

Offsetting VS Insetting

JARGON BUSTER

Prepared for
Membership Organisations & Members
March 2026

Aim.

We developed this resource to clarify certain climate topics that can be confusing and sometimes misleading. We recommend also reading our [Climate Action Jargon Busters Guide](#) which explores common climate terms and concepts.

Who's it For?

This resource aims to clearly define and contextualise a key climate concept for audiences with limited prior knowledge in a way that's accessible to CAFA members and their respective networks.

Can I Share this with Members?

- This resource was designed specifically for associations.
- They are not intended for public distribution.
- Content may be quoted with proper reference to CAFA.
- The PDF version may be shared with your members.
- For business-specific or sector-specific adaptations, please refer to CAFA's content commissioning service.

In practical terms, membership organisations can share this resource with members but not make it publicly available.



Disclaimer.

This resource was written and published in **March 2026**. Readers should note that the carbon market is dynamic and continues to evolve in response to changes in regulations and industry standards. Accordingly, the information presented should be considered within this context. We encourage readers to contact us should they have any questions or require further clarification regarding the content or subject matter.

Moreover, this resource has been **designed to clarify and contextualise** what carbon offsetting and insetting are. This resource is *not* intended to be used as a guide or manual.

Please contact us directly if you are seeking support.

We also strongly recommend reading our [Net Zero Jargon Buster](#) to learn about what offsetting can or can't do for a net zero strategy.

Introduction.

In a highly interconnected and globalised world, everything that a person or company does emits greenhouse gases (GHG): from transport to food. This is known as a **carbon footprint**: it is the total GHG emitted by a person or organisation during a period (often calculated across a calendar year). Emissions from human activities are often referred to as **anthropogenic emissions** and have been directly linked to global warming and climate change.

Consequently, international organisations and governments are increasingly requiring companies to assess their carbon footprints and establish targets to reduce their emissions. This is where **Net Zero** is often brought up: a target (often set between 2030 or 2050) where emissions produced by human related activities are reduced to their absolute minimum and balanced with removals.

To [achieve Net Zero emissions](#), companies must adopt measures to reduce emissions across their operations and supply chains to the greatest extent technically and economically feasible, aiming for a 90% reduction against their most comprehensive baseline year. This process typically results in residual emissions arising from hard-to-abate activities. To address the 10% residual emissions and reach net 0%, companies rely on carbon removals.

However, Net Zero targets being a long-term goal, organisations look for short-term ways by which they can support both decarbonisation and removals beyond their own reductions, helping to address ongoing emissions that they can't reduce. There are many climate finance tools they can use - and the most widely known are **offsetting or insetting**.

Defining Carbon Offsetting.

Carbon Offsetting is a process whereby companies compensate for their emissions by supporting or financing projects that avoid/reduce or remove emissions outside of their value chain. Offsetting projects vary greatly, from nature-based projects such as reforestation or technological ones such as renewable energy projects or Direct Air Capture (DAC). *However, it is important to note that carbon offsetting is defined differently by various organisations. We have compiled an overview of such definitions and frameworks on page 7.*

Carbon offsetting relies on the purchase of **carbon credits**. These credits originate from avoidance/reduction or removal projects. They are issued to projects that meet verified standards and are uniquely serialised, tracked, and retired through online electronic registries. Carbon credits are used in voluntary markets and some compliance carbon markets.

Best practice is to prefer alternatives to offsetting, such as climate contributions, Beyond Value Chain Mitigation (BVCM), and Ongoing Emissions Responsibility (OER).

However, if organisations do choose to offset their emissions, best practice is to:

- follow the Oxford Principles for Net Zero Aligned Offsetting – which encourage companies to gradually move from high quality avoidance/reduction credits to high quality removal credits (see next page for differences between avoidance/reduction and removal)
- Follow ISO 14068-1 on Carbon Neutrality, which gives guidelines as to what claims can an organisation make when offsetting, and what conditions to meet to make those claims.

In any case, expert input is typically required to avoid mistakes and greenwashing, so make sure to get support including by contacting CAFA.

In summary, carbon offsetting refers to the purchase and retirement of carbon credits:

- originating from projects outside of a company's value chains and activities,
- that lead to avoided/reduced emissions, or CO2 removal,
- with the purpose of compensating for one's own emissions.

Types of Carbon Projects.

Carbon offsetting projects typically fall under two categories: avoidance/reduction, or removals. In both cases these projects can generate carbon credits, and these carbon credits can be used for offsetting, but also for other purposes (climate contributions, OER, BVCM).

1) Avoidance / Reduction : Avoidance/reduction projects represent the avoidance / reduction, or in other words prevention, of greenhouse gas (GHG) emissions that would have otherwise occurred. Projects that avoid emissions, may include but aren't limited to:

- Renewable energy generation
- Energy efficiency improvements
- Protection against deforestation

While avoidance offsets contribute to reducing overall emissions, they do not actively remove CO₂ from the atmosphere. They also have debated impacts and credibility, because to prove that the emission of one ton CO₂ was prevented, we need to prove it would have occurred in the absence of the project. This leads to debated methodologies and contested outcomes – leading some organisations to move away from offsetting entirely, preferring alternatives such as climate contributions, Beyond Value Chain Mitigation (BVCM), Ongoing Emissions Responsibility (OER).

