



Climate Responsibility Approach

# Channelling the climate contribution budget



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In [Step 4](#) we recommend that organisations spend the budget raised in [Step 3](#) to support climate action beyond their value chain. Channelling the money through climate contributions enables support for a wide range of projects that strengthen climate action in many parts of the world – with a focus on the Global South. To make a meaningful impact, your organisation should make an informed decision about the channelling option it chooses and the projects it supports. It is also important to develop strong safeguards and practices to ensure projects deliver positive outcomes without adverse effects.

The guidance below outlines the steps to channel the contribution budget.

## Choosing the right climate contribution channel for your organisation

The contribution budget raised through the carbon fee applied to the organisation's ongoing emissions ([See Step 3](#)) should be spent to support impactful climate projects. Beforehand, the organisation should select how it will transfer the funds to these projects. The choice of a funding channel is crucial to the credibility of your organisation's climate responsibility approach.

There are two main options to channel the contribution budget:

- \* **Pooling climate contributions** to support a project or a bundle of projects managed through a third-party entity that combines fundings from multiple organisations.

- \* **Directly financing one organisation's own projects**, if your organisation has this capacity.

**Pooling the budget through a pooling vehicle is recommended for organisations with limited resources.** This option allows to channel your organisation's money to a diversified range of scalable high-impact projects, to support capital-intensive projects otherwise not accessible to a single organisation, and to share the project supervision and management costs between funders. The funds can be channelled through pooling vehicles such as climate funds managing a portfolio of projects, or through donations to NGOs, which directly develop and implement projects.

**Funding directly self-initiated projects may be a relevant option for project-based CSOs and foundations which already implement climate projects.** Nevertheless, this option requires greater financial and project management capabilities from your organisation. This option also requires more scrutiny on the *additionality* of the funded project, to make sure it goes beyond the business-as-usual scope of activity of your organisation.

**Some organisations recommend or mention carbon credits as a potential third option.** We do not recommend using carbon credits to channel support for climate contributions. Carbon credits carry significant reputational risks due to concerns about their *integrity* and their frequent use in misleading claims.

### **Additionality**

*In the context of the Paris Agreement, a project is "additional" when it is sufficiently ambitious to avoid presenting any conflict with the host country's own ambition.*

### **Carbon credits**

*A carbon credit is a certified unit of a reduction of GHG emissions, or a removal of carbon dioxide. Companies sometimes used carbon credits to balance out GHG emissions with reductions or removals elsewhere – a practice called offsetting.*

### **Carbon credit integrity**

*Carbon credit integrity refers to the credibility, reliability, and environmental effectiveness of carbon credits issued and traded in carbon markets. It means that each credit genuinely represents one metric ton of CO<sub>2</sub>e<sub>q</sub>. reduced, avoided, or removed from the atmosphere, and that the associated project meets rigorous standards.*

### **Money-for-ton approach**

*A method by which an organisation takes responsibility for its ongoing emissions by applying an internal carbon fee per ton of CO<sub>2</sub>e and raise a contribution budget. The budget is spent to support climate projects. There is a direct link between the organisation's climate impact and the funds it raises. Not to be confused with money-for-money and ton-for-ton.*

## **Q&A: Should my organisation channel its climate contribution budget through carbon credits?**

**We do not advise using carbon credits to channel the money to climate contribution projects.** Climate contributions follow a different logic than carbon credits because they are based on a *money-for-ton approach*, through which money is raised in proportion of the emissions, to internalise their environmental cost and incentivise reductions.

**Ton-for-ton approach**

*A method by which an organisation takes responsibility for its ongoing emissions by offsetting them and purchase an equivalent amount of carbon credits. Not to be confused with the money-for-ton and the money-for-money approaches.*

The use of carbon credits follows a *ton-for-ton approach*, in which each ton of CO<sub>2</sub> emitted must be matched by a ton of CO<sub>2</sub> removed or offset, regardless of their cost.

**In addition, the voluntary carbon market offers no sufficient guarantees that carbon credits deliver real mitigation benefits.** A recent analysis covering one fifth of the credit volume issued before October 2023 – equivalent to 1 GtCO<sub>2</sub>e – found that only 16% of carbon credits resulted in real emission reductions ([Probst et al., 2024](#)). This means that for 84% of the credits, real emissions reductions could not be proven.

**Scholars, NGOs, and media have cast light over many other issues raised by the use of carbon credits**, including dubious additionality of projects ([Öko-Institut et al., 2021](#); [Calyx Global, 2025](#); [Carbon Market Watch, 2025](#)), unfair share of benefits for the Global South ([Carbon Market Watch, 2024a](#)), lack of transparency of the main carbon credits registries ([Carbon Market Watch, 2024b](#)), low trading prices ([Ecosystem Marketplace, 2024](#)), and risks of double-counting competing with NDC achievements.

**From a climate contribution perspective, the use of carbon credits is also limiting the scope of eligible activities.** Carbon credits are only focused on quantifiable mitigation outcomes – thus leaving out other types of outcomes from projects in the areas of adaptation, biodiversity, R&D or advocacy.

