

# A year and \$17 million of decarbonization work

Surprises, takeaways, and the road ahead

*It's been two years since we started to pilot the one-of-a-kind certification framework that sits behind The Climate Label. We're now nearing the end of the first full year of certifying companies to the 2025 Standard, and poring excitedly over the data we collected.*

***There is no single pathway to net zero.***



Many climate frameworks address this fact by putting a big gap between target setting and target achievement. This gap creates flexibility for different net-zero pathways, but it also creates an accountability void for stakeholders, and a blind spot for companies.

To address those shortcomings, The Climate Label sets a per-tonne price on carbon emissions. The carbon price improves accountability by ensuring all certified companies are actively investing to transition their business and value chain. And it fills in blind spots for companies, because the practice of meeting the per-tonne funding threshold and documenting projects generates new insights about the costs and opportunities of different choices along the net-zero pathway.

To certify a company, our team validates annual Climate Transition Budgets (CTBs) by auditing amounts invested in climate projects, and compiling the resulting achieved or expected emissions reductions. The collected dataset offers a comprehensive look at the many climate solutions that companies choose to pursue.

The insights are numerous, and can inform future efforts by sustainability teams: how can we reduce emissions at the lowest cost? How do we compare to our peers? What will it cost to reach our targets?

We are digging into those insights now, and the findings show how companies allocate resources as they pursue net zero. We envision collecting more project-level data and making it accessible through an open decarbonization data platform. The data would help companies in the early stages of decarbonization, and inform priorities as users get further along the net-zero path.

In this review, we explore data benchmarks and outcomes from 2025 Climate Label certifications, and look for insights that can inform future efforts by companies and researchers.

## **What We Analyzed**

The analysis covered data from 449 climate projects across 128 companies. Total funding for climate solutions across these projects was \$17.5 million. 40% of projects were in the value chain – these are the projects included in this review. Of the remaining projects, 40% were beyond the value chain, and 20% were aimed at capacity building and market transformation - what The Climate Label Certified Standard calls “Other Contributions.”

# 1. All companies met the \$15 per tonne carbon fee; many exceeded it

While the concept of internal carbon pricing and budgeting for the climate transition has been widely studied, it is still an uncommon practice. Most companies globally do not spend money to decarbonize, and those that do rarely report the aggregate amounts of all of their climate funding.

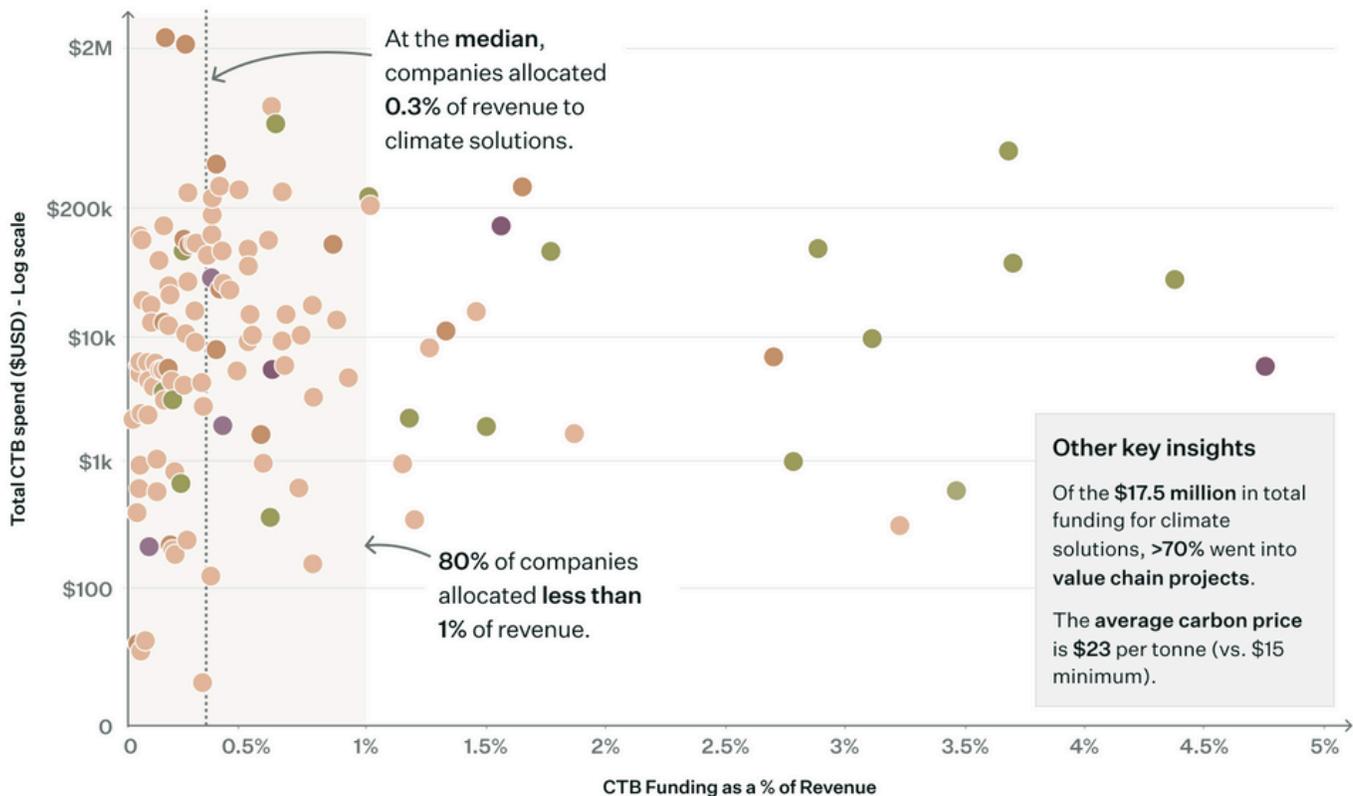
Across our certified brand community, however, companies met (and in many cases exceeded) the required minimum of \$15 per tonne. This level of funding equated to a median 0.3% of revenues. Many companies exceeded the minimum, but rarely was their project funding more than 2% of revenues.

