

CARBON NEUTRAL VS NET-ZERO: WHAT'S THE DIFFERENCE? (AND WHY IT MATTERS)

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As states and corporates swing behind climate action there is much talk of carbon neutral and net-zero goals. Yet these terms offer very different approaches to tackling emissions

At Herbert Smith Freehills, we have committed to achieving net-zero carbon emissions by 2030, through adoption of science-based targets aligned with the [Paris Agreement](#) – which seeks to limit global warming to 2° Celsius above pre-industrial levels and pursue efforts to limit warming to 1.5°.

But what does ‘net-zero carbon’ mean in practice – and what are we setting out to achieve?

As the consequences of climate change steadily intensify, we are seeing far broader (and stronger) commitments from governments and business to strengthen our global response to this crisis. But with regulations and laws multiplying – and new buzzwords developing – it can be difficult to understand exactly what the commitments mean.

Two terms, in particular – **‘carbon neutral’** and **‘net-zero carbon’** – are often used interchangeably but represent very different approaches to combatting climate change.

CARBON NEUTRAL

Carbon neutrality means balancing greenhouse gas (GHG) emissions by ‘offsetting’ – or removing from the atmosphere – an equivalent amount of carbon for the amount produced.

This can be achieved by buying ‘carbon credits’ – in essence, permission to emit carbon dioxide or other GHG in exchange for offsetting the effects of those emissions – and/or by supporting GHG-reduction initiatives such as renewable-energy projects.

However, a commitment to carbon neutrality does not require (or even necessarily imply) a commitment to *reduce* overall GHG emissions. A carbon-neutral business needs only to offset the GHG emissions it produces – even if those emissions are increasing.

NET-ZERO CARBON

In contrast, a commitment to net-zero carbon means *reducing* greenhouse gas emissions with the goal of balancing the emissions produced and emissions removed from the earth's atmosphere.

Take, as a simplified example, the case of air travel: if, in total, people within a given business take 10 flights per year, the organisation could achieve carbon neutrality for those 10 flights simply by buying enough carbon credits or by supporting renewable-energy projects to offset the emissions (or a combination of the two).

To achieve net-zero carbon, the company would need to *reduce* the number of flights per year as much as possible (to five, for instance) and *also* invest in projects that remove from the atmosphere the carbon dioxide produced by emissions from the other five flights.

Extrapolate a similar pattern across all the ways a business might produce emissions – such as heating its buildings or buying from suppliers who produce emissions – and the company achieves net-zero by:

- reducing its GHG emissions across all these activities as much as possible
- supporting/funding the removal of carbon dioxide produced by any emissions the business does produce.

WHY THE WORDS MATTER

Even respected news outlets and world leaders occasionally confuse carbon neutrality and net-zero carbon, or use them interchangeably. And businesses that seek carbon neutrality, rather than net-zero carbon, have sometimes been accused of 'greenwashing' (presenting their aims as more environmentally friendly than they actually are) – even when their efforts at addressing climate change are genuine.

It's important, then, that we are clear about what we seek to accomplish.

At Herbert Smith Freehills:

- we are committed to reaching net-zero carbon by 2030
- we are setting targets backed by the [Science Based Target initiative \(SBTi\)](#) – in line with what the latest climate science says is necessary to meet the 1.5°C goal.

The science tells us that we have a limited window to act – and that businesses have a crucial role to play in protecting the future of our planet. We are proud to do our part.

If you have questions, please contact Sustainability and Climate Change Manager [Georgios Zampas](#).

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