



**ICROA Independent Advisory Board Meeting - Inaugural Meeting**  
**Monday 15<sup>th</sup> June 2009**  
**Report**

**Executive Summary**

At the inaugural meeting the ICROA IAB members were introduced, the IAB remit was agreed and Alexia Kelly of WRI was appointed as the IAB chair. The IAB members were introduced to the ICROA Programme and Policy Framework 2009 and the ICROA audit process. The IAB suggested a number of topics for ICROA and the IAB to consider including: forestry and land use methodologies, aviation emission factors and engagement on US cap and trade. The next IAB meeting is provisionally scheduled to take place in November 2009.

**1. Introductions**

The IAB members introduced themselves. IAB members are:

- Adam Markham, Clean Air Cool Planet;
- Iain Watt, Forum for the Future;
- Angelika Smuda, German Emissions Trading Authority;
- Jasmine Hyman & Lisa Hodes, The Gold Standard Foundation;
- Michael Gillenwater, Greenhouse Gas Management Institute;
- Guy Renaud, Pro Natura;
- Anja Kollmuss, Stockholm Environment Institute (SEI);
- Cameron Eren, Total Environment Center;
- David Antonioli, The Voluntary Carbon Standard Association (VCSA);
- Alexia Kelly, World Resources Institute (WRI).

IAB members not on the call were Guy Renaud, Pro Nature and Cameron Eren from Total Environment Center.



## 2. ICROA Update

A brief history of and update on ICROA was given:

- ICROA was launched on 9 June 2008. ICROA members sign up to and will publicly report against the ICROA Code of Best Practice, which has specific requirements for how members provide their carbon footprinting, greenhouse gas reduction advice, and offset services. All ICROA members sit on the governing Executive Committee which has 2 Co-chairs.
- ICROA has developed partnerships with the CMIA (Carbon Markets and Investors Association) and COA (Carbon Offset Association).
- ICROA is organising an international workshop on best practice in the voluntary carbon market, together with CMIA and COA, in September 2009. Government, NGO and industry stakeholders will be invited to participate.
- ICROA has responded to government consultations and engaged directly with government environment agencies in the Netherlands (VROM), Germany (the German Emissions Trading Authority), the US (the EPA), Australia (DCC), and the UK (DECC). The aim of this engagement is to promote self-regulation of the voluntary carbon market and to ensure that governmental oversight of the voluntary carbon market includes the premium voluntary offset standards as permitted by the ICROA Code of Best Practice.

**IAB Response:** ICROA should also consider engaging with federal trade regulation and consumer protection bodies i.e. FTC.

## 3. IAB Remit

The IAB terms of reference were presented for review by the ICROA IAB. It was confirmed that the function of the IAB is to provide advice and guidance on ICROA's policy and strategy. IAB members are experts in the voluntary carbon market who are not carbon reduction and offset providers. The IAB will help ICROA adapt to the changing market and will help ensure that the ICROA Code of Best Practice remains relevant and an exemplar of best practice.

### **Terms of Reference:**

- The IAB's advice is not binding on ICROA's Executive Committee, and is instead intended to promote discussion and debate. IAB membership does not include authority over the governance of ICROA or a place on the Executive Committee. The

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IAB will have a chair appointed annually. The ICROA structure and remit will be reviewed annually and may be amended, with the advice of the IAB and the approval of the Executive Committee.

- Meetings will take place twice a year, either via webinar or in person (followed by a networking event). The Secretariat will then present the IAB's views to the Executive Committee. ICROA may also consult with members of the IAB, individually or as a group, on an ad hoc basis.
- The IAB Terms of Reference, which will be made available on the ICROA website, specifies that IAB members will serve an initial term of one year, with the option of reappointment. A member may be asked to resign under certain circumstances.
- The list of IAB members will be made public on ICROA's website. This list will include members' biographies and indicate whether the member is serving in a personal capacity or as the representative of their organisation.
- The chair of the IAB will provide an annual report to the Secretariat for consideration by the Executive Committee. This report will include high-level policy recommendations, annual reports on the IAB's activities, and any dissenting opinions. This report will be public. Other outputs from the IAB may be kept confidential at the Secretariat's discretion. The first annual report will be produced after the second IAB meeting.
- IAB members are bound by the same confidentiality requirements as ICROA members.

**IAB Response:** It was recommended that the terms of reference should be amended to ensure that the IAB bears no responsibility if the Executive Committee fails to follow their advice. It was confirmed that the IAB advice (excluding confidential outputs) will be made publically available and ICROA would be required to publically justify its decision to accept or reject the IAB's advice on a case by case basis. It was proposed that the confidentiality requirements be made more explicit in the Terms of Reference and the power of the Secretariat to keep information confidential should be clarified. It was confirmed that members' specific business information and the data that members submit during the reporting process would be kept confidential. It was confirmed that the annual IAB report would be drafted by the IAB chair, which would then be reviewed by the IAB members. It was confirmed that the Terms of Reference will be amended to reflected these decisions and once amended will be circulated to IAB members to sign and return to the Secretariat.

