



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



## **Part 3: Summary for Decision Makers**

## Purpose of this document

This Summary for Decision Makers (SDM) presents an overview of the Integrity Council's draft CCPs and the draft Assessment Framework for consultation. After the public consultation, the draft Assessment Framework will be revised and used to assess carbon-crediting programs and credit types against the CCPs.

All carbon-crediting programs utilise policies, procedures, tools and methodologies in developing and implementing their programs, although the approach and level of stringency are not consistent across programs. The draft CCPs and draft Assessment Framework aim to set the threshold criteria and requirements for high-integrity carbon credits rather than focusing on gaps or missing requirements within existing standards. The Integrity Council recognises that some carbon-crediting programs will likely meet a significant number of the criteria and requirements, particularly those indicated for the initial threshold.

In some cases, options are provided in the draft Assessment Framework to reflect different views from within the Integrity Council on the manner in which a criterion or set of requirements could be demonstrated.

The Integrity Council recognises that there are differing views on what constitutes high integrity for carbon markets. The Integrity Council values the views of all stakeholders and encourages wide participation from across the market. By participating in this consultation, stakeholders will ensure the next iteration of the CCPs and Assessment Framework will reflect diversity of expertise, knowledge and opinions. This is essential for a high integrity and efficient voluntary carbon market.

### ***Questions:***

***Are the most important principles, criteria and requirements included in the draft CCPs and the draft Assessment Framework?***

***Are there principles, criteria and requirements that are not relevant or should not be included in the draft CCPs and draft Assessment Framework?***

***Are there principles, criteria and requirements that are not included and should be added?***

The draft Assessment Framework specifies requirements in each area for two stringency thresholds:

- The initial stringency threshold is for carbon credits with consistent atmospheric, environmental and social integrity in line with current good practice.
- In addition, the draft Assessment Framework identifies many areas of existing best practice that the Integrity Council views as important to advancing high-integrity carbon credits. Some of these are new requirements. Many are not entirely new but have not yet been consistently implemented by carbon-crediting programs. Together, these comprise the requirements for the full stringency threshold.

### ***Questions:***

**Are the requirements appropriately balanced between the initial and full stringency thresholds to address outstanding integrity concerns affecting the trust in the voluntary carbon market?**

**What timeframe would you recommend for the duration of the initial threshold, taking into account the time needed for carbon-crediting programs to revise standards, processes and procedures; carbon-crediting periods; issues related to legal contracts etc.?**

**Is this different for different areas of the draft Assessment Framework?**

**Are there other key considerations that should be explored?**

Sources for the work of the Expert Panel included several different initiatives on carbon credit quality and other processes, including the development of the assessment framework for carbon credit eligibility under ICAO's CORSIA scheme or initiatives such as Calyx Global or the Carbon Credit Quality Initiative as well as other best industry practices such as those of the UNFCCC REDD+ Cancun Safeguards and IFC Performance Standards. In several instances, the Integrity Council Expert Panel has departed from these assessment or rating frameworks and current best practices for various reasons, including that each of these operates under specific contexts and with specific goals.

### ***Questions:***

**Should the Integrity Council draw on assessments by the Technical Advisory Body under CORSIA or any other comparable body?**

**If so, for which criteria and requirements would previous assessments of carbon-crediting programs and carbon credits be most relevant?**

Based on feedback to these questions, the Integrity Council might more closely map its criteria and requirements in specific areas to those developed by CORSIA and/or other relevant bodies and can seek to reduce transaction costs by using results from those processes to make the assessment procedure more efficient and to avoid unnecessary confusion in the market while continuing to foster its development and whole-of-system integrity.

## A. Program Governance

***“The carbon-crediting program shall have effective program governance to ensure the overall quality of carbon credits.”***

Robust and effective governance at the program level is critical to ensuring the overall quality of carbon credits and maintaining an environment of trust that supports the long-term integrity and growth of the voluntary carbon market (VCM).

Robust governance approaches significantly improve transparency, accountability, and participation in VCM. It also increases the responsiveness and engagement of the public and key stakeholders by providing increased relevance, reliability, and comparability of reporting and improved insight into program performance.

Robust governance requires that carbon-crediting programs demonstrate transparency about who oversees the carbon-crediting program and that roles, responsibilities and the relationship to competencies for all levels of decision making are assigned and discoverable. Carbon-crediting programs must also make clear how stakeholders can contact the program.

Robust governance requires that all key documentation and information relevant to decision-making is publicly available, subject to compelling confidentiality constraints. Key documents include standards, methodologies, procedures, tools, guidelines, supplementary information, and project documentation. Making documents and information available to the public enables transparent decision-making, effective and inclusive participation, and feedback to support continuous improvement.

Carbon-crediting programs will need to keep pace with the dynamic external market environment and new technologies to ensure continuous improvement. The carbon-crediting program should have procedures to regularly review its standards, key documents, and processes to keep them up to date with the latest science and identify and address problems.

Under the full threshold in the draft Assessment Framework, the carbon-crediting program must have an operational and independent grievance resolution mechanism. This would include a set of procedures and a clear framework for independently addressing grievances related to mitigation activities in a fair, effective, and transparent way and providing remediation when negative impacts have occurred.

