



NATURAL CAPITAL EXCHANGE
MAY 2022

Charting the Path

A survey of
sustainability leaders'
priorities

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Introduction

The IPCC is expressing the need for urgent action on climate change and society is expecting sustainability leaders to answer the call. In January 2022, NCX interviewed 250 sustainability leaders from across the United States to learn how they are approaching their programs. This report is intended to provide sustainability professionals with insight on what this cohort is thinking about and prioritizing, and will provide tips for reaching your sustainability goals.



Sustainability Budgets & Priorities

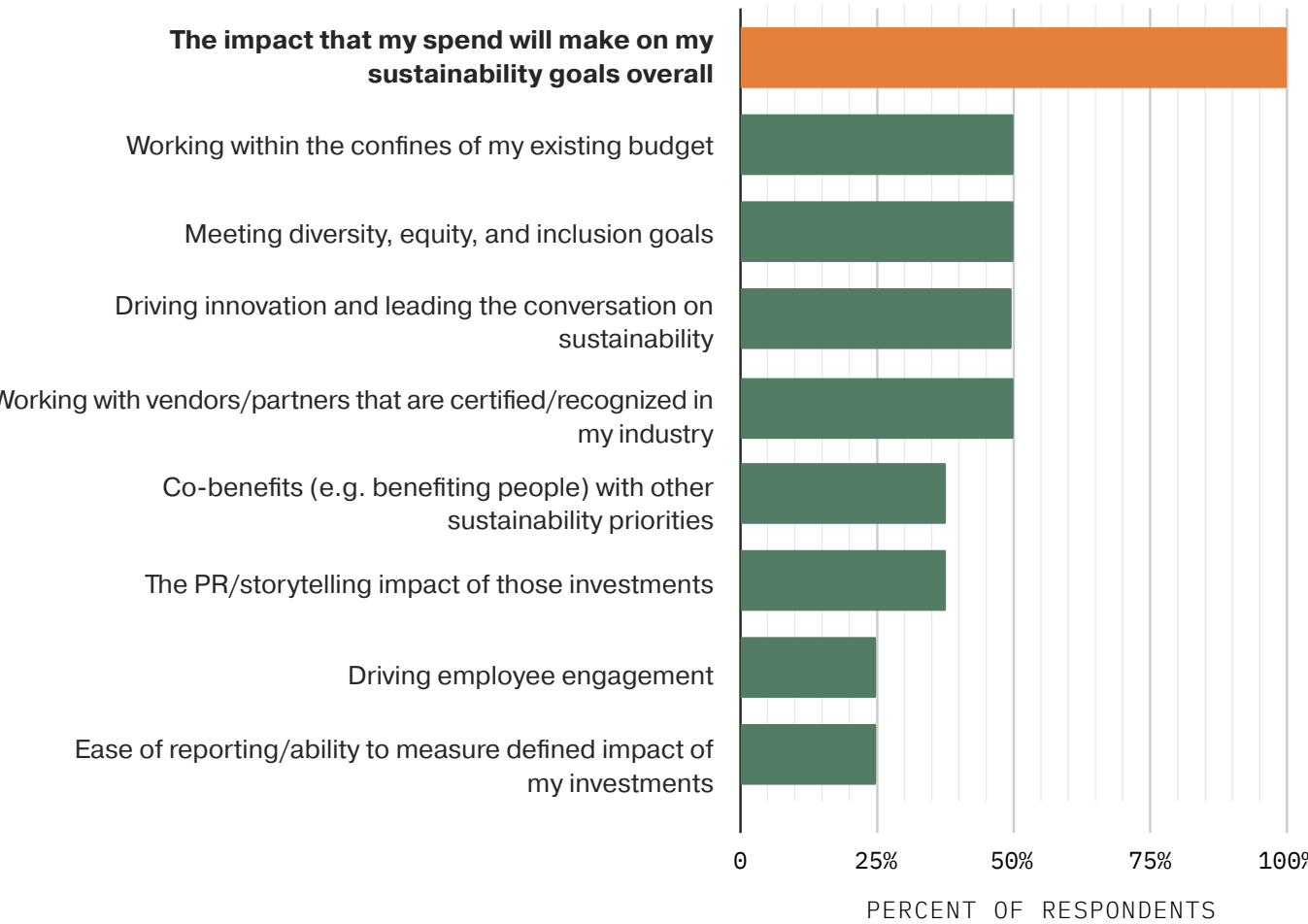
It all begins with goals. We asked sustainability leaders what their goals are, who is influencing their decisions, and how they are allocating their resources in order to meet those goals. Key themes from their responses show they have many goals and prioritizing among them is tough. We also learned that budgets are stretched but growing.

Prioritizing initiatives

Sustainability leaders unanimously consider meeting their sustainability goals overall to be the most important when asked to rank their initiatives. With that, competing priorities lower on their list may be pushed to the side if their bandwidth or budgets are constrained. In this situation, sustainability leaders must be attentive to where they choose to spend their time, and how they scale their teams to effectively meet a growing set of responsibilities. Leaders should be in the loop on emerging innovations to find projects that serve multiple goals at once, buying back precious time.

