ICROA

International Carbon Reduction & Offset Alliance

COP24·KATOWICE 2018
UNITED NATIONS CLIMATE CHANGE CONFERENCE

IETA
CLIMATE CHALLENGES MARKET SOLUTIONS

Katowice, Poland
7th December 2018

4th ICROA workshop on increased voluntary action under the Paris Agreement

Moderator

Ana Aires Carpinteiro

Business Development Director, Nexus for Development

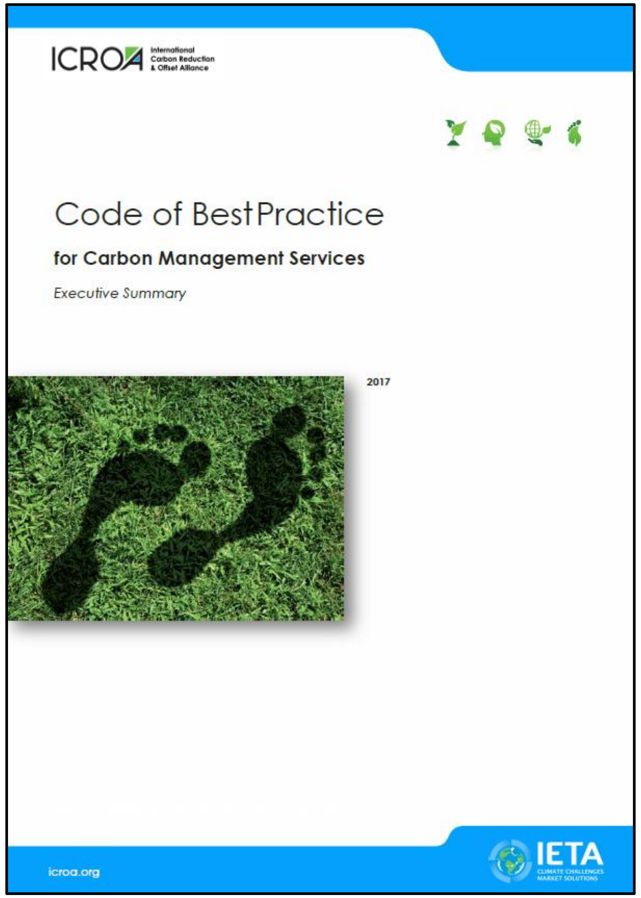
Agenda

1.	Welcome and introductions	10.00 – 10.05
2.	Opening remarks from ICROA	10.05 – 10.30
3.	Updates from voluntary market Standards	10.30 – 10.50
4.	Updates from C2ES and Wuppertal Institute	10.50 – 11.10
5.	General discussion and closing remarks	11.10 – 11.30

What is ICROA?

The International Carbon Reduction and Offset Alliance (ICROA) is an international industry association housed within IETA

- ICROA's primary aim is to deliver quality assurance in carbon management and offsetting, through adherence to the ICROA **Code of Best Practice**
- ICROA ensures **credibility and quality** for corporates using voluntary carbon credits to reduce their greenhouse gas emissions
- ICROA provides a **unified voice for the voluntary carbon market**