Inclusive and informed decision-making requires robust public engagement to ensure meaningful input into the decision-making process and to maximise positive impacts on mitigation and communities. Carbon-crediting programs must provide public engagement in all key processes, including transparent measures to address issues and concerns.

Conflicts of interest should be avoided in taking decisions on the issuance of carbon credits to ensure their integrity and impartiality. Carbon-crediting programs should have measures in place to identify and prevent conflicts of interest from arising.

To ensure that carbon credits are issued to the correct entity and follow a clear chain of custody, the carbon-crediting program must have appropriate processes in place. Programs should also have liability provisions in the event of erroneous issuance of credits by specifying the party responsible for cancelling the credits or compensating the over issuance.

Under the full threshold in the draft Assessment Framework, the program should also have a robust corporate governance framework for the organisation, including reporting and disclosure, risk management and policies and controls such as anti-bribery. This supports the organisation’s long-term resilience and provides a framework of checks and balances

within which the organisation's governing body and staff operate. The draft Assessment Framework recognises that carbon-crediting programs are often established as non-profits in the context of robust national legal frameworks and that these regulatory requirements will likely satisfy the requirements related to the governance framework. The requirements proposed for the full threshold aim for a consistent effort across jurisdictions to ensure that the systems build trust by addressing the accountability and transparency necessary to scale up finance.

*See Section 1, criteria 1.1 to 1.9 for Program Governance in the draft Assessment Framework.*

## **B. Robust Validation & Verification**

***“The carbon-crediting program shall have program-level requirements for robust independent third-party validation and verification of mitigation activities.”***

Third-party auditing is a key tool for consistency, transparency, and integrity in the VCM to help create and sustain confidence. An independent third-party auditor's role is important in ensuring that a mitigation activity's design meets the program requirements and that crediting based on reported emission reductions or removals from the mitigation activity is in line with the program's methodologies and other normative documents.

Achieving this means carbon-crediting programs must have requirements for third-party auditing, including the structure, management, resources, process, and information requirements for verification and validation bodies (VVB). In addition, VVBs need to be accredited through an International Accreditation Forum member or by an accreditation system under the UNFCCC. Impartiality of the VVB is also important. A rigorous accreditation process complemented by measures to limit potential conflicts of interest such as rotation of VVBs to limit review by a VVB of its own work helps to ensure impartiality.

Programs must have procedures to ensure that each mitigation activity undergoes a validation and verification audit. Under the full threshold of the draft Assessment Framework, oversight procedures by programs include requirements to assess VVBs in performing their auditing functions, including reviewing individual VVB reports, systematic monitoring and having a system for sanctioning non-conformity.

*See Section 3, criteria 3.1 to 3.5, for Robust Independent Validation and Verification in the Assessment Framework.*

## C. No Double-Counting

***“The greenhouse (GHG) emission reductions or removals from the mitigation activity shall not be double-counted, i.e., they shall only be counted once towards achieving mitigation targets or goals. Double counting covers double issuance, double claiming, and double use.”***

A key concern over the integrity of carbon credits is the potential for different kinds of use or claims to be simultaneously backed by the same carbon credit or that the same emission reduction or removal leads to different and overlapping claims. Sometimes, accounting systems interact which leading to a situation in which claims necessarily overlap. This kind of “double counting” is not problematic as it is a natural part of a nested accounting system. For instance, the emission reductions counted towards a state target might also be counted towards a national target. The emission reductions achieved by a company towards its target might also be counted by the state or country in which it resides. Other forms of double counting undermine climate action and ambition. Examples include instances where the same carbon credit is retired by two companies (double use), the same emission reduction is credited under two separate programs (double registration) or if two companies or two countries claim the same emission reduction towards their climate goals or Nationally Determined Commitments under the Paris Agreement or towards claims to part of the credited emission reduction as a result of financing a credited mitigation activity, while financing related, non-climate attributes, such as renewable energy credits (double claiming). Distinguishing problematic double counting from necessarily nested accounting requires careful consideration and robust accounting guidance. While double-counting is not an inherent integrity issue of the mitigation activity *per se* (whereas additionality and permanence relate to the underlying mitigation activity), problematic double-counting leads to integrity questions about the carbon-crediting system and the legitimacy of the use of carbon credits.

Several types of double counting are recognised in the literature (see terms and definitions). The criteria and requirements in the draft Assessment Framework seek to ensure that measures are in place to avoid each one.

It is broadly understood that double-counting must not occur where international transfers are used to comply with mandatory climate targets or Nationally Determined Contributions under the Paris Agreement. This understanding is also reflected in Article 6 rules agreed at COP26 in Glasgow. There is, however, an active debate whether double claiming should be avoided on the basis of a corresponding adjustment in the context of companies using carbon credits towards voluntary climate commitments, particularly as it relates to carbon credits that are internationally transferred. The issue sits at the intersection between the Paris Agreement and voluntary climate action. The Article 6 rules leave this issue unresolved. Some view the Paris Agreement and company accounting systems as operating in parallel while others consider these systems inherently connected. If one views these systems as working in parallel, double claiming by both companies (for example when purchasing carbon credits to compensate their carbon footprint), and by host countries (as emission reductions under their Paris commitments) is not an integrity issue and no adjustment would be required. If instead one views these accounting systems as connected, the claim by a company to be compensating its emissions with credits would need to be adjusted by the host country itself, as the view would prevail that the reduction achieved would have been unduly counted twice.

