PROJECT DEVELOPER + NGO TRACK

# FUTURE PROOFING THE VOLUNTARY CARBON MARKET FOR PARIS AGREEMENT + CORSIA

**Owen Hewlett**, Chief Technical Officer, Gold Standard

**Lambert Schneider**, Associate, Stockholm Environment Institute

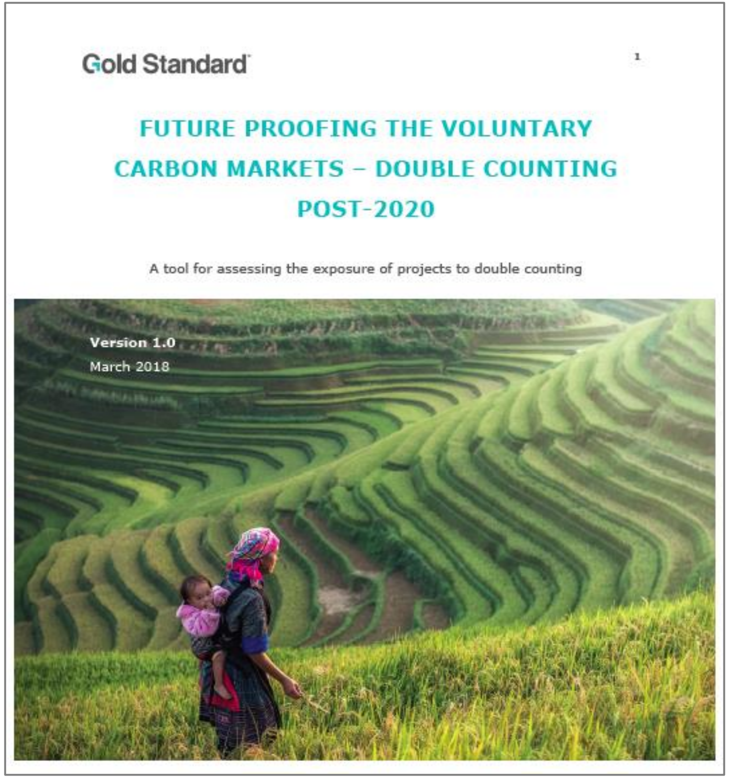
**Sarah Leugers**, Director of Communications, Gold Standard

**SOCIAL MEDIA**
@cdmgoldstandard
#GrowToZero

**WWW.SLIDO.COM**
1025

**WIFI**
Network: Gold Standard
Password: 180418GoldStandard

# DOUBLE COUNTING POST-2020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FUTURE PROOFING THE VOLUNTARY CARBON MARKETS – DOUBLE COUNTING POST-2020

A tool for assessing the exposure of projects to double counting

Version 1.0

March 2018

**Phase1:**

- Tool to assess double counting at project level
- Initial testing findings
- Outline solutions to the issue of double counting post-2020
- Feedback welcome via GS website (by 10$^{th}$ May)

**Phase 2:**

- Dialogue on solutions – starting today!

