

ICROA

INTERNATIONAL CARBON REDUCTION AND OFFSET ALLIANCE

Programme and Policy Framework 2008



ICROA



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Preface

On 9 June 2008, eight organisations launched the International Carbon Reduction and Offset Alliance (ICROA) with a view to defining and meeting best practice in the rapidly maturing voluntary carbon market. This document presents the goals, objectives, modus operandi, governance, and Code of Best Practice developed by the founding members. It is our desire to see this document evolve over time under the guidance of peer organisations which share our commitment to a significant role for our industry sector in the global response to climate change.

While this document presents the views of the ICROA members alone, we have been helped enormously by the informed feedback from a number of individuals in the climate field who have taken the time to reflect on what constitutes best practice in our area of work, and guide us in the development of this self-regulatory Code.

We thank The Climate Group for providing the secretariat function to ICROA through its formative stages, specifically Josh Harris and Caroline Spencer. Without their dedicated hard work we would not have been able to achieve our aspiration to launch a credible and effective global alliance.

ICROA Founding Members

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The CarbonNeutral Company

Jonathan Shopley
Executive Director

ClimateCare

Edward Hanrahan
Executive Director

Climate Friendly

Freddy Sharpe
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Version control

Minor changes to the ICROA Programme and Policy Framework 2008, if occurring during year 2008 will be indicated by 2008.x where x is a running number commencing at '1'. When the ICROA Programme and Policy Framework 2008 is updated in future years it will be designated Programme and Policy Framework 200v as appropriate for the year.

The current version is the version available at the time of use on the www.icroa.org. The ICROA Programme and Policy Framework was launched on 9 June 2008.

International Carbon Reduction and Offset Alliance (ICROA)

Who we are

ICROA is the pre-eminent organisation of carbon reduction product and service providers.

Background Principle

Scientific knowledge on climate change and its likely impacts demands an urgent and substantial cut in greenhouse gas emissions. Achieving this reduction requires a comprehensive strategy of carbon management at the individual and organisational levels. Carbon management is the implementation of a thorough and transparent organisation-wide process that measures greenhouse gas emissions, identifies and realizes actions that reduce internal emissions, and uses offsets to compensate for unavoidable emissions. The ICROA Code of Best Practice helps ICROA members, clients and customers to realize their carbon management strategies in a credible and sustainable manner.

ICROA Aims

- Support fast, global emissions reductions by promoting a responsible reduce-and-offset approach by businesses and individuals.
- Promote credibility and high standards across the voluntary carbon management industry, through widespread adherence to and promotion of the ICROA Code of Best Practice.
- Provide a credible, influential and uniform voice on carbon reduction strategies, products and services and raise the profile of the carbon management industry.
- Enable bold carbon management strategies to be integrated profitably into business.
- Commit to shared learning, transparency and continuous improvement.

ICROA Members Will

- Measure carbon footprints to accepted international standards.
- Encourage businesses and individuals to identify and pursue internal emissions reduction opportunities.
- Convey to clients that implementing internal reductions can demonstrate leadership, stimulate behavioural change and increase long-term profitability.
- Promote credible offsetting as a cost-effective method of reducing emissions.
- Comply with the ICROA Code of Best Practice.
- Ensure that this compliance is communicated publicly.

ICROA Governance:

ICROA has been established as an Unincorporated Association, governed by an Executive Committee, with the Climate Group as Secretariat. It is primarily funded by membership fees.

ICROA Founding Members:



ICROA Membership Remit

Membership Eligibility Criteria:

- Members have been in business and actively trading for at least one full year.
- Members' principal¹ use of offsets is for retirement/cancellation, either by the member itself or by the immediate recipient of the offset.
- Members offer services to estimate carbon footprints, identify and implement internal emission reduction opportunities and offset emissions.
- Members are committed to achieving large absolute reductions across their client base.
- Members have in place a verifiable quality management system that will be independently reviewed, e.g. by the ICROA Secretariat or by an independent third party.

