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Carbon Credits in Sustainability: Navigating the Risks of Greenwashing in Corporate Climate Action

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Resumo
This theoretical essay examines how carbon credits are utilised in corporate climate strategies, with emphasis on the risks of greenwashing. It explores the conceptual basis of legitimacy theory to analyse the use of carbon credits, the dangers of relying on these credits without substantial emissions reductions, and the potential for superficial sustainability claims. The study identifies challenges such as double counting, lack of transparency, and unverified credits, while also highlighting the dual role carbon credits play in supporting decarbonisation efforts. The increased use of carbon credits in corporate sustainability strategies raises questions about their effectiveness in genuinely reducing emissions. This essay seeks to investigate the research problem of how carbon credits may enable greenwashing when companies rely on these mechanisms without meaningful internal changes. The context for this study lies within the ongoing global transition to sustainable practices, where carbon markets play an essential role in supporting emissions reduction goals. However, concerns persist about whether companies utilise these markets to their full potential or to create a misleading image of environmental responsibility. The objectives of this essay are twofold: (1) to critically assess the risks of greenwashing that arise from the misuse of carbon credits, and (2) to propose solutions for integrating carbon credits more effectively into sustainability efforts. The research question guiding the analysis is: How can carbon credits be integrated into corporate climate strategies to ensure genuine sustainability efforts while mitigating the risks of greenwashing? This essay draws on legitimacy theory as its conceptual foundation. Legitimacy theory asserts that organisations must align their actions with societal norms and values to maintain social legitimacy and avoid external pressures or sanctions. Companies increasingly embrace Environmental, Social, and Governance (ESG) practices to gain legitimacy in the eyes of stakeholders. According to legitimacy theory, such practices not only shield firms from reputational risks but also improve their overall standing in society by showcasing environmental stewardship. In the context of carbon credits, legitimacy theory provides a lens through which to understand the potential for greenwashing. Companies may use carbon credits to claim environmental responsibility without making significant operational changes. This reliance on external carbon offsetting mechanisms, rather than internal reductions, can create a facade of sustainability, which undermines the very goals of corporate social responsibility (CSR). Thus, the application of legitimacy theory is central to analysing how companies balance their reputations while grappling with the pressure to decarbonise. Regarding methodological procedures, as this is a theoretical essay, the methodological approach involves a literature review and conceptual analysis. The essay synthesises existing research on carbon markets, greenwashing, and corporate sustainability practices. Key academic sources on legitimacy theory, CSR, and the economics of carbon credits were consulted to inform the discussion. The analysis draws on case studies and empirical studies to demonstrate the dual potential of carbon credits — both as tools for genuine decarbonisation and as enablers of greenwashing. The essay adopts a qualitative and exploratory approach, aiming to

establish a theoretical framework for understanding the intersection between carbon credits and greenwashing. The synthesis of existing research serves to identify gaps in the literature and propose future research directions. The analysis demonstrates that while carbon credits provide an important mechanism for companies to offset emissions, they also present substantial risks if used irresponsibly. One major concern is the potential for double counting in carbon markets, where the same emissions reduction is claimed by multiple parties, inflating overall climate gains. This practice not only undermines the credibility of carbon credits but also increases the risk of greenwashing. Another critical issue is the lack of transparency in how companies report their carbon credit usage. Without clear disclosure of how carbon credits are sourced and their quality verified, there is a high likelihood that some firms are exaggerating their climate impact. The analysis also identifies the over-reliance on carbon credits, which allows companies to purchase offsets rather than implementing internal emission reduction strategies, further exacerbating the greenwashing problem. Despite these challenges, the essay also highlights the positive role carbon credits can play when integrated into broader decarbonisation strategies. For instance, well-regulated carbon markets, supported by blockchain technologies, can enhance transparency and reduce the risk of fraudulent claims. Companies that combine internal sustainability efforts with responsibly sourced carbon credits demonstrate a more comprehensive commitment to achieving net-zero emissions. The contributions of this essay lie in its exploration of how carbon credits can be misused within corporate sustainability strategies, offering a nuanced understanding of the greenwashing risks that arise. The analysis emphasises the importance of transparency and regulatory oversight to ensure that carbon credits are used responsibly, thus preserving their integrity in the global effort to combat climate change. Additionally, the essay proposes best practices for mitigating greenwashing risks, including the integration of carbon credits with direct emissions reductions, and the use of advanced monitoring technologies like blockchain. This essay contributes to academic knowledge in several ways. Firstly, it provides a critical examination of how legitimacy theory applies to the modern carbon credit market, offering insights into the reputational pressures companies face when adopting sustainability practices. Secondly, it highlights the dual potential of carbon credits to serve both as enablers of genuine climate action and as instruments of greenwashing. Lastly, it outlines a clear research agenda, calling for further empirical studies to validate the claims made in this theoretical framework and exploring regional and technological variations in carbon credit usage. This essay has demonstrated that carbon credits, while valuable tools for corporate sustainability, are fraught with challenges that can lead to greenwashing. The analysis shows that companies may misuse carbon credits to create a false image of environmental responsibility, and this risk is heightened by issues such as double counting and lack of transparency. However, with appropriate regulatory oversight and integration into broader decarbonisation efforts, carbon credits can play a vital role in achieving meaningful climate goals. Future research should focus on empirical validation, exploring the impact of regional regulations and technological innovations to ensure that carbon credits remain a genuine force in the fight against climate change.

Palavras Chave
Legitimacy theory, Carbon Credit Market, Greenwashing

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