QUESTION:

What is most important when deciding how to spend your sustainability budget? Select all that apply.



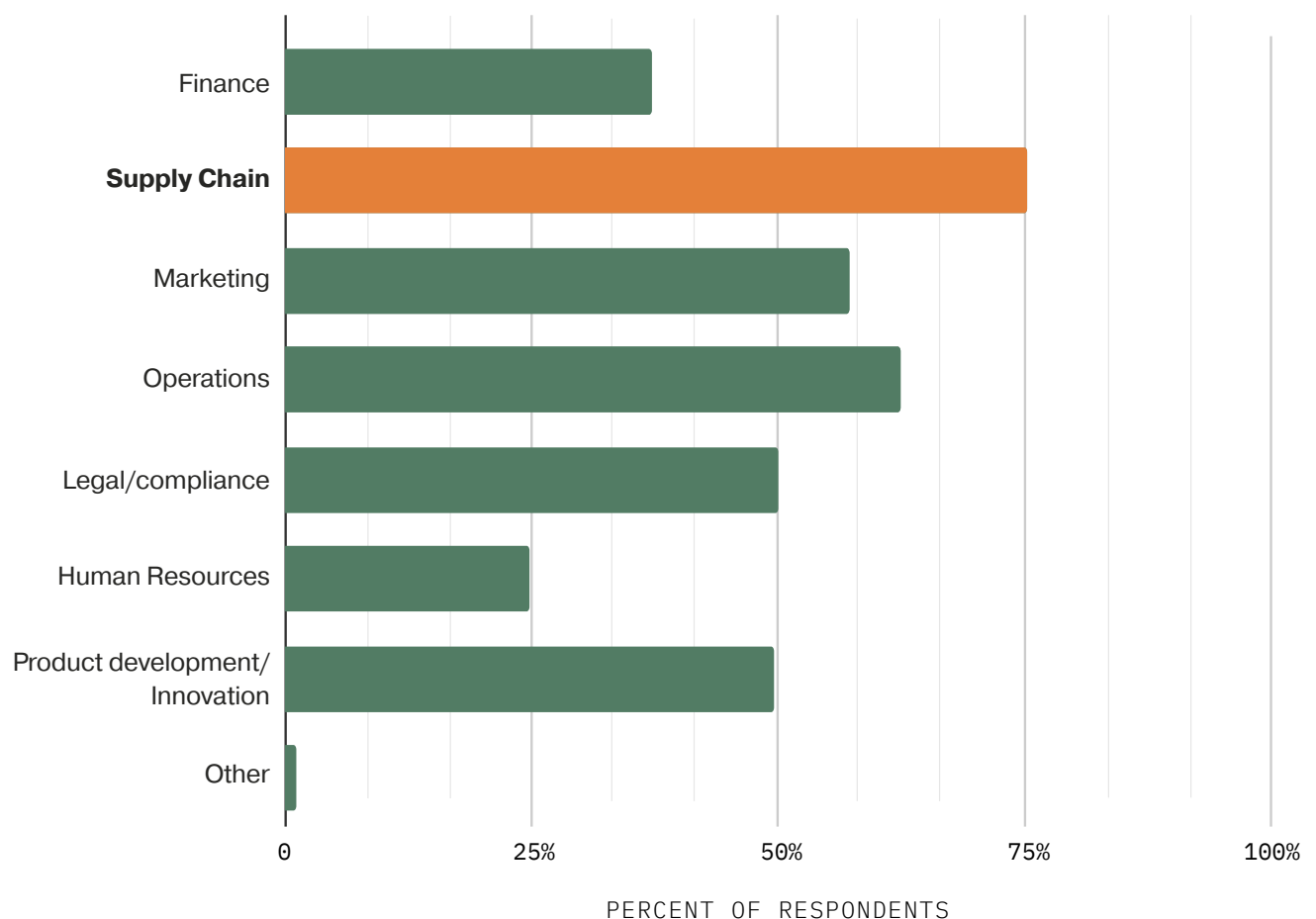


Who influences sustainability decisions?

An organization's sustainability decisions play a key role in its strategic direction and therefore cannot be separated from its operations. Effective internal communication and change management are vital assets when dealing with any one of these influencers.

QUESTION:

Other than your department, which departments of your company are involved in sustainability decisions? Select all that apply.

