



# FEEDBACK STATEMENT

## KEY ISSUES - RELEASE 1 AND 2

26 JULY 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

I.	<b>R1 – Core Carbon Principles</b>	<b>5</b>
II.	<b>R1 – Governance</b>	<b>20</b>
	- EP Recommendation on Governance	23
	- SOC Recommendation on Governance	30
III.	<b>R1 – Sustainable Development Benefits and Safeguards</b>	<b>73</b>
	- EP Recommendation on SD and Safeguards	90
	- SOC Recommendation on SD and Safeguards	98
IV.	<b>R1 – Double Counting</b>	<b>119</b>
	- EP Recommendation on Double Counting	120
	- SOC Decision	131
V.	<b>R1 – Robust Quantification</b>	<b>133</b>
	- EP Recommendation on RQ	134
	- SOC Decision	140
VI.	<b>R1 – Attributes</b>	<b>142</b>
	- EP Recommendation on Attributes	143
	- SOC Decision	151
VII.	<b>R1 – Paris Alignment</b>	<b>153</b>
	- <b>EP Recommendations</b>	
	Corresponding Adjustments	156
	Share of Proceeds for Adaptation Finance	160
	Overall Mitigation in Global Emissions	163
	- <b>SOC Recommendations</b>	
	Corresponding Adjustments	158
	Share of Proceeds for Adaptation Finance	161
	Overall Mitigation in Global Emissions	164
VIII.	<b>R1 – Assessment Procedure</b>	<b>177</b>

I.	<b>R2 – Permanence</b>		<b>214</b>
	- EP and SOC Recommendations on Permanence	216	
II.	<b>R2 – Contribution to Net Zero</b>		<b>228</b>
	- EP Recommendation on Contribution to Net Zero	229	
	- SOC Recommendation on Contribution to Net Zero	232	
III.	<b>R2 – JREDD+</b>		<b>236</b>
	<b>- EP Recommendations on JREDD+</b>	<b>236</b>	
	JREDD+ Additionality, Pri or Consideration	240	
	JREDD+ Additionality, Revenues	242	
	JREDD+ RQ, Nesting	246	
	JREDD+ RQ, Baselines	249	
	<b>- SOC Recommendation on JREDD+</b>		
	JREDD+ Additionality, Pri or Consideration	244	
	JREDD+ RQ, Nesting	248	
	JREDD+ RQ, Leakage	252	
	JREDD+ RQ, Quantification of Emissions and Removals	253	
	Permanence for JREDD+	255	
IV.	<b>R2 – Robust Quantification</b>		<b>258</b>
	- EP Recommendation on RQ	260	
	- SOC Decision	266	
V.	<b>R2 – Additionality</b>		<b>268</b>
	<b>- EP Recommendations on Additionality</b>	<b>272</b>	
	Additionality – Step 1 (and 2)	272	
	Additionality – Legal Requirements	278	
	Additionality – Pri or Consideration	281	
	Additionality – Investment Analysis as Standalone Test	283	
	<b>- SOC Recommendations on Additionality</b>	<b>275</b>	
	Additionality – Step 1	275	
	Additionality – General	277	
	Additionality – Legal Requirements	280	
	Additionality – Pri or Consideration	282	
	Additionality – Combinations of Tests	284	
VI.	<b>R2 – Revisiting JREDD+ Nesting</b>		<b>286</b>
VII.	<b>R2 – Safeguards and Sustainable Development</b>		<b>293</b>
	- EP Recommendation on Safeguards and Sustainable Development	295	
	- SOC Recommendation on Safeguards and Sustainable Development	299	
VIII.	<b>R2 – Double Counting</b>		<b>301</b>
IX.	<b>R2 – Eligibility Criteria</b>		<b>306</b>



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## I. EDITS TO CCPS

# GOVERNING BOARD MEETING

15 DECEMBER 2022



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## 4. EDITS TO CCPS

Comments were received on the CCPs. The Expert Panel co-chairs and the SOC have reviewed these.

**The Board (ex market representatives) is asked to approve the proposals set out on the following pages:**

- **grouping of the CCPs into three groups, as proposed to us by Lord Stern**
- **edits to the CCPs as indicated with further consideration for Transition to Net Zero**

# GROUPING CCPS: STERN PROPOSAL

- 1. Emissions impact:** Additionality, Permanence, Robust Quantification, No Double Counting
- 2. Governance:** Effective Governance, Tracking (formerly Registry), Transparency (formerly Mitigation Activity Information), Robust Third-party Validation & Verification
- 3. Sustainable Development:** SD Benefits & Safeguards (formerly SD Impacts & Safeguards), Transition towards Net-Zero Emissions

# CCP EDITS: EMISSIONS IMPACT

## **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.

## **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.

## **Robust quantification of emission reductions and removals**

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

## **No double counting**

The 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.



# CCP EDITS: GOVERNANCE

## **Program Effective** governance

The carbon-crediting program shall have effective program governance to ensure transparency, accountability, **continuous improvement** and the overall quality of carbon credits.

## **Registry Tracking**

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.

## **Mitigation activity information Transparency**

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.

## **Robust independent third-party validation and verification**

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

# CCP EDITS: SUSTAINABLE DEVELOPMENT

## Sustainable development ~~impacts~~ **benefits** and safeguards

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

## Transition towards net-zero emissions

The mitigation activity shall avoid locking in levels of emissions, technologies or carbon-intensive practices that are incompatible with achieving net zero emissions by mid-century.



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

**MINUTES OF THE BOARD MEETING HELD ON 15/12/2022**  
**BOARD DECISION**

## Decision

The Board approved the following proposals:

- Group the CCPs into three groups: Emissions impact, Governance, Sustainable Development.
- Minor edits to the CCPs that were suggested during the public consultation with further consideration of the title of the transition to net zero CCP.

# GOVERNING BOARD MEETING

23 FEBRUARY 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



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FOR THE VOLUNTARY CARBON MARKET

**SOC MATTERS – EDITS TO THE CCPS**



# KEY CHANGES: APPROVED EDITS TO THE CCPS

- ✓ Regroup CCPs into 3 categories
  - Governance: Effective Governance, Tracking, Transparency, 3<sup>rd</sup> Party Verification & Validation
  - Sustainable Development: Safeguards & Sustainable Development Benefits
  - Emissions Impact: Additionality, Permanence, Robust Quantification, No Double Counting
  
- ✓ Rename the following CCPs
  - Registry: Tracking
  - Mitigation Activity Information: Transparency
  - Transition towards Net Zero Emissions: Contribution to Net Zero Transition

# GOVERNING BOARD MEETING

9 MARCH 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET





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FOR THE VOLUNTARY CARBON MARKET

## 3. SOC MATTERS: RELEASE 1 FOR IN-PRINCIPLE APPROVAL



# KEY UPDATES: EDITS TO THE CCPS



Regroup CCPs into 3 categories

**Governance:**

- Effective Governance, Tracking, Transparency, 3<sup>rd</sup> Party Verification & Validation

**Sustainable Development:**

- Safeguards & Sustainable Development Benefits, Contribution to Net Zero Transition

**Emissions Impact:**

- Additionality, Permanence, Robust Quantification, No Double Counting



Rename the following CCPs

- Tracking: Registry
- Transparency: Mitigation Activity Information
- Contribution to Net Zero Transition: Transition towards Net Zero Emissions



THE INTEGRITY COUNCIL  
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## II. GOVERNANCE

# GOVERNING BOARD MEETING

17 NOVEMBER 2022



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## 3 | SOC: GOVERNANCE

This section includes:

- The Expert Panel's recommendations on Governance (formerly "CORsIA+") provided to the SOC for its consideration on 25 Oct
- The SOC's recommendations on Governance Supporting materials:
  - the SOC's detailed consideration of the EP's recommendations and the associated rationale for SOC recommendations
  - detailed Expert Panel recommendations (Appendix 2)
  - SOC analysis of AF requirements for normative documents and other disclosure against CORsIA requirements (Appendix 3)

# GOVERNANCE – Expert Panel Recommendation on Governance

## SUMMARY TEXT REFLECTING DETAILED ANALYSIS IN THE ANNEX

On Governance, the EP recommends the inclusion of the following criteria as critical elements

- competence requirements for staff and non-staff members of governance bodies
- Procedures to address erroneous over-issuance of credits, eg in cases of fraud, malfeasance on the part of the VVBs
- guidelines for projects to report use of proceeds from issued carbon credits
- Procedures related to the design and implementation of an independent grievance mechanism to address grievances from affected stakeholders
- Principles of corporate governance, in particular on anti-corruption policies, transparency, decision-making)

The inclusion of the following criteria as part of a work programme

- responsibility for cancelling / compensation of issued units in cases of erroneous over-issuance
- Procedures related to risk disclosure & management
- Procedures related to financial & funding disclosure
- Additional principles of corporate governance

The EP recognizes the following criteria as missing from CORSIA but of lower importance

- requirements vs guidance related to competence requirements for non-staff members
- Procedures related to transparency on process for choosing gov body members
- Public availability of information related to governance publishing gov body minutes

## **GOVERNANCE – Expert Panel Recommendation on Registries & Mitigation Activity Information**

### **SUMMARY TEXT REFLECTING DETAILED ANALYSIS IN THE ANNEX**

On Registries and Mitigation Activity Information, the EP recommends the inclusion of the following criteria as critical elements

- Procedures related to identification in the registry of on whose behalf a carbon credit unit has been retired and to which purpose
- Some of the elements of publicly available project information (see tables in Annexes)

The inclusion of the following criteria as part of a work programme

- Some of the elements of publicly available project information (see tables in Annexes)

## GOVERNANCE– Expert Panel Recommendation on Third Party Verification

### SUMMARY TEXT REFLECTING DETAILED ANALYSIS IN THE ANNEX

On Third Party Verification, the EP recommends the inclusion of the following criteria as critical elements

- Robust oversight of VVBs (AF 3.5): Procedures related to performance reviews of VVBs
- Requirement for IAF or UNFCCC accreditation (AF 3.2(a))
- Specific normative documents for performing V/Vs (AF 3.4) (*subpanel should amend requirement to focus on what is complementary to accreditation*)
- Procedures in case of project inactivity (AF 3.1 (f)) (*requirement needs rework by the sub-panel*)

The EP recognizes the following criteria as missing from CORSIA but of lower importance

- Cross check on current accreditation (AF 3.2 (c))
- Rotation of VVBs (AF 3.3 (c)): requirement to rotate VVBs



## **GOVERNANCE – Expert Panel Recommendation on Programme-level Robust Quantification (1)**

### SUMMARY TEXT REFLECTING DETAILED ANALYSIS IN THE ANNEX

On Programme-level Robust Quantification, CORSIA includes only very few elements. The AF is significantly more detailed and specific.

