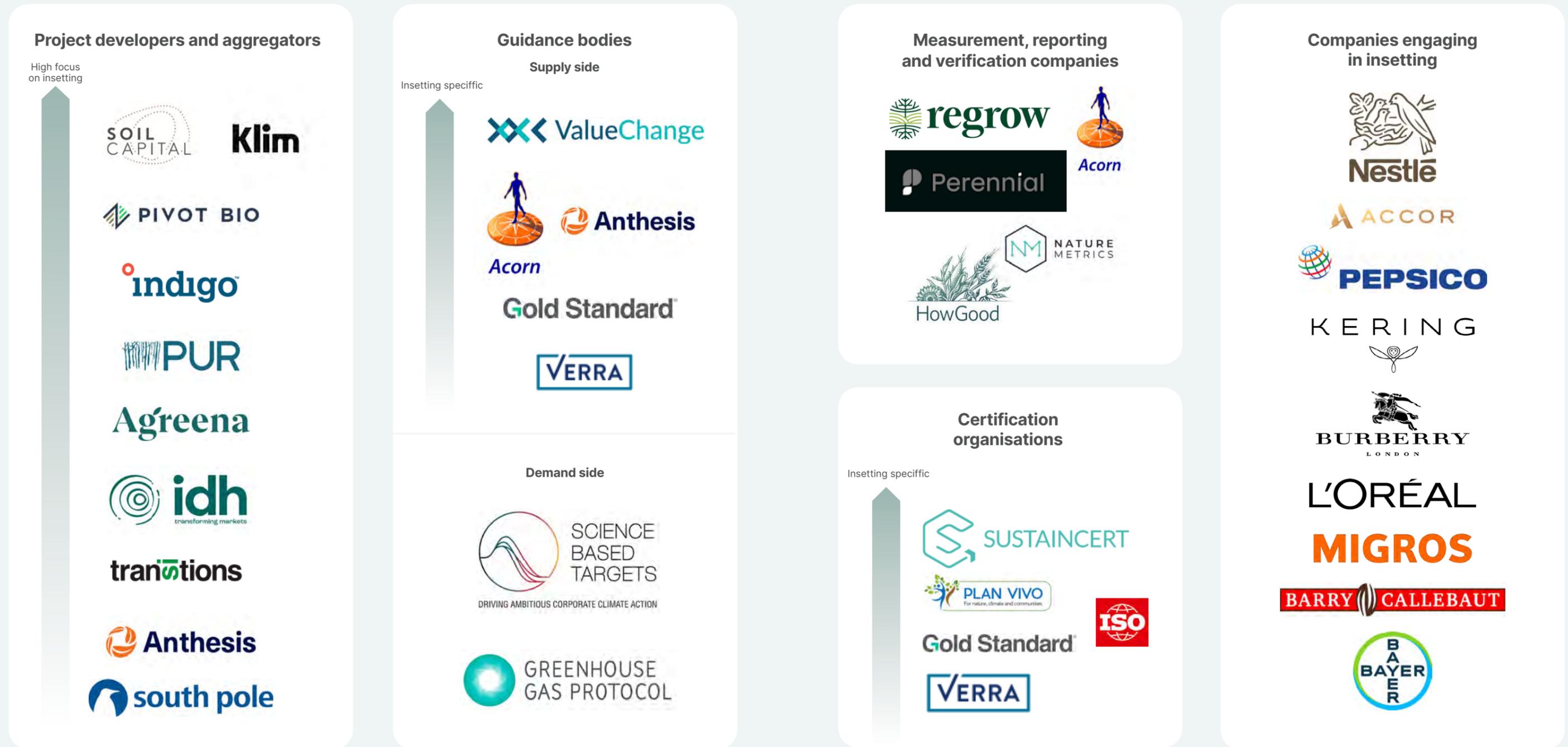
Abatable is a carbon procurement and market intelligence provider for the voluntary carbon market. Our technology platform connects companies and climate investors to the largest network of climate projects across the globe. Through this and our market intelligence suite we aim to help every organisation build a thriving future for climate, nature and people.

 Find out more at abatable.com



Appendix

A map of the insetting ecosystem



Mapping is not exhaustive

Source: Abatable, developed in collaboration with WBCSD