senken

More than 68% of DAX40 companies that purchased carbon credits ended up supporting projects with no real climate impact, according to Senken's analysis. [1] Some of these companies have already faced greenwashing allegations. For the rest, it's only a matter of time.

The carbon credit market is worth over €1 billion Euros as of 2024, yet many of these offsets bring little or no actual benefit to the climate. [2] In fact, the Max Planck Institute found that ***84% of carbon credits are high-risk***. Our research shows that German companies, along with many others, have made the mistake of investing in these low-quality projects.

The State of Greenwashing in Carbon Credits in Germany

www.senken.io contact@senken.io March 2025 senken

Table of Contents

Greenwashing happens when companies or products are presented as more eco-friendly than they really are.

It covers everything from “sustainable” materials to low-quality carbon credits marketed under “climate neutral” labels. This problem has been growing.

Greenwashing surge

- A 35% jump in greenwashing cases was reported from September 2022 to September 2023, with the financial services and banking sector alone seeing a 70% rise. [3]
- According to recent surveys, 55% of consumers no longer trust corporate sustainability claims. [4]

> These trends highlight the need for better transparency and stricter due diligence in the carbon credit space.

Carbon credits are still crucial on the path to net zero

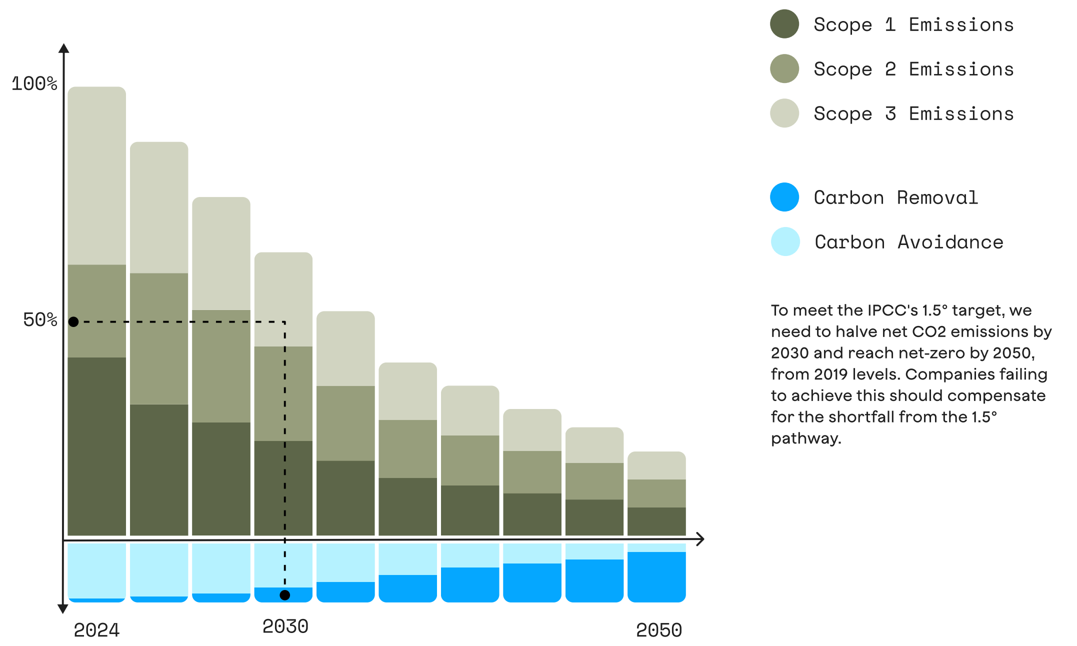
Carbon credits remain a key tool for keeping the global temperature rise under 1.5°C. Even after companies reduce their emissions as much as possible, they still need high-quality offsets to neutralise unavoidable emissions. Simply put, we cannot reach net zero without carbon credits.

Of course, reductions of emissions are important. However, over the past three years, over one billion Euros that could fund real climate action were wasted on supporting low-quality projects[1]. Our estimates indicate that **German companies alone have spent at least €70 million on ineffective carbon credits** during this period.