**The Expert Panel recommends to discuss these additional elements in the work scheduled over the next weeks on robust quantification (outside the GOVERNANCE track).**

Based on the current available information, the EP recommends the **inclusion of the following criteria as critical elements**, noting that more work on them is needed:

- Methodology approval process
  - Minimum content of methodologies
  - Review of methodologies by a group of experts
  - Public stakeholder consultation of new methodologies
  - Process to regularly review existing methods
  - Suspension of methodologies in case of integrity concerns

## GOVERNANCE – Expert Panel Recommendation on Programme-level Robust Quantification (2)

### SUMMARY TEXT REFLECTING DETAILED ANALYSIS IN THE ANNEX

- Quantification principles
  - Conservativeness (versus accuracy)
  - Consideration of policies in determining baseline emissions
- Other elements
  - Specific requirements for REDD+ (if any)
  - Source of GWP values

The inclusion of the following criteria as part of a **work programme**

- Alignment of crediting periods with NDC cycles from 2031 onwards
- Addressing uncertainty in quantifying emission reductions more systematically

The EP recognizes the following criteria as missing from CORSIA but of **lower importance**

- PDD examples with methodology submissions
- Indicators for the performance of the mitigation activity

## **GOVERNANCE – Expert Panel Recommendation on Safeguards and Sustainable Development**

SUMMARY TEXT REFLECTING DETAILED ANALYSIS IN THE ANNEX

On Programme-level Safeguards and Sustainable Development, CORSIA includes only very few elements. The AF is significantly more detailed and specific.

**The Expert Panel recommends to discuss these additional elements in the work scheduled over the next weeks on Safeguards and Sustainable Development Impact (outside the GOVERNANCE track).**

## **GOVERNANCE – Expert Panel Recommendation on Double Counting**

### **DETAILED ANALYSIS TO FOLLOW IN THE SUB-PANEL**

On Programme-level requirements for double counting, CORSIA includes only very few elements. The AF is significantly more detailed and specific.

**The Expert Panel recommends to discuss these additional elements in the work scheduled over the next weeks on Double Counting (outside the GOVERNANCE track).**

### **3 | SOC RECOMMENDATIONS ON GOVERNANCE, REGISTRIES, MITIGATION ACTIVITY INFORMATION AND VVBS – PLUS ELEMENTS TO BE INCLUDED IN THE AF**

Summary of SOC Recommendations:

- **SOC recommend 15 “plus” elements covering governance, registries, mitigation activity information and VVBs**
- **SOC assessed necessity of “plus elements” with a view to maximizing transparency and integrity while avoiding detailed management of program processes, staff and governance.**
- **SOC found many elements of the current AF to be duplicative of CORSIA requirements and took CORSIA requirements on board where possible while maintaining integrity and transparency to avoid duplication of effort by ICVCM and by CORSIA eligible carbon crediting programs.**
- **SOC rationalized and combined many criterion in the existing AF to consolidate, address duplication, and to clarify**

# SOC Recommendations on Governance, Registries, Mitigation Activity Information and VVBs – Plus Elements to be Included in the AF

## Summary Process Recommended

- **Where carbon crediting program is CORSIA eligible:**
  - **ICVCM assessment for Governance, Registries, Mitigation Activity Information and VVBs would only cover “plus” elements**
- **Where program is not CORSIA eligible:**
  - **ICVCM will assess CORSIA elements for Governance, Registries, Mitigation Activity Information and VVBs AND “plus” elements**
  - **Revised AF will therefore reflect CORSIA requirements in these areas to ensure a level playing field**

# Summary of “plus” elements recommended by SOC

The Carbon Crediting Program Shall:

- have a board comprised of independent board members who assume fiduciary responsibility for the organization and operate under robust bylaws.
- have a clear and transparent process in place to address grievances. The process shall ensure impartiality and where appropriate confidentiality, in the filing and resolution of grievances. Any applicable fees shall not impede legitimate access to the grievance process by civil society organizations, indigenous people and local communities.
- have procedures in place to address erroneous issuance that identify remedial measures (e.g. cancellation, compensation through replacement etc) and the party(ies) responsible for implementing these.
- require public disclosure of all relevant project documentation:
  - make public all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and assess the social and environmental impacts of the activity;
  - make public a design document with a non-technical summary, detailed information on the mitigation activity including its location and proponents, a description of the technology or practices applied, the environmental and social impacts, and the methodology for determining the baseline, demonstrating additionality and quantifying emission reductions or removals.
  - facilitate requests for any missing mitigation activity documentation on its website.
- provide an annual report which contains the organization's revenues, expenses, and net assets over the past year and provides an overview of the organization's mission, major programs and activities, and governance.
- have processes in place to ensure corporate social and environmental responsibility.
- have robust anti-money laundering processes in place.
- follow practices consistent with robust anti bribery and corruption guidance and regulation.
- require VVBs to be accredited by a recognized international accreditation standard (e.g. International Accreditation Forum member body according to the current edition of ISO 14065 and ISO 14066, by the UNFCCC CDM Executive Board according to the CDM Accreditation Standard for Designated Operational Entities, or by a new relevant accreditation system under the UNFCCC).
- have a process for managing VVB performance including systematic review of validation and verification activities and reports and remedial measures to address performance issues including measures to ensure that poor VVB performance is reported to other carbon crediting programs and to the accreditation body and provisions to suspend or revoke the participation of a VVB.
- require identification of the entity by whom and/or on whose behalf the credit was retired;
- require the identification of the purpose of retirement
- have processes for robust and transparent local and global stakeholder consultation which provide for public comment and issue resolution.

# SOC Consideration of Other EP Recommendations on Governance – EP recommendations to be considered in the context of other Key Issues

The SOC also recommends considering the following elements which could be additional to CORSIA requirements (“plus”) in the context of other Key Issues:

- **Key Issue: Net Zero**
  - Criterion 1.2a: transition towards net-zero emissions;
  - Criterion 6.1a (full) The carbon-crediting program shall require disclosure of information to assess the compatibility of the mitigation activity with achieving net-zero emissions by mid-century.
- **Key Issue: Sustainable Development and Social Safeguards**
  - Criterion 1.2a: benefit-sharing arrangements;
  - promoting sustainable development benefits;
  - Criterion 1.2b(full): sustainable development net-positive impacts.
  - Criterion 1.5i: The carbon-crediting program shall have guidelines on the management reporting and use of proceeds from issued carbon credits to facilitate the tracking of funds.
  - Criterion 1.6f: The carbon-crediting program shall have established procedures to ensure free, prior and informed consent (FPIC) wherever relevant.
  - Criterion 6.1a where the mitigation activity is IPLC, information on benefit sharing agreement(s) with local communities;
- **Key Issue: Double Counting**
  - 6.1a (full) The carbon-crediting program shall require disclosure of information to avoid double counting.



# SOC Consideration of Other EP Recommendations on Governance – EP recommendations to be considered in Work Programs

The SOC recommends considering the following elements through work programs or other processes. These issues can be resolved after the initial launch of the final AF and included as relevant in subsequent releases of the AF

## To be addressed In Work Programs or other processes:

### ■ Addressing Inactive Projects:

Criterion 3.1f As part of verification and issuance, the carbon-crediting program shall have procedures for the case where a mitigation activity is inactive with the program beyond 12 months prior to an issuance request, including an evaluation of the justification for the delay and decision on approval of issuance or not

SOC Rationale: Not clear what issue this is resolving. Was a clear issue for the CDM pre-Glasgow, but not clear that it is a critical issue impacting the integrity of the VCM.

### ■ Price Discovery and Revenue Disclosure Guidelines:

#### ■ Guidance and Measures on price discovery.

SOC Rationale: Although the ICVCM should take steps to facilitate price discovery in the VCM, the role of programs in price discovery is less clear.

#### ■ Guidance on reporting on revenue

SOC Rationale: The revenue distribution from projects is not determined by the Program. The ICVCM should continue to consider how this can be best managed other than in the context of benefit sharing arrangements which will be considered in the context of Sustainable Development.

The following slides contain the SOC's detailed consideration of the EP's recommendations and the associated rationale for SOC recommendations

# SOC Recommendations on Governance, Registries, Mitigation Activity Information and VVBs – Plus Elements to be Included in the AF

The SOC recommends the following elements on Governance in addition to those required by CORSIA

For each of the following the EP recommends maintaining as in current AF.

Criterion 1.1e The carbon-crediting program shall have a formal, rigorous, and transparent procedure for appointing new members to the governing body.

*SOC Recommendation: Agree with the spirit of the EP recommendation. Reword as following: The carbon crediting program shall have a board comprised of independent board members who assume fiduciary responsibility for the organization and operate under robust bylaws.*

Criterion 1.2a(full): independent grievance mechanism

*SOC recommendation: Maintain as initial requirement and reword as follows: The program shall have a clear and transparent process in place to address grievances. The process shall ensure impartiality and where appropriate confidentiality, in the filing and resolution of grievances. Any applicable fees shall not impede legitimate access to the grievance process by civil society organizations, indigenous people and local communities. This now also covers all criterion in 1.7 so these are no longer necessary as they delve into program process design in the current AF.*

Criterion 1.2a The carbon-crediting program shall require public disclosure of all relevant project documentation.

*SOC Recommendation: Maintain as “plus” element.*

Criterion 1.8 b and c:

- The carbon-crediting program shall have procedures that assign liability for any erroneous over-issuance of carbon credits.
- These procedures shall include the responsibility for cancelling or compensating with equivalent units any issued carbon credits that are found, after the fact, to have been issued erroneously.