Member Obligations:

- Timely, complete and ongoing adherence to the ICROA Code of Best Practice.
- Annual reporting to demonstrate compliance with the ICROA Code of Best Practice and with ICROA eligibility criteria.
- Timely payment of membership fees.
- Active involvement, through a named representative of the member organisation, with ICROA, and adherence to membership commitments.
- Commitment to raising the profile of the voluntary market and of ICROA, and to the promotion of ICROA's fundamental principles.

¹ As determined on a case by case basis by the ICROA Executive Committee, through an evaluation of the applicants' business models.

ICROA Code of Best Practice for Carbon Management Services

Introduction

The Code outlines best practice in carbon management services, including carbon footprinting, reducing emissions internally and externally, verification practices and communication. The Code aims to define international best practice and represents the minimum requirements that all ICROA members must meet.

Carbon Management Services

We agree that the steps to a comprehensive carbon management strategy include:

1. Measurement of carbon footprints to accepted standards and the use of publicly available and nationally relevant emissions factors, from a reputable and recognised source (e.g. IPCC, published Government data etc.).
 - For organisation footprints, members shall follow the WRI/WBCSD GHG Protocol and ISO 14064-1. Members commit to advising clients to disclose which “Scope 3” or “Other Indirect” emissions sources have and have not been included.
 - Product and service footprints shall be determined based on a life cycle basis. The PAS 2050, Greenhouse Friendly Program, and Bilan Carbone documents provide guidance on how to estimate product and service emissions on a life cycle basis.
 - ICROA acknowledges that there are currently different approaches to calculating air travel emissions, particularly Radiative Forcing Index (RFI). ICROA commits to developing a consensus on RFI and air calculation methodology, through an international, collaborative and transparent process, within 1 year of launching.
2. Setting emissions reduction targets aligned with scientifically informed opinion on desirable emissions reduction goals.
3. Undertaking a comprehensive assessment of internal and external emissions reduction opportunities.
4. Prioritising cost effective reductions to meet those targets; either through internal or external reductions (including renewable energy and offsets).
5. Use of credible offset projects that meet international standards, where offsetting is used to meet reduction targets.
6. Public communication of:
 - The total emissions associated with the organisation, product, service or event.
 - All other actions being taken to reduce greenhouse gas emissions.
 - Any emissions that are being offset and details of the project generating the offset, including estimates of where the customer’s money goes (for example if a portfolio approach is used).
 - A link to the registry where the offset has been retired.
 - Any uncertainties or risks associated with the carbon footprint or internal or external emissions reductions.

Use of Offsets

When using offsets, we agree to only source offsets that meet the following principles:

Real

All emission reductions and removals and the project activities that generate them must be proven to have genuinely taken place, or shall meet the requirements of the ICROA Forward Accounting Principles.

Measurable

All emission reductions and removals must be quantifiable, using recognised measurement tools (including adjustments for uncertainty and leakage), against a credible emissions baseline.

Permanent

It is essential that credits represent permanent emission reductions and removals. Where reductions/removals are generated by projects that carry a risk of reversibility, adequate safeguards must be in place to ensure that the risk of reversal is minimized and insured against. The VCS buffer approach for agriculture, forestry and land-use projects provides an example of an accepted insurance mechanism.

Additional

Project-based emission reductions and removals must be additional to what would have occurred if the project had not been carried out. ICROA members are required to demonstrate that the project would not have occurred without the availability of carbon finance.

Independently verified

All emission reductions and removals must be verified to a reasonable level of assurance by an independent third party verifier accredited under one of the ICROA approved offset standards in the sector in which the project is taking place.

Unique

No more than one credit can be associated with a single emission reduction or removal. Offsets must be stored and retired in an independent registry.

Offset Standards

ICROA members shall only use carbon credits sourced from offset projects validated, verified and registered under the following standards:

1. Clean Development Mechanism
2. Joint Implementation
3. Gold Standard
4. Voluntary Carbon Standard

Sustainability

Most offset projects have a net positive - or at least neutral - impact on social, economic and environmental factors. However, there is potential for some projects to have negative impacts and ICROA members are encouraged to consider sustainable development when developing or purchasing offsets. ICROA members shall disclose whether and how they have assessed the sustainability impacts of their projects/offsets.

