Volvo Cars Position on Carbon Offsetting

Purpose of this document
The overall intention of Volvo Cars’ position papers is to provide clarity to stakeholders in areas of high relevance to the company in light of its ambitions and long-term strategies. This paper describes how Volvo Cars works to reduce carbon emissions across our value chain and addresses our view on carbon offsetting.

Background and challenge
As a contributor to climate change, we have a responsibility to take firm action. That’s why climate action has the highest priority in our sustainability strategy, and we’re reducing carbon emissions across our value chain. We view carbon offsetting as a last resort in achieving climate neutrality. Our focus is on reducing the emissions we can mitigate, either directly or indirectly. Volvo Cars has the ambition to be a climate-neutral company by 2040. We recognize the scale and urgency of global warming and its far-reaching consequences for the planet and our society.

Any nation, business, organisation and individual can take climate action by taking steps in the following priority:

1. Measure the energy usage and the carbon footprint according to international standards.
2. Reduce the need for energy, e.g., by improving energy efficiency and reducing waste.
3. Shift from fossil to climate neutral energy.
   a. Invest in additional climate neutral energy production to supply own energy consumption. This does not necessarily mean being operationally responsible.
   b. Increase climate neutral energy supply by using different variants of long-term power purchasing agreements (PPA), to support the development of additional energy production.
   c. Buy climate neutral energy using energy attribute certificates (EACs), e.g. Renewable Energy Certificates (RECs), Guarantees of Origin (GOs) or other approved energy attribute certificates.
4. Offset unavoidable emissions to reach net zero greenhouse gas emissions.

Various forms of offsetting are under rapid technical and regulatory development. Despite being part of the Paris Agreement, terms and conditions for its application have not yet been agreed.

By offsetting we mean an investment that should:

1. The Greenhouse Gas Protocol is the most used and most comprehensive.
• Compensate for emissions of greenhouse gases by providing additional reductions of the same number of emissions elsewhere.
• Demonstrate full data transparency.
• Meet our principles of business ethics.

‘Additional’ herein means that the reduction would not have been realized without funding from the offsetting program. The ‘emissions reduction’ can both be achieved by direct reduction or by avoidance of emissions happening elsewhere.

Volvo Cars position
• Climate actions across the value chain (incl. suppliers and retailers) should be taken according to priority 1-4 above. This means that offsetting is only undertaken when other actions have been exhausted.
• To reach our corporate CO₂ targets for 2025, offsetting is not accepted. This means that all parts of our value chain (incl. suppliers and retailers) are to reach the 2025 targets without resorting to offsetting.
• We do not consider PPA or energy attribute certificates with a direct grid connection to be offsetting.

Volvo Cars actions
Volvo Cars do not buy or accept any type of carbon offsetting to reach our 2025 ambitions. We accept the fact that in order to achieve climate neutrality by 2040 some sort of credible offsetting (e.g. carbon removals) will be needed. In the meantime, we strive to reduce our carbon footprint as far as possible without using carbon offsets.

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