*SOC Recommendation: Maintain the spirit of the EP recommendation without going into program process design.*

*Reword as: carbon crediting program shall have procedures in place to address erroneous issuance that identify remedial measures (e.g. cancellation, compensation through replacement etc) and the party(ies) responsible for implementing these.*

# SOC Recommendations on Governance, Registries, Mitigation Activity Information and VVBs – Plus Elements to be Included in the AF

The SOC recommends the following elements on Governance in addition to those required by CORSIA

For each of the following the EP recommends maintaining as in current AF.

**Criterion 1.9 b-e:** The carbon-crediting program's governing body shall establish formal and transparent arrangements for determining how to apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with any financial auditors of the program (e.g., in the case of the audit of the program's financial statements); The carbon-crediting program's ownership information shall be registered securely (with the appropriate authority or agency); The carbon-crediting program shall periodically disclose material information on its commercial and non-commercial objectives, including policies and performance relating to business ethics, the environment, relevant social issues, human rights, and other public policy commitments; The carbon-crediting program shall have disclosure standards for reasonably foreseeable material risks to the program's ongoing operations and the procedures for managing such risks; The carbon-crediting program shall have procedures for publishing, at least annually, an organisational governance report that, inter alia, describes how it has implemented organisational governance practices recommended in any governance code that applies to the program or any code that the program has voluntarily adopted;

**SOC Recommendation:** Maintain the spirit of the EP recommendation without going so deeply into program process design. Reword as: the carbon crediting program shall provide an annual report which contains the organization's revenues, expenses, and net assets over the past year and provides an overview of the organization's mission, major programs and activities, and governance.

**Criterion 1.9 f-g:** The carbon-crediting program shall adhere to international standards or the equivalent for corporate social responsibility (e.g., ISO 26000, OSHAS 18001 OECD Guidelines for Multinational Enterprises). The program shall implement procedures regarding sustainability and the environment and promoting a positive impact on social issues such as fair operating practices, labour practices, health and safety, gender balance and respecting basic human needs, including special circumstances of vulnerable groups;

**SOC Recommendation:** Maintain the spirit of the EP recommendation without going so deeply into program process design. Reword as: the carbon crediting program shall have processes in place to ensure corporate social and environmental responsibility.

**Criterion 1.9 h** The carbon-crediting program shall adhere to international standards or equivalent for anti-bribery management systems (e.g., ISO 37001, OECD Guidelines for Multinational Enterprises) and anti-money laundering (e.g., ISO 20022).

**Recommendation:** Maintain the spirit of the EP recommendation without going so deeply into program process design. Reword as: the carbon crediting program shall have robust anti-money laundering processes in place.

the carbon crediting program shall follow practices consistent with robust anti bribery and corruption guidance and regulation.

# SOC Recommendations on Governance, Registries, Mitigation Activity Information and VVBs – Plus Elements to be Included in the AF

The SOC recommends the following elements on Governance in addition to those required by CORSIA

For each of the following the EP recommends maintaining as in current AF.

**The SOC recommends the following elements on Third Party Verification in addition to those required by CORSIA**

*Criterion 3.2* The carbon-crediting program shall have accreditation requirements for VVBs by an International Accreditation Forum member body according to the current edition of ISO 14065 and ISO 14066, by the UNFCCC CDM Executive Board according to the CDM Accreditation Standard for Designated Operational Entities, or by a new relevant accreditation system under the UNFCCC.

*SOC Recommendation:* Keep the spirit of this criterion without limiting the list of eligible accreditation standards to only those currently used by programs.

*Reword as:* the carbon crediting program shall require VVBs to be accredited by a recognized international accreditation standard (e.g. International Accreditation Forum member body according to the current edition of ISO 14065 and ISO 14066, by the UNFCCC CDM Executive Board according to the CDM Accreditation Standard for Designated Operational Entities, or by a new relevant accreditation system under the UNFCCC).

*Criterion 3.5 a-c :*

- The carbon-crediting program shall have a performance management procedure for VVBs that includes periodic review of performance of validation and verification activities conducted under the program and a systematic review of individual mitigation activity validation and verification reports.
- The performance management system shall include provisions to suspend or revoke the participation in the carbon-crediting program of a VVB that shows serious performance problems.
- The carbon-crediting program shall be capable of providing evidence of the ongoing implementation of its performance management procedure.

*SOC Recommendation:* Keep the spirit of this criterion without going into program process design.

*Reword as:* the carbon crediting program shall have a process for managing VVB performance including systematic review of validation and verification activities and reports and remedial measures to address performance issues including measures to ensure that poor VVB performance is reported to other carbon crediting programs and to the accreditation body and provisions to suspend or revoke the participation of a VVB.

# SOC Recommendations on Governance, Registries, Mitigation Activity Information and VVBs – Plus Elements to be Included in the AF Cont.

**The SOC recommends the following elements on Registry in addition to those required by CORSIA**

For each of the following the EP recommends maintaining as in current AF.

Criterion 5.2

- require identification of the entity by whom and/or on whose behalf the credit was retired;
- require the identification of the purpose of retirement

**SOC Recommendation:** Maintain as plus elements

**The SOC recommends the following elements on Mitigation Activity Information in addition to those required by CORSIA**

Criterion 6.1a

- all necessary information, to enable third parties to replicate the emission reduction calculations (including baseline quantification) and assess the social and environmental impacts of the activity;
- environmental and social impacts and associated risks assessments;

**SOC Recommendation:** Maintain as plus elements but combine different asks in 6.1 and reword as follows: all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and assess the social and environmental impacts of the activity;

# SOC Recommendations on Governance, Registries, Mitigation Activity Information and VVBs – Plus Elements to be Included in the AF Cont.

**The SOC recommends the following elements on Registry in addition to those required by CORSIA**

For each of the following the EP recommends maintaining as in current AF.

Criterion 6.1a

The carbon-crediting program shall make the following information publicly available in electronic format: 1) detailed information on the mitigation activity, including: the location of the mitigation activity, ii. a description of the technology or practices applied, iii. the demonstration of additionality and quantification of emission reductions or removals, v. the mitigation activity proponents (e.g., a design document); iv. environmental and social impacts, and

**SOC Recommendation:** Maintain as plus element but reword as follows: The carbon-crediting program shall make publicly available a design document including a non-technical summary, detailed information on the mitigation activity including its location and proponents, a description of the technology or practices applied, the environmental and social impacts, and the methodology for determining the baseline, demonstrating additionality and quantifying emission reductions or removals.

Criterion 6.1a

information on stakeholder consultations, including how stakeholders were identified and invited (ensuring that this includes, where relevant, IPLC), the means of conducting the consultations, the issues raised during the stakeholder consultations, and how issues raised were considered and resolved, such as through free, prior and informed consent;

**SOC Recommendation:** Maintain as plus element.

**Reword as follows:** Carbon Credit programs shall have processes for robust and transparent local and global stakeholder consultation which provide for public comment and issue resolution.

Criterion 6.1a: The carbon-crediting program shall have guidelines and requirements for responding to queries about missing mitigation activity documentation.

**SOC Recommendation:** Keep the spirit of EP recommendation. **Reword as follows:** The carbon-crediting program shall make information to facilitate requests for any missing mitigation activity documentation public.

# SOC Consideration of Other EP Recommendations – EP recommendations not supported in SOC Recommendations

The SOC does not recommend taking on board the following elements which would be additional to CORSIA requirements

## EP Recommendation: Maintain Criterion as in current AF

Criterion 1.1e The carbon-crediting program shall have competence requirements for Board members, staff and all other non-staff individuals serving in a professional capacity (e.g., expert advisors).

*SOC Rationale: The carbon crediting programs are professional organizations and they issue job descriptions when hiring. This requirement makes sense for the CDM where Executive Board Members are political appointees, but not in the context of voluntary market standards.*

Criterion 1.2a public availability of documentation;

*SOC Rationale: Covered by CORSIA requirements*

Criterion 1.2a legal underpinnings of carbon credits, including custody and liability provisions

*SOC Rationale: Covered by CORSIA requirements*

Criterion 1.4: Conflict of Interest

*SOC Rationale: Covered by CORSIA requirements*

Criterion 1.8d: In addition to requirements under the initial threshold, the carbon-crediting program shall require issued carbon credits to include updated, transparent information on whether the credits have been authorized for international transfer for “other mitigation purposes” by the host country and display this in the registry.

*SOC Rationale: The Paris Alignment attribute has already been approved by the Board. This is a similar attribute but does not add value relative to what is already agreed. We can discuss further in the context of the Paris alignment work program.*



# SOC Consideration of Other EP Recommendations – EP recommendations not supported in SOC Recommendations Cont'd

**The SOC does not recommend taking on board the following elements which would be additional to CORSIA requirements**

Criterion 3.4a The carbon-crediting program shall have program provisions for the requirements to which VVBs are to conform.

Alternatively, the carbon-crediting program shall refer to a recognized international standard in defining these requirements.

The requirements shall include:

- general requirements related to contract management, impartiality procedures, liability management;
- personnel and competency management and adequate resources to undertake the audits; and
- management systems covering internal management systems of VVB for checks and balances on audits, internal audits, management reviews, etc.

*SOC Rationale: The above are addressed by the accreditation standards, no need to check them again if the VVBs are accredited.*

Criterion 3.4b The carbon-crediting program shall have program provisions defining the process for undertaking audits and what is to be assessed in the audit and addressed in the audit opinion. These shall include:

- process steps such as pre-engagement, engagement, execution, review and issuance of opinions, management of records, etc.;
- program provisions to be assessed;
- requirements to consider conservativeness, uncertainty, and materiality; and
- guidance to promote consistency across audits.

*SOC Rationale: Covered by CORSIA requirements.*

Criterion 6.1a:

- all validation reports relating to the mitigation activities;
- all verification reports relating to the mitigation activities;

*SOC Rationale: Covered by CORSIA requirements.*

# SOC Consideration of Other EP Recommendations – EP recommendations not supported in SOC Recommendations Continued

The SOC does not recommend taking on board the following elements which would be additional to CORSIA requirements

EP Recommendation: Maintain Criterion as in current AF

Criterion 6.1a:

- a search function to allow for easy searches across parameters;
- information on susceptibility to reversal; needs clarity

*SOC Rationale: not critical elements*

## VVB Accreditation

- The carbon-crediting program shall require that VVBs hold a current accreditation both at the time of undertaking validation and/or verification and when submitting the corresponding report. AND
- The accreditation and eligibility requirements of VVBs shall be available on the carbon-crediting program's website.