Additionality

Additionality is a fundamental criterion for any offset project. ICROA members support the offset standards above as the best available tools for assessing additionality. ICROA members commit to interpreting and using these tools in good faith and require that all projects' successful implementation and operation are dependent on the availability of carbon finance.

Forward Accounting

ICROA supports forward accounting as a policy to provide carbon finance to projects that face overwhelming capital constraints or that cannot obtain long-term contracts. Projects must meet the principles at Annex 1 if they want to apply forward accounting.

Adhering to the Code of Best Practice

ICROA Members shall fully comply with the Code within a calendar year of the launch. To demonstrate compliance, ICROA members shall provide annual reports², within three months of the end of the reporting year, demonstrating how they have met the conditions of the Code.

The Secretariat will assess member claims against the Code including engaging an independent entity to verify a statistically representative sample of member claims. If members fail to adhere to the Code and resolve outstanding issues, members will be excluded from ICROA.

A summary of annual reports, excluding commercially sensitive information, and Secretariat reports will be publicly available on the ICROA website.

ICROA members shall comply with disclosure requirements adopted by ICROA in subsequent versions of the Code.

² The ICROA annual reporting structure is currently being developed. It will include details on how members demonstrate they have met the reduction consultancy requirements, credit registration, demonstration of additionality predicated on availability of carbon finance, assessment of projects/offsets sustainability and forward accounting requirements, amongst other criteria.

Annex 1: Principles for Forward Accounting

ICROA has included in this Code the principles below for the practice of forward purchasing and crediting of project-based carbon offsets, with the goal of ensuring that carbon offsets credited in advance of production, in accordance with these principles, can be and are considered to be real.

Forward purchasing and crediting is a mechanism by which purchasers of carbon offsets can enable the implementation of certain emissions reduction projects that would not otherwise be implemented. The mechanism is designed principally to accommodate the needs of certain financially additional projects for which the “opportunity” to realize carbon revenues is insufficient to enable implementation. This can occur in several circumstances, including:

- when project implementation requires a binding and creditworthy long-term contract for the sale of the carbon offsets, and only short term purchase contracts are available in the market; and
- when the project lacks access to the initial capital needed to implement the project, regardless of otherwise adequate returns from carbon offsets sales over time.

The mechanism involves one or more purchasers crediting, financially, a project’s long-term stream of carbon reductions on a forward basis and, in consideration, being credited with the expected result of that action on a forward basis. The mechanism accommodates the practical reality that purchasers who are unwilling to make a long-term commitment to pay over time for offsets they would claim over time would be only less willing to pay in advance for offsets they could only claim over time. The forward crediting of the offsets is necessary to induce the forward payment, and for certain, typically smaller, projects,³ the forward payment is necessary to enable implementation.

The forward purchasing and crediting mechanism directly achieves the principal goal of the voluntary offset market – enabling the implementation of more carbon reduction projects. Market experience has shown that many purchasers value this direct impact and the causative role that the purchaser thereby has in enabling specific project implementation. As such, there is an opportunity for the mechanism to enhance the reach and effectiveness of the voluntary market. At the same time, forward purchasing and crediting necessarily carries certain risks. Challenges to the forward model include communicating the future offset to stakeholders and including adequate safeguards to provide reasonable assurance that the future emissions will be avoided, reduced or sequestered. The principles will ensure credibility of forward credited carbon offsets, by requiring project validation, limited delivery terms⁴ and disclosure thereof, performance risk mitigation, performance verification and accountability through disclosure, transparency in claims and mandatory retirement of forward credited offsets.

