

**Feedback Form for VCMI's Global Consultation Report: Aligning Carbon Markets with the 1.5°C Paris Agreement Ambition, July 2021**

This form is to provide feedback on the VCMI Initiative Consultation Report to develop and refine the proposals and ideas contained within and contribute to any future VCMI public statements or guidance. The deadline for responses is September 15, 2021.

Please answer as many questions as you like, but you do not need to answer all questions to participate in the survey.

1. Name of Organization or Entity responding to the survey (optional)

[International Carbon Reduction and Offset Alliance \(ICROA\)](#)

2. Contact Email Address (optional)

[diemert@ieta.org](mailto:diemert@ieta.org)

3. Which description best describes your organization (please bold the relevant organization)?
  - a. Business
  - b. Investor
  - c. Government
  - d. [Civil Society or Non-Governmental organization \(Industry Association\)](#)
  - e. Indigenous Peoples organization
  - f. Local community organization
  - g. Voluntary Carbon Market Related Agency
  - h. International organization
  - i. Multi-stakeholder initiative
  - j. If other, please describe here: \_\_\_\_\_

4. What are your views on the proposed **Vision for High Integrity Voluntary Carbon Markets**? Is the vision clearly articulated? How critical is achieving this vision key to limit temperature rise to 1.5 degrees above pre-industrial levels?

We feel that the vision is well laid out and in line with ICROA's approach, in support of full transparency on emissions and on credible, science-aligned abatement, complemented by high quality carbon credits from the VCM with a strong role for both avoided/reduced emissions and a greater role for removals over time in support of global net zero.

Our high level vision of the VCM's role and best practice voluntary action can be summarized as follows:

**The role of the VCM:**

- The VCM exists to enable non-state actors to take climate action ahead of and beyond regulation.
- By doing so, it contributes to closing global climate policy gaps (mitigation, finance, time) and enables climate leadership. It channels finance to mitigation and adaptation projects now, through a transparent, third-party verified and results-based approach.
- The VCM helps countries and non-state actors achieve greater climate ambition and therefore accelerates the transition to net zero emissions (balance between anthropogenic emissions by sources and removals by sinks of GHGs) globally, as required by the Paris Agreement.

**Best practice guidance to ensure the environmental integrity of voluntary action:**

- The VCM delivers high quality carbon credits which enable critical finance.
- In order to raise ambition, these carbon credits must be used with integrity.
- Companies must start by measuring and publicly reporting their emissions, covering the 3 scopes, following recognized standards such as ISO/GHG Protocol, as per ICROA's Code of Best Practice.
- They must also commit to abating their emissions in line with science and the goals of the Paris Agreement, adopting a transparent and third-party verified roadmap focused on bringing down their emissions to net-zero by 2050 or earlier, with interim short- and medium-term targets that ensure action now and along the way.
- Progress towards these targets is monitored and publicly reported on an annual basis.
- To measure progress and allow for third-party verification of targets, some corporates may choose to implement a Science-Based Target while others may consider alternative credible options. Corporates from hard-to-abate sectors should adopt ad hoc approaches that represent best practice.

- To take responsibility for emissions that cannot be abated now and for all future residual emissions on the way to net zero, companies are encouraged to use the VCM by retiring carbon credits that are certified to an ICROA-approved Standard.
- These carbon credits may represent the avoidance and reduction of emissions at their source, or the removal of carbon from the atmosphere through biological or technological sequestration. Over time, greater reliance on removals is encouraged to support the achievement of the end goal of net-zero (balancing emissions and sinks).
- Retiring carbon credits on the way to net zero allows corporates to make claims of neutrality, representing a state achieved for a defined period of time, through the compensation (avoided and reduced emissions) or neutralization (carbon removed from the atmosphere) of residual emissions.
- Any claim is a combination of abatement and VCM use, as described above. Without this broad approach, the integrity of voluntary corporate action can be called into question and a corporate claim may give a false impression of positive impact while in fact increasing emissions.

5. What are your views on the **Ten Principles for High Integrity and High Ambition Voluntary Corporate Climate Action**? Are there additional principles that should be included, or could some be combined? What practical steps do you think that businesses can take to implement any or all of those Ten Principles?