## Process for Undertaking Audits

Provide evidence of the standards, requirements, and procedures referred to in a) through d), including their availability to the public:

Are standards, requirements, and procedures in place for... (Paragraph 2.6)	
a) the validation of activities?	<input type="checkbox"/> YES
b) the verification of emissions reductions?	<input type="checkbox"/> YES
c) the accreditation of validators?	<input type="checkbox"/> YES
d) the accreditation of verifiers?	<input type="checkbox"/> YES

## CORSIA Requirements – Conflicts of Interest

*Registry administrator conflicts of interest: Programmes should avoid administrator conflicts of interest and should have policies in place that prevent programme registry administrators from having financial, commercial or fiduciary conflicts of interest in the governance or provision of registry services. Where such conflicts arise, and are appropriately declared, programmes should have robust procedures in place to address and isolate the conflict.*

*Programme administrator and staff conflicts of interest: Programmes should avoid administrator and staff conflicts of interest and should have policies in place that prevent programme staff, board members, and management from having financial, commercial or fiduciary conflicts of interest in the governance or provision of programme services. Where such conflicts arise, and are appropriately declared, programmes should have procedures in place to address and isolate the conflict.*

*Auditor conflicts of interest: Programmes should have provisions in place to manage and/or prevent conflicts of interest between accredited third-party(ies) performing the validation and/or verification procedures, and the programme and the activities it supports. The provisions should require such accredited third parties to disclose whether they or any of their family members are dealing in, promoting, or otherwise have a fiduciary relationship with anyone promoting or dealing in, the offset credits being evaluated. The programme should have provisions in place to address and isolate such a conflict should it be identified.*

# APPENDIX 2: DETAILED EP RECOMMENDATION ON CORSIA+

**Recommendations – Importance of potential ICVCM “+” requirements on top of CORSIA**

Critical for integrity

More work needed (work programme / not include immediately)

Lower importance

# CORSIA – Gap Analysis: Governance (1)

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
Part 1. D. Programme Senior Staff / Leadership (e.g., President / CEO, board members) & Organizational chart / AF 1.1 a – g. & 1.1 h – i	<b>Programs mostly comply.</b> <i>Not all programs have: competence requirements, division of responsibility, clear requirements vs. guidance, clear process for choosing gov body members</i> “New” elements mainly from CDM	Not addressed in triage	ICVCM provides more specificity ICVCM includes elements not covered by CORSIA <b>-competence requirements (refers to e?)</b> -requirements vs guidance -process for choosing gov body members	Public competence requirements for governing body members, senior staff, and external experts will increase <b>transparency</b> and ensure program individuals have the experience to improve <b>consistency</b> across programs
Question 3.1. Clear methodologies and protocols / AF 1.3 ...development, approval and regular updating	<b>Programs comply.</b>	Newer versions of methodologies are better and include lessons learned; Carbon crediting programs are not keeping pace with newest science.	ICVCM and CORSIA are very similar	-
Question 3.5 Legal nature and transfer of units- attributes and property aspects / AF 1.8 Robust legal underpinnings of carbon credits	<b>Programs partly comply.</b> <i>Not all programs have: liability for erroneous issuance, responsibility for cancelling / compensation</i> “New” elements from VCS and GS	Not addressed in triage	ICVCM includes elements not covered by CORSIA <b>-liability for erroneous issuance</b> <b>-responsibility for cancelling / compensation</b>	Upfront clarity about the liability for erroneous issuance will encourage <b>quality and integrity</b> , and increase <b>reliability</b> of issued credits

# CORSIA – Gap Analysis: Governance (2)

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Question 3.7, para 2.7 Program governance. Responsibility, public disclosure decision-making / AF 1.5 Transparency and info disclosure on decision-making</p>	<p><b>Programs mostly comply.</b>  <i>Most programs do not publish gov body minutes or have guidelines for reporting use of proceeds from issued carbon credits</i>            "New" elements from CDM, GS, ART TREES, response to wider stakeholder requests</p>	<p>Not addressed in triage</p>	<p>ICVCM includes more specificity            ICVCM includes elements not covered by CORSIA            -publishing gov body minutes  <b>-guidelines for projects to report use of proceeds from issued carbon credits</b></p>	<p><b>Carbon market transparency</b> improved by understanding how much carbon revenue goes to implementation versus intermediaries and <b>programmes are well placed to lead</b> on this</p>
<p>Question 3.7, para 2.7.2 &amp; 2.7.4. Continuous operation, multi-decadal plan, dissolution plan, insurance &gt;= USD\$5M. / 1.9 e. Disclosure of risks and management</p>	<p><b>Programs do not comply.</b>  <i>Programs are not disclosing risks to their to their ongoing operations or procedures for managing them.</i>            New elements seek to avoid barriers to entry (e.g. insurance policies) but address similar concerns</p>	<p>Challenging, particularly for smaller registries and those in developing countries</p>	<p>ICVCM includes an element not covered by CORSIA  <b>-risk disclosure &amp; management</b>            ICVCM excludes elements required by CORSIA</p>	<p>-</p>
<p>Question 3.7, para 2.7.3. Prevention of conflict of interest (Col) and means to address Col if it arises / 1.4 Addressing Col.</p>	<p><b>Programs partly comply. VCS complies almost completely.</b>  <i>Not all programs have publicly available information on Col management nor disclose financial info &amp; funding.</i>            "New" elements seen in CDM, VCS and GS</p>	<p>More assurance needed on addressing any conflicts of interest for the credibility of the crediting programs</p>	<p>ICVCM includes more specificity            ICVCM includes elements not covered by CORSIA  <b>-financial &amp; funding disclosure</b>            -public availability</p>	<p>-</p>

# CORSIA – Gap Analysis: Governance (3)

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Question 3.8, para 2.8 Transparency and public participation provisions. / AF 1.2 Public availability; 1.6 Public engagement; 1.7 Grievance mechanism.</p>	<p><b>Programs mostly comply.</b> <i>Not all programs include mandatory local stakeholder consultation, FPIC where relevant, detailed requirements for griev mech</i> “New” elements from GS and GCF, response to wider stakeholder requests</p>	<p>Limit public engagement to a level that is meaningful, relevant to context and manageable</p>	<p>ICVCM provides more specificity ICVCM includes elements not covered by CORSIA <b>-grievance mechanism</b></p>	<p>Independent grievance mechanism ensures <b>accountability</b> and examples from GCF and GS have shown it to be effective, not overly burdensome</p>
<p>Question 3.8, para 2.8. Public comment periods / AF 1.6 Public engagement.</p>	<p><b>Programs comply.</b></p>	<p>Limit public engagement to a level that is meaningful, relevant to context and manageable</p>	<p>ICVCM and CORSIA are very similar</p>	<p>-</p>
<p>- / AF 1.9 Effective corporate governance.</p>	<p><b>Programs do not comply.</b> <i>New elements taken from OECD Principles of Corporate Governance</i> Consensus in sub-group that requirements may be simplified. Important to maintain elements like anti-bribery / anti-corruption.</p>	<p>Governance provision is challenging. Could templates be provided? Aside from programmes and traders, most stakeholders support provisions.</p>	<p>ICVCM includes elements not covered by CORSIA <b>-principles of corporate governance</b></p>	<p>Some elements to a work programme, others simplified to focus on must-haves like <b>anti-bribery / anti-corruption policies, transparency &amp; decision-making</b> that add integrity, not overly burdensome</p>



# CORSIA – Gap Analysis: Registries & Mitigation Activity Database (1)

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
Question 3.3. Offset credit issuance and retirement procedures / AF 5.3: Mechanisms to prevent double issuance and double use	<b>Programs mostly comply.</b>	Support for a transparent and publicly available registry and ensure registries are “communicating”	ICVCM and CORSIA take different approaches, but CORSIA requirements are sufficient to fulfil ICVCM aims	-
Question 3.4 paras. 2-4 – 2.4.5. Identification and Tracking. Tracking, serialization, link to project info, security / AF 5.1: Unique identification of carbon credits 5.2: Mitigation activity information	<b>Programs partly comply.</b> <i>Not all programs have: identification of retiree, purpose of retirement</i> "New" elements from CDM, Verra, Ecoregistry	Registries cannot track downstream commercial transactions for multiple sales Concerns with lack of clarity and concern with burden on programs and buyers Support for a transparent and publicly available registry and ensure registries are “communicating”	ICVCM includes elements not covered by CORSIA <b>-identification of to whom unit is retired and purpose</b>	Adds <b>transparency</b> to the carbon market and <b>prevents double-use</b> of carbon credits. Already implemented in various registries so not overly burdensome.
Question 3.4 para. 2.4.6. Prevention and correction of Col in registry administrator / Not addressed (potentially by 1.4 Addressing Col)	-	Not addressed in triage	CORSIA includes elements not covered by ICVCM	-

# CORSIA – Gap Analysis: Registries & Mitigation Activity Database (2)

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Question 3.4 para. 2.4.7 – 2.4.8. KYC for registry accounts and security auditing of registry / 1.8 Robust legal underpinnings of carbon credits</p>	<p><b>Programs comply</b></p>	<p>Each registry needs legal perspective on the ownership and transfer of credits – the burden of proof cannot fall on user of credit</p>	<p>CORSIA includes elements not covered by ICVCM</p>	<p>-</p>
<p>- / 6.1 Minimum information requirements for mitigation activities</p>	<p><b>Programs do not comply.</b>  <i>Most programs do not consistently make public the information identified.</i>            “New” elements from CDM or identified by EP as pertinent based on experience</p>	<p>Add provisions to protect confidentiality where required</p>	<p>ICVCM includes elements not covered by CORSIA  <b>-specific elements of publicly available project information</b></p>	<p>Some elements to a work programme, other must-haves identified and included immediately, contributing to <b>transparency</b> for stake holders and <b>consistency</b> across programmes.</p>