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VNV Advisory

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Speakers

Jonathan Shopley

Managing Director, Natural Capital Partners

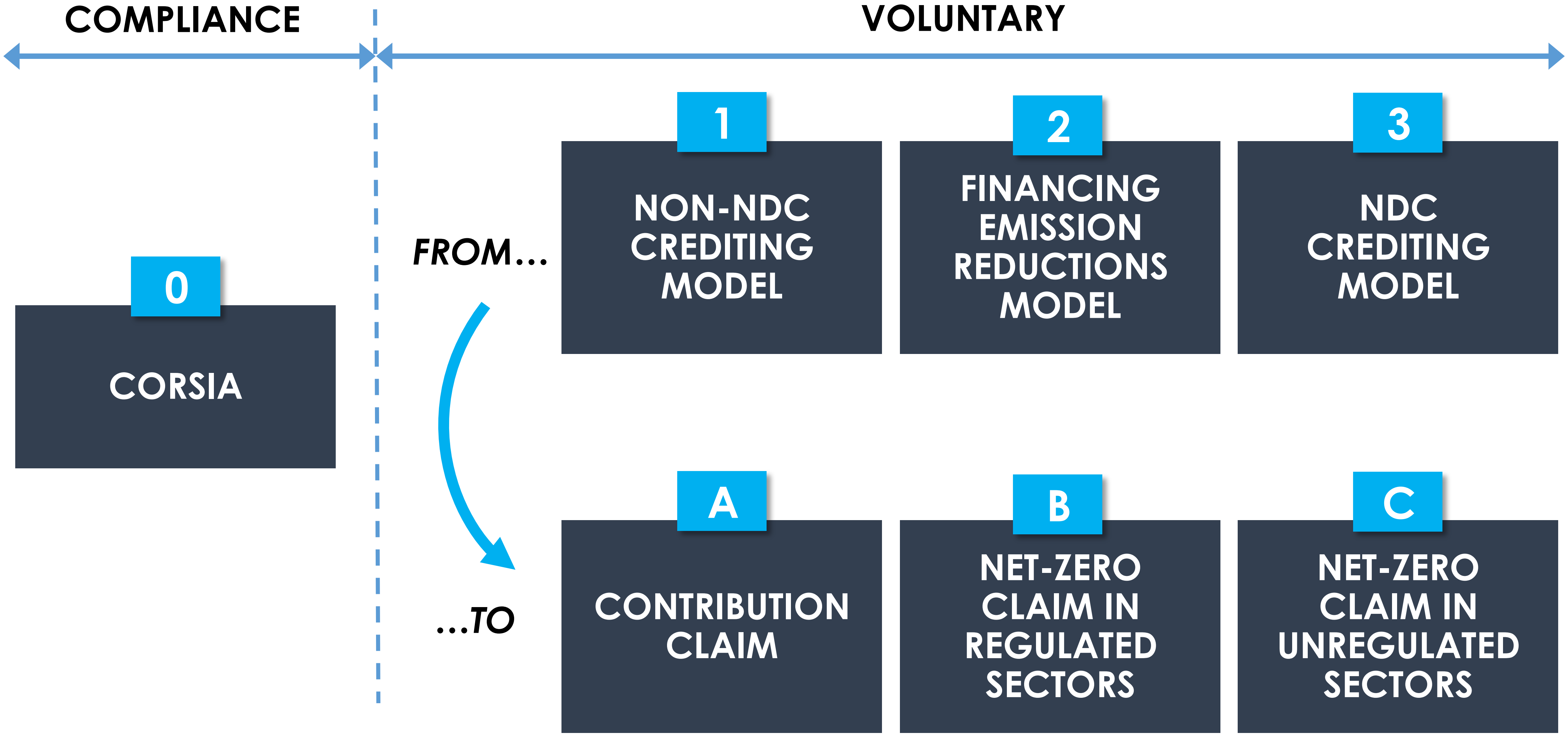
Jeff Swartz

Director for Climate Policy & Carbon Markets, South Pole

Accounting treatment for voluntary action by non-state actors to avoid double counting

- **Non-state actors accelerate climate ambition under the Paris Agreement when:**
  - ➔ They fund additional emission reductions that are not required by regulation, and
  - ➔ The country in which the emission reductions are generated benefits from the emission reductions funded by the non-state actors.
- **This is the case in all instances where:**
  - ➔ Action by non-state actors is voluntary and free of any regulatory requirement.
  - ➔ Emission reductions are accounted for only once, in the host country.
  - ➔ Credible standards establish the emission reductions using accurate baselines that reflect changing regulatory requirements in the host country.
- **These conditions remain true until** mitigation instruments for voluntary action by non-state actors are sourced from an ETS or from regulated sectors inside an NDC or from outside an NDC.

ICROA's thinking is evolving



Voluntary action post 2020: spectrum of options

A
CONTRIBUTION CLAIM

- Emission reductions financed by non-state actors contribute to the host country's NDC.
- End-buyers claim a contribution toward the host country's climate goals. Change from ownership of an emission reduction to the attribution of an emission reduction.
- Gold Standard's Alternative VER Claims solution / Verra's DCC unit.