We might expect companies' emissions — and thus their transition budgets, which are proportionate with emissions — to vary widely depending on a company's industry, age, location, and many other factors. But funding levels, as a percent of revenues, seemed to be independent of a company's total emissions and the types of products or services they provide.

## Responsibility for Ongoing Emissions: A Small Share of Revenues

Each dot represents one company's 2025 Climate Transition Budget (CTB).

Carbon price: \$15-25 \$25-35 \$35-45 \$45-55 \$55-65 \$65+



Note: Solid bars show interquartile range (middle 50% of projects). Large dots show median cost per category. Small dots show outliers.

Source: The Climate Label

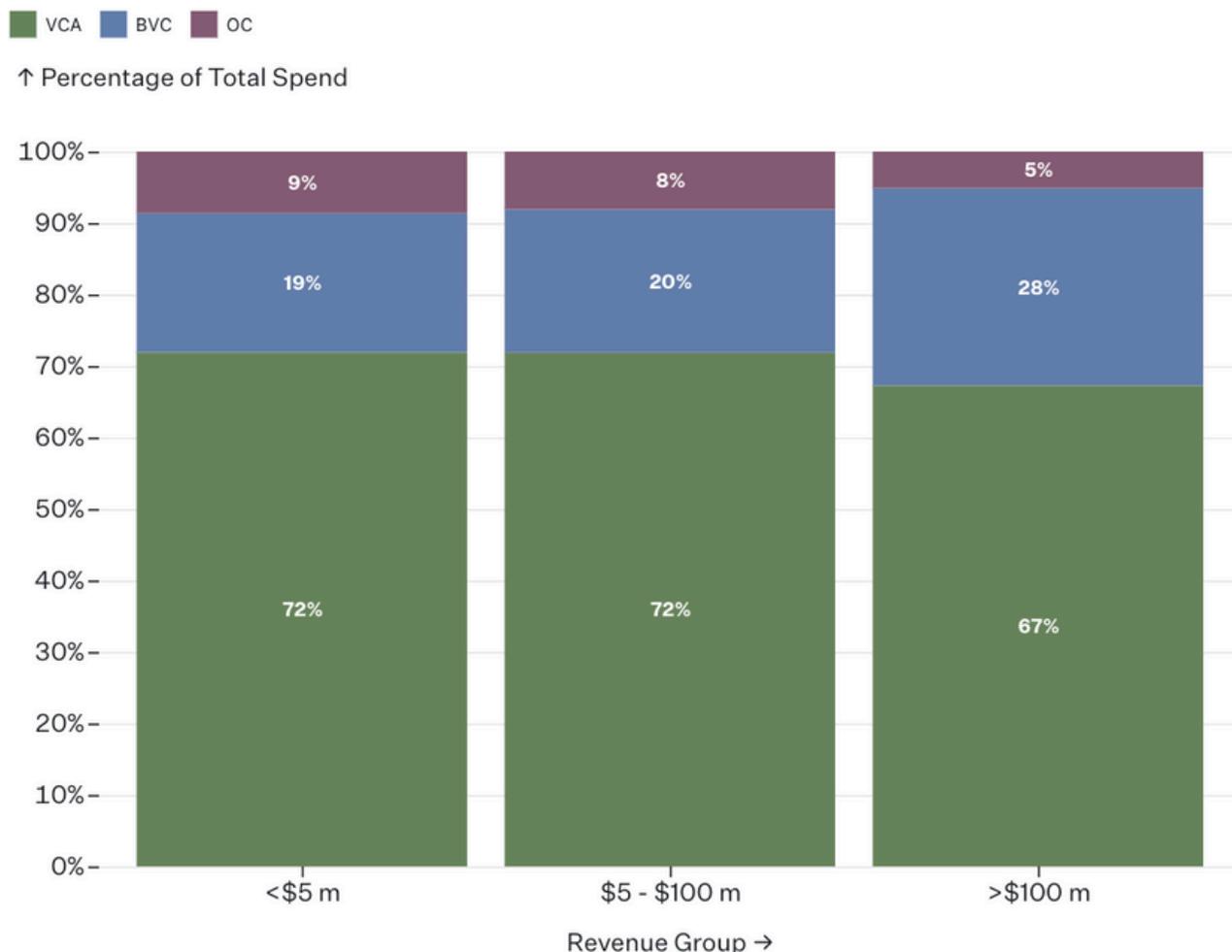


## 2. Companies prefer value chain projects

Common wisdom is that companies, when given the choice, will base their climate strategies on the easiest projects — low cost carbon credits — and make bold claims about climate action. But we saw the opposite behavior: when given the freedom to allocate a Climate Transition Budget across value chain projects and market-based instruments, such as carbon credits, companies put 70 cents of every dollar into value chain projects. Companies noted that value chain funding fits better with their business strategy and desire to reduce emissions over time. This held steady across a wide range of consumer product and services companies, with annual revenues ranging from just a few million dollars to hundreds of millions.

At the same time, companies do not always have ‘shovel-ready’ value chain projects, and value the flexibility to account for ongoing emissions by using market-based instruments, both within and beyond their value chains. A minimal amount of funding — 5 to 10%, on average — went into capacity-building efforts that lay the groundwork for future climate projects.

### Most transition funding went into value chains



### 3. Low carbon materials are top choice for value chain projects

Many companies in our community make consumer goods, and have options to use material inputs with lower carbon intensity. This decarbonization lever was the most common across the companies. As companies work to tackle their hard-to-abate Scope 3 emissions, they often seek to source and switch low-carbon materials for higher-carbon alternatives. These changes are possible on a shorter timeline as compared to more complex operational or capital decisions.

