

DREW & NAPIER

Legal Update

WHAT'S WRONG WITH CARBON NEUTRALITY? THE GREENWASHING RISKS OF CARBON NEUTRAL MARKETING CLAIMS

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LEGAL UPDATE



In this Update

Carbon neutral marketing claims are coming under increasing scrutiny around the world for greenwashing, such as overstating or making misleading claims about the effectiveness of carbon offsets. Having said that, while not without its challenges, carbon credits and markets remain a critical source of private sector green financing, especially for the global south.

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INTRODUCTION

With increased attention around the world to the problem of greenwashing, organisations and businesses face heightened risks if they do not substantiate their environmental claims and avoid making misleading claims.

There is a growing number of greenwashing cases globally before consumer protection agencies and the courts which focus on environmental claims based on the use of carbon credits to offset emissions, including the integrity of the carbon credits and the lack of transparency and clarity when making such environmental claims.[1]

CARBON NEUTRAL VS NET ZERO

Carbon neutrality is generally understood to mean that carbon emissions are reduced or balanced out by counting the use of carbon credits to offset Greenhouse Gas ("**GHG**") emissions.

On the other hand, net zero (or climate neutral) focuses on the reduction of carbon emissions as much as possible to zero and any residual emissions is neutralised by removing carbon from the atmosphere, such as by purchasing carbon credits that fund climate projects like reforestation.

However, carbon neutral, net zero and climate neutral are sometimes used interchangeably to mean reducing carbon emissions as much as possible and using carbon credits and offsets only for residual emissions.

For example, the EU Directive on Empowering Consumers for the Green Transition prohibits the making of carbon neutral claims based on the use of offsets because of the concern that it would give the false or misleading impression that there is no environmental impact.

[1] London School of Economics ("**LSE**") Global Trends in Climate Change Litigation: 2025 Snapshot <https://www.lse.ac.uk/granthaminstitute/publication/global-trends-in-climate-change-litigation-2025-snapshot/>

CARBON CREDITS AND OFFSETS

Carbon credits and markets have been recognised as an important source of private sector funding for climate action. Emissions that are removed, reduced or avoided by the climate projects funded by the purchase of carbon credits are used to offset the purchaser's GHG emissions.

The Singapore Government is proposing guidance that, after a company has prioritised all feasible emissions abatement efforts, it should then consider the use of carbon credits to address its remaining emissions and meet its interim net emission targets.[2]

Most carbon removal projects today involve reforestation, which captures carbon dioxide through photosynthesis. However, this is limited by the natural life cycle. Mangroves and peatlands can store more carbon and for a longer period, but this is still far from being as permanent as carbon stored in fossil fuels for millions of years. At present, carbon capture and storage technologies are very expensive and unproven at scale.

Carbon reduction and avoidance projects include improving fuel or energy efficiency to reduce carbon emissions, renewable energy projects that replace and avoid emissions from fossil fuel plants, and protecting forests from deforestation and degradation to avoid the release of carbon into the atmosphere. The challenge is ascertaining how much of the reduction or avoidance is additional or if it would have occurred anyway. For example, the improved business case for many renewal energy projects today could arguably mean that they would be economically viable even without the funding incentivised by carbon credits and offsets, such that the value of the carbon credits could be debatable as the projects would have been funded and led to the carbon avoidance anyway.

[2] Public Consultation on the Draft Voluntary Carbon Market Guidance <https://www.mti.gov.sg/Newsroom/Public-Consultations/Active-Consultations/Public-Consultation-on-the-Draft-Voluntary-Carbon-Market-Guidance>

The use of carbon offsets is not without controversy. Last year, the Science Based Targets initiative ("**SBTi**"), a leading UN-backed organisation that defines and promotes best practice in emissions reductions in line with climate science, was forced to walk back plans to allow companies to use carbon credits to set off emissions from their supply chains, a major part of Scope 3 emissions under the Greenhouse Gas Protocol. This was after furious backlash from staff who were concerned that this would lead to SBTi becoming a "greenwashing platform".

GREENWASHING: MISLEADING AND UNSUBSTANTIATED CLAIMS

According to the Competition & Consumer Commission Singapore ("**CCCS**"), greenwashing is conduct that deceives or misleads consumers into believing that goods and services are more environmentally positive or have greater environmental benefits than is indeed the case.[3]

Under Singapore consumer protection laws, the CCCS can investigate and take businesses to court for engaging in unfair practice, which includes the making of false or misleading claims. CCCS has in recent years been stepping up enforcement action against businesses for unfair practice, although it has not yet taken action in respect of environmental claims. Consumers can also sue for unfair practice.