More analysis is required on this topic, and other organisations, including the Voluntary Carbon Markets Integrity Initiative, have flagged that they will dig deeper into this issue in

their next phase of operation. The Integrity Council has not taken a position on these issues and will be guided by this consultation. The Integrity Council invites views on this and other topics related to alignment with Article 6 of the Paris Agreement in section 12 of the draft Assessment Framework.

*See Section 4, criteria 4. to 4.5, No Double-Counting in the Assessment Framework.*

## D. Registry

***“The carbon-crediting program shall operate or make use of a registry to uniquely identify, record and track mitigation activities and carbon credits issued to ensure credits can be identified securely and unambiguously.”***

A registry is an information technology system used by carbon-crediting programs to record and track mitigation activities and carbon credit transactions. Registries perform essential functions related to the integrity of carbon credits, increase the transparency of all transactions and perform checks that operationalise many of the CCPs.

An operational and well-maintained registry system is crucial for all carbon-crediting programs. The registry system is also the system that implements crucial accounting rules to avoid almost all forms of double counting including double issuance and double retirement or use. A registry system must uniquely identify each carbon credit, the associated mitigation activity, and identify any other associated attributes.

In order to ensure that accounts are created in the registry by rightful account representatives, carbon-crediting programs must have robust know your customer processes for account opening, including checks on identity and credentials of account representatives.

*See Section 5, criteria 5.1 to 5.3, Registry in the Assessment Framework.*

## E. Mitigation Activity Information

***“The carbon-crediting program shall provide comprehensive and transparent information on all credited mitigation activities. The information shall be publicly available in electronic format, and scrutiny of mitigation activities shall be accessible to non-specialised audiences.”***

To ensure transparency, it is essential that mitigation activity documentation is publicly available and that stakeholders can access the decisions and analyses behind an emission reduction claim. This can also provide an additional check on the VVBs. Where this information is not available in the carbon-crediting registry, the carbon-crediting programs should ensure that it is readily accessible and publicly available in an electronic format, subject to compelling confidentiality constraints. The information should allow users to assess mitigation activity information, including the additionality assessment, the quantification of emissions reductions or removals, and social and environmental impacts.

*See Section 6, criterion 6.1, Mitigation Activity Information in the Assessment Framework.*

## F. Sustainable Development

***“The carbon-crediting program shall have clear guidance, tools and compliance procedures to ensure mitigation activities conform with or go beyond widely established best industry best practices on social and environmental safeguards while delivering on net positive sustainable development impacts.”***

### ***Questions:***

The Expert Panel of the Integrity Council considered alternative approaches to assess alignment with Environmental and Social Safeguards requirements for carbon-crediting programs during the initial phase. The options include:

Option 1): a risk-based approach to mitigation activity types building on IFC risk categorisation;<sup>1)</sup>

Option 2): evidence of alignment with national regulatory framework;

Or

Option 3): a joint approach using option 1 and 2.

The Integrity Council seeks views from the public on this question to inform whether and how IFC risk categorization can help ensure a consistent approach by carbon-crediting programs to address safeguards in the draft Assessment Framework in different jurisdictions and activity types.

Your views will inform the design of the assessment process with the view to attest that mitigation activity proponents effectively implemented safeguards while providing the opportunity for current market infrastructure to update assurance systems' capacities and processes.

Do you anticipate that there will be challenges in meeting the Sustainable Development requirements in the draft Assessment Framework under the initial threshold? If you do, could you provide information on those challenges.

Should mitigation activities created and managed by IPLCs be subject to differentiated safeguards requirements? If so, how would you recommend that the application of free, prior and informed consent (FPIC) is addressed in carbon-crediting program guidance and mechanisms to ensure that relationships with IPLCs are based on informed consultation?

<sup>1)</sup> IFC's Environmental and Social Performance Standards define activity proponents' responsibilities for managing their environmental and social risks. As part of the review of environmental and social risks and impacts of a proposed investment, IFC uses a process of environmental and social categorisation to reflect the magnitude of risks and impacts. The resulting category also specifies IFC's institutional requirements for disclosure. The IFC's risk categorisation is based on accumulated information from both actual and potential impacts identified during the last decades. Both severity and probability of inherent sectoral and setting risks are also considered in the categorisation determination. IFC safeguards performance standards have informed the development of REDD+ safeguards frameworks and are widely used by multilateral financial institutions (MFIs). For more information see: [www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS\\_English\\_2012\\_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h](http://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h)

Implementing safeguards and delivering net positive sustainable development impacts is critical to ensuring social and environmental integrity in generating carbon credits. Carbon-crediting programs play an important role in ensuring that mitigation activities identify, assess and disclose the potential risk of environmental, economic and social harm and implement actions to avoid or minimise them while delivering net positive impacts beyond its GHG contribution.

Carbon crediting programs must achieve this by having requirements for mitigation activity proponents to cover different responsibilities for managing environmental, economic and social risks and impacts throughout the life cycle of its mitigation activity(ies). These requirements cover different labour and working conditions, resource efficiency and pollution prevention, land acquisition and involuntary resettlement, biodiversity conservation and sustainable management of living natural resources, Indigenous People, Local Communities and cultural heritage (IPLC), and gender equality. These requirements establish an integrated assessment and management system which seeks to avoid, minimise, and where residual impacts remain, to compensate/offset risks and impacts.