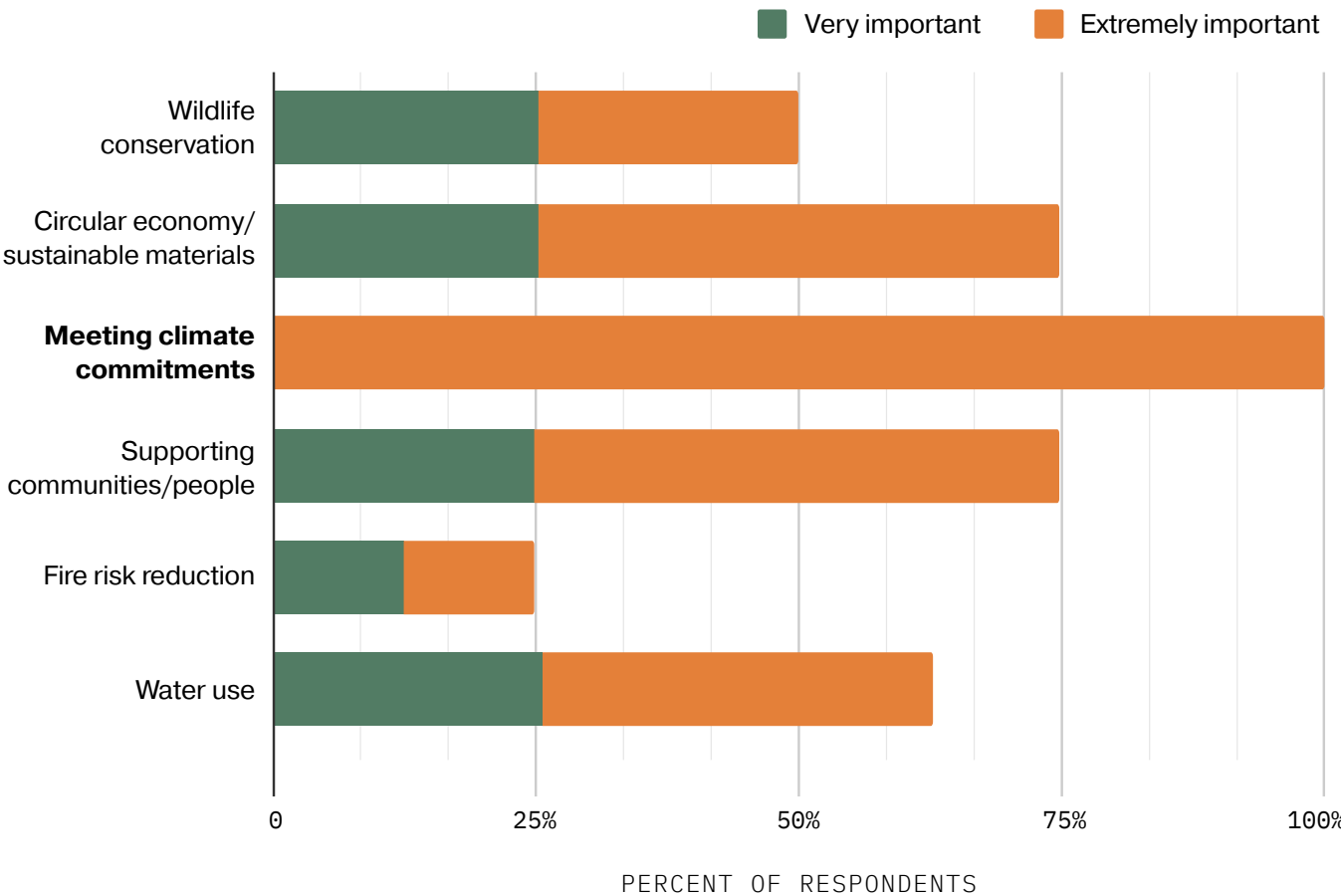


Sustainability priorities

Climate holds a special position in sustainability. Sustainability leaders are working towards meeting their climate goals with a combination of decarbonization tactics and offsets. Investments in offset co-benefits can provide sustainability leaders a means to fulfill secondary priorities in the near term.

QUESTION:

Thinking about your sustainability program as a whole, how important or unimportant are each of the following initiatives to you?