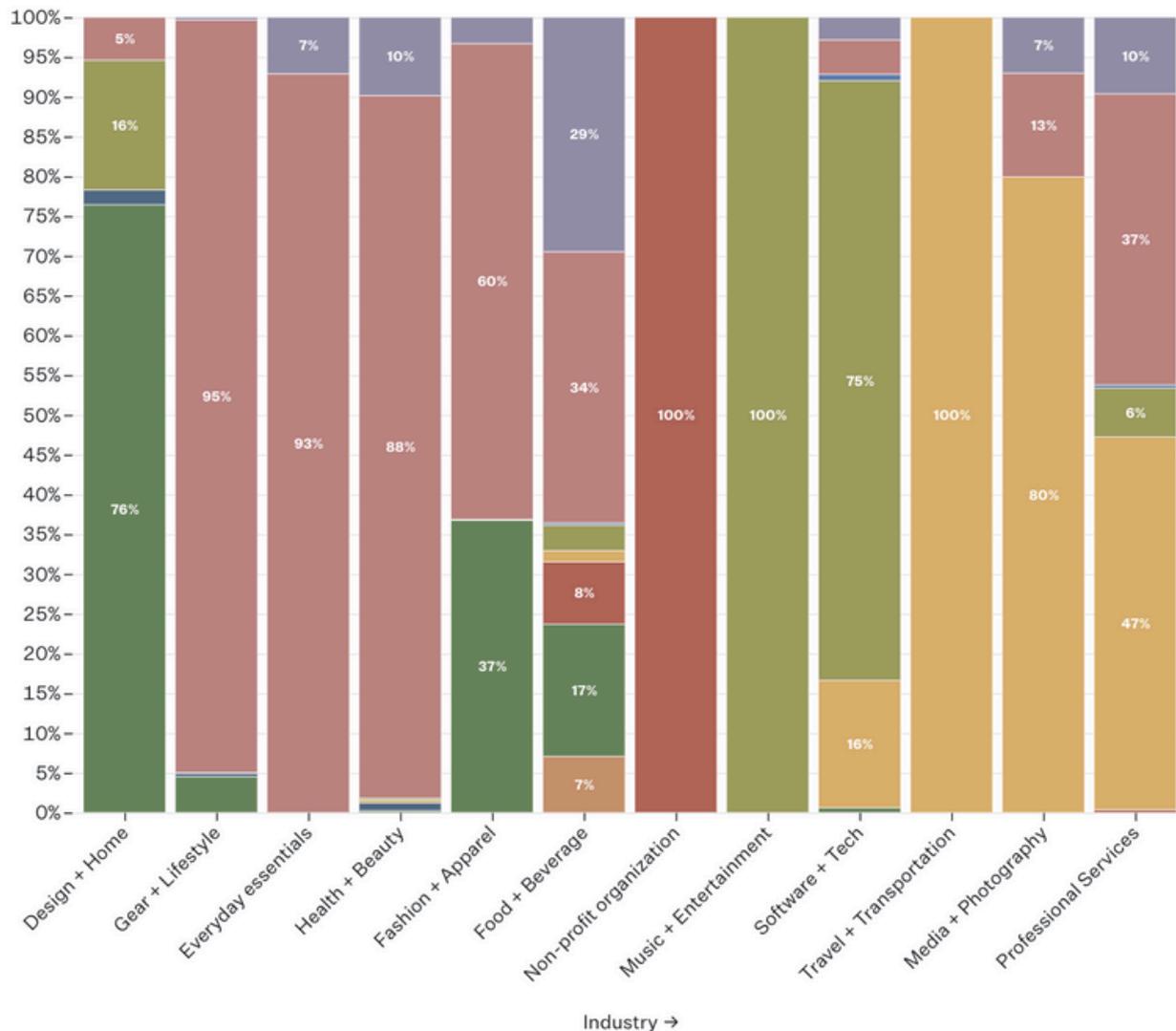
### How different brand segments focused their value chain funding

#### VCA Project Type Distribution by Industry

Percentage of spend by project type

■ GHG Capture Equipment 
 ■ Clean Energy Generation 
 ■ Direct Fuel Switching 
 ■ Efficient Logistics 
 ■ Electrification 
 ■ Energy Efficiency 
 ■ Low Carbon Electricity 
 ■ Low Carbon Material Purchase 
 ■ Low Carbon Material Switching