Mitigation activities should not infringe on the human rights of others. Adverse impacts on human rights to which mitigation activities may cause or contribute must be addressed. Each requirement for carbon-crediting programs under this CCP relates to human rights dimensions that a mitigation activity may face throughout its operations. Due diligence against these requirements will enable carbon-crediting programs to ensure mitigation activity proponents address many relevant human rights issues. In particular, carbon crediting programs should also ensure that mitigation activities are carried out in full respect for the human rights, dignity, aspirations, culture and livelihoods of IPLCs and vulnerable groups disproportionately affected by climate change.

IPLCs are often among the most marginalised and vulnerable segments of the population. Their economic, social, and legal status may limit their capacity to defend their rights and interests in lands and natural and cultural resources. It may restrict their ability to participate in and benefit from development. IPLCs are particularly vulnerable if their lands and resources are transformed, encroached upon, or significantly degraded. By sharing detailed information transparently and in culturally accessible ways, IPLCs will be better able to protect their interests and rights. Consequently, programs should also provide guidance and mechanisms to ensure that relationships with IPLCs are based on informed consultation and participation (ICP) and, when relevant to circumstances, ensure the application of free, prior and informed consent (FPIC).

In addition, carbon-crediting program requirements build on the Cancun Safeguards for REDD+. These were agreed upon at the 16th Conference of the Parties to the United Nations Convention on Climate Change (COP 16) in 2010 and represent the formal consensus of the international community as to how REDD+ actions should take place. Several Cancun Safeguards are addressed in other sections, including through criteria for permanence and leakage. Carbon-crediting programs should ensure safeguard systems are coordinated and aligned with those at the national level and that mitigation activity proponents fulfil those requirements and operate under transparent and effective forest governance.

Net positive impacts on the Sustainable Development Goals (SDG) are intrinsically linked with climate change mitigation to net zero emissions, as referenced in Chapter 5 of the IPCC's SR1.5 (2018). The SDG are a standardised framework with nationally determined obligations and/or targets from virtually every country in the world. To maximise net positive SDG impacts of mitigation actions on economic, social and environmental dimensions, carbon crediting programs should have provisions to promote net positive sustainable development impacts beyond SDG13.

Under the full threshold of the draft Assessment Framework, carbon-crediting programs must have evidence-driven procedures to ensure that a mitigation activity is consistent with

the SDG priorities of a host party and, where possible, use national/local tools and frameworks. Carbon crediting programs should also provide clear guidance on using standardised tools and methods to assess SDG impacts beyond SDG13.

Benefit-sharing is essential for the sustainable implementation of mitigation activities. It can help address drivers of emissions from deforestation, forest degradation, and other land uses and for providing incentives to stakeholders for continued mitigation activity support and buy-in. Equitable and fair benefit-sharing can establish, manage and promote incentives to change behaviours and address barriers that make it challenging to increase carbon stocks. At the same time, it increases social integrity and VCM legitimacy. The World Bank’s frameworks, such as Forest Carbon Partnership Facility and The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL), inform benefit-sharing best practices that carbon credit programs should have in place.

*See Section 7, criteria 7.1 to 7.11, Sustainable Development in the Assessment Framework.*

## G. Additionality

***“The greenhouse gas (GHG) emission reductions or removals from the mitigation activity shall be additional, i.e., they would not have occurred in the absence of the incentive created by carbon credit revenues.”***

### ***Questions:***

#### **Additionality for project-level mitigation activities:**

**Are there alternative approaches to additionality that should be considered and that are not covered under the current draft Assessment Framework?**

**Are there any specific criteria which the draft Assessment Framework should take into account in its guidance on additionality?**

**The Integrity Council proposes in its draft Assessment Framework a risk-based assessment of additionality, to be conducted by the Expert Panel by project type, as a first step in the overall assessment of additionality for CCP.**

- a) Please provide comment as to the feasibility and desirability of this additional level of risk-based analysis by project type.**
- b) In this assessment, the Integrity Council proposes to use as one data point analysis of carbon prices. Please provide comments as to the feasibility of use of this indicator, and on the alternative use of marginal abatement costs for this purpose.**
- c) Please provide recommendations on additional means of assessing the additionality tests carbon crediting Standards currently employ.**

#### **Additionality for jurisdictional REDD+ activities:**

**How should crediting under project-based REDD+ mitigation activities be considered within the scope of jurisdictional REDD+ programs?**

**Should there be a requirement to nest baselines of REDD+ projects on avoided deforestation?**

**Should credit issuance by REDD+ projects be limited by the performance of the jurisdiction?**

## Additionality for project-level mitigation activities

Additionality is fundamental to the quality and environmental integrity of a carbon credit. Assessing additionality ensures that carbon credits are not issued to mitigation activities that would have happened otherwise. Under the definition of additionality, a carbon credit must result from a mitigation activity's emission reductions or removals that would not have taken place except for incentives associated with the carbon price. In addition, if a credit does not correspond to emission reductions that occurred as a result of the mitigation activity, then its use to compensate for emissions elsewhere would increase global emissions. Finally, voluntary carbon crediting should not take place where regulations would ensure those emission reductions or removals would occur anyway, for example, through mandatory carbon market activity.