### 3a. Electing IAB chair

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An expression of interest in the role of IAB Chair was received from Alexia Kelly at WRI. Alexia Kelly was nominated by Jonathan Shopley and seconded by David Antonioli. No objections or other expressions of interest were raised. Alexia Kelly will be chair of the IAB for the next year (i.e. until June 2010), with the option for re-election. The Secretariat will provide support for facilitating the IAB meetings.

### **3b. Discussion Topics for 2009-2010**

The following topics, of interest for ICROA were proposed by the Secretariat and accepted by the IAB:

1. **November 2009:** Review of Pilot Compliance Self-Assessment Process. Development of ICROA External Auditing Process.
2. **June 2010:** ICROA Code of Best Practice 2010. Review of first External Auditing Process.
3. **November 2010:** Review of ICROA Activities in 2010.

It was noted that Total Environment Center had advised ICROA should also play a part in establishing the formal recognition of voluntary measures undertaken under cap-and-trade schemes. ICROA has so far decided not to engage on this issue, as the ICROA members are not united in their support for this issue, but may reconsider this position following IAB advice.

**IAB Response:** The IAB suggested that the IAB and ICROA consider the following issues:

1. **Forestry (and ag and soil methodologies).** This is felt to be particularly relevant as forestry currently does not yet play a significant role in the compliance carbon market.
2. **Aviation emissions calculations.** Anja Kollmuss will distribute her new report on RFI to the IAB.
3. **Engagement on the “Hill” on forthcoming US cap and trade legislation:** Waxman-Markey bill is currently in Committee. ICROA’s scope of membership and members’ experience with the EU ETS will provide unique insight into how the voluntary market co-exists with cap and trade schemes.

It was noted that item 3: (engagement in the US) should be prioritised. The IAB was asked to provide advice on the most appropriate politicians and committees to target. It was noted that ICROA is drafting a letter to the House of Representatives and engaging with groups such as REMA, which is a more traditional lobbying organisation. The IAB advised that the Committee on Ways and Means or the Committee on Agriculture would be appropriate committees for ICROA to engage with directly as the Energy and

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Commerce Committee has already considered the issue. ICROA should also focus on targeting the Senate rather than the House of Representatives. It was advised that double counting is an issue that should be discussed at the next IAB meeting and a briefing document on this should be provided in advance. It was noted that that ICROA's position on double counting of carbon offsets might conflict with the positions taken by the individual offset standards that ICROA accepts. A query was also raised about the approach that should be taken when specific sectors in the economy are capped, and other sectors are not. It was proposed that in addition to the annual report, a shorter, less formal report should be circulated after each ICROA meeting. Briefing notes could also be distributed between meetings. IAB members will be invited to add items to the IAB meetings' agenda.

### **3c. Observers**

The IAB was advised that several Government departments (EPA and DECC) had expressed an interest in becoming observers to the IAB.

**IAB Response:** It was noted that the observer status had not been included in the original Terms of Reference. Concerns were raised that the observer role would not add much benefit, may inhibit the discussion and would be confusing as the IAB are already in effect observers to ICROA's Executive Committee. It was noted that the aim of the observer status would be to educate the observers. It was advised instead that these organisations could be invited to specific meetings if required, and/or a series of seminars or workshops could be organised to educate stakeholders who did not want to become members of the IAB. Other IAB members felt that the observer status would be useful as it would keep lines of communication open between ICROA and the respective Government departments. It was noted that in any case the respective Government departments would be invited to participate in the international workshop on best practice. It was subsequently agreed that it was important to communicate with and inform these organisations but that observer status might not be the most appropriate method of doing this. It was decided that the appointment of observers and the discussion points mentioned at this IAB meeting would be referred to the Executive Committee for decision.

### **4. ICROA Programme and Policy Framework 2009**

A review of initial requirements of the ICROA Code of Best Practice was presented. Key amendments for ICROA Programme and Policy Framework 2009 were also presented, these include:

1. One of the membership criteria has been revised to ensure that members actively sell a service to retire/cancel ICROA-Code-compliant emissions reductions on behalf

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of businesses and/or individuals for the purpose of voluntary offsetting their carbon emissions:

2. Several clarifications were made: Members may outsource their carbon footprinting services. Members may outsource their GHG reduction advice. The ICROA Code of Best Practice applies only to members' activities in the voluntary market.
3. ICROA will retain its current formulation on RFI i.e. an approach predicated on the principle of transparency.

**ICROA IAB Response:** Some IAB members advised that ICROA should select a number for RFI as a single number would provide greater clarity for consumers. However the lack of scientific consensus was acknowledged by the IAB. IAB members approved of the principle of transparency that ICROA has implemented. Anja Kollmuss will distribute her new paper on RFI and share her research on RFI with IAB members on an ongoing basis. It was proposed that RFI and ICROA's formulation on RFI be covered at the next IAB meeting.