# DOUBLE COUNTING POST-2020

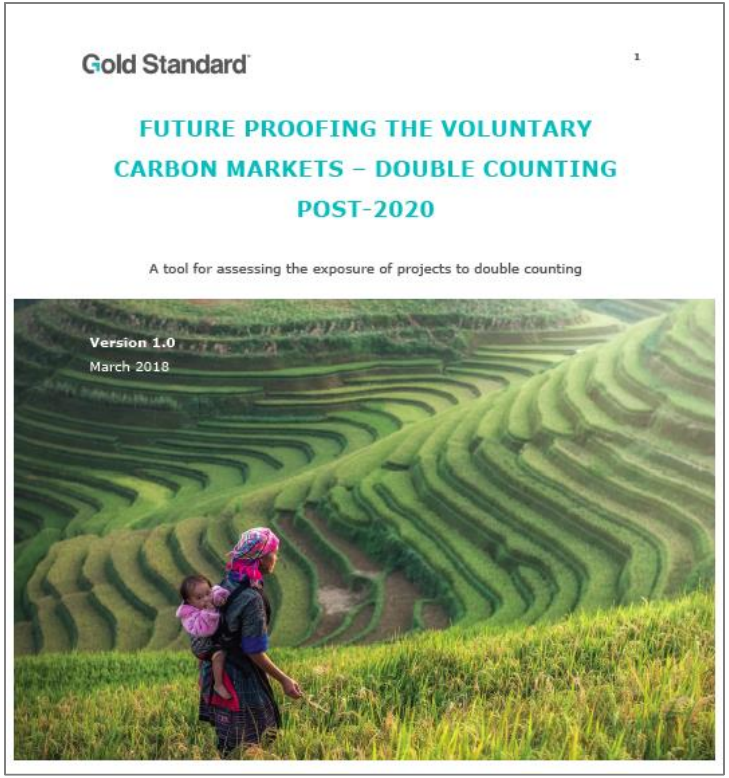
*Double counting of emission reductions or removals occurs when a single greenhouse gas (GHG) emission reduction or removal is used more than once to achieve climate change mitigation efforts.*

Bought and claimed by a voluntary buyer (count 1)

**VER ISSUED**

Effect captured in NDC reporting (count 2)

# DOUBLE COUNTING POST-2020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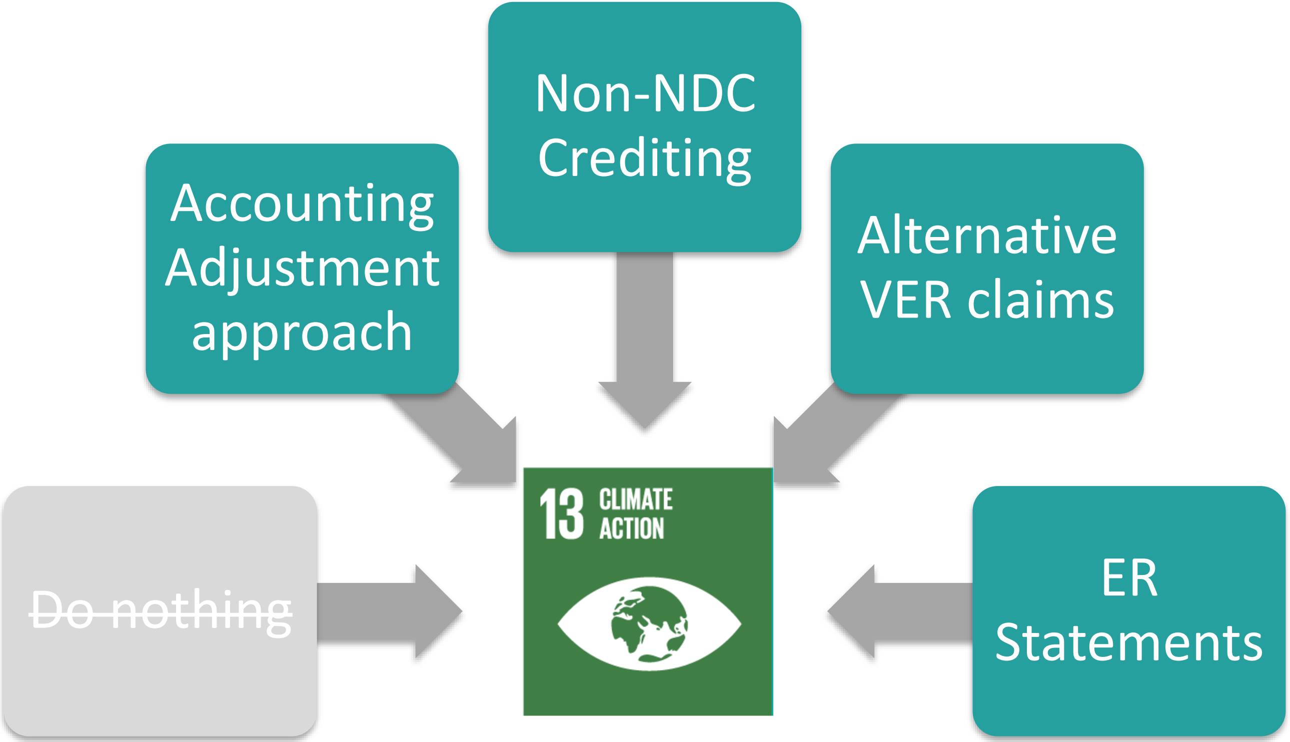
**Findings:**