# CORSIA – Gap Analysis: Validation & Verification (1)

CORSIA vs ICVCM AF	Current uptake of ICVCM criteria	Public comments on 'plus' requirements	Conclusion and recommendation	Rationale
<p>Standards, requirements and procedures for <b>validation and verification</b></p> <ul style="list-style-type: none"> <li>CORSIA: Q3.6 // Para 2.6; Q4.3(b)-(c) // Para 3.3.2; Q4.3(e)-(f) // Para 3.3. Requirements (any) must exist; procedural requirements on timing.</li> <li>ICVCM: AF 1.2 (a); AF 3.4; AF 3.1 (a)-(e); AF 3.1 (f)</li> </ul>	<ul style="list-style-type: none"> <li>AF 1.2 (a); AF 3.1 (a)-(e): <b>Programs comply.</b></li> <li>AF 3.4 (Specific normative documents for performing V/Vs): <b>Programs do not comply.</b> VCS and GS had gaps; others likely the same</li> <li>AF 3.1 (f) (Procedures in case of project inactivity): <b>Programs do not comply.</b> But ICVCM requirement needs more clarity</li> </ul>	<p>Comments on AF 3.4:</p> <ul style="list-style-type: none"> <li>'Expand': mandatory site visit; include adherence to national requirements; provide templates</li> <li>'Streamline': some elements are part of accreditation process.</li> </ul> <p>Comments on 3.1(f):</p> <ul style="list-style-type: none"> <li>Many calls for clarification and amendment.</li> </ul>	<p>ICVCM provides more specificity</p> <p>ICVCM elements not covered by CORSIA:</p> <ul style="list-style-type: none"> <li>Specific normative documents for performing V/Vs (AF 3.4) (subpanel should amend requirement to focus on what is complementary to accreditation)</li> <li>Procedures in case of project inactivity (AF 3.1 (f)) (requirement needs rework by the sub-panel)</li> </ul>	<p>Normative documents on performing V/V functions are needed for environmental integrity. But the requirement can be slimmed to focus only on what is complementary to what is already covered by IAF/UNFCCC accreditation.</p> <p>Project inactivity (e.g. where monitoring ceases and reversals can occur) can cause integrity problems.</p>

# CORSIA – Gap Analysis: Validation & Verification (2)

CORSIA vs ICVCM AF	Current uptake of ICVCM criteria	Public comments on 'plus' requirements	Conclusion and recommendation	Rationale
<p><b>Conflicts of interest</b></p> <ul style="list-style-type: none"> <li>CORSIA: Question 4.3 // Para 3.3.3</li> <li>ICVCM: AF 3.3</li> </ul>	<ul style="list-style-type: none"> <li>AF 3.3: <b>Mostly comply.</b> <i>AF3.3(c) under GS: rotation of teams (not of VVBs)</i></li> </ul>	<p>Comments on 3.3 (c):</p> <ul style="list-style-type: none"> <li>'<u>Expand</u>': Calls for further details / best practice on Col and rotation</li> <li>'<u>Delete</u>': Seen as already covered under general requirements; more flexibility where VVBs are in short supply.</li> </ul>	<p>CORSIA and ICVCM are similar ICVCM element not covered by CORSIA:</p> <ul style="list-style-type: none"> <li>- Rotation of VVBs (AF 3.3 (c))</li> </ul>	<p>Requiring rotation of VVBs goes slightly beyond IAF rules. It is good practice but perhaps more of a 'nice to have'.</p>
<p><b>Accreditation</b></p> <ul style="list-style-type: none"> <li>CORSIA: Q3.6 // Para 2.6: Requirements (any) must exist.</li> <li>ICVCM: AF 3.2 (a); AF 3.2 (b)-(c); AF 3.2 (d)</li> </ul>	<ul style="list-style-type: none"> <li>AF 3.2 (a) (Requirement for IAF or UNFCCC accreditation): <b>Mostly comply.</b> <i>GS accepts other VVBs. New progs may not comply.</i></li> <li>AF 3.2(d): <b>Comply.</b></li> <li>AF 3.2 (b)-(c) (Cross-check on accreditation at report submission): <b>Do not comply.</b> <i>VCS and GS fail cross check, others likely same</i></li> </ul>	<p>Comments on 3.2(a):</p> <ul style="list-style-type: none"> <li>'<u>Expand</u>': Calls to add cross check on sectoral scope; reflect national requirements</li> <li>'<u>Add flexibility</u>': allow non-IAF national accreditation schemes.</li> </ul>	<p>ICVCM elements not covered by CORSIA:</p> <ul style="list-style-type: none"> <li>- Requirement for IAF or UNFCCC accreditation (AF 3.2(a))</li> <li>- Cross check on current accreditation (AF 3.2 (c))</li> </ul>	<p>IAF and UNFCCC accreditation provide credibility and international oversight on accreditation processes and requirements.</p> <p>Cross check on current accreditation is good practice but perhaps more of a 'nice to have'.</p>

## CORSIA – Gap Analysis: Validation & Verification (3)

CORSIA vs ICVCM AF	Current uptake of ICVCM criteria	Public comments on 'plus' requirements	Conclusion and recommendation	Rationale
<p><b>Oversight of VVBs</b></p> <ul style="list-style-type: none"> <li>CORSIA: -</li> <li>ICVCM: AF 3.5 Robust oversight (performance reviews) of VVBs, including a system for sanctions. (<u>Full only</u>)</li> </ul>	<ul style="list-style-type: none"> <li><b>Programs do not comply</b> <i>VCS unclear; GS mostly complies; others vary</i></li> </ul>	<p>Comments on AF 3.5:</p> <ul style="list-style-type: none"> <li>'<u>Keep</u>': Important when no oversight otherwise in place (e.g. CDM DOEs)</li> <li>'<u>Delete</u>': Seen as duplicating accreditation process</li> </ul>	<p>ICVCM elements not covered by CORSIA:</p> <ul style="list-style-type: none"> <li>- <b>Robust oversight of VVBs (AF 3.5)</b></li> </ul>	<p>While accreditation is important for high-integrity V/Vs, without oversight it is not sufficient. Robust oversight is a must for integrity.</p>

# CORSIA gap analysis – Robust Quantification

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Methodologies: development, review and suspension</p> <p>CORSIA 2.1 / AF C2.1</p>	<p>Programs partly comply (revisions and suspension are partly not properly addressed; most fail on examples)</p>	<ul style="list-style-type: none"> <li>- Few comments on experts and Public stakeholder consultation (PSC)</li> <li>- Many comments on reviews and suspension rules</li> </ul>	<p>ICVCM includes elements not covered by CORSIA:</p> <ul style="list-style-type: none"> <li>- Minimum content of methodologies</li> <li>- Review of methodologies by a group of experts</li> <li>- PSC of new methodologies</li> <li>- Example PDD</li> <li>- Process to regularly review existing methods</li> <li>- Suspension of methodologies in case of integrity concerns</li> </ul>	<ul style="list-style-type: none"> <li>- Frequent reviews and clear suspension rules are essential to account for changing circumstances</li> <li>- PSC crucial to get a broad review</li> <li>- Example is helpful but not crucial</li> </ul>
<p>Scope of program, type of activities eligible (project vs PoA), Accounting Boundary</p> <p>CORSIA 2.2 / AF C2.1b2</p>	<p>Programs comply</p>	<p>No comments</p>	<p>CORSIA includes elements not covered by ICVCM</p>	

# CORSIA gap analysis – Robust Quantification

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Quantification principles: Conservativeness, uncertainty, consideration of policies in baseline quantification</p> <p>CORSIA 3.2/ AF C2.1b4, C2.2 f, g, h</p>	<p>Programs</p> <ul style="list-style-type: none"> <li>- comply with C2.1b4 and C2.2d</li> <li>- fail on C2.2f,g, h</li> </ul>	<p>Many comments on</p> <ul style="list-style-type: none"> <li>– Conservativeness vs. accuracy</li> <li>- How to define conservativeness</li> </ul>	<p>Both demand conservativeness (noting that CORSIA language is not very clear).</p> <p>ICVCM provides more specificity on</p> <ul style="list-style-type: none"> <li>- conservativeness</li> <li>- Uncertainty and</li> <li>- Consideration of policies in baseline quantification</li> </ul>	<ul style="list-style-type: none"> <li>- Conservativeness is the centrepiece of robust quantification</li> <li>- Details on how to implement conservativeness and consider policies are however unclear and shall be specified</li> </ul>
<p>Baselines for REDD+</p> <p>CORSIA -/ AF C2.2 d, i, j</p>	<p>Programs (if relevant)</p> <ul style="list-style-type: none"> <li>- comply with C2.2d</li> <li>- unclear on C2.2i,j</li> </ul>	<p>Many comments on C2.2d) (baseline shall not necessarily decrease with time) and also some on C2.2i, j</p>	<p>ICVCM includes elements not covered by CORSIA:</p> <ul style="list-style-type: none"> <li>- requirements on REDD+ baseline</li> <li>- REDD+ nesting</li> </ul>	<ul style="list-style-type: none"> <li>- Consider under NCS workstream (or any resulting follow-up)</li> </ul>

# CORSIA gap analysis – Robust Quantification

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
Reassessment of baseline at renewal of crediting period  CORSIA 3.3.4/ AF C2.2 I)	Programs fail to meet these detailed requirements	Few comments on not re-evaluating additionality and further recommendations	ICVCM requirement is more detailed	Requirements of re-assessment are methodologically very complex
MRV, Ex-post issuance CORSIA 3.3.5/ AF C2.1b, C2.3	Programs comply	Ex-ante issuance should be allowed in certain circumstances	ICVCM and CORSIA are equal	Consider comments on ex-ante issuance
Leakage CORSIA 3.6/ AF -	N/A	Some comments that leakage is missing	Included in CORSIA but not covered in Part I of the AF (but in Part II)	Could be included on AF program level as well
GWP CORSIA -/ AF 2.2a, e	Programs comply (except one for some details)	Some comments on shortcomings of GWP-concept	Covered by ICVCM but not by CORSIA: - Requirements on source of GWP	GWP-concept should be questioned
Timing of crediting periods CORSIA 2.3/ AF 2.2 b, c, k	Programs comply with b,c and fail k	Many critical comments on k (alignment with NDC cycle)	Covered by ICVCM but not by CORSIA - Alignment with NDC cycles from 2031 onwards	Has caused criticism in consultation
Indicators CORSIA -/ AF 2.2 m	Programs fail	Critical comments on implantation and usefulness	Covered by ICVCM but not by CORSIA - Define key indicators	Has caused criticism in consultation