#### **4a. New Offset Standards**

It was confirmed that any offset standards could be accepted into the ICROA Programme and Policy Framework 2009, provided they meet the ICROA Offset Standard Review Criteria and are accepted by the Executive Committee. The IAB was advised that Climate Action Reserve and certain Government schemes had recently been accepted, together with certain conditions:

1. **California Climate Action Reserve (C-CAR):** ICROA members must also ensure that the ICROA Code of Best Practice's additionality requirements are met (i.e. additionality is predicated on carbon finance). This requirement currently needs to be demonstrated through a contractual representation with the project developer or broker.
2. **Government Schemes:** Offsets certified under Government schemes may not be sold as voluntary offsets outside the context of the scheme, unless ICROA separately approves the methodology used to certify the offsets. Currently, EPA Climate Leaders is the only government scheme that has been approved.

**IAB Response:** It was felt that ICROA should be cautious about accepting Government schemes. It was confirmed that VCUs are fungible with CRTs and VCUs that use performance based additionality would also need additional scrutiny. Some ICROA members felt that ICROA should accept standards that use performance based additionality without any additional requirements. Some IAB members felt that the ICROA approach would not work in practice. However other IAB members said that

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ICROA could and should impose additional requirements. It was noted that ICROA does not currently have the scientific capacity to review performance based additionality in depth. Some members advised that it should be clarified that the additional requirements are likely to be a temporary measure until ICROA becomes more au fait with performance based additionality. Some IAB members felt that performance based additionality would become the market norm, particularly in the US compliance market. It was confirmed that CAR will be invited to join the IAB. It was noted that CAR has only recently been accepted into the ICROA Programme and Policy Framework 2009. It was noted that ensuring robust additionality is paramount in the voluntary market and reduction and offset providers are vulnerable to negative media coverage regarding additionality.

#### **4b. Delivery Assurance for Reductions Sold in Advance of Certification**

Since its inception ICROA has promoted forward financing as a powerful voluntary market tool. The annexe previously titled “Forward Accounting” has now been integrated into the ICROA Code of Best Practice as the section on “Delivery Assurance for Reductions Sold in Advance of Certification.” This section has a range of requirements for ensuring delivery of credits using “appropriate safeguards” (using buffers or contractual guarantees) and that members are transparent about the risks involved and how those risks are mitigated. ICROA has developed a mechanism which spans members’ various models.

**IAB Response:** The IAB was sympathetic to the need for forward selling. It was confirmed that VCU’s can be sold but not issued before delivery. It was confirmed, if the contractual option is selected, that contracts would grant the right to receive carbon credits in exchange for money, and require the assurance of delivery over a certain time period and state explicit consequences for any failure to deliver the credits. It was agreed that this section and the ICROA Programme and Policy Framework 2009 more generally would be discussed in more detail at the next IAB meeting.

#### **4c. Sanctions and Appeals Process and Transition to Compliance**

**Sanctions and Appeals Process:** An introduction was given to the new Sanctions and Appeals process for members who fail to meet any requirement of the ICROA Code of Best Practice. If a member fails, their case may be referred to the Executive Committee for review. The Executive Committee would then establish conditions (specific to the case) under which the infraction could be resolved; if the member failed to meet these conditions by a certain deadline, they would then be excluded from ICROA. Members can also be excluded for failing to pay their membership dues, or for bringing ICROA into disrepute.

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**Transition to Compliance:** An introduction was given to the new Transition to Compliance section. From 9 June 2009, ICROA members may only purchase, or contract to purchase, credits verified under one of ICROA's accepted standards. Non-compliant offset credits, purchased prior to 9th June 2009, may be continue to be sold. Contracts to purchase, including contracts for credits sold in advance of verification, agreed prior to 9th June 2009, may be completed. The sunsetting for non-compliant offset credits will either occur when such inventory is liquidated or at the conclusion of the contract. In exceptional circumstances, the Executive Committee may consider individual members' requests to acquire non-compliant credits after 9<sup>th</sup> June 2009.

#### **4d. ICROA Auditing Requirements**

An introduction was given to the ICROA auditing requirements. Members are currently completing the pilot compliance self-assessment form on their practices as of 9<sup>th</sup> June 2009. Smith & Williamson and the ICROA Secretariat will use the results of the pilot programme to improve the self-assessment process and refine the evidence requirements. Going forward, members will complete a compliance self-assessment form annually, and a selection of these self-assessments will be externally audited. All members will be externally audited after the first externally audited compliance period (9<sup>th</sup> June-31<sup>st</sup> December 2009).

**IAB Response:** A clarification was given regarding the selection of Smith & Williamson. It was confirmed that Smith & Williamson had submitted the most appropriate response to the ICROA RFP and were the most cost effective option for ICROA. Smith & Williamson have previously worked with ICROA members and are members of the Nexia network.

#### **5. A.O.B**

It was confirmed that the next IAB meeting will take place in November 2009. IAB members were encouraged to submit further comments by email to the Secretariat on topics covered in this meeting and on other relevant issues.

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