- Near consensus that double counting is a real issue and a threat to market integrity (and viability)
- Represents an issue for nearly all project types – either explicitly double counted or the NDC is too vague or 'grey' to be sure
- Establishing whether a VER is captured under an NDC reporting regime is challenging – the NDCs are not user friendly!
- The market expects key players to work together for solutions

# SOLUTIONS TO DOUBLE COUNTING



# VER KEY ATTRIBUTES

Attributes:

- Holds the rights to the Emission Reduction
- Additionality
- Can be owned
- Can be traded / unitised
- Can be retired

- ‘Go beyond’ countries commitments
- Is not double counted

Claims / purposes:

- Carbon neutrality
- Climate finance

# SOLUTIONS TO DOUBLE COUNTING - OVERVIEW

| Solution | Overview | Impact on NDC accounting | Additional? |
| --- | --- | --- | --- |
| Accounting Adjustment (for VERs captured under an NDC) | VER attributes and claims as current model but only issued if evidence of an NDC accounting adjustment is provided. | NDC account adjusted | Yes |
| Non-NDC crediting | VER attributes and claims as current model but only issued if demonstrated to have not been captured under an NDC | None | Yes |
| Alternative VER definition | VER attributes and claims adjusted to reflect:<br>- Attribution instead of ownership<br>- ER held by host NDC<br>- Contribution to NDC instead of 'going beyond' | None | Yes |
| New instrument (e.g 'ER statement') | New instrument reflecting the key differences with 'traditional VER' (as above) | None | Yes |

# Avoiding double counting between voluntary market claims and the Paris Agreement

Gold Standard Conference “Grow to Zero”

Berlin, 19 April 2018

Lambert Schneider, Associate to Stockholm Environment Institute
lambertschneider@googlemail.com

# How can double counting occur and be addressed?

| Issue | Main solution |
|---|---|
| **Double issuance**<br>Two units issued for the same reduction | **Mechanism design**<br>Checks by verifiers and programs |
| **Double claiming**<br>Reductions are claimed by a country and the credit user | **“Adjustments” or “No offsetting claims”** |
| **Double use**<br>The same unit is used twice | **Tracking transfers**<br>Registries / Appropriate cancellation procedures |

# Steps for an "accounting approach"

| | | |
|---|---|---|
| For each "block" of offset credits: | 1. Identification of countries where the reductions occur | • Multiple countries<br>• Upstream emissions |
| For each identified country: | 2. Identification of relevant NDC targets | • Multiple targets<br>• Non-GHG targets<br>• Conditional targets |
| For each offset credit: | 3. Identify whether an adjustment is necessary | • Inside / outside scope<br>• Time frame of targets |
| | 4. Obtain letter that the countries will apply / have applied adjustments | • Content of letter<br>• Risk of overselling<br>• Check of compliance |
| | Credit can be used for carbon neutrality claim | |

## Options for reductions outside scope of NDCs

1. Do not require an adjustment as there is no double counting risk

2. Require an adjustment regardless

⇒ About 12-14% of global GHG emissions in 2030 estimated to be “outside scope”