There are several ways to address additionality. These include an assessment of financial additionality, barrier analysis, performance-based tests and common practice analysis. Assessing financial additionality demonstrates that the expected revenue from carbon credits makes the activity economically viable (meaning that without the expected revenue, the activity would not happen). Barrier analysis examines where the activity might be economically viable without carbon credit revenue, but other barriers prevent it from being undertaken. Common practice analysis examines where a mitigation activity may be additional if the activity is not a common activity within the jurisdiction in which it is planned. In all cases regulatory additionality is indispensable: if an activity is already regulated, it should not be credited.

No approach to demonstrating additionality is simple. Each approach is complex; issues and concerns about each approach have been raised for over a decade. Financial additionality is, in many cases, gameable, given the information asymmetry between the mitigation activity proponent and almost everyone else concerning the specific mitigation activity's financials. Barrier analysis often relies on qualitative judgements about what constitutes an appropriate barrier within a particular context. Common practice or performance-based tests are subject to questions on the appropriate control group/comparison. Even regulatory additionality is difficult, particularly where jurisdictions have a poor track record of enforcement.

The purpose of the additionality assessment under the draft Assessment Framework is not to replicate the carbon-crediting programs' project-level additionality assessment, instead it is to assess the rigor and thoroughness of the carbon-crediting program's approach to assess additionality. It is important to note that all of the listed approaches will be used to determine the likelihood of additionality.

As a first step, the Assessment Framework assesses the overall likelihood of additionality for the type of carbon credit based on the *typical* financial viability, barriers for implementation, and market penetration rates for the respective *type* of mitigation activity. This step *does not* assess approaches used in the relevant methodologies or other carbon crediting program rules. At the end of step 1, the framework concludes the overall likelihood of additionality:

- **Very high likelihood:** Where the results of Step 1 conclude a *very high* likelihood of additionality for the respective type of mitigation activity, a simplified approach is used. Under Step 2, the mitigation activity is considered to meet the additionality CCP if it meets the criteria on adequate consideration of legal requirements and expectation of carbon revenues. In other words, a mitigation activity is considered to have a high likelihood of being additional because, i.e., it is fully dependent on carbon credit revenues; the carbon crediting program would then need to consider whether the mitigation activity is a legally required activity, and whether it can credibly claim to expect revenues.

- **Medium likelihood:** Where the results of Step 1 conclude a medium likelihood of additionality, all relevant provisions of the carbon crediting program regarding additionality are evaluated.
- **Insufficient likelihood:** Where the results of Step 1 conclude an *insufficient* likelihood of additionality, the type of mitigation activity is not eligible, irrespective of the approaches used by the relevant carbon crediting program for evaluating additionality. In other words, if a particular type of mitigation activity is found overwhelmingly profitable in the marketplace, credits issued to these activities would not be considered CCP-eligible regardless of the carbon crediting program provisions.

As a second step, the framework assesses the rigor and thoroughness of the carbon-crediting program's approach to assess additionality, in line with the requirements reached under the first step. The assessment entails an evaluation of the carbon-crediting program's normative program documents, including its quantification methodologies.

The draft Assessment Framework details specific criteria for the assessment of sufficiency of different approaches used by carbon-crediting programs, such as:

- **benchmark analysis:** Comparison of the economic performance of the mitigation activity (e.g., its IRR) with a financial benchmark (e.g., the hurdle rate for the IRR); and
- **investment comparison analysis:** a comparison of the economic performance of the mitigation activity with other potential investment alternatives.
- **barrier analysis:** an analysis of the presence of barriers to implementation of the mitigation activity
- **market penetration assessments,** an evaluation of the extent to which a type of mitigation activity or technology is already implemented in the relevant geographical area

It is important to emphasise that this list cannot be considered a closed list: where a carbon crediting program uses other approaches, the Integrity Council will assess these, ensuring a similar level of stringency as for the above approaches. In other words, the framework presented now could be enlarged to ensure to consider other approaches not yet considered in this document.

## Additionality for Jurisdictional REDD+ activities

The draft Assessment Framework considers specific guidance on the assessment of additionality provisions for jurisdictional protocols. Jurisdictional REDD+ mitigation activities are deemed sufficiently different to merit their own differentiated approach. Under the approach included in the draft Assessment Framework, criteria must be fulfilled related to a) whether the jurisdictional REDD+ activity implements new or enhanced mitigation activities against a credible baseline and b) whether there is evidence of the expectation of carbon credits prior to the implementation of the activity itself. These combined criteria aim to ensure that there is a reliable causal link between the jurisdictional REDD+ activity and the underlying mitigation action.

On this, as on all other issues in the draft Assessment Framework, the Integrity Council is seeking views in relation to the appropriateness of the approach, the principles, the criteria and the requirements set out herein.

*See Section 8 Additionality, criteria 8.1 to 8.8, of the Assessment Framework.*

## H. Permanence

*“The GHG emission reductions or removals from the mitigation activity shall be permanent, or if they have a risk of reversal, any reversals shall be fully compensated.”*

### Question:

**The Integrity Council is open to views on the appropriate balance of requirements between the criteria applied to assess permanence, as well as alternative approaches. Are there alternative approaches to permanence that should be considered and that are not covered under the draft Assessment Framework?**

Permanent mitigation of CO<sub>2</sub> is essential for maintaining net anthropogenic emissions in line with the long-term temperature goals of the Paris Agreement. However, many activities that enhance or preserve carbon stored in geologic or land-based reservoirs experience some reversal risk. These risks can be human- or nature-induced (e.g., an afforestation project that burns down due to a wildfire). Different activities have varying degrees of reversal risk. When the carbon stored in a reservoir, as a result of mitigation activity, is released into the atmosphere, it can no longer be considered an offset to greenhouse gas emissions.