2) Removal : A removal refers to the physical extraction of CO₂ (also known as sequestration) from the atmosphere, storing it in a stable, long-term carbon sink. Projects include but aren't limited to:

- Reforestation
- Direct air capture (DAC)
- Biochar and enhanced weathering

Removal projects are essential for achieving net zero, as they help balance unavoidable emissions by ensuring CO₂ is permanently stored rather than merely prevented from entering the atmosphere. They are however more expensive as of 2026, from \$150/ton to up to \$800/ton.

Carbon Offsetting Frameworks.

| Framework | Definition of Offsets | Approach to Offsets | Key Notes |
|---|--|-----------------------------|--|
| GHG Protocol | Emissions reductions or removals for compensation | Accepted with conditions | Requires quality standards |
| Oxford Principles | Emissions reductions or removals for compensation | Accepted with conditions | Focus on responsible use |
| SBTi (V1 & V2) | Credits outside value chain as substitute for reductions. | Discarded | V1 and V2 prioritise direct reduction. V2 introduces OER. |
| BVCM | Does not include offsets | Discarded | Focus on mitigation beyond value chain. Replaced by OER. |
| OER | Does not include offsets. | Discarded | Replaces offsets with climate finance and mitigation beyond the value chain. |
| ISO Net Zero Guidelines | Reduction or removal actions, last resort use | Accepted (as a last resort) | Prioritises direct reductions first |
| EU Green Claims | Offsets allowed for companies but must be reported separately. Offsets not allowed for products. | Accepted with conditions | Transparency requirement |
| VCMi | Unclear or not publicly defined | Accepted with conditions | Likely aligns with voluntary market standards |
| ICVCM | Unclear or not publicly defined | Unclear | Focuses on the Voluntary Carbon Market |

Alternatives To Offsetting.

1) Similar to carbon offsetting, but different in its objectives, is the framework for [Ongoing Emissions Responsibility \(OER\)](#). introduced by the [Science-Based Target Initiative \(SBTI\)](#), it is currently a draft and still in development. It was set up to:

"incentiviz[e] companies to act on their ongoing emissions now, in a way that complements rather than substitutes their science-based targets. Taking responsibility means going beyond direct mitigation to contribute to global progress toward net-zero."

In essence, SBTI encourages companies to:

- Look **beyond firm-level net zero commitments**;
- and contribute to the objective of **global net zero**.

OER measures are, therefore, not intended to be used to meet an organisation's own net zero targets. Instead, they provide a mechanism for companies to **support broader global decarbonisation efforts without generating direct benefits toward their individual goals**.

This is a way to support the carbon market develop, in order to protect and grow solutions such as carbon sinks, CO2 removal, and renewable energy.

2) This OER framework is new (released in 2025) and replaces [Beyond Value Chain Mitigation \(BVCM\)](#) to which OER is functionally very similar, but more structured.

BVCM is defined as: *"Mitigation action or investments that fall outside a company's value chain, including activities that avoid or reduce GHG emissions, or remove and store GHGs from the atmosphere"*.

3) Some organisations and frameworks encourage Climate Contributions, which are functionally similar to the other two, but less structured.

Defining Carbon Insetting.

A less common but emerging term within this field is **carbon insetting**, which refers to specific initiatives aimed at reducing GHG emissions **within a company's own value chain**. In other words, it can be explained as a mechanism for reductions, in particular for Scope 2 and Scope 3. They are a form of investment in suppliers, and the return is decarbonisation, i.e. a future reduction. The [Carbon Literacy Project](#) explains that:

"not only does insetting help companies achieve their sustainability goals, but it also allows them to build climate resilience, supply chain stability and future-proof their businesses."

Therefore, carbon insetting is sometimes described as similar to offsetting as it involves financing emissions reduction or removal activities. However, [it differs greatly](#) as these activities occur **within a company's own value chain** rather than outside it, resulting in reductions. For instance, insetting might involve purchasing offtakes from an energy provider that needs the investment in order to build the plant.

Because insetting is a finance mechanism for emissions reductions, they are generally **not intended to generate tradable carbon credits** for offsetting purposes. Instead, they are designed to support value-chain decarbonisation and contribute to net zero objectives.

It is important to clarify that not every action a company takes to reduce GHG emissions qualifies as a carbon insetting initiative. [Carbon insetting](#) refers to **specific projects or investments** aimed at reducing or removing emissions within a company's own value chain – typically targeting indirect emissions associated with Scope 3 activities – by financing or implementing interventions with suppliers or other value chain partners.

Insetting is different from general operational emissions reduction activities and is conceptually separate from external offsetting measures.