# CORSIA gap analysis – Safeguards

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Have in place safeguards to address environmental and social risks.</p> <p>Do no net harm</p> <p>CORSIA 2.9/ AF C7.1</p>	<p>Programs fail to meet these detailed requirements.</p> <p>GS has a robust framework</p>	<p>Divergent comments on use IFC standards + Cancun Safeguards:</p> <ul style="list-style-type: none"> <li>- suitability</li> <li>- ambition</li> <li>- further recommendations</li> </ul> <p>Clarity or limit scope: national vs. International regulations</p>	<p><b>ICVCM requirement is more detailed</b></p> <p>Explore a risk-based approach and differentiation across project scale, geographies and credit types.</p> <p>ICVCM aims to ensure no harm differently from Do not net harm by CORSIA</p>	<p>More time is needed to process consultation inputs and explore recommendations in detail per sub-criteria.</p>
<p>Public disclosure</p> <p>CORSIA 2.9/ AF C1.2, C7.1</p>	<p>Addressed in Governance CORSIA+</p>			

# CORSIA gap analysis – Sustainable Development

CORSIA vs. ICVCM AF	Current uptake of ICVCM criteria	Public consultation triage inputs	Conclusion & recommendation	Rationale
<p>Transparency Ex. contribution to achieving a country's stated sustainable development priorities,</p> <p>CORSIA 2.10 / AF C1.2, C7.10 Table 35d.</p>	<p>Programs fail to meet these detailed requirements.</p> <p>Several programs (VCS, CAR and CDM) comply with some but not all CORSIA's SD criteria.</p> <p>Programs that do not comply offer SD reporting as voluntary or do not specify the SD criteria.</p>	<p>Divergent comments on use SD positive impact:</p> <ul style="list-style-type: none"> <li>- mandatory (quantitative vs qualitative)</li> <li>- voluntary (quantitative)</li> <li>- attribute</li> <li>- further recommendations (downgrade to co-benefit)</li> </ul> <p>More clarity needed on:</p> <ul style="list-style-type: none"> <li>- promote SD net positive impact vs. deliver SD contributions</li> <li>- management of net positive within and across SDGs</li> </ul>	<p><b>ICVCM requirement is more detailed</b></p> <p>Alignment between ICVCM and CORSIA's mandatory approach for programs to report on SD and provide explicit criteria in the absence of host Party SD criteria.</p>	<p>More time is needed to process consultation inputs and explore recommendations in detail per sub-criteria.</p>
<p>Provisions for monitoring, reporting and verification</p> <p>CORSIA 2.10 / AF C1.2, C7.10. Table 35e</p>	<p>Programs fail to meet these detailed requirements.</p> <p>GS has a SD tracking tool</p>	<p>None</p>	<p><b>ICVCM requirement is more detailed</b></p> <p>Expanded to enable SDG impact tracking for no less than three no longer needed issuance periods.</p>	<p>More time is needed to process consultation inputs and explore recommendations in detail per sub-criteria.</p>
<p>Public disclosure</p> <p>CORSIA 2.10 / AF C1.2, C7.2</p>	<p>Addressed in Governance CORSIA+</p>			

# APPENDIX 3: THE LIST OF DOCUMENTS REQUIRED UNDER AF 1.2 AND 6.1 AS RECOMMENDED BY SOC

The list of documents required under AF 1.2 and how they are addressed in SOC recommendations for CORSIA+

Normative program documents, publicly available on the carbon-crediting program's website, shall address the following:

- the scope (e.g., which sectors, project types, or geographic locations are or are not included within the scope of the program), scale (e.g., project-based, program of activities, policies, jurisdictional) and applicable geographical area (e.g., in which countries mitigation activities are allowed) of eligible mitigation activities;

In CORSIA

1. Scope Considerations—Programmes should define and publicly disclose the level at which activities are allowed under the programme (e.g., project based, programme of activities, etc.) as well as the eligibility criteria for each type of offset activity (e.g., which sectors, project types, or geographic locations are covered).

- mitigation activity cycle;

Fully covered by CORSIA –see throughout

- demonstrating additionality;

In CORSIA:

- 1.1 Eligibility Criterion: Carbon offset programmes must generate units that represent emissions reductions, avoidance, or removals that are additional—Additionality means that the carbon offset credits represent greenhouse gas emissions reductions or carbon sequestration or removals that exceed any greenhouse gas reduction or removals required by law, regulation, or legally binding mandate, and that exceed

any greenhouse gas reductions or removals that would otherwise occur in a conservative, business-as-usual scenario. Eligible offset credit programmes should clearly demonstrate that the programme has procedures in place to assess/test for additionality and that those procedures provide a reasonable assurance that the emissions reductions would not have occurred in the absence of the offset programme. If programmes pre-define certain activities as automatically additional (e.g., through a “positive list” of eligible project types), then they have to provide clear evidence on how the activity was determined to be additional. The criteria for such positive lists should be publicly disclosed and conservative. If programmes do not use positive lists, then project’s additionality and baseline setting should be assessed by an accredited and independent third-party verification entity and reviewed by the programme.

*1.1.1 Additionality analyses/tests:* The programme should have procedures in place to ensure — and to support activities to analyze and demonstrate — that credited mitigation is additional, on the basis of one or more of the following methods, which can be applied at the project- and/or programme- level : (A) Barrier analysis; (B) Common practice / market penetration analysis; (C) Investment, cost, or other financial analysis; (D) Performance standards / benchmarks; (E) Legal or regulatory additionality analysis as defined in paragraph 3.1.

*1.1.2 Non-traditional or new analyses/tests:* If programme procedures provide for the use of method(s) not listed above, the GMTF, or other appropriate technical expert body, should evaluate and make a recommendation regarding the sufficiency of the approach prior to any final determination of the programme’s eligibility.

## APPENDIX 3 (continued)

- addressing non-permanence;

In CORSIA:

1.1 *Eligibility Criterion: Permanence*—Carbon offset credits must represent emissions reductions, avoidance, or carbon sequestration that are permanent. If there is risk of reductions or removals being reversed, then either (a) such credits are not eligible or (b) mitigation measures are in place to monitor, mitigate, and compensate any material incidence of non-permanence.

1.1.1 Guidelines for interpretation of the “Permanence” criterion

1.1.2 Risk assessment: The programme should have provisions in place to require and support activities operating within any sectors/activity types that present a potential risk of reversal to undertake a risk assessment that accounts for, inter alia, any potential causes, relative scale, and relative likelihood of reversals.

1.1.3 Reversal risk monitoring and mitigation: The programme should have provisions in place to require and support activities operating within any sectors/activity types that present a potential risk of reversal to (A) monitor identified risks of reversals; and (B) mitigate identified risks of reversals.

1.1.4 Extent of compensation provisions: The programme should have provisions in place to ensure full compensation for material reversals of mitigation issued as emissions units and used toward offsetting obligations under the CORSIA.

1.1.5 Reversal notification and liability: The programme should have provisions in place which confer liability to the activity proponent to monitor, mitigate, and respond to reversals in a manner mandated in programme procedures; require activity proponents, upon being made aware of a material reversal event, to notify the programme within a specified number of days; and confer responsibility to the programme to, upon such notification, ensure and confirm that such reversals are fully compensated in a manner mandated in programme procedures.

1.1.6 Replacement unit eligibility: The programme should have the capability to ensure that any emissions units which compensate for the material reversal of mitigation issued as emissions units and used toward offsetting obligations under the CORSIA are fully eligible for use under the CORSIA.

1.1.7 Review of compensation measure performance: In the case that ICAO designates the programme as eligible, including activity type(s) supported by the programme which require that a compensation measure is in place, the programme should be willing and able to demonstrate to ICAO that the measure can fully compensate for the reversal of mitigation issued as emissions units and used under the CORSIA as of the date of review.

## APPENDIX 3 (continued)

- quantifying emission reductions;

IN CORSIA: Clear Methodologies and Protocols, and their Development Process: Programs should have qualification and quantification methodologies and protocols in place and available for use as well as a process for developing further methodologies and protocols. The existing methodologies and protocols as well as the process for developing further methodologies and protocols should be publicly disclosed.

- avoiding double counting;

In CORSIA:

1. Avoidance of Double Counting, Issuance and Claiming—Programmes should provide information on how they address double counting, issuance and claiming in the context of evolving national and international regimes for carbon markets and emissions trading.

- transition towards net-zero emissions;

SOC recommend addressing with NET Zero key issue

- adherence to environmental and social safeguards;

In CORSIA:

1. Safeguards System—Programmes should have in place safeguards to address environmental and social risks. These safeguards should be publicly disclosed.
2. Sustainable Development Criteria—Programmes should publicly disclose the sustainable development criteria used, for example, how this contributes to achieving a country's stated sustainable development priorities, and any provisions for monitoring, reporting and verification.

- benefit-sharing arrangements;

SOC recommend consideration in key issue on sustainable development and social safeguards

- promoting sustainable development benefits;

SOC recommend consideration in key issue on sustainable development and social safeguards

- program governance, including the operation of bodies of the carboncrediting program (e.g., governing bodies or panels) and conflict of interest provisions;

See SOC recommendations on Board and on COI

- public availability of documentation;

In CORSIA

1. Transparency and Public Participation Provisions—Programmes should publicly disclose (a) **what information is captured and made available to different stakeholders**; and (b) its local stakeholder consultation requirements (if applicable) and (c) its public comments provisions and requirements, and how they are considered (if applicable). Conduct public comment periods and transparently disclose all approved quantification methodologies.

- approval and revision of normative program documents;

SOC recommendations. This is document dependent, rather than a general provision

- transparency and information disclosure on decision-making;

In CORSIA: Program Governance: Programs should publicly disclose who is responsible for administration of the program and how decisions are made.