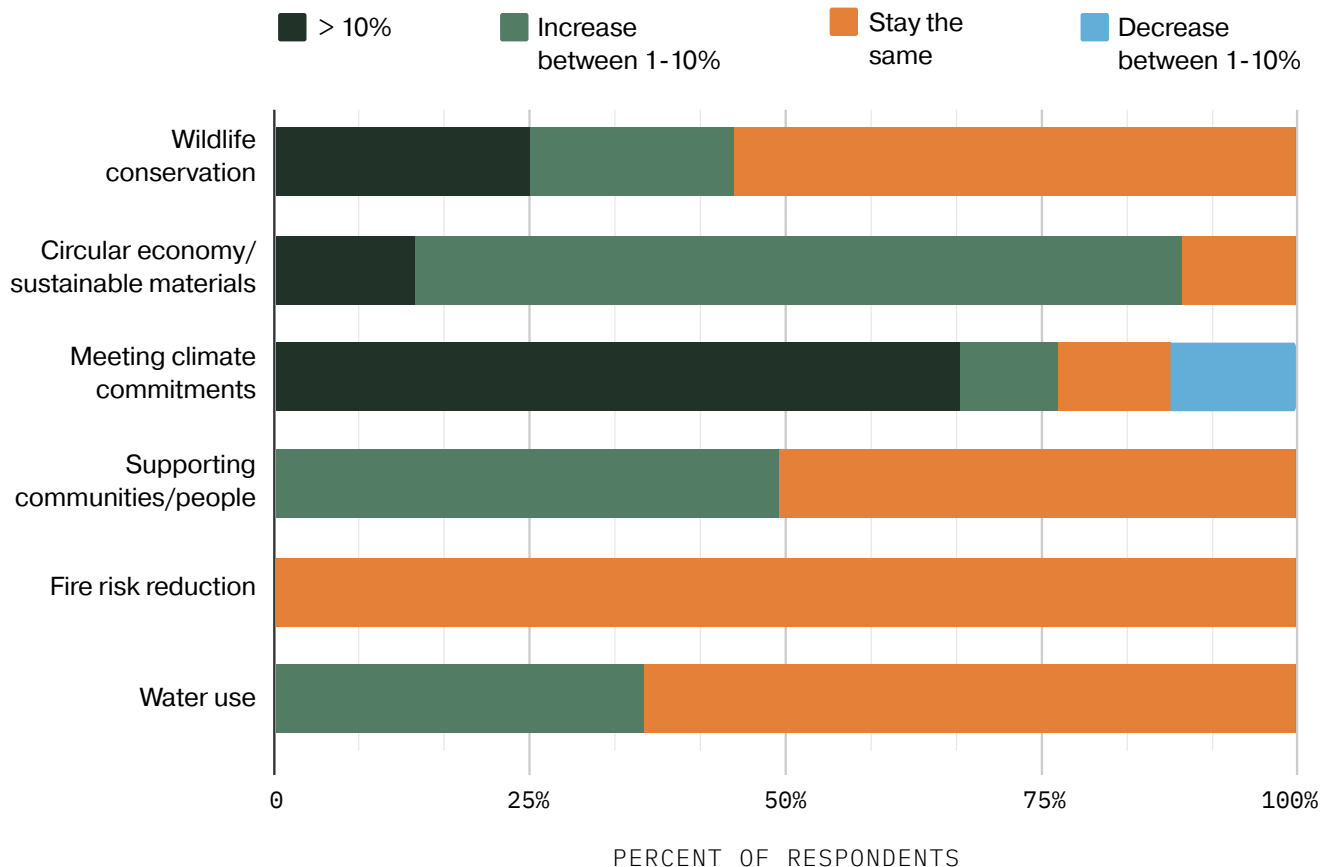


How will budgets will change to meet goals?

Sustainability leaders expect their budgets to grow over time, as the target dates for climate commitments draw closer and as they continue to invest in mitigating carbon from their supply chain. It is important they consider the initiatives of other branches of the business and coordinate planned spending, especially in areas of circularity. Investing in carbon offsets with co-benefits can enable budget-constrained sustainability leaders to support multiple sustainability goals at once such as supporting communities, wildlife conservation, water use and fire risk reduction.

QUESTION:

Thinking about your sustainability program in the next 1-2 years, approximately how much do you expect your spending to change on each of these initiatives?