# Ongoing UNFCCC discussions on accounting for reductions outside scope of NDC targets

| | Do not require adjustments | Require adjustments |
|---|---|---|
| **Avoids double claiming** | Yes | Yes but adjustment would not be needed |
| **Incentives for moving towards economy-wide targets** | Disincentives due to less potential for crediting<br>Possibly incentives due to data collection | No disincentives |
| **Incentives for countries to authorize only projects that ensure unit quality** | Less incentives | More incentives |
| **Ability of the transferring country to achieve its NDC target** | No impact | More difficult |
| **Potential for crediting** | Larger | More limited |
| **Identification whether reductions are inside or outside scope Quantification of emission reductions** | Required | Not required |

# Thank you for your attention!

Relevant publications:

Robust Accounting of International Transfers under Article 6 of the Paris Agreement

(Discussion paper for the German Environment Agency)

Environmental Integrity under Article 6 of the Paris Agreement

(Discussion paper for the German Environment Agency)

Addressing the risk of double counting emission reductions under the UNFCCC

(Climatic Change)

Using the Clean Development Mechanism for nationally determined contributions and international aviation

(Stockholm Environment Institute project report)

# ACCOUNTING ADJUSTMENT & NON-NDC CREDITING

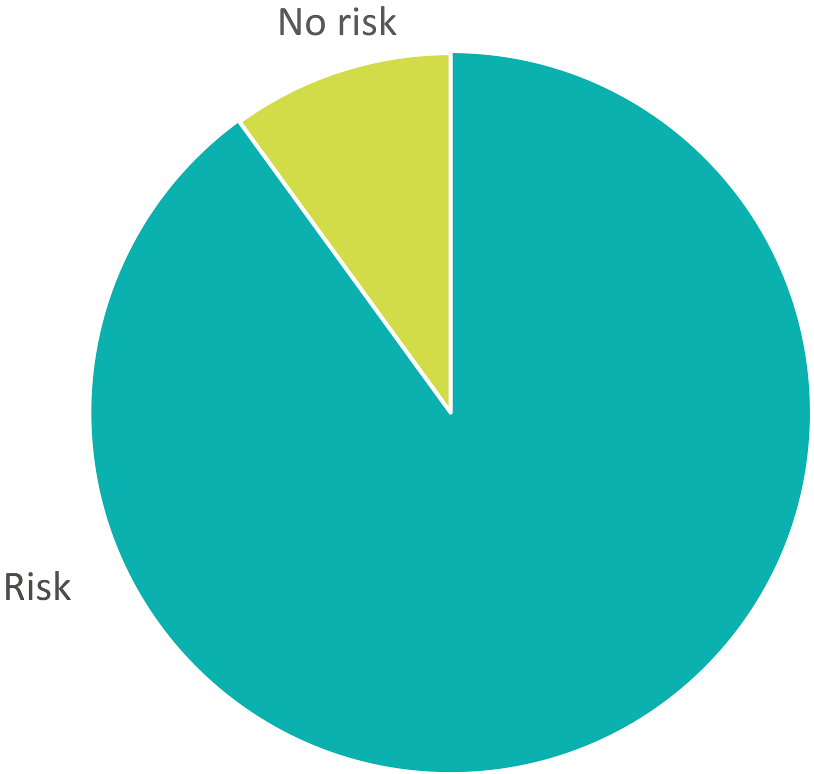
**Narrative claim:**
Offsetting

**Summary claim:**
Carbon neutral