We feel that the principles could be condensed to an even shorter list and kept at the same level to make them more powerful. ICROA has adopted principles that (inter alia) advocate for actionable, understandable and pragmatic responses to climate change that can be widely adopted by organizations and individuals committed to advancing climate solutions, wherever they may be on their journey to a net zero economy. ICROA's experience is that a large majority of entities taking voluntary action do so in a way that is aligned with this principle, i.e. practical and impactful. We believe that inclusiveness is a key principle.

ICROA's principles are listed [here](#).

6. What are your views on the diagnosis of key issues for **high integrity supply**? Are the key issues identified? What do you think should be the priority areas of focus to support supply-side integrity, and which key existing initiatives or organisations can play a key role?

In a market where innovation has always played a key role, ICROA believes that principles-led guidance is an effective way of ensuring the quality of credit supply in the VCM. This is what ICROA demands from all of its members through its [Code of Best Practice](#), an annual [audit](#) ensures compliance with these principles.

ICROA has defined principles for self-regulation. When offsetting emissions on behalf of a client, ICROA members commit to use carbon credits that have the attributes listed below.

In addition, you will find [here](#) the review criteria that ICROA uses to assess Standards for inclusion in the Code of Best Practice.

- **Real:** All emission reductions, removals and the project activities that generate them, shall be proven to have genuinely taken place.
- **Measurable:** All emission reductions and removals shall be quantifiable, using recognized measurement tools (including adjustments for uncertainty and leakage), against a credible emissions baseline.
- **Permanent:** Carbon credits shall represent permanent emission reductions and removals. Where projects carry a risk of reversibility, at minimum, adequate safeguards shall be in place to ensure that the risk is minimized and that, should any reversal occur, a mechanism is in place that guarantees the reductions or removals shall be replaced or compensated. These conditions shall be superimposed on emissions reductions and removals validated and verified by any ICROA-approved offset standard that requires additional permanence conditions. The internationally accepted norm for permanence is 100 years.
- **Additional:** Additionality is a fundamental criterion for any offset project. ICROA members acknowledge and support the offset standards stated in its Code of Best Practice as the best available tools for assessing additionality. ICROA members shall interpret and use these tools in good faith and shall require that all projects' successful implementation and operation be dependent on the availability of carbon finance. ICROA members shall demonstrate adherence to the following requirements by demonstrating carbon credits are from projects in accordance with the offset standards listed in its Code of Best Practice.
  - Project-based emission reductions and removals shall be additional to what would have occurred if the project had not been carried out.
  - ICROA members shall demonstrate the project would not have occurred without the availability of carbon finance.
- **Independently verified:** All emission reductions and removals shall 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 carbon credit can be associated with a single emission reduction or removal as one metric ton of carbon dioxide equivalent. Carbon credits shall be stored and retired in an independent registry.

7. What are your views on the diagnosis of key issues for **high integrity demand**? Are the key issues identified? What do you think should be the priority areas of focus to support demand-side integrity, and which key existing initiatives or organisations are playing a key role here?

ICROA believes that asking for full transparency from companies on the claims they are making is the right approach, rather than trying to standardize them - which is difficult. Buyers should decide how to communicate their targets and claims, as long as they are fully transparent on their decarbonization actions. Authoritative guidance could be both unproductive and unapplicable.

As mentioned in the high level best practice guidance above (in response to question 4): If a company is on a science-informed decarbonisation pathway, ICROA thinks that this company is entitled to use ICROA-compliant carbon credits (reductions and removals alike<sup>1</sup>) to go further and make a claim of carbon neutrality. Any claim needs to be backed up by full transparency, and we should allow different claims, and allow corporates to choose. The ones with the least credibility will be phased out. It will depend on where companies are in their journey, but transparency and scrutiny are essential.

Policing claims made by individuals and corporates is difficult to achieve. Companies will use the semantics they feel is most appropriate in the context of their targets. They will do so in different languages as well. While principles from the SBTi (and in the future ISO 14068 on carbon neutrality) will serve as guidance for some buyers, others might want to follow a different path. ICROA believes in the balance of a self-regulating body involving market participants, with NGO involvement built-in to ensure all the scrutiny that is needed.