↑ Percentage of Total VCA Spend



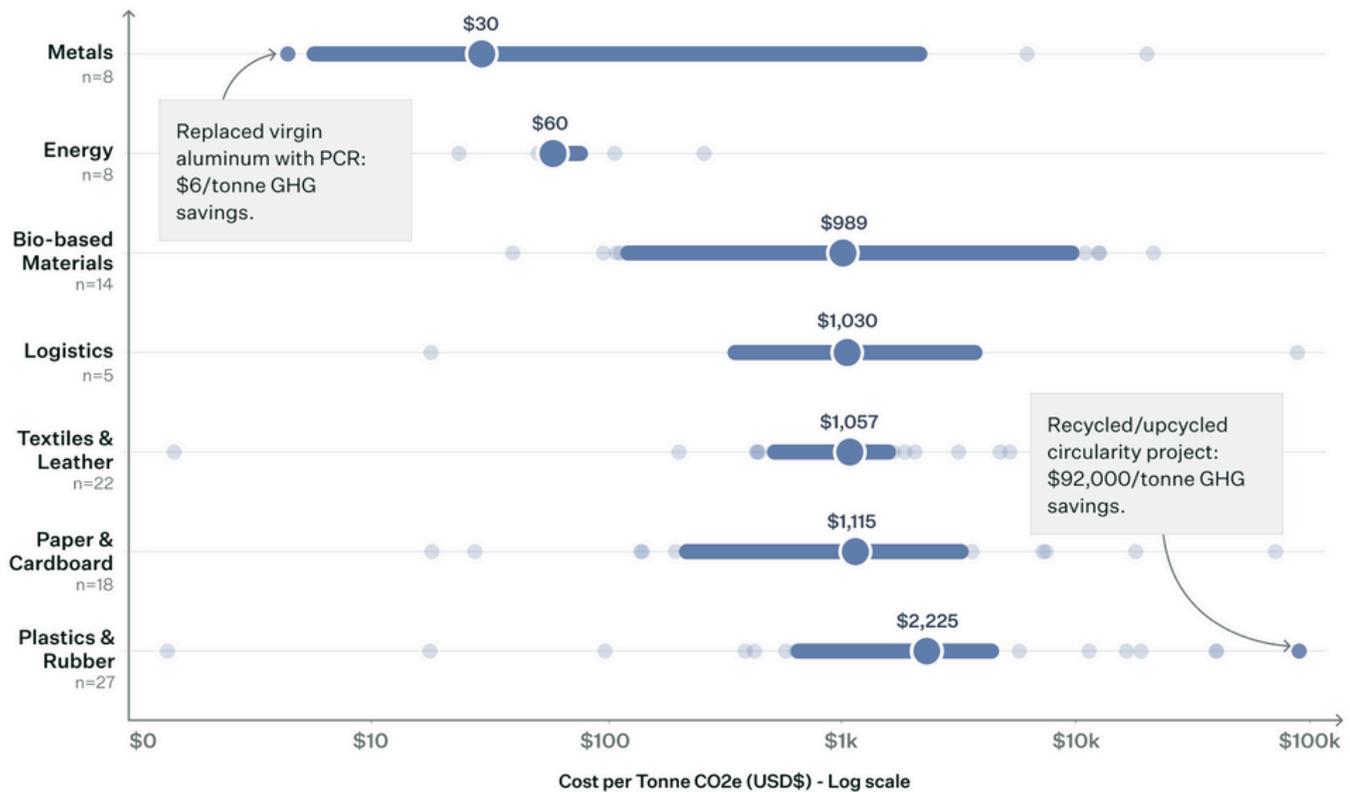
## 4. Some low carbon materials have high abatement costs

Companies reported the estimated GHG savings of each project, along with price premiums. This allows for an abatement cost effectiveness comparison across materials. Abatement costs ranged widely, but tended to exceed many industry benchmarks, such as average prices for high integrity carbon credits, estimated abatement costs, and the social cost of carbon.

Lower carbon metals and direct energy switching offered the most cost effective reductions. Lower carbon plastics and rubber offered the least cost effective reductions.

### Low Carbon Inputs Are A Common Choice, But Not All Are Cost Effective

Analysis of 102 low-carbon material projects shows wide variation in cost effectiveness. Some plastics alternatives cost 70x more per tonne CO<sub>2</sub>e than metals.



#### Data Notes

Bars represent interquartile range (IQR, 25th–75th percentile). Dots indicate individual projects. Median and IQR calculations include all observations, including 1 outlier exceeding \$100,000/tonne (beyond chart bounds).

Not showing families with fewer than 3 projects: Building Materials (n=1), Glass & Glass Products (n=2), Chemical Products (n=1)





**These insights shed light on the decarbonization strategies of a group of companies that are keenly focused on Scope 3 decarbonization, and are comfortably meeting the required minimum funding level of \$15 per metric tonne across all (cradle-to-gate) ongoing emissions — despite the market uncertainty that has lasted through much of 2025.**

The process of documenting climate projects and evaluating their relative cost effectiveness was, for many companies, the first time they had sought to compare projects side-by-side, especially those that are led by different teams across the company.

Many companies are not yet well positioned to compare and identify projects with the lowest cost GHG abatement potential, and they may not be ready to undertake these projects, due to lack of partner relationships, know-how, or internal bandwidth.

There is a significant opportunity to bring more climate transition funding data into the public domain by documenting it at the project level, across more companies and more projects. Doing so would demystify many questions about cost effectiveness, and help sustainability professionals with their climate transition planning and take first steps sooner — leading to better outcomes from corporate climate initiatives.

*Please share questions, comments, and feedback with us at [info@changeclimate.org](mailto:info@changeclimate.org)*