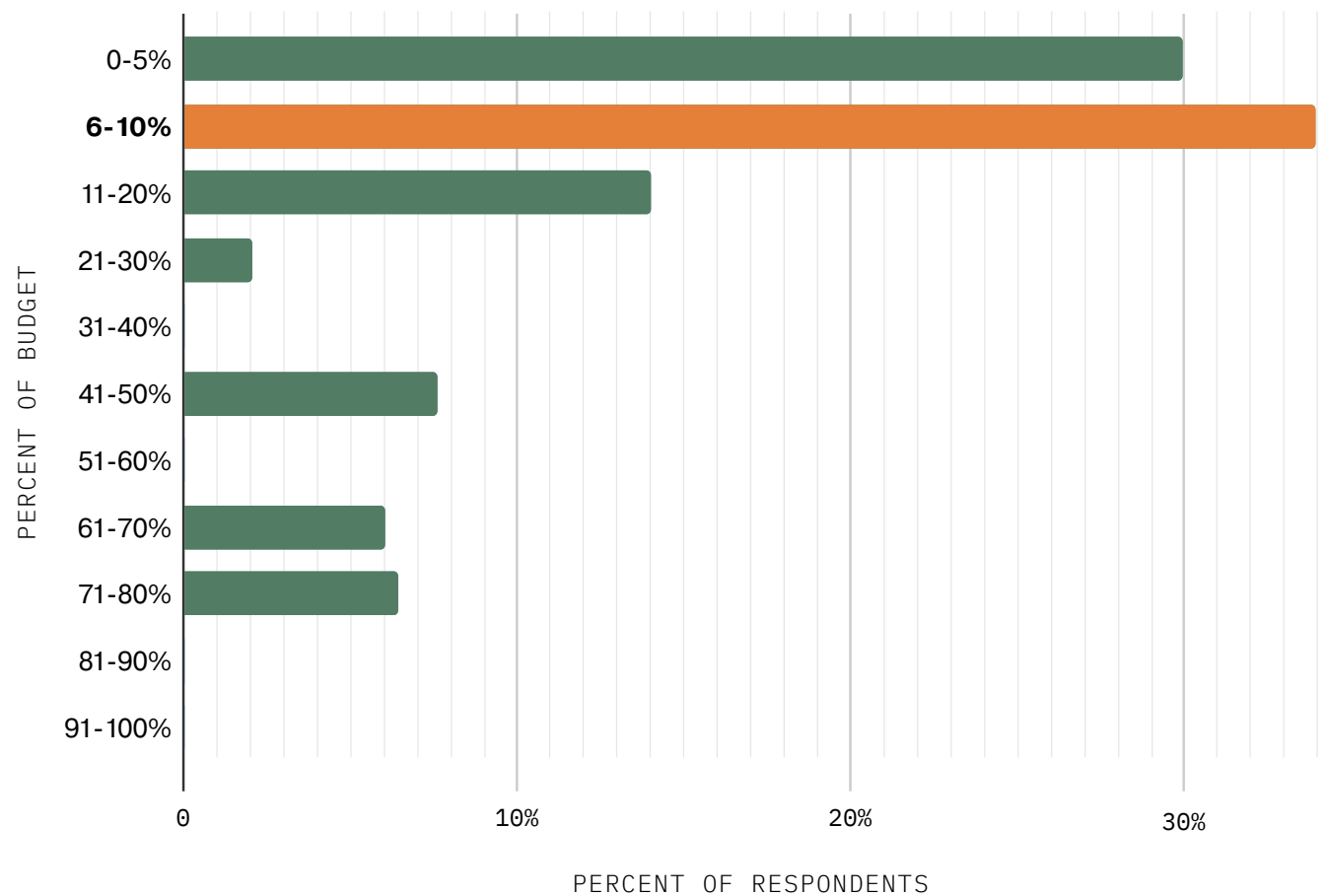


Allocating to offsets

While offsets occupy a smaller amount of sustainability spend today, they will continue to grow as a proportion of an overall increasing budget. Certain industries, such as Travel & Hospitality, Software/Technology and Energy, see higher offset budgets than others. Some companies are leaving the purchase of offsets until closer to their 2030 goals. On the other hand, with increasing demand and limited supply, sustainability leaders should consider not leaving offsets till the last hour.

QUESTION:

Our of your sustainability budget, approximately how much of it is allocated to carbon offset initiatives?





Trust & Perceptions of Offsets

High-quality carbon offsets are key to achieving climate goals. What remains challenging for sustainability leaders is to clearly define measures of quality. We asked sustainability leaders how they perceive some of the different offset choices available to them, what makes for a quality offset and what their expectations are on future pricing, overall.



Awareness of offset types

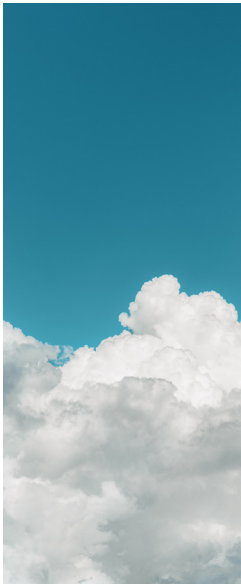
There are a number of ways to create climate impact by reducing carbon in the atmosphere. While awareness of these offset types is high, the technology and markets for offsets vary significantly in maturity. Most sustainability leaders will take a portfolio approach to their offsets in order to diversify risk across different credit types, blend price, and tap into the co-benefits of nature-based solutions that offer unique storytelling opportunities.

QUESTION:

Thinking about carbon emissions and the different methods that can be leveraged to either remove or offset those emissions, which of the following methods are you aware of?

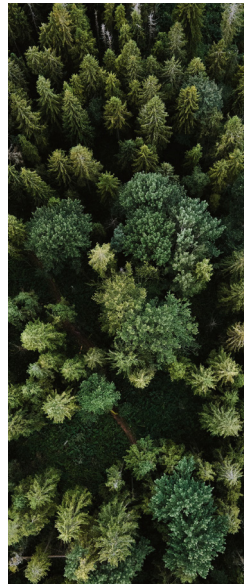
100%

direct air carbon
capture



100%

forest carbon
offsets



75%

blue/marine
carbon offsets



75%

soil carbon
offsets





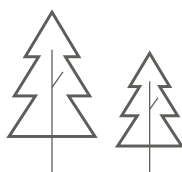
What is a high quality offset?

As sustainability leaders prioritize high quality offsets, there are three commonly chosen measures that help them define “what good looks like”. While defining each of these criteria is outside the scope of this survey, with little agreement on industry definitions of these criteria, offset buyers will still struggle to nail down their quality markers. This may be why the top choice among many respondents was to align with the opinions of industry and thought leaders. As with anything, the best way to understand how an offset stacks up is to wade into the offset methodology.

