



ICROA Independent Advisory Board Second Meeting: Summary

Executive Summary: The second ICROA Independent Advisory Board (IAB) meeting took place on Wednesday 18th November 2009. The IAB meeting was chaired by the ICROA IAB Chair: Alexia Kelly from WRI. The IAB welcomed a new member: Joel Levin from Climate Action Reserve. The IAB was updated on ICROA's activities between June and November 2009. The IAB reviewed certain sections of the ICROA Code of Best Practice 2009 in more detail. The IAB also reviewed the ICROA Audit Process. ICROA responded to the IAB recommendations for ICROA's external engagement from the first IAB meeting in June 2009. The IAB provided further recommendations for ICROA's external engagement for 2010. The IAB remains very supportive of ICROA's objectives. The IAB provided constructive advice on the ICROA Code of Best Practice 2009 and the ICROA Audit Process and appropriate recommendations for ICROA's external engagement for 2010.

1. ICROA Internal and External Updates. June-November 2009:

The IAB was advised about ICROA's review of Carbon Fix and VER+ for potential inclusion in the ICROA Code of Best Practice 2009. The IAB were advised about the International Workshop on Best Practice in the Voluntary Carbon Market (18th September), the Workshop with Markit on the US Voluntary Carbon Market (4th November), ICROA's presence at conferences and ICROA's recent external endorsements.

IAB Response: The IAB asked to review the ICROA Review of Carbon Fix. The IAB were particularly interested in the discussions held at the International Workshop on Best Practice in the Voluntary Carbon Market, held with Governments and industry participants and about which Governments were the most supportive of the voluntary carbon market. The IAB advised that ICROA also consider engaging with the EU.

2. ICROA Code of Best Practice 2009:

The ICROA Code of Best Practice 2009 was presented to the IAB at the first IAB meeting. The IAB requested that certain sections also be reviewed in greater depth at the second

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IAB meeting. These sections were: ICROA provisions for additionality, delivery assurance for Reductions Sold in Advance of Verification, Transition to Compliance and the Sanctions and Appeals process. These sections were presented in more detail at the second ICROA IAB meeting.

ICROA IAB Response: The IAB generally agreed with the ICROA approach on additionality. The IAB has some concerns about the associated risks of the Reductions Sold in Advance of Verification model. The IAB advised that this section of the ICROA Code of Best Practice 2009 needs to be reassessed in light of the CAR forestry protocol and its delivery term limits. It was noted that Markit has developed a Pre-Issued Unit (PIU) mechanism so that forward sales can be registered as temporary credits and assigned a serial number. The IAB's view is that the Reductions Sold in Advance of Verification model places a greater liability on the client. IAB members were advised that clients are made fully aware of the risks and benefits involved when they decide to purchase Reductions Sold in Advance of Verification. The IAB members advised that ICROA must ensure that the transparency provisions for Reductions Sold in Advance of Verification are maximized. The IAB advises that the Reductions Sold in Advance of Verification model is more appropriate for sophisticated i.e. business customers

3. ICROA Audit Process:

The IAB was presented with a review of the ICROA Pilot Compliance Self-Assessment (PCSA) Process. The IAB were also presented with an overview of the ICROA Audit Process and advised about the audit requirements for the First External Audit and Audits Going Forward.

IAB Response: The IAB agreed that the PCSA process was informative. The IAB agreed that the ICROA Audit Process was generally appropriate and requirements for the First External Audit and Audits Going Forward were appropriate. Queries were raised about how the Secondary Audit would work in practice. It was noted that the function of the Secondary Audit is primarily to review the suitability of the primary auditor and to ensure that the external audit of the self-assessment has been completed correctly. The IAB advised that the primary auditor will complete site visits. The secondary auditor could have access to the evidence if required, particularly if there are any concerns with the primary audit.

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4. ICROA Response to IAB Recommendations June 2009:

The IAB was advised as to ICROA's responses to the IAB's recommendations from June 2009.

a. Forestry and Ag Methodologies:

IAB Response: The IAB chair and the ICROA Co-Chairs advised that ICROA's experience and expertise was not best suited to reviewing forestry and land use methodologies. The IAB agreed with this response.

b. RFI:

IAB Response: The IAB agreed in principle with the proposal for the Discussion Forum on RFI and thought it appropriate. The IAB advised that Government funding for the Discussion Forum would be unlikely. The IAB advised that that the Discussion Forum should aim to select a number for number, as not doing so could eventually damage ICROA's credibility. IAB member Anja Kollmuss from SEI would like to participate in the Discussion Forum. Another issue raised was regarding the impact of methane and the IAB advised that ICROA members also should consider this issue.

c. External Engagement:

IAB Response: The IAB advised that ICROA should continue to focus on engaging on Capitol Hill regarding the future of the US voluntary carbon market. The IAB advises contacting Senator Stabenow's office prior to the Copenhagen COP. The IAB also advised engaging with the EU.

d. Double Counting:

IAB Response: This was also discussed in the IAB pre-call with Total Environment Center in Australia and it was noted that this is particularly relevant for Australia and the US as legislative development is ongoing and support for domestic projects is strong. The IAB advises that ICROA revise its position and consider formally supporting the retirement of

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AAUs in countries with cap and trade requirements, to allow for valid domestic voluntary offset projects. It was noted that there are 2 distinct double counting issues to be considered by ICROA: 1. Double counting emission reductions from domestic voluntary offset projects in countries covered by cap and trade requirements. 2: Offset credits being sold twice in the voluntary carbon market i.e. lack of uniqueness. The offset standards, who are members of the IAB, advised that they already review all of the voluntary carbon market registries to ensure that the offset credits being certified are unique.

5. IAB Recommendations for ICROA Engagement for 2010:

The IAB agreed with the proposed recommendations for ICROA for 2010 (EU engagement, US engagement, RFI Discussion Forum). The IAB asked what support they could provide for ICROA at the event at the Copenhagen COP. ICROA will advise the IAB on this issue.

6. Revised IAB Terms of Reference:

The IAB were presented with revised Terms of Reference which need to be signed by the IAB members and returned to the ICROA Secretariat.

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