8. In your view, what are the priority areas of focus to support businesses to engage in high integrity voluntary carbon markets?

For businesses to engage at scale, claims need to be easy to understand and communicate to their key stakeholders. At the same, these claims have to be backed-up by ambitious scopes 1-3 decarbonization to ensure their credibility.

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<sup>1</sup> Gradually, ICROA supports a transition to a greater use of removals-based credits, when supply effectively become available and issues such as permanence have been addressed.

ICROA's vision of ambition uses a carrot, not a stick. Flexibility plays an important role as part of the "carrot" by allowing for increased participation, action and ambition. Transparency is also critical, to ensure that checks and balances are in place. If the VCM is not overly constrained, we should see much faster uptake and bolder goals, enabled by the market.

9. Do you have any feedback on the **preliminary proposal for categorization and utilization of VCM-related claims?**

We support the distinction between commitment claims and achievement claims, which brings clarity and can be communicated effectively. To avoid any confusion, we believe that a commitment claim should be communicated as a goal to reach "net zero", while the achievement claim should be communicated as "neutrality". Neutrality should be achievable at any given moment for a defined period of time (while on the way to net zero), while net zero should be communicated as the end goal and state of balance between emissions and removals by sinks. In the glossary of key terms, the document says carbon neutrality and net zero emissions are the same thing. Differentiating the two terms may avoid any confusion.

Remarks on accounting:

- Corresponding Adjustments (CAs) for VCM units are theoretically possible, but the practical reality is a long way off. We must not underestimate the efforts that will be needed and the transition period that is required. ICROA seeks to respond to the scientific evidence that supports immediate action on an international level. Developing the regulatory capacity and authorization procedures to execute CAs is complex and could disincentivize or delay urgent private sector investments in climate mitigation.
- Double claiming: ICROA believes that the financial contribution model is similar to a carbon neutrality claim model which is a financial contribution while on the way to net zero. A carbon neutrality claim represents compensation, it is not the corporate target (net zero) in itself, but it contributes to further ambition. Credits are used to compensate residual emissions while on the way to net zero, which ought to be clarified and better understood.

Claims made by companies using the VCM may vary but are all based on the concept of retiring carbon credits, which channels finance to projects on the ground. Claims of neutrality create a direct link to emissions (ton for ton), which provides a strong incentive. Alternative contribution claims may be used by companies, so long as best practice safeguards are there

for science-aligned abatement and transparent, verified impact that carbon credits ensure. Companies should be given the option of a neutrality or contribution claim.

10. What role do you think VCMI could play in developing guidance to strengthen precision, transparency and assurance for voluntary carbon credit-related claims?

As a multi-stakeholder platform with broad endorsement, VCMI can act as a convener of organizations and governments that are currently working on the topic of private sector voluntary action through the VCM. Legitimacy and applicability will depend on the representation of governments, civil society, market stakeholders and business. ICROA and its community would be pleased to actively participate in this process, bringing 13 years of experience. ICROA recommends a meaningful representation and role for market participants within the VCMI's governance framework, e.g. through a private sector contact group.

11. In your view, what is needed to enable a wide range of countries to access high integrity voluntary carbon markets in support of their climate and sustainable development goals?

Many countries are not aware of their mitigation opportunities and how the private sector can finance them, a lot of capacity building is needed. It will be important that VCMI stakeholders and country representatives identify which sectors can be targeted and prioritised to create favourable conditions for attracting private sector voluntary finance and achieve higher mitigation.

ICROA has recently worked with the World Bank's Partnership for Market Readiness to assess how countries could leverage the VCM to achieve higher ambition. A [report](#) entitled "Country Perspectives: Opportunities and Challenges for International Voluntary Carbon Markets in the context of the Paris Agreement" has been published and an official launch event will take place on 30 September.

12. Do you have any other feedback or comments on any other areas of the Consultation Report or for the VCMI Initiative?

Thank you for completing the feedback form! Please email your response to [vcmi@merid.org](mailto:vcmi@merid.org)