At Senken, we believe carbon credits are not the problem; low-quality projects are. When backed by robust data and transparent reporting, high-integrity credits can still deliver meaningful carbon reductions or removals that help the world reach net zero.

Net Zero Pathway

IPCC 1.5° Aligned Net Zero Pathway for Companies



We analysed all 40 DAX companies' publicly available sustainability reports and data on their carbon credit purchases over the past three years. **Of those 40, 25 bought carbon credits — and 17 ended up with portfolios that included projects delivering no real climate impact.**

> Using our AI Quality Framework — which evaluates more than 600 data points per project **— only 8 DAX companies cleared our high bar.** The remaining 17 risk greenwashing accusations if they keep relying on low-quality offsets.

Common Mistakes Leading to Greenwashing

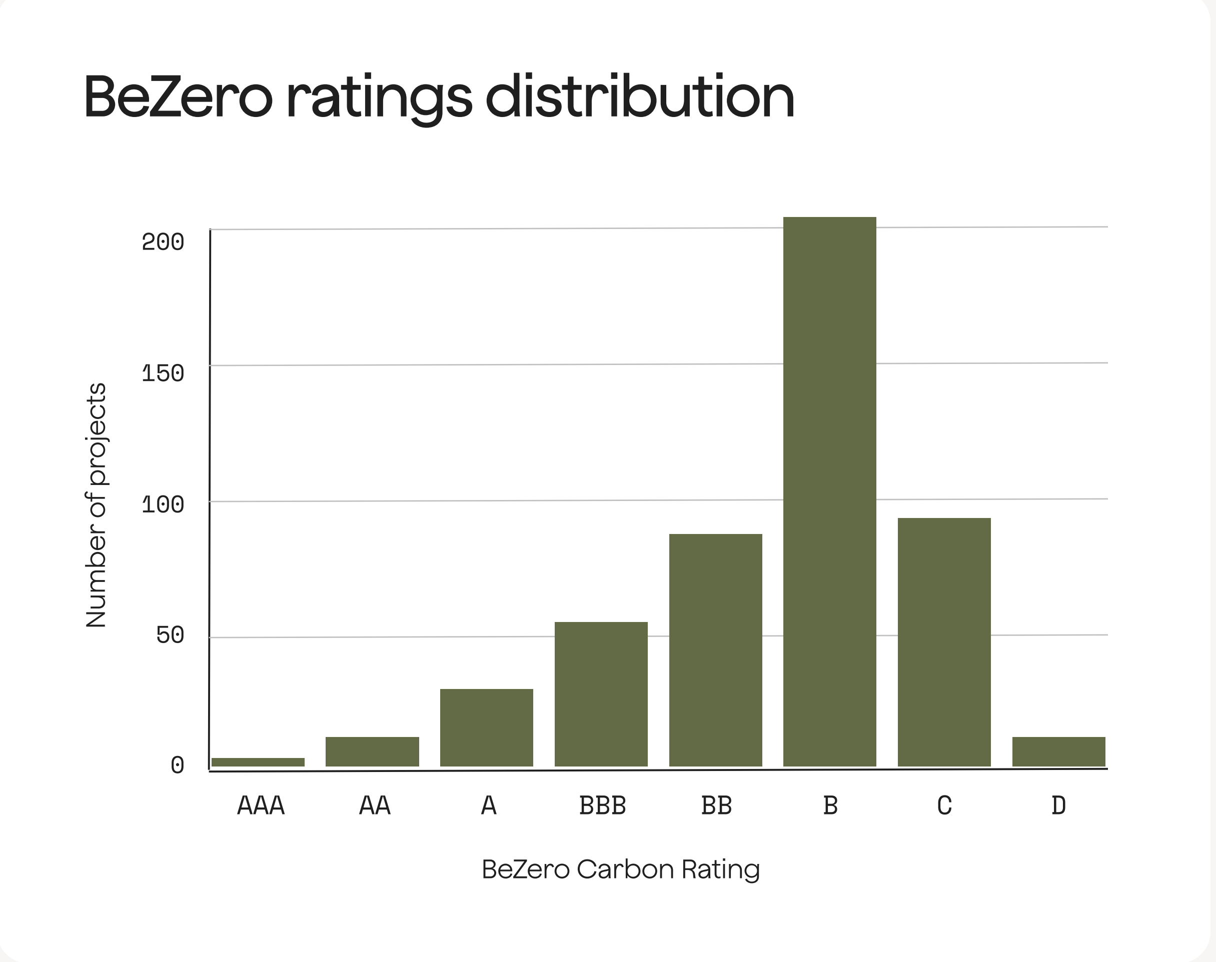
1. **Purchasing Renewable Energy Carbon Credits**
In 2024, the Integrity Council for the Voluntary Carbon Market (ICVCM) — one of the leading authorities on offset methodologies — rejected most Renewable Energy Carbon Credits. These credits previously made up about 32% of the carbon market. [5]