TOP 3 QUALITY OFFSET INDICATORS:



Well recognized by
industry thought
leaders



Additionality



Permanence

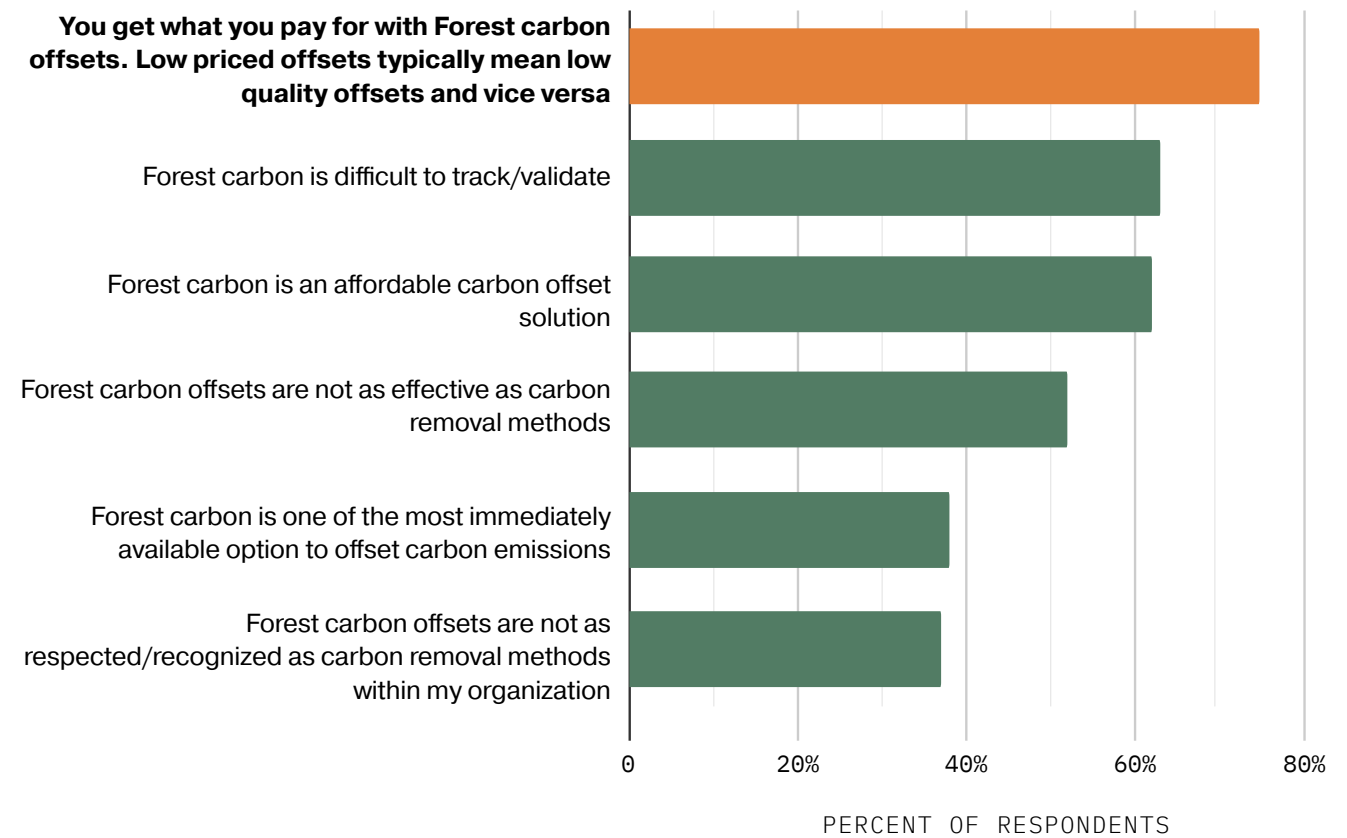


Power of price

Interestingly, there is a strong relationship between the price of a forest carbon offset and its perceived quality amongst most respondents. High quality forest carbon offsets are generally associated with more advanced measurement and tracking methodologies, as well as more stringent project guidelines. Those looking to invest in forest carbon should be wary of large supplies of carbon offsets offered at a low price. If it sounds too good to be true, it probably is.

QUESTION:

Which of the following best describe your current perceptions of forest carbon offsets? Select all that apply.