Temporary carbon storage, even over long periods, cannot substitute for permanent emission reductions. However, reversible mitigation can still have an important role to play in global efforts to limit global warming. It is, therefore, a policy choice rather than a purely scientific one to reflect this value in the context of carbon markets. High-integrity approaches can reflect this value by requiring crediting reversible mitigation on a temporary basis (i.e., obligating buyers to replace credits periodically) or applying methods to monitor and compensate for reversals over the most extended time horizon feasible and providing incentives to maintain carbon stocks in permanence.

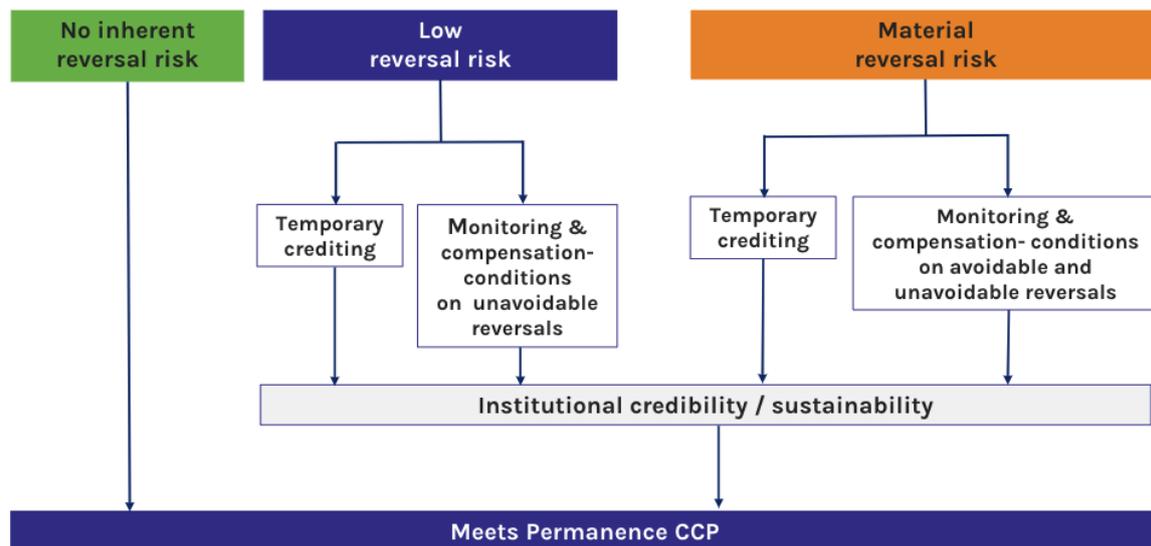
There are practical, technical, and political considerations involved in ensuring permanence. It is unrealistic, for example, to expect compensation mechanisms to be maintained in perpetuity. In practice, such commitments have an explicit or implied time limit. There are two ways in which compensation commitments can occur within carbon markets. The first is to “price in” the carrying cost of maintaining carbon storage by establishing an ongoing required rental payment, such as through temporary crediting. Another way is to internalise the carrying cost upfront through long-term maintenance obligations and insurance mechanisms. Weak guarantees, or obligations imposed for too short a period, can make the cost of carbon storage appear artificially low, leading to an inefficient allocation of mitigation investments. Because of this:

- all approaches need to be assessed with respect to institutional strength and duration (i.e., the likelihood that a carbon crediting program will be able to guarantee compensation for reversals over the long run); and
- for monitoring and compensation approaches, the duration of any compensation guarantee needs to exceed a minimum threshold.

The risk of non-permanence is not the same across different types of project activities. Once a solar panel is put up on a rooftop, the emission reductions that it generates over the initial years can be considered permanent. On the other hand, forestry mitigation activities relying on the preservation of a carbon stock are susceptible to both accidental reversals (such as with forest fires) or intentional reversals (due to economic pressures that lead to lower economic attractiveness of the maintenance of the forest carbon stock). In light of this differentiated risk, this framework recognises different levels of risk of non-permanence for different types of mitigation activities. These different risk levels lead to different

requirements: for activities without risk of permanence, no requirements imposed; for activities for which the risk of unintentional reversal is very low, as can arguably be the case with some types of technological carbon removal activities, the requirements are limited to mechanisms to address voluntary reversal risks. Finally, for activities with higher risks of both intentional and unintentional reversal, the draft Assessment Framework mandates stronger mechanisms to address both types of risks.

**Figure 2 – Pathways for meeting CCP-eligibility permanence**



Carbon crediting programs have dealt with this risk of non-reversal through various approaches and instruments, notably: temporary crediting, buffers and discounting. There have been attempts at introducing insurance mechanisms to adequately address at least in part this risk, but no such insurance mechanism exists to date.