How They Fit Together.

Actions and transactions *inside* your value chain

| | | |
|---|--|---|
| Reductions (e.g. installing solar panels) | Insetting, which is a mechanism for reductions and removals | Neutralisation, via removals (inside the value chain) |
|---|--|---|

Other (advocacy)

| |
|---|
| Advocacy for direct enablers for your organisation, suppliers, distributors, customers, investors |
| Advocacy for broader society |

Actions and transactions *outside* your value chain

| | | |
|-------------------|-----------------|--|
| Offsetting | OER/BVCM | Neutralisation, via removals (outside the value chain) |
|-------------------|-----------------|--|

Insetting is defined by the fact it happens inside the value chain. **Offsetting** is defined by the fact it happens outside the value chain (same with **OER** and **BVCM**). **Neutralisation** can happen inside or outside the value chain, with or without insetting. Actions that fit none of these categories are typically advocacy-based. Topics detailed throughout this Jargon Buster are in **black**.

Examples of Carbon Offsetting, Insetting, and BVCM Projects.

Carbon Offsetting

The Burgos Wind Project in the Philippines is certified by the United Nations Certified Emissions Reductions (CERs) and will **avoid** an estimated 251,519 metric tonnes CO₂e per year from the combustion of fossil fuels.

This means that this is a carbon avoidance / reduction project which can offset 251,519 tonnes of CO₂e emitted by any organisation.

Any organisation interested in offsetting their residual emissions can buy carbon credits generated by this project and achieve their net zero objective.

Carbon Insetting

In 2024, HelloFresh announced they will invest in Carbon Insetting Projects with their supply chain suppliers across Europe, Australia, and New Zealand to decrease GHG emissions throughout their entire value chain.

HelloFresh estimates a reduction of up to 2000 tonnes of CO₂e in total while improving its value chain's resilience.

These projects do not generate carbon credits and can therefore not contribute to another organisation's net zero goal other than HelloFresh itself and its suppliers.

Beyond Value Chain Mitigation

Beyond setting net zero objectives for themselves, Deloitte has also committed to contributing to global net zero goals by investing in BVCM projects.

By setting two BVCM goals, Deloitte is contributing to near-term mitigation outcomes and emerging climate solutions such as a blue carbon and seagrass projects.

These projects do not contribute to Deloitte's net zero objectives.

Conclusion.

Put simply, the [fundamental difference](#) between offsetting and insetting is that the former allows companies to **compensate for emissions** by purchasing carbon credits generated outside their own value chain. Whereas insetting involves **implementing emission reduction or removal activities** within a company's own value chain.

Although both mechanisms are often presented as pathways to achieving corporate net zero targets, they are widely contested within the climate community. As noted earlier, the carbon market is continuously evolving, which has made it difficult to regulate effectively. As a result, carbon offsetting markets in particular have been criticised for **generating low-quality credits** and delivering limited or even negative outcomes for the environment and local communities.

In principle, these mechanisms are intended to incentivise corporate engagement in broader global decarbonisation efforts. In practice, however, they can also be used as a **flexibility mechanism for managing emissions**, creating a risk that companies rely on offsets instead of prioritising deep, absolute emissions reductions within their core activities.



CAFA's Stance on Carbon Offsetting.

We recommend following the action hierarchy below (these can run in parallel):

1. **Reduce** emissions as much as possible.
2. Where you can't reduce in Scope 1, **invest**.
3. Where you can't reduce in Scope 2 or 3, **engage** with your value chain, which may involve **insetting**.
4. Where you can't reduce, invest or engage suppliers & inset, **advocate** for the changes you need that are outside your control.
5. For **ongoing emissions**, support projects outside your value chain. For this, use the Ongoing Emissions Responsibility framework, Beyond Value Chain Mitigation, or climate contributions.
6. If you have a clear and valid reason not to use these frameworks, resort to offsetting, following Oxford Principles to Net Zero Aligned Offsetting. But beware, there is a possibility that offsetting might not be recognised as a practice for very long.

Make sure to seek guidance every step of the way.

About Climate Action for Associations (CAFA).

CAFA is the resource and network dedicated to net zero and sustainability for the membership sector.

While this resource can be shared as is with members, it was written with associations in mind. For sector-specific content (for industries or professionals) CAFA offers commissioned content as a service.

For more detailed information and guidance visit: climateactionforassociations.org or reach out to your CAFA contact point if you are a member.

We understand that this journey can be challenging. CAFA is here to support you through our dedicated services, which include:

- Training
- Carbon calculator licence
- Content and guidance commissioning
- Certified programme of support, from footprinting to actions and compliant reporting (SECR, GHG, PPN06/21, ISO 14068, ISO Net Zero Guidelines)
- And much more! Contact us at netzeroteam@cafacollective.org to learn more.

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ASSOCIATIONS.

BE THE LEADERS
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For more detailed information and guidance, visit:
www.climateactionforassociations.org
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