FUTURE PROOFING THE VOLUNTARY CARBON MARKET FOR PARIS AGREEMENT + CORSIA

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DOUBLE COUNTING POST-2020

Phase 1:
- 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 10th May)

Phase 2:
- Dialogue on solutions – starting today!
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)
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

- Accounting Adjustment approach
- Non-NDC Crediting
- Alternative VER claims
- Do nothing
- ER Statements
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

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

<table>
<thead>
<tr>
<th>Issue</th>
<th>Main solution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Double issuance</strong></td>
<td>Mechanism design</td>
</tr>
<tr>
<td>Two units issued for the same reduction</td>
<td>Checks by verifiers and programs</td>
</tr>
<tr>
<td><strong>Double claiming</strong></td>
<td>“Adjustments” or “No offsetting claims”</td>
</tr>
<tr>
<td>Reductions are claimed by a country and the credit user</td>
<td></td>
</tr>
<tr>
<td><strong>Double use</strong></td>
<td>Tracking transfers</td>
</tr>
<tr>
<td>The same unit is used twice</td>
<td>Registries / Appropriate cancellation procedures</td>
</tr>
</tbody>
</table>
Steps for an "accounting approach"

For each “block” of offset credits:
1. Identification of countries where the reductions occur

For each identified country:
2. Identification of relevant NDC targets

For each offset credit:
3. Identify whether an adjustment is necessary

4. Obtain letter that the countries will apply / have applied adjustments

Credit can be used for carbon neutrality claim

- Multiple countries
- Upstream emissions
- Multiple targets
- Non-GHG targets
- Conditional targets
- Inside / outside scope
- Time frame of targets
- Content of letter
- Risk of overselling
- Check of compliance
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

<table>
<thead>
<tr>
<th></th>
<th>Do not require adjustments</th>
<th>Require adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoids double claiming</td>
<td>Yes</td>
<td>Yes but adjustment would not be needed</td>
</tr>
<tr>
<td>Incentives for moving towards economy-wide targets</td>
<td>Disincentives due to less potential for crediting Possibly incentives due to data collection</td>
<td>No disincentives</td>
</tr>
<tr>
<td>Incentives for countries to authorize only projects that ensure unit quality</td>
<td>Less incentives</td>
<td>More incentives</td>
</tr>
<tr>
<td>Ability of the transferring country to achieve its NDC target</td>
<td>No impact</td>
<td>More difficult</td>
</tr>
<tr>
<td>Potential for crediting</td>
<td>Larger</td>
<td>More limited</td>
</tr>
<tr>
<td>Identification whether reductions are inside or outside scope Quantification of emission reductions</td>
<td>Required</td>
<td>Not required</td>
</tr>
</tbody>
</table>
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
Carbon neutral claims may become a liability rather than an asset in the near future.
CORPORATE CLIMATE LEADERSHIP

FINANCE the global transition to a zero-carbon resilient economy

REDUCE climate impact in line with science

MEASURE + DISCLOSE climate impact and risks

ADVOCATE for strong policy frameworks

MEASURE + DISCLOSE climate impact and risks

RE 100

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

GREENHOUSE GAS PROTOCOL

CDP

DRIVING SUSTAINABLE ECONOMIES

WE MEAN BUSINESS

Making good better.
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

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:*
• None at all? (two column reporting)

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