B
NET-ZERO CLAIM IN REGULATED SECTORS

- Emission reductions financed by non-state actors in regulated sectors inside an NDC can be used for net-zero claims if an adjustment is applied to the host country's NDC to avoid 'hot air'.*
- If reductions originate from regulated sectors outside the NDC, appropriate baseline adjustments are required.*

* Subject to requirements in the Paris Rulebook.

C
NET-ZERO CLAIM IN UNREGULATED SECTORS

- Emission reductions financed by non-state actors can be used for net-zero claims when they are additional, i.e. go beyond a credible baseline.
- These emissions reductions may originate from sectors inside or outside the NDC.

Key considerations in ICROA's evolving position

- The IPCC SR15 brings new emphasis to the goal of net-zero, and we must ensure that alternatives do not undermine or detract from maintaining that option for non-state entities.

- Until the NDC accounting processes under the Paris Agreement are clarified and implemented, alternative claims may not always result in raised ambition in host countries.

- Breaking the link between a non-state actor's carbon footprint and its compensating actions may not lead to raised ambition across the private sector.

Further work is needed to…

- Unpack each of the 3 options
- Simulate how each option would work in host countries with different types of inventories
- Understand how a (bottom-up) transition would look like
- Understand how to design and implement GHG registries than can account for both compliance and voluntary action
- Explore how a voluntary market account could work in the broader Article 6 framework
- Credible standards need to establish emission reductions using baselines that reflect changing regulatory requirements in the host countries

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Updates from voluntary market Standards

Interventions

- **Owen Hewlett**, Chief Technical Officer, Gold Standard
- **David Antonioli**, CEO, Verra

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Updates from C2ES and Wuppertal Institute

Interventions

- **Nancy Meyer**, Director of Corporate Engagement, C2ES
- **Wolfgang Obergassel**, Project Coordinator, Wuppertal Institute

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Discussion

Thank you

International Carbon Reduction & Offset Alliance

International Carbon Reduction and Offset Alliance (ICROA)

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Option 1: Contribution Claim

DESCRIPTION	CHARACTERISTICS
• Emission reductions financed by non-state actors contribute to the host country's NDC. • End-buyers claim a contribution toward the host country's climate goals. Change from ownership of an emission reduction to the attribution of an emission reduction. • Gold Standard's Alternative VER Claims solution / Verra's DCC unit.	✓ Use of credible standards to determine mitigation impacts. ✓ Not dependent on markets unless claims are transacted. ✓ Voluntary action is not directly tied to non-state actor footprint, so does not support claims of net-zero.

Option 2: Net-zero claim in regulated sectors

DESCRIPTION	CHARACTERISTICS

DESCRIPTION

- Emission reductions financed by non-state actors in regulated sectors inside an NDC can be used for net-zero claims if a corresponding adjustment (CA) is applied to the host country's NDC to avoid 'hot air'.*
- If reductions originate from regulated sectors outside the NDC, appropriate baseline adjustments are required.*

* Subject to requirements in the Paris Rulebook.

CHARACTERISTICS

- ✓ Use of credible standards to determine mitigation impacts.
- ✓ Creates instruments that can be traded and retired to support claims of net zero.
- ✓ Requires voluntary action to be tied to a non-state actor's footprint.
- ✓ Dependent on markets.
- ✓ Regulatory requirements taken into account through adjustments that protect the integrity of the claim by ensuring raised ambition (avoid hot air).

Option 3: Net-zero claim in unregulated sectors

DESCRIPTION	CHARACTERISTICS
• Emission reductions financed by non-state actors can be used for net-zero claims when they are additional, i.e. go beyond a credible baseline. • These emissions reductions may originate from sectors inside or outside the NDC.	✓ Use of credible standards to determine mitigation impacts. ✓ Creates instruments that can be traded and retired to support claims of net zero. ✓ Requires voluntary action to be tied to a non-state actor's footprint. ✓ Dependent on markets. ✓ Applies where regulatory requirements do not need to be taken into consideration because there are none, or they are already factored into baselines.