[3] CCCS, Study on Greenwashing in Online Marketing Funded by CCCS Finds Use of Vague Environmental Claims and Confusing Technical Jargon (16 November 2023) <https://www.cccs.gov.sg/media-and-events/newsroom/announcements-and-media-releases/study-on-greenwashing-in-online-marketing-funded-by-cccs-finds-use-of-vague-environmental-claims-and-confusing-technical-jargon>

CCCS advises that businesses making environmental claims should:

(a) be specific and present any qualifying or supporting information accurately and clearly alongside the claims;

(b) avoid making claims that would imply or convey an overall impression that the environmental benefit of the product is more than it is; and

(c) ensure that all environmental claims can be substantiated with valid and credible evidence.

The Singapore Code of Advertising Practice requires that advertisements should not mislead in any way by inaccuracy, ambiguity, exaggeration, omission or otherwise:

(a) when making environmental claims, the basis of any claim should be explained clearly and should be qualified where necessary. Unqualified claims can mislead if they omit significant information;

(b) claims such as “environmentally friendly” or “wholly biodegradable” should not be used without qualification unless advertisers can provide convincing evidence that their product will cause no environmental damage. Qualified claims and comparisons such as “greener” or “friendly” may be acceptable if advertisers can substantiate that their product provides an overall improvement in environmental terms either against their competitors’ or their own previous products;

(c) where there is significant division of scientific opinion or where evidence is inconclusive, this should be reflected in any statements made in the advertisements. Advertisers should not suggest that their claims command universal acceptance if it is not the case;

(d) if a product has never had a demonstrably adverse effect on the environment, advertisers should not imply that the formulation has been changed to make it safe. It is legitimate however, to make claims about a product whose composition has been changed or has always been designed in a way that omits chemicals known to cause damage to the environment; and

(e) the use of extravagant language should be avoided, as should bogus and confusing scientific terms. If it is necessary to use a scientific expression, its meaning should be clear.

Previously, a local electronics company, Prism+, was taken to task by the Advertising Standards Authority of Singapore (ASAS) for making the misleading claim that using its energy saving air-conditioners could "save the earth".

Earlier this year, ASAS called out VietJet's "Green Friday" campaign as misleading for promoting its "eco tickets" as a way to "contribute to a greener future" by flying on its "fuel-efficient and environmentally-friendly" fleet.

Elsewhere, consumer protection cases have increasingly focused on carbon neutrality claims and carbon offsets.

In May 2025, EnergyAustralia, a major Australian energy company, settled a lawsuit in the Federal Court of Australia alleging that its "Go Neutral" campaign was misleading or deceptive. Customers could opt in to have EnergyAustralia purchase carbon credits to offset emissions from the customers' energy consumption at no extra cost, but the energy would still be mainly sourced from burning fossil fuels.

As part of the settlement, EnergyAustralia accepted that while high quality carbon offsets may play a role for hard to abate residual emissions and can help people to invest in worthwhile projects that may reduce greenhouse gas emissions elsewhere, offsets do not prevent or undo the harms caused by burning fossil fuels which releases emissions that still contribute to climate change. It promised to focus firmly on directly reducing carbon emissions, and acknowledged that there are legitimate concerns about:

- using offsets instead of reducing own emissions;
- using offset projects that do not permanently remove carbon from the atmosphere;
- supporting offset projects where climate benefits are uncertain or would happen anyway; and
- using carbon neutrality marketing claims based on the use of carbon offsets, which may cause some consumers to think there is no environmental impact from a product or service offered by a business.

CONCLUSION

Given the heightened risks of carbon neutrality marketing claims, businesses should be careful to consider whether their claims are substantiated with valid and credible evidence and should ensure that the claims are not overstated or exaggerated. It would be prudent to make clear and transparent reference and adhere to well-recognised claims standards, such as the Voluntary Carbon Markets Integrity Initiative's Claims Code of Practice.[4]

While the use of carbon credits and offsets is not without its challenges, the carbon markets are critical to unlocking urgently needed green financing, especially for the global south, and offsets can have a meaningful role in addressing residual hard-to-abate emissions.

[4] https://vcmintegrity.org/vcmi-claims-code-of-practice/

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