2. **Investing in Cookstove Projects**
Cookstove offsets have long been controversial, but a 2024 Berkeley study found that cookstove credits were overestimated by a factor of 10, effectively ending their credibility as a reliable climate solution as is right now. [6]

3. **Using Other High-Risk Methodologies**
Water Sanitation Credits, Plastic Credits, and Biodiversity Credits all have major validation gaps and often lack rigorous oversight.

4. **Relying on Known Controversial Projects**
For example, Rimba Raya REDD+ had its license revoked by the Indonesian government in 2024 for alleged "carbon trading violations." Although details are still emerging, claiming offsets from any project under such scrutiny is risky. [7]

4. **Ignoring External Ratings**
Many credits are rated poorly by external rating agencies such as BeZero and Sylvera but are still bought in bulk.



> We took a closer look at 755 other European companies (of which more than 570 are in the DACH region) with publicly available offset data. We found the same pattern repeated:
> **low-quality credits dominate corporate portfolios, exposing many more businesses to the risk of greenwashing.**

All of these pitfalls could have been easily avoided with proper due diligence and transparent data. The real obstacle is not that companies lack good intentions — it is the fact **that most service providers and project developers do not offer clear, honest information.**

Buying carbon credits that do not truly reduce or remove emissions can lead to serious greenwashing accusations.

Here are four well-known examples:

1. In Germany, the environmental organisation Deutsche Umwelthilfe (DUH) has sued companies such as Faber-Castell, Beiersdorf, BP, and Barilla over “climate neutral” labels. DUH asserts that these claims rely on low-quality carbon offset projects, which mislead consumers.
— DUH

2. Delta Air Lines was hit with a class-action lawsuit after claiming to be the “world’s first carbon-neutral airline.” Plaintiffs allege that Delta relied on offsets that lacked verifiable emissions cuts.
– Holland & Knight

3. Finite Carbon, a BP-owned firm, sold forest preservation credits for areas that weren’t actually at risk of deforestation — casting doubt on the validity of those credits.
– The Guardian

4. FIFA claimed the 2022 World Cup was carbon-neutral, but six NGOs filed complaints in five countries, citing underestimated emissions. In 2023, the Swiss Fairness Commission ruled FIFA guilty of greenwashing.
– Columbia Law

Regulatory bodies and courts are intensifying their scrutiny of climate claims, demanding greater transparency and data-backed evidence from companies.

> German legislation does not currently contain any explicit regulations on environmental claims (green claims).

It is therefore up to the courts to interpret the conditions under which environmental advertising claims may be used.

In particular, the dispute among the courts regarding the understanding of the term "climate neutral" has led to uncertainty. While one side considered it proven that consumers know that climate neutrality could also result from offsetting services, the other part of the courts rejected this consumer understanding.

The German Federal Court of Justice

In June 2024, the Federal Court of Justice put an end to this dispute and ruled that the term "climate neutral" is an ambiguous term. It could be understood either in the sense of a reduction of greenhouse gases in the production process or in the sense of a mere compensation of carbon emissions. Accordingly, companies that use this term in advertising are obliged to clarify its meaning for the specific product or service in the immediate context.

Two new European directives will provide more legal certainty to environmental claims and sustainability labels.

The **Empowering Consumers Directive (ECD)** and the proposed **Green Claims Directive (GCD)** introduce stricter requirements for how businesses communicate their sustainability efforts.