The purpose of the permanence assessment is to assess to what extent a sufficiently high level of assurance can be met that emission reductions or removals will be permanent over a long-time span. A number of approaches may be used and combined for that purpose: discounting, buffer pools, temporary crediting.

For approaches leading to the issuance of credits deemed permanently valid – the vast majority of the current market - the approach focuses on three separate criteria that contribute equally to this level of assurance:

- The **duration of commitment to monitor and compensate for emission reversals**. All things equal, one could say that the longer the commitment to monitor, the stronger the level of assurance provided by the carbon-crediting program. This desire to extend the duration of this commitment period will nevertheless meet very practical issues of institutional and legal stability, as most institutions are unlikely to run into contractual obligations for such long durations.
- The **strength of mechanisms and incentives to compensate for reversals**: through the use of buffer pools, which pool the risk of non-reversals across a particular set of credits, discounts or insurance, the risk of reversal may be adequately compensated.
- **Institutional stability**: in contexts in which institutional stability allows for the appropriate use of legal liability and other provisions that ensure the compensation of reversal over the long term, these instruments can also contribute to addressing the risk of non-permanence.

The overall balance of these different criteria must ensure a high level of assurance of permanence for credits that are themselves assumed to be permanently valid.

An alternative approach – temporary crediting – used only in one specific instance, recognises the risk of reversal and addresses it by instituting a period for the validity of the credit and putting the liability for reversal on the potential buyer of the credit.

Most importantly, approaches to addressing non-permanence that do not require replacement of credits or compensation for reversals are not CCP-eligible. Such mechanisms may include, for example, various forms of tonne-year accounting under which there are no minimum requirements for the duration of carbon storage.

For jurisdictional REDD+ mitigation activities, the Integrity Council understands that similar approaches and criteria will apply. This includes the duration of the commitment period to monitor and compensate or sufficiency of compensation mechanisms. It is not the view of the Integrity Council that other specific jurisdictional approaches are required. This view does not imply that application of the requirements is strictly similar. Carbon-crediting programs should be judged on the application of these generic criteria, mutatis mutandis, in particular, because of the scale of these approaches and because of fundamental differences in context in a partnership with the government rather than private sector actors.

*See Section 9, criteria 9.1 to 9.4, Permanence in the Assessment Framework.*

## I. Robust Quantification

***“The GHG emission reductions or removals from the mitigation activity shall be robustly quantified, based on conservative approaches, completeness and sound scientific methods.”***

Under carbon crediting, emission reductions and removals from mitigation activities must be robustly quantified, implying that the quantification exercise should lead to reliable, conservative estimates of emissions reductions or removals. This robustness is crucial as less conservative estimates may lead to over-generation of credits for mitigation activities. In turn, this may then be used in various claims statements which would be invalid. The quantification exercise would overstate the reduction or removal outcome and provide a misleading picture of the actual environmental effectiveness of the activity.

Quantification protocols are embedded in quantification methodologies and other provisions for mitigation activities. These include additionality, permanence, and monitoring and reporting plans.

In addressing program and mitigation activity type provisions on quantification of emission reductions and removals, three key criteria are considered in the approach proposed in the draft Assessment Framework.

The first approach is a robust methodology development process. Programs operate under general program provisions setting out overall principles and procedures in their methodology process, with implications for the development of quantification protocols. These should include robust requirements for stakeholder participation and engagement, periodic update and review of methodologies and their quantification protocols, etc.

The second criterion relates to a set of requirements that must be addressed in the quantification protocols, including:

- Metric: clear identification of the metric (tonne of CO<sub>2</sub>-equivalent) and appropriate global warming potentials.

- **Conservativeness:** emission reductions and removals must be calculated conservatively taking into account the degree of uncertainty in data and assumptions, so that they are very unlikely to be overestimated. In particular, baselines must be set conservatively and reviewed regularly, in the light of relevant best practices, government decarbonisation policies and avoiding perverse incentives. Under the full threshold, baselines should reflect national strategies and NDCs and be aligned with achieving the Paris Agreement goals.
- **Completeness:** all significant direct impacts of the activity on sources and sinks must be covered unless omitting them is more conservative, and indirect impacts must also be included ('leakage') where emissions increase outside the boundary of the activity
- **Sound scientific methods:** the calculated emission reductions or removals unambiguously result from the mitigation activity rather than exogenous factors; they are robustly monitored with a scientific approach to collecting or sampling data or using appropriate parameters from reliable sources.
- **Duration:** the total duration of all crediting periods must be set so as to ensure that crediting of emission reductions is done in a conservative manner and supports a progressive increase of ambition over time while minimising uncertainty. The mitigation activity will only be credited for as long as it continues to generate emission reductions or removals compared to a regularly reviewed baseline.

Finally, the draft Assessment Framework touches on the inadequacy of ex-ante crediting. High quality carbon credits are issued based on GHG emission reductions or removals determined ex-post, meaning carbon credits cannot be issued for emission reductions or removals that are yet to occur. Ex-post crediting ensures that a VVB can verify that the emission reductions or removals have actually taken place before carbon credits are issued and used. Ex-ante crediting introduces a unique risk to the integrity of carbon credits because the number of credits issued may exceed the project's actual emission reductions or removals, for example, if the mitigation activity is discontinued or has a lower-than-expected performance.