The principles outlined below have been developed with the goal of promoting the voluntary carbon market as highly credible, while creative enough to employ a broad range of approaches/project types/technologies to address the key challenges associated with moving to a low carbon economy: paying for the incremental costs associated with creating new, additional and real emissions reductions activities. One of the roles of the voluntary market is to experiment with new approaches. Lessons learned from ICROA members applying a forward crediting model could feed into future reviews of existing offset standards.

1. Project Validation: Project validation is as important with forward crediting as it is with other models. All projects using a forward accounting model should therefore be validated against one of the certification standards approved in the ICROA Code of Best Practices (“Approved Standards”) to the same extent as required for other models under the Code. Using standard baseline quantification and monitoring and verification methodologies will ensure that the commodity is the same, whether accounted for ex-post or ex-ante.

2. Delivery Term Disclosure. The vintage or period of generation of emissions reductions is material to purchasers. All marketers using forward crediting must disclose the term over which the carbon offsets will be delivered, with the same or greater prominence as other material project-specific terms such as location, year of implementation and resource. Such term shall not exceed the maximum applicable crediting period or periods under the Approved Standard against which the project is validated.

³ The ICROA membership anticipates that these principles will have the effect of limiting the use of forward purchasing and crediting to the smaller projects for which it is most suited and most needed.

⁴ The principles as adopted will at the outset have a functional delivery term limit of 7 or 10 years (depending on the standard), but also retain the flexibility to accommodate longer delivery terms if and when adopted by one or more Approved Standards.

3. Performance Risk Mitigation and Disclosure. Reasonable assurance that the claimed volume of emissions reductions will occur is material to purchasers. Marketers using forward crediting must employ adequate safeguards to ensure that the project, project group or portfolio of projects being sold using forward crediting perform as well or better than claimed. Where such performance is not guaranteed, members shall, as a minimum, permanently reserve a portion of the expected output as a buffer. Buffers should be determined based on the risk profile of the project or project portfolio. The VCS Program AFOLU Guidelines provides advice on how to establish buffers. Independent validators must validate that the buffer is reasonable based on the risk profile of the project.⁵ Marketers relying on such a buffer mechanism shall adjust their reservation practices, based on real project performance data, with respect to forward crediting projects added to the portfolio as necessary to restore a reasonable, good faith expectation of long-term portfolio performance, and shall identify such adjustments in their annual reports to the Executive Committee. Marketers must clearly disclose any risk of under-performance (this can be done on a project portfolio basis) with the same or greater prominence as other material project-specific terms such as location, year of implementation and resource.

4. Project Performance Verification and Disclosure: Verification and disclosure of project performance is as important with forward crediting as it is with other models. All marketers using forward crediting must therefore commit to project performance verification by an independent third party, to the same extent otherwise required under one or more Approved Standards.⁶ Verified project performance data and its relationship to the volume credited ex ante must be reasonably available to the public on the marketer's web site, and must be updated at least annually and included in the Marketer's annual report to the Executive Committee.

5. Transparency: Transparency regarding forward crediting is important between business purchasers and their stakeholders as well as between marketers and their customers. Marketers must provide purchasers with clear and easy to understand communications materials and encourage them to communicate to stakeholders that their carbon mitigation claims are based on the principle that they were building new projects that would achieve reductions over time.

6. Retirement/Avoidance of Double Counting: Forward credited offsets may carry some risk of resale by the end purchaser after initial claims. Marketers using forward crediting must ensure that offsets claimed in advance of generation are retired by a third party with transparent and available records, or, alternatively, registered as forward stream with voluntary registries under special provisions. Purchase contracts should specify that offsets generated in future years have been sold and retired and are no longer available for resale.

7. Project Eligibility: Forward purchasing and crediting should be utilised when needed. Marketers using forward crediting shall secure an attestation from the owner of each project to the effect that the project's prospects for successful implementation were materially impaired without the mechanism of forward purchasing and crediting utilised by the project and marketer.

⁵ ICROA supports the development of technology- and/or sector-specific guidance materials for validators, to facilitate their determinations of reasonableness.

⁶ Where permitted under an Approved Standard, project performance verification for project groups may be performed by sampling.