Empowering Consumers Directive

Directive (EU) 2024/825, also known as the Empowering Consumers Directive (ECD), regulates the **advertising use of environmental claims and sustainability labels**. It requires competition laws to be reformed so that the new requirements are integrated into national laws against unfair competition by September 2026.

Definition of Environmental Claims
The directive defines an environmental claim as any statement or representation in a commercial communication that explicitly or implicitly suggests that a product, product category, brand, or trader has a positive or no impact on the environment or is less harmful to the environment than others, or that the impact is improving over time.

Clarification of Existing Rules
The draft ECD first clarifies what is already applicable law: **environmental claims must not be misleading.** Particular attention is given to general environmental claims (e.g., "climate neutral"), which will be prohibited if they are not specified in more detail and no outstanding environmental performance can be demonstrated.

> According to ECD, environmental claims about carbon neutrality should only be permitted if they are based on the actual impact in connection with the life cycle of the product in question.

Green Claims Directive

While the ECD has already been adopted, the Green Claims Directive (GCD) is still in its draft stage. The EU Commission intends to continue the legislative process in 2025. The subject of the draft directive is **explicit environmental claims made to consumers and ecolabels.**

Impact on environmental claims
The GCD places explicit environmental claims under a dedicated and verifiable substantiation requirement. This means that **all claims must be verified by independent third parties**. The GCD contains comprehensive transparency requirements for consumer communication, including for comparative environmental claims.

Impact on ecolabels
The requirements for environmental claims described above should apply to ecolabels. However, the GCD sets out requirements for the certification systems for awarding ecolabels. In future, according to the current draft of the GCD, no further national ecolabel systems may be introduced, private ones only after approval and only if they offer added value.

> Many details of the GCD are still unclear. Companies should monitor the legislative process of the GCD and prepare for the new regulations at an early stage.

Buying carbon credits that do not truly reduce or remove emissions can lead to serious greenwashing accusations.

The UK implemented the Green Claims Code in 2021 to impose financial penalties on companies guilty of greenwashing. Companies that have broken the Green Claims Code can face civil penalties of up to 10% of their global turnover. [8]

The EU follows suit with the Green Claims Directive. Therefore, European companies must act now to avoid similar penalties.

> According to the Green Claims Directive, companies found guilty can pay fines of at least 4% of their annual turnover, along with confiscation of any revenues associated with the misleading claims.
> – European Parliament

Notable Examples of Recent Greenwashing Penalties

Company	Fine (EUR)	Reason for Fine
Volkswagen	€33.60 billion	Implementing software that falsified emissions data to evade tests on its vehicles.
Toyota	€174.42 million	Delaying the submission of emissions-related reports.
DWS	€24.23 million	Potentially marketing ESG funds as 'greener' than they actually were.
Vanguard	€12.51 million	Misleading investors about the ESG credentials of its bond index fund.
General Logistics Systems (GLS)	€8 million	Misleading environmental claims in its "Climate Protect" program.
Eni	€5.43 million	Claiming its palm oil diesel was 'green'.
Kohl's & Walmart	€5.33 million	Both companies claimed their products were made from environmentally friendly bamboo when they were not.
Goldman Sachs	€3.88 million	Failing to adhere to ESG investment policies and misleading customers.
Keurig	€2.13 million	Making misleading claims about the recyclability of its single-use coffee pods.
BNY Mellon	€1.45 million	Failing to implement ESG policies and overstating the ESG value of its funds.

Sources: CleanHub, The Australian, ANSA

Follow the below checklist to ensure high-integrity carbon credit use:

Follow a science-based net zero strategy

Follow recognised frameworks like the Oxford Principles, IPCC, or SBTi. These provide companies with pre-defined guidelines and pathways that must be followed in order to meet certain requirements and make certain claims.

Combine Emissions Reductions with Quality Credits

Carbon credits cannot be used on their own. A solid net zero strategy pairs aggressive decarbonisation with high-quality credits that neutralise unavoidable emissions.