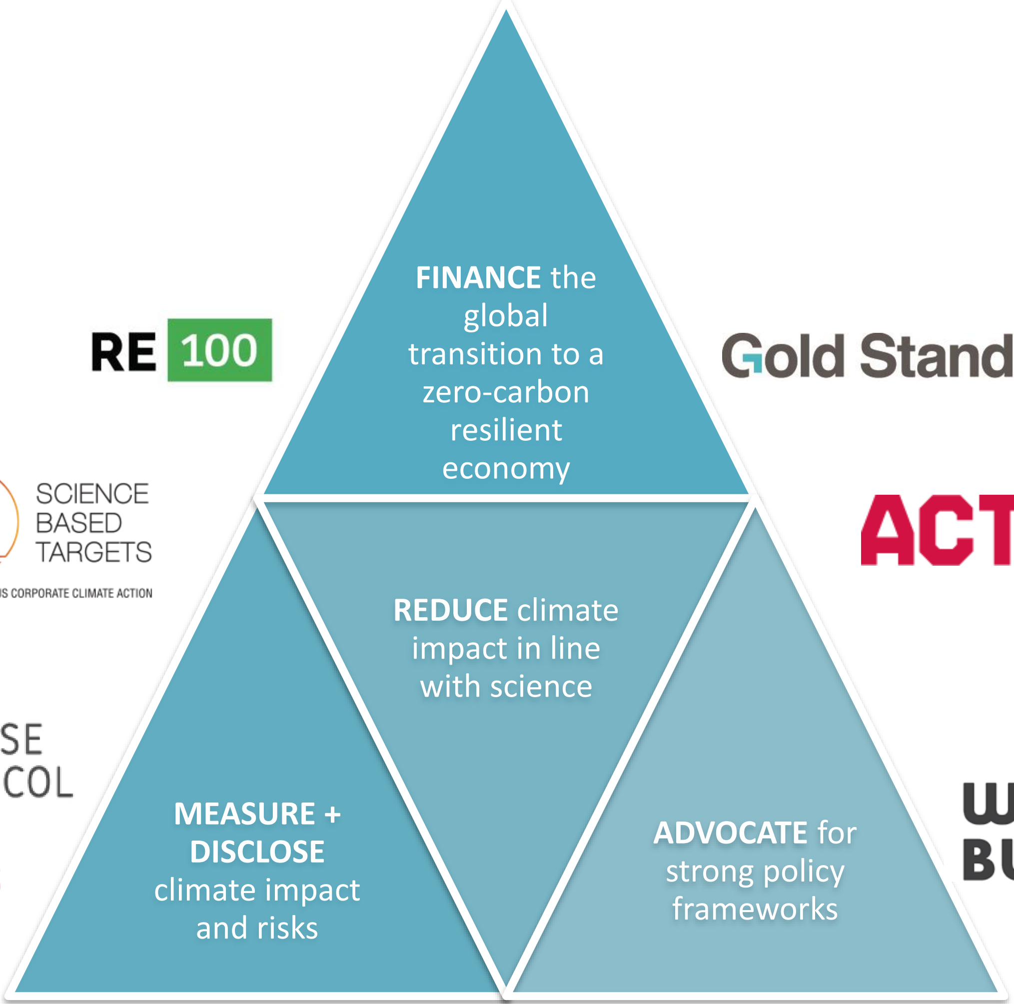
**Asset name:**
VER/CER
Carbon credit

# RISK ASSESSMENT IMPLICATIONS

Carbon neutral claims may become a liability rather than an asset in the near future.



# CORPORATE CLIMATE LEADERSHIP




RE 100

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

GREENHOUSE GAS PROTOCOL

CDP
DRIVING SUSTAINABLE ECONOMIES

Gold Standard

ACT

WE MEAN BUSINESS

# NEW CLAIMS (new VER claims or new instrument)

**Narrative claim:**

- To have financed or funded an emission reduction
- To reduce emissions that wouldn't otherwise happen
- To have helped a country reach its NDC

**Asset name:**
Emission Reduction
*(either unitized or aggregated in statements)*

**Summary claim:**

- Fully accountable for emissions
- Have funded emissions reductions equivalent to our footprint
- Net zero emissions?
- *If full footprint (Scope 1-3) and from projects with safeguards and SD contributions:*

Climate+

- None at all? (two column reporting)

# BRAINSTORMING SESSION

Split into groups and discuss the solutions based on the following questions. Each group will be asked to give a short overview of the findings and these will be used to inform the next round of dialogue

For each solution proposed:

- What are the benefits of the solution and what would be needed for the market to accept it?
- What are the key risks and barriers?
- What claims should a buyer/funder be able to make under each solution? Can we reach a market consensus on the language used?

And finally:

- Do you see any other solutions?

# QUESTIONS?