*See Section 2, Robust Quantification at the carbon credit program level, and Section 10 for Robust Quantification at the credit-type level.*

## J. Transition towards Net-Zero Emissions

***“The mitigation activity shall not lock in levels of emissions, technologies or carbon-intensive practices that are incompatible with achieving net zero emissions by mid-century.”***

A global transition towards net-zero emissions is now an imperative and inscribed as the long-term goal under the Paris Agreement: achieving a balance of greenhouse gas emissions and removals in the second half of this century. For compatibility with the global goal of net-zero, any mitigation activity, even if it leads to short-term emission reductions should be discouraged if it would result in a locked-in increase in long-term emissions. Under this scenario, the mitigation activity will render the overall goal more difficult to achieve.

This draft Assessment Framework contains criteria to address the risk of lock-in for particular technologies and mitigation activity types.

*See Section 11, of the Assessment Framework.*

## K. Attributes

### *Question:*

**Should the Integrity Council consider the establishment of an attribute to differentiate credits according to the type of underlying mitigation activity? If so, at what level should types be differentiated (e.g., reductions vs removals, tech-based vs nature-based)?**

Some buyers are keen to purchase specific types of carbon credits. Carbon-crediting programs sometimes tag credits with attributes to meet this demand. Tagging of an attribute is applied after it has been verified. Attributes can be used to identify a number of features related to the mitigation activity. Attributes can show, for example, that a mitigation activity benefited the community in which it operates, has SDG benefits or boosts innovation in emerging climate technologies. There is also an expectation that carbon-crediting programs will increasingly tag credits as either removal or avoidance/reduction; where this distinction is not possible, credits would be assigned with the attribute of “reduction or mixed.”

In line with this practice and to facilitate this demand, the Integrity Council is proposing standardised attributes for tagging carbon credits. Use of the attributes under the Assessment Framework will occur under the oversight of the Integrity Council. The adoption of the proposed attributes may inform reference contracts that group them. As the market scales, the Integrity Council may consider more granular attributes.

This section sets out the conditions under which a carbon-crediting program can assign attribute tags. The attributes are not mutually exclusive, i.e., one or several tags may be granted to CCP-approved carbon credit in a staggered manner. The combination of different attributes describes the type of CCP-approved credit without introducing a new structure of methodology types that would add complexity and limit liquidity.

In all cases, carbon-crediting programs must have procedures to:

- Distinguish different attributes
- Assign respective tag for a verified attribute

The Integrity Council is considering four attributes. The first attribute is “Type of mitigation outcome.” This attribute refers to whether the outcome of the mitigation activity constitutes a reduction or removal and what type of removal process is employed. The carbon credit would be tagged as either “emission reduction” or “removal.” Under the “removal” attribute, there are additional attributes to distinguish how the carbon is captured and stored, whether through biological (i.e., nature-based) processes, such as afforestation activities, or through a non-biological (i.e., tech-based) process, such as direct air capture and storage in geological formations (DACCS) or advanced weatherisation.

The second attribute is “Host country authorisation for the purpose of Article 6 of the Paris Agreement”. This attribute refers to whether the host country has authorised the outcome of the mitigation activity for ‘other purposes’ under Article 6 of the Paris Agreement. Some buyers are keen to purchase carbon credits backed by a host country authorisation for Article 6 purposes. This attribute facilitates identifying such credits.

The third attribute is “Quantified SDG impacts”. This attribute refers to whether the mitigation activity quantifies a substantive net positive significant contribution to Sustainable Development beyond mitigation. This will facilitate buyers to identify credits with positive, verified impacts of this type. Article 6 requires host countries to ensure that all cooperative approaches contribute to sustainable development. The rulebook, adopted at COP26 in Glasgow, specifies that Parties report how activities are consistent with national Sustainable

Development (SD) objectives and demonstrate their SD contribution during implementation. Participating host countries, buyers of Internationally Transferred Mitigation Outcomes (ITMOs), mitigation activity developers and other participants will need to analyse the consistency with and assess the contribution of their Article 6 activities to the SD objectives of the host party.

The fourth attribute, “Adaptation co-benefits”, refers to whether the mitigation activity contributes to adaptation consistent with host country priorities and in line with the spirit of provisions under Article 7.1 of the Paris Agreement. Under this article, Parties established a global goal on adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to sustainable development. Mitigation activity proponents could voluntarily provide information on co-benefits towards “enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to sustainable development”.

Alignment with host country development priorities is critical to ensuring long-term viability and scalability of mitigation activities and carbon credits, as noted by the IPCC.

*See Section 12 of the Assessment Framework.*

## **L. Alignment with the Paris Agreement**

The Integrity Council is seeking views for future consideration on matters related to alignment with the rules elaborated under Article 6 of the Paris Agreement on the topics of: Corresponding Adjustments, Share of Proceeds, and Overall Contribution to Global Mitigation. In considering these options, please provide responses to the following.

### ***Questions:***

- a) Should the voluntary use of carbon credits require host country authorisation to ensure association with corresponding adjustments? Should this be conditional on specific circumstances or use cases?**
- b) Should the voluntary carbon market levy a share of proceeds to assist developing countries most vulnerable to climate change to meet the costs of adaptation?**
- c) Should the voluntary carbon market provide a contribution to overall mitigation of global emissions, through the cancellation of carbon credits at issuance or other similar provisions?**

*See Section 13 of the Assessment Framework.*