Use independent verification

Don't rely on a single registry label — even "Gold Standard" alone isn't a guarantee of high quality. To ensure projects truly reduce or remove emissions, credits should pass several layers of scrutiny:

1. Senken's Quality Framework (600+ data points)
2. Verification by a Registry (e.g., Verra, Gold Standard, Puro)
3. MRV (Measurement, Reporting, and Verification) by Project Developer
4. Third-Party Audit (TÜV, EnergyLink, etc.)
5. Rating Agencies (e.g., BeZero, Sylvera, Renoster)

Disclose Everything in Your Sustainability Reports

Be transparent about your full emissions, the credits you buy, and how they're verified. Include details on the frameworks used, the quality of purchased credits, and any external validations or audits performed.

Regularly review and update credit purchasing policies

Keep an eye on new policies (e.g. Green Claims Directive, CSRD) and update your credit purchasing strategy accordingly. What is valid today may be considered low-quality tomorrow.

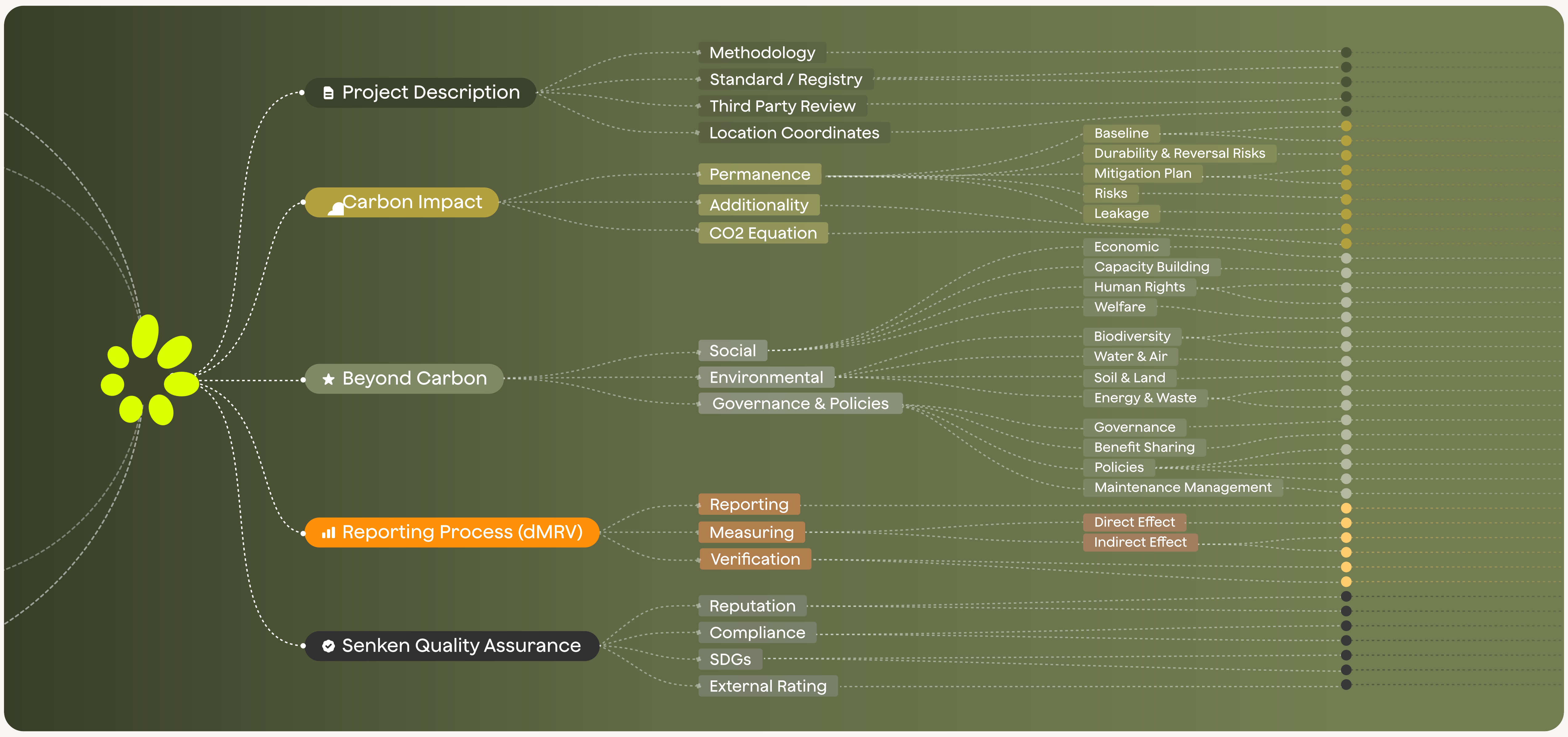
Engage stakeholders and seek expert oversight