## APPENDIX 3 (continued)

- public engagement in decision-making;

In SOC recommendations:

Carbon Credit programs shall have processes for robust and **transparent** local and global stakeholder consultation which provide for public comment and issue resolution.

- legal underpinnings of carbon credits, including custody and liability provisions;

In CORSIA

Legal Nature and Transfer of Units—The programme should define and ensure the underlying attributes and property aspects of a unit, and publicly disclose the process by which it does so.

- accreditation and oversight of validation and verification bodies;

In CORSIA

Validation and Verification procedures—Programmes should have in place validation and verification standards and procedures, as well as requirements and procedures for the accreditation of validators and verifiers. All of the above-mentioned standards, procedures, and requirements should be publicly disclosed.

- validation and verification requirements; completeness-check report prior issuance and

In CORSIA

Validation and Verification procedures—Programmes should have in place validation and verification standards and procedures, as well as requirements and procedures for the accreditation of validators and verifiers. All of the above-mentioned standards, procedures, and requirements should be publicly disclosed

c) the results of validation and verification are made publicly available

In CORSIA:

1. Offset Credit Issuance and Retirement Procedures—Programmes should have in place procedures for how offset credits are: (a) issued; (b) retired or cancelled; (c) subject to any discounting; and, (d) the length of the crediting period and whether that period is renewable. These procedures should be publicly disclosed.

*1. Unit transfer and tracking:* The programme registry (or registries) should facilitate the transfer of unit ownership and/or holding; and transparently identify unit status, including issuance, cancellation, and issuance status (see also paragraph 3.3.5: *Identification of units issued ex ante*).

b) The carbon-crediting program shall require public disclosure of all relevant project documentation.

Full In addition to the requirements for the initial threshold, normative program documents addressing the following shall be publicly available on the carbon crediting program's website:

- a) independent grievance mechanism; and

In SOC recommendations:

The program shall have a clear and **transparent** process in place to address grievances. The process shall ensure impartiality and where appropriate confidentiality, in the filing and resolution of grievances. Any applicable fees shall not impede legitimate access to the grievance process by civil society organizations, indigenous people and local communities.

- b) sustainable development net-positive impacts.

SOC recommend consideration in key issue on sustainable development and social safeguards

## APPENDIX 3 (continued)

The list of documents required under AF 6.1a and how they are addressed in SOC recommendations for CORSIA+

a) The carbon-crediting program shall make the following information publicly available in electronic format:

1) detailed information on the mitigation activity, including:

i. the location of the mitigation activity,

ii. a description of the technology or practices applied,

iii. the demonstration of additionality and quantification of emission reductions or removals,

In CORSIA – see above

iv. environmental and social impacts, and

Included in SOC recommendation

all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and **assess the social and environmental impacts of the activity**;

v. the mitigation activity proponents (e.g., a design document);

i-iv in SOC recommendations:

Maintain as plus element but reword as follows: The carbon-crediting program shall make the following information publicly available a design document with detailed information on the mitigation activity including its location and proponents, a description of the technology or practices applied, the environmental and social impacts, and the methodology for determining the baseline, demonstrating additionality and quantifying emission reductions or removals.

2) all validation reports relating to the mitigation activities;

In CORSIA

*1. Validation provisions: The programme should have provisions in place requiring validation, prior to or in tandem with verification, to assess and publicly document the likely result of the mitigation from proposed activities supported by the programme.*

Summarize and provide evidence of the policies and procedures referred to in a) through f):

c) the results of validation and verification are made publicly available

3) all verification reports relating to the mitigation activities;

In CORSIA

Summarize and provide evidence of the policies and procedures referred to in a) through f):

c) the results of validation and verification are made publicly available

4) information on the mitigation activity proponents;

5) all necessary information to enable third parties to replicate the emission reduction calculations (including baseline quantification) and assess the social and environmental impacts of the activity;

Included in SOC recommendation

all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and **assess the social and environmental impacts of the activity**;

6) a search function to allow for easy searches across parameters;

SOC determined not critical

## APPENDIX 3 (continued)

7) information on stakeholder consultations, including how stakeholders were identified and invited (ensuring that this includes, where relevant, IPLC), the means of conducting the consultations, the issues raised during the stakeholder consultations, and how issues raised were considered and resolved, such as through free, prior and informed consent;

Included in SOC recommendations and CORSIA

SOC Recommendation: Carbon Credit programs shall have processes for robust and transparent local and global stakeholder consultation which provide for public comment and issue resolution.

8) where the mitigation activity is IPLC, information on benefit sharing agreement(s) with local communities;

Duplicative of 12 below:

SOC recommend consideration in key issue on sustainable development and social safeguards

9) a non-technical summary document guiding external stakeholders to check the mitigation activity's performance including, but not limited to, mitigation activity, geographical location (GPS coordinates), mitigation activity owner/coordinator, mitigation activity outcome, emission reductions/removals calculations, local impacts, and benefit sharing with communities;

10) environmental and social impacts and associated risks assessments;

Included in SOC recommendation

all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and **assess the social and environmental impacts of the activity**;

11) information on susceptibility to reversal;

SOC determined not critical

12) information on benefit sharing arrangements, where applicable;

SOC recommend consideration in key issue on sustainable development and social safeguards

13) reports of public consultation, grievance notifications (where relevant);

Included in SOC recommendations:

Carbon Credit programs shall have processes for robust and **transparent** local and global stakeholder consultation which provide for public comment and issue resolution.

The program shall have a clear and **transparent** process in place to address grievances. The process shall ensure impartiality and where appropriate confidentiality, in the filing and resolution of grievances. Any applicable fees shall not impede legitimate access to the grievance process by civil society organizations, indigenous people and local communities.

14) reports from VVBs; and

Duplicative of 2 and 3 above and in CORSIA

In CORSIA

1. *Validation provisions:* The programme should have provisions in place requiring validation, prior to or in tandem with verification, to assess and publicly document the likely result of the mitigation from proposed activities supported by the programme.

Summarize and provide evidence of the policies and procedures referred to in a) through f):

c) the results of validation and verification are made publicly available

15) information and calculations pertaining to determination of the baseline scenario, additionality, and the quantification of emission reductions or removals.

Included in SOC recommendation

all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and **assess the social and environmental impacts of the activity**;



## APPENDIX 3 (continued)

Full c) In addition to the requirements from the initial threshold:

- 1) The carbon-crediting program shall require disclosure of the spreadsheets used for calculations of emission reductions and assessment of additionality.

Included in SOC recommendation:

all necessary information, including spreadsheets used for calculations, to enable third parties to replicate the emission reduction calculations (including baseline quantification), assessment of additionality, and assess the social and environmental impacts of the activity;

- 2) The carbon-crediting program shall have guidelines and requirements for responding to queries about missing mitigation activity documentation.

In SOC recommendations:

The carbon-crediting program shall make information to facilitate requests for any missing mitigation activity documentation public.

- 3) The carbon-crediting program shall require disclosure of information to avoid double counting.

In CORSIA

- a. Avoidance of Double Counting, Issuance and Claiming—Programmes should provide information on how they address double counting, issuance and claiming in the context of evolving national and international regimes for carbon markets and emissions trading.

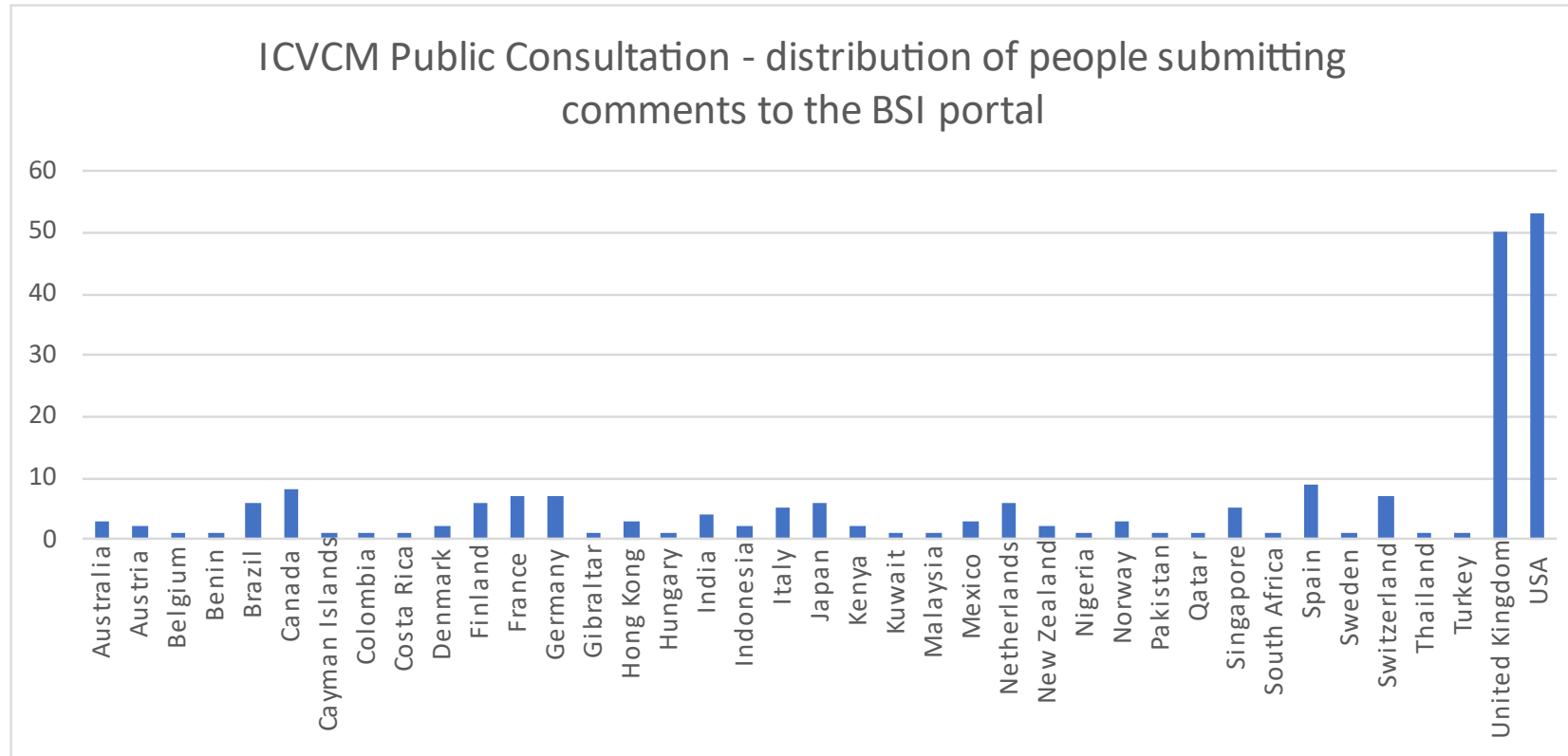
- 4) The carbon-crediting program shall require disclosure of information to assess the compatibility of the mitigation activity with achieving net-zero emissions by mid-century.