Price expectations

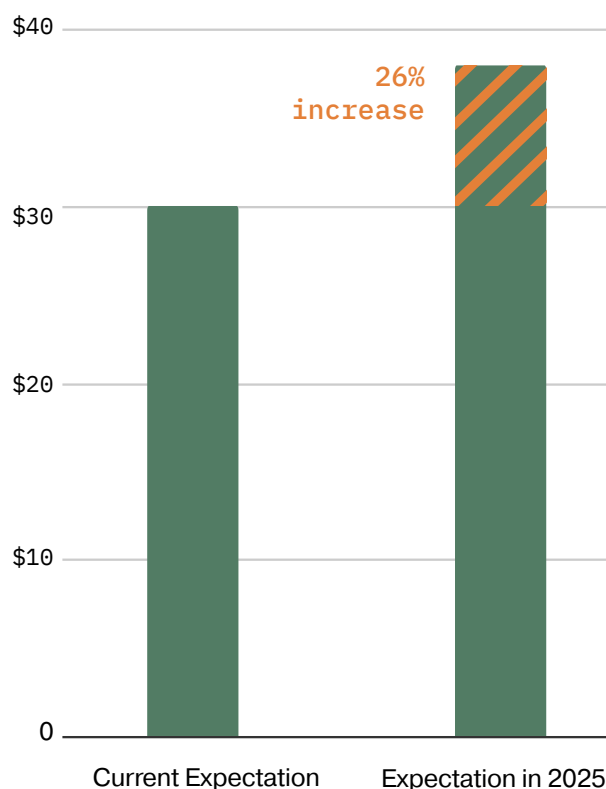
Many respondents expect to pay significantly more for quality carbon offsets in the near future. Past offset prices have been lower due to an excess of supply in relation to demand, with offsets able to be created at very low costs¹. However, as more companies adopt net zero commitments, demand for offsets will increase and quickly outpace supply. New carbon offset projects will need to be created in order to meet excess demand, which require greater economic incentives.

QUESTION:

What is the price you would expect to pay per tonne in the year 2025 for high quality carbon offsets?

Expected price per tonne of carbon in 2025 for high quality carbon offsets

According to an NCX survey of 250 US based sustainability leaders.



1. Trove Research, *Future Demand, Supply and Prices for Voluntary Carbon Credits — Keeping the Balance*, (June 2021)



Conclusions

This report uncovers an ongoing battle to balance several goals with limited budgets, but points to signs of optimism amongst sustainability leaders as their resources are expected to grow. Out of all their commitments, meeting climate goals will be the top driver of spend, and carbon offsets will continue to grow in importance in their net-zero strategy portfolio. Quality is a fundamental part of the equation for maximizing the impact of offset purchases. Simultaneously, we see budgets and demand on the increase, while availability for quality offsets is expected to decrease. This coming offset supply crunch will make early entry to this market paramount.

Key learnings for sustainability leaders:

01 **Coordination is key:**

Sustainability will play an increasingly important role across the organization, and how well sustainability policy and outcomes are communicated will strongly influence its effectiveness.

02 **Water two plants at once:**

As you find yourself with more goals than budget, you may be able to find projects that check off more than one priority at a time.