Collaborate with experts like Senken to spot hidden greenwashing risks. Confirm the methodologies you rely on have independent endorsement from bodies such as ICVCM, ICROA, or CRCF for an extra layer of security.

Carbon credits can still be a powerful tool for companies looking to reach net zero — but only when backed by robust due diligence.

Senken's 600+ datapoint AI Quality Framework provides the deep dive needed to separate genuine climate impact from greenwashing.

> By offering our clients with projects that pass every stage of our five-step verification process, we reduce reputational risks and ensure verifiable climate impact.



Our method isn't just theoretical. Here's how two forward-thinking companies used Senken's framework to fortify their sustainability strategies.

A German Telecommunications Giant: Balancing Quality & Scope

One of the world's largest telecommunications companies issued a tender for high-quality carbon credits. Their strict criteria included carbon removals, geographic distribution, and competitive pricing — all while satisfying the Oxford Principles and the latest climate policies.

Challenge
Finding an offset partner that could deliver on permanence, additionality, and regional relevance.

Solution
Senken curated a balanced, high-quality carbon portfolio aligned with the company's decarbonisation goals and global footprint across Europe, North America, and Asia.

Outcome:
A diversified, risk-minimised investment approach that meets stakeholder expectations and regulatory requirements, minimising any chance of greenwashing accusations.

Mer: Elevating EV Charging With Verified Carbon Credits

Mer is a leading electric vehicle (EV) charging company in Europe. They faced increasing pressure from customers and investors to prove that their solutions were truly green.

Challenge
Aligning a long-term sustainability strategy with scientific standards while avoiding greenwashing.

Solution
Every offset in Mer's portfolio underwent Senken's 600+ datapoint Quality Framework, ensuring transparency and measurable impact.