## Identifying a trusted project provider

The first step when opting for the pooling option is to choose a reliable pooling vehicle to channel the money to high-quality projects (See [Guidelines on choosing a type of project](#)). A pooling vehicle lets several organisations put their money together to fund a diversified portfolio of projects they could not afford on their own. Two main pooling vehicles exist:

- \* **A climate fund**, an entity that manages a portfolio of projects selected against quality criteria. A climate fund “functions as a kind of funding pot that distributes the financial resources

paid in by organisations to the projects. To be considered for funding, projects apply for inclusion in the fund” ([Kreibich et al., 2024](#)). Note that there is currently a limited range of existing climate funds.

- \* **A Non-Governmental Organisation (NGO)**, which directly develops and implements projects on the field using its own capacity. Transferring funds to an NGO also allows your organisation to share the risks associated with the project being supported. However, it offers fewer opportunities for diversification and ties the impact of your portfolio more closely to that of the recipient.

There are no internationally recognised standards that define what makes a “serious” or credible project provider. Therefore, we advise companies to take a close look at their trusted project provider: aspects like governance and transparency, track record and experience, certification and accreditation, financial integrity, for- or non-profit status, monitoring and evaluation.

We recommend that your organisation select its project provider according to the following criteria:

- \* **Rigorous selection.** Ideally, projects included in the portfolio should have been selected against strong criteria, under the supervision of a board of experts.
- \* **Earmarking.** Your funds should ideally be clearly earmarked to one project or a selection of projects that you can track and evaluate.
- \* **Transparency.** The project provider should be able to communicate transparently about its project selection criteria and the implementation of the project throughout its life cycle.

Below you can find examples of project providers. The list does not mean we endorse these organisations; it is your responsibility to check if they are compatible with your own objectives.

**[atmosfair.](#)** A Berlin-based non-profit organisation, atmosfair was founded in 2004 as a joint initiative between the Federal Ministry for the Environment, Forum Anders Reisen, a travel industry association, and the NGO Germanwatch. atmosfair develops and manages climate protection projects to build renewable energy infrastructure and increase energy efficiency in the Global South. The work is funded by private donations from individuals and businesses who voluntarily offset their emissions. Projects are scouted and selected by atmosfair and approved by an Advisory Board consisting of independent representatives from public institutions and environmental NGOs. As a core principle, atmosfair prefers emission avoidance and reduction to carbon offsetting. Minimum donations and offsetting start at EUR 6/240 kg CO<sub>2</sub>.

**Milkywire.** Founded in 2018, Milkywire is a registered Swedish company that funds projects to help companies go beyond emissions reductions. The Climate Transformation Fund, launched in 2021, supports a mix of carbon dioxide removals, mitigation and nature restoration projects. Projects are selected through open calls and evaluated by a panel of experts. The Climate Transformation Fund makes pre-purchases of carbon removal and funds projects directly, but some projects might issue carbon credits. Milkywire encourages companies to set science-based targets as well as an internal carbon fee before they can invest in projects. The minimum contribution thresholds by companies or other types of organisations are not publicly disclosed.

**myclimate.** Established in 2002, the myclimate foundation supports climate protection projects in 48 countries, aiming to avoid and sequester emissions and achieve the Sustainable Development Goals. It also offers consulting services for organisations to measure and reduce their emissions, train their employees and finance climate protection projects within and beyond their value chain. They support companies to set up their own, tailor-made project portfolio. The projects developed can generate carbon credits. The minimum contribution thresholds are variable according to the types of projects and location. myclimate requires organisations supporting climate protection projects to have an emission reduction plan.

**NullGradInvest** is a climate finance program run by Bread for the World, a German Protestant development organisation. This program is intended to help companies make an additional climate contribution beyond their own mitigation efforts. NullGradInvest requests companies to reduce their emissions first and set a voluntary internal carbon price before they can invest in projects. Projects funded include energy efficiency (cookstoves) and renewable energy projects. Projects generate carbon credits that are retired directly. The minimum contribution thresholds by companies or other types of organisations are provided on request.

**Find out more about operational requirements at the fund and project level in Wuppertal Institute and the Foundation Development and Climate Alliance's [Guide to implementing the contribution claim model \(2024, p. 25\)](#).**

## Managing your own project

**Funding one's own project can be a relevant climate contribution channel for organisations which have the technical ability to develop projects.** Philanthropic foundations, for instance, may be limited by their status to channel funds beyond the scope of the activities they are set up to support. NGOs working in the field to implement climate-related projects can have more control over the project implemented.

**Nevertheless, this option entails risks and trade-offs for the integrity of the approach that should be considered carefully.** It is more challenging to prove the additionality of climate contributions channelled to a project that is close to an organisation's business-as-usual activities.

To guarantee integrity, your organisation should put safeguards into place such as:

- \* **Select a project that is different from your business-as-usual activities or geographical focus.** Foundations, CSOs and companies should fund projects that differ from their historical portfolio to demonstrate that they would not have been financed anyway.
- \* **Double down on transparency and accountability.** Funding one's own projects or activities requires greater financial and organisational effort and a greater responsibility to monitor the implementation of the project.
- \* **Ensure** that the project does not generate profit or benefit from additional financial support.

The Climate Contribution Hub is set up by NewClimate Institute with initial support from the Allianz Foundation. This website aims at providing step-by-step guidance to help businesses and civil society organisations (e.g. NGOs, foundations, trade-unions) measuring and reducing their greenhouse gas emissions and setting up a climate contribution to take responsibility for their ongoing emissions.

[www.climateresponsibility.org](http://www.climateresponsibility.org)