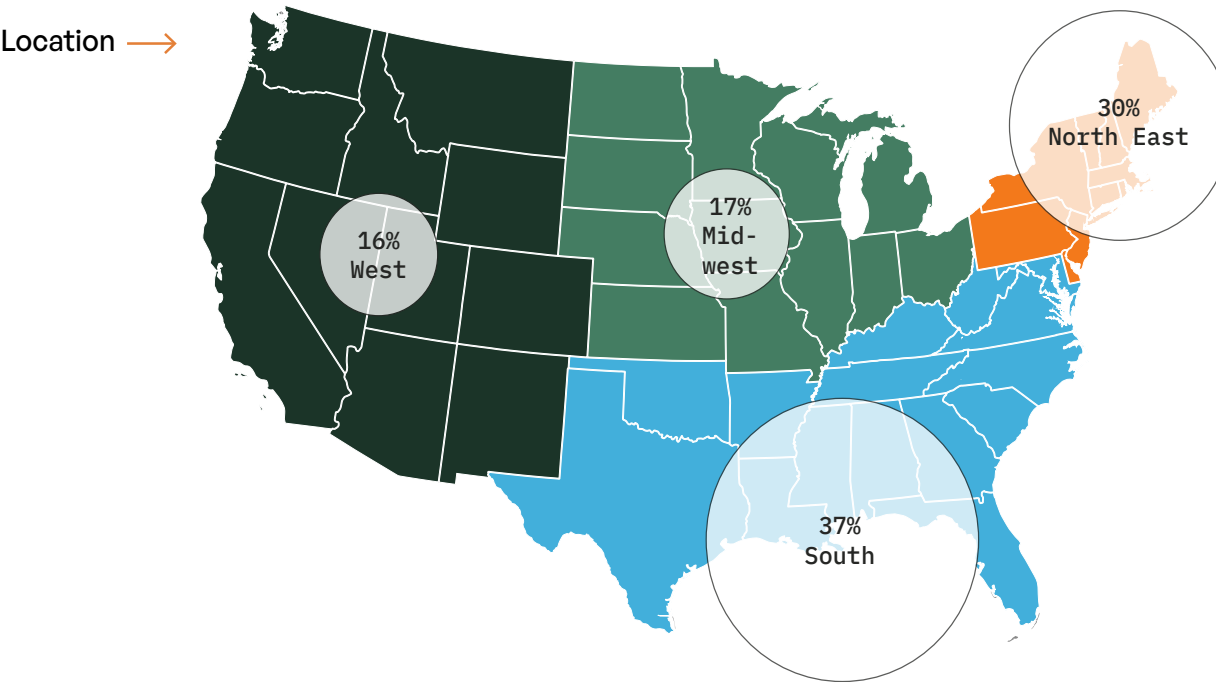
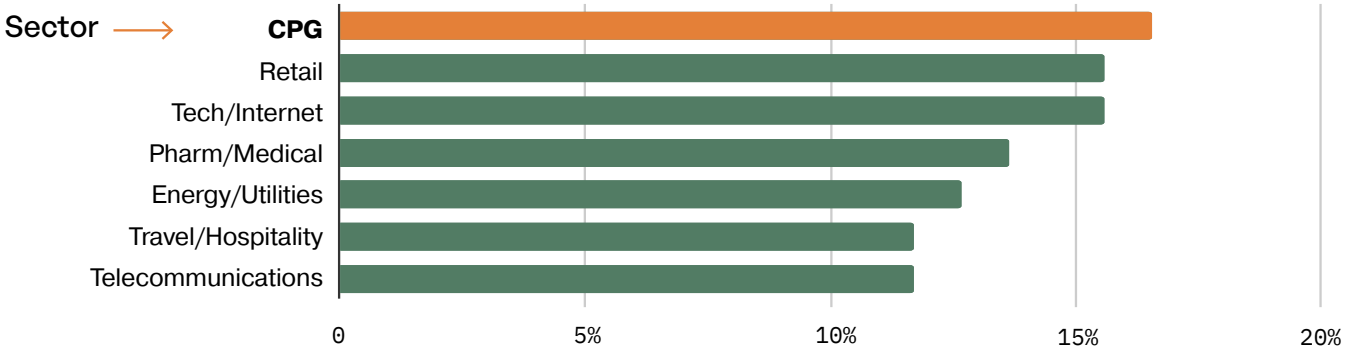
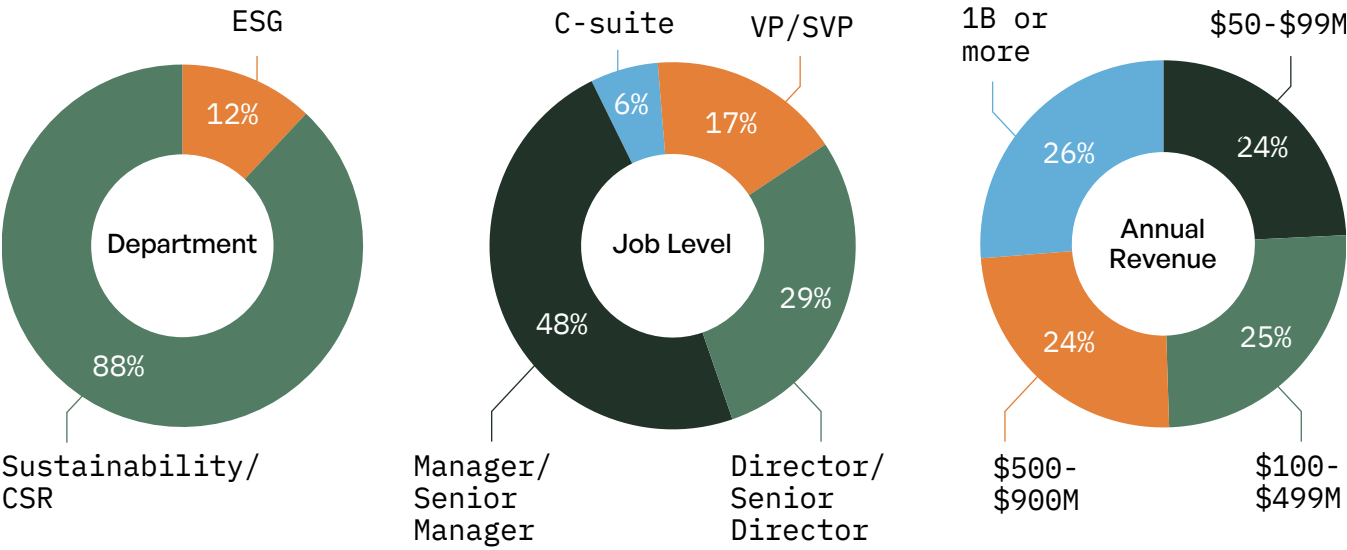
03 **Diligence over discounts:**

If an offset price looks too good to be true, it probably is, so approach it with caution.

04 **Plan ahead:**

As your demand and budget for offsets goes up, so will others, therefore don't leave your offset purchases to the last moment in this increasingly supply constrained market.

Respondent profile





About NCX

NCX is the science-driven forest carbon marketplace delivering large-scale, immediate impact for climate and communities. By using high integrity data to generate carbon credits that connect corporations to family forests, NCX is democratizing access to markets while enabling real climate action.

Real Impact in the communities you care about

Through the Natural Capital Exchange, landowners, customers, and nature team up for climate action. Net-zero leaders can target their impact in local communities, thereby reinvesting in their customers, their employees, and their land. Their carbon purchase supports rural family landowners that use their income from the Natural Capital Exchange to pay property taxes, schools such as NC State University, and landowners who have the ability to improve hundreds of thousands of acres of wildlife habitat.