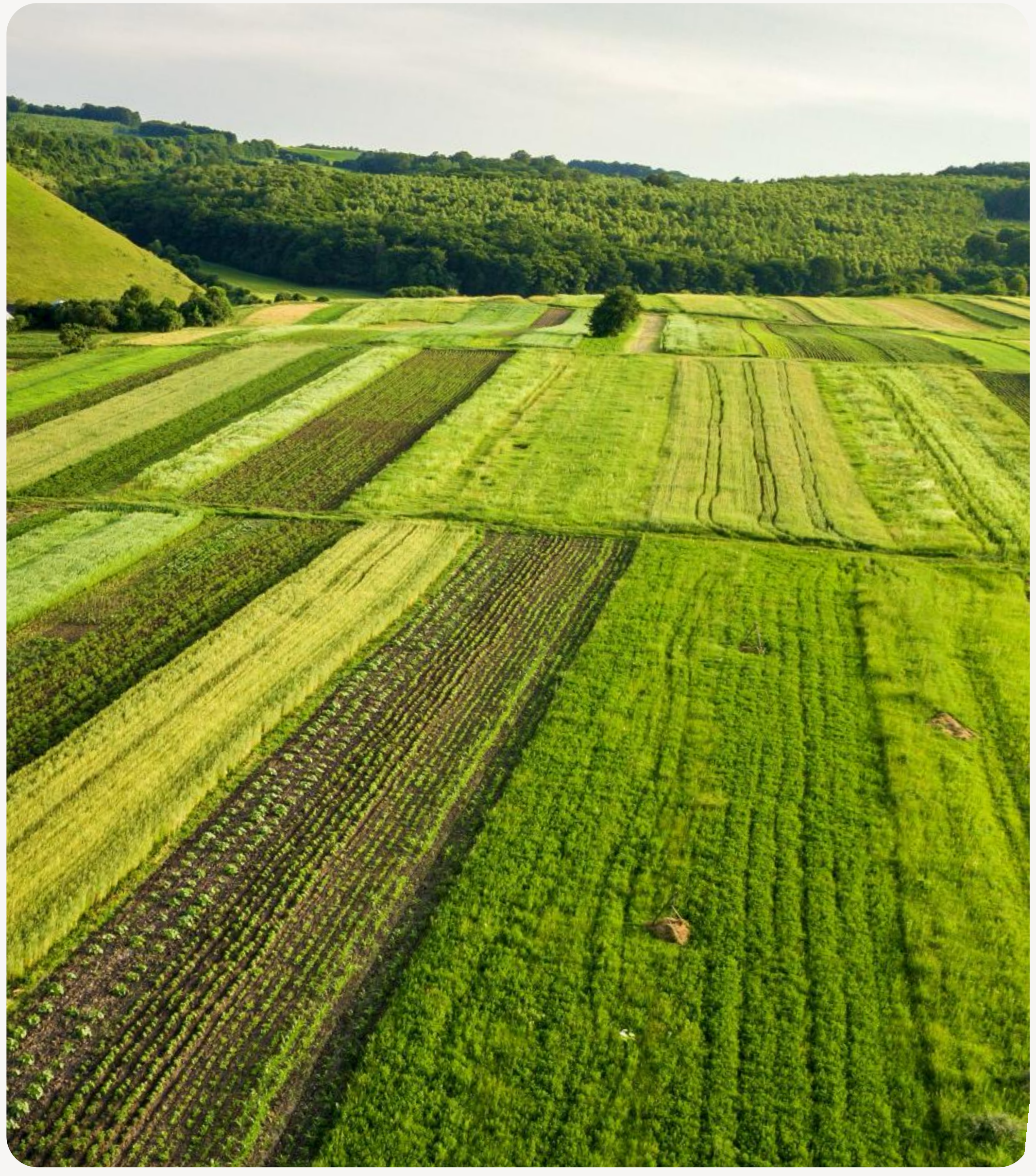
Outcome:
Mer can now confidently make climate claims in line with its 2033 net zero target — backed by credible carbon credits and minimal reputational risk.

Make Every Credit Count

Carbon credits can be a powerful way to tackle climate change — but only when used responsibly. **If they're abused for greenwashing, no one benefits: not the company, not the public, and certainly not the planet.**

> When businesses integrate high-quality credits into real decarbonisation plans, they help keep us on track to limit global warming to 1.5°C.

Germany's 2045 net zero goal depends on all of us — especially corporate leaders and sustainability professionals — **using carbon credits in a transparent and impactful way.** By doing so, we can avoid reputational risks, protect investments, and drive real impact for our future.



Evaluate Your Current Credits

Get a detailed risk assessment from Senken. Because quality is not an opinion, it is science.

Sign Up Here

Invest in Verified Carbon Credits

Secure your carbon credits through Senken's AI Quality Framework.

Book a call

Sources

1 Senken's internal analysis of sustainability reports, carbon registry data, and our proprietary Quality Framework.

2 MSCI Report
www.msci.com/www/blog-posts/frozen-carbon-credit-market-may/05232727859

3 ESG Dive on Greenwashing
www.esgdive.com/news/greenwashing-rising-report-rep-risk-social-washing-sustainability/696289/

4 Yougov
business.yougov.com/content/46714-more-than-half-of-global-consumers-are-skeptical-of-a-brands-sustainability-claims

5 ICVCM
https://icvcm.org/carbon-credits-from-current-renewable-energy-methodologies-will-not-receive-high-integrity-ccp-label/

6 Berkley Public Policy
https://gspp.berkeley.edu/research-and-impact/centers/cepp/projects/berkeley-carbon-trading-project/cookstoves

7 Carbon Credits
https://carboncredits.com/rimba-raya-redd-project-revocation-rattles-carbon-market/

8 Green Claims Code
https://www.gov.uk/government/news/greenwashing-cma-issues-tailored-guide-for-fashion-brands