SOC Recommend to address under Key Issue on Net Zero

- 5) Option 1a The carbon-crediting program requires periodic reporting by the mitigation activity proponents on the credit volume sold and average and median price. This information shall be aggregated, anonymized and reported by the carbon-crediting program (or an entity it designates) grouped by mitigation activity, geographical location, and vintage. OR

SOC recommend addressing in a work programme

# APPENDIX 4 ICVCM Public Consultation – Geographical Distribution



Responses were received from 39 countries, with the highest concentration of responses coming from the USA and the UK. The comments spanned the globe, with feedback from 6 continents.

Please note that data is only available for people/organisations who used the BSI portal to submit comments.



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

Minutes of the Board meeting held on 17/11/2022  
Board decision

# Board Decision

## Decision

- The Board unanimously approved the Governance proposal, subject to amending the Assessment Framework draft as follows:
  - Group the transparency elements together
  - Cross-refer to existing initiatives and frameworks that set out robust practices in areas such as anti-money laundering or anti-bribery and corruption, e.g., from World Bank, OECD, UNDP etc
  - Clarify that the ‘plus’ elements about stakeholder consultation are dealt with as part of Sustainable Development.
  - Take out the existing ‘plus’ element to have processes in place to ensure corporate social and environmental responsibility, and instead consider this carefully in the context of our key issue on SD and social safeguards.

# GOVERNING BOARD MEETING

9 MARCH 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## 3. SOC MATTERS: RELEASE 1 FOR IN-PRINCIPLE APPROVAL



# KEY UPDATES: GOVERNANCE

- ✔ Create a fast-track assessment for programs eligible under CORSIA
- ✔ CORSIA eligible programs are only assessed on 16 criteria across governance, tracking, transparency, and third-party verification
- ✔ Significantly reduced number of criteria across 4 parts of governance section
- ✔ Full assessment pathway available for programs that have not undergone CORSIA review



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## III. Sustainable Development Benefits and Safeguards



## ***Risk-based approach for assessment of IC-VCM safeguards 1/4***

### **Issue#1: The AF needs to be more flexible and recognize different levels of inherent risk in mitigation activities**

Should the AF have more inherent flexibility to reflect that asset types have different levels of inherent risk and/or risk levels vary by context?

#### **Main public comments**

A group of comments argue that AF is too homogenous and doesn't reflect the wide diversity of contexts requesting that proportionality, flexibility & cultural appropriateness need to be built in

Another group argues that IFC-based standards are overly cumbersome for the VCM and think that AF use will slow down market operations.

Conversely, a different group believes that IFC framework is not stringent enough and recommend to bring additional provisions from different UN efforts such as Global Compact, UN RBHR

A group of respondents recommend a two-step risk screening process, with more stringent informational requirements kicking in where the initial assessment is anything other than low risk. This is based on the notion that the use of a risk-based approach or differentiation by scale/geographies/credit/IPLC types may facilitate uptake and addresses the need to reduce implementation costs and separate out 'essential' and 'desirable' requirements

#### **Recommendation by EP: Adopt a risk-based approach to assess IC-VCM safeguards**

- Similar to the approach on additionality and non-permanence, the EP recommends a **risk-based approach** for environmental and social safeguards.
- The ICVCM categorizes different project types according to their environmental and social risks, using three categories (low, medium high). Example: large hydro dams may be classified as high-risk whereas N2O abatement in industry may be classified as low risk.

#### **Current practices amongst carbon crediting programs**

Unaware of any crediting programs using a risk categorization approach. Road testing found that mandatory requirements related to safeguards vary significantly across crediting programs. CAR may associate an implicit recognition of inherent risk on land-based activities as methodologies consider safeguards for this credit type

#### **Impacts**

##### **Credit-type level:**

**PROS:** Ex ante minimized transaction cost. Increased levels of social & environmental integrity for risky asset types/contexts whilst reducing transaction costs for low-risk types.

Need for ex-post compliance system and management for risk materialization to be implemented by carbon crediting programs.

**CONS:** Risk of "false negatives"; requires defining the evaluation requirements for an initial threshold of the S&D AF.

##### **Program-level:**

**PROS:** Increased levels of social & environmental integrity for risky asset types/contexts whilst reducing transaction costs for low-risk types. Process more aligned with current crediting program practices; does not require a modification of the AF. Monitoring and compliance process implemented by carbon crediting programs.

**CONS:** Gives considerable discretion to crediting programs in assessing risk levels. Integrity may be compromised.

## Expert Panel

### *Risk-based approach for assessment of IC-VCM safeguards 2/4*

#### **Approach A (Preferred by the EP): Step-wise risk-based assessment by credit type**

The ICVCM differentiates its requirements on environmental and social safeguards according to this risk categorization by determining which safeguards are required for which risk category (or for each project type). Example: assessment of risks for biodiversity is necessary for land-use projects but not required for end-of-pipe industry projects.

A step-wise approach:

- 1) The general approach is defined in the AF.
- 2) The risk categorization for specific project types is conducted when assessing different project types / carbon credit types (i.e., in the implementation phase of the ICVCM)

The approach:

- Provides more flexibility while still ensuring high safeguards where they are most needed.
- Allows programs with weak safeguards to be CCP eligible for project types where safeguards are less essential.
- Recognizes that some carbon crediting programs, such as the CAR, require certain safeguards only for specific project types and include these in their methodologies.
- Entails that part of the environmental and social safeguards criteria would become **credit type level criteria**.

#### **Approach B: Program-level risk-based assessment**

Consider the possible introduction of Approach A as part of a work program.

Maintain environmental and social safeguards as a **program-level criterion** only.

The ICVCM sets out minimum criteria and principles of how such a risk-based approach would need to be implemented by carbon crediting programs.

The approach:

- Provides more flexibility by allowing carbon crediting programs to pursue a risk-based approach.
- Requires more time so that EP defines minimum criteria and guidance to carbon crediting programs.

**Issue #1: The AF needs to be more flexible and recognize different levels of inherent risk in mitigation activities****Main public comments**

A group of comments argue the AF is too homogenous, failing to reflect the wide diversity of contexts. In addition, the comments suggest proportionality, flexibility & cultural appropriateness be built in.

Another group argues IFC-based standards are overly cumbersome for the VCM and will slow down market operations. Conversely, a different group believes the IFC framework is not stringent enough, recommending additional provisions from different UN efforts such as Global Compact, UN RBHR be brought into the AF.

Another group recommend a two-step risk screening process, with more stringent informational requirements kicking in where the initial assessment is anything other than low risk. This is based on the notion that the use of a risk-based approach or differentiation by scale/geographies/credit/IPLC types may facilitate uptake and addresses the need to reduce implementation costs and separate out 'essential' and 'desirable' requirements.

**Recommendation by EP: *Adopt a general assignment of risk categories***

The ICVCM should categorize project types according to their environmental and social risks, using three categories defined (A – high risk, B - medium risk, C – low risk). This risk-categorization aims to reduce multiple and overlapping requirements for mitigation activities while providing the highest level of environmental and social protection with at least the level of protection by IC-VCM ESS criteria being required.

The ICVCM differentiates its requirements on environmental and social safeguards according to this risk categorization by determining for the three risk categories.

1. the safeguards required. Example: assessment of risks for biodiversity is necessary for land-use projects but not required for end-of-pipe industry projects.
2. Alignment with international applicable safeguards: Example: Cancun safeguards apply to REDD+ only
3. Differentiates stringency of requirements by scale, geographies. Example: Initial threshold applies when IPLCs are mitigation activity proponents

**Issue #1: The AF needs to be more flexible and recognize different levels of inherent risk in mitigation activities*****Adopt a general assignment of risk categories:*****Current practices amongst carbon crediting programs**

Most standards do not use ex-ante ESS risk-based categorization. Project type categorization is applied differently in the VCM. There are project specific complementary standards i.e:

- VCS, CCB and ART-TREES for land-use projects, ACR's guidance for carbon project development on tribal lands, CAR's Mexico Forest Protocol.
- VCS differentiation only applies under AFOLU projects with no impact to local stakeholders.
- GS has the most robust safeguards and detailed guidance for all projects. Risk is assigned ex-post in Assessment Question.
- For SD, GS SDG Impact tool does provide categorization of project type for monitoring indicators, based in impact category or SDGs. SD VISTa (Verra) enables project type categorization.

**Impacts**

**PROS:** Ex ante minimized transaction cost. Increased levels of social & environmental integrity for risky asset types/contexts whilst reducing transaction costs for low-risk types.

Need for ex-post compliance system and management for risk materialization to be implemented by carbon crediting programs.

**CONS:** Risk of "false negatives"; requires defining the evaluation requirements for an initial threshold of the S&D AF.

Provides more flexibility while still ensuring high safeguards where they are most needed.

Allows programs with weak safeguards to be CCP eligible for mitigation activity types where safeguards are less essential.

Recognizes that some carbon crediting programs, such as the CAR, require certain safeguards only for specific project types and include these in their methodologies.

Entails that part of the environmental and social safeguards criteria would become **credit type level criteria**.

## Expert Panel

### Issue # 2: Is IC-VCM safeguards not suitable (or partially suitable) for REDD+?

#### Main public comments

IC-VCM should follow international consensus and adopt Cancun Safeguards for J-REDD.

All REDD+ activities (not only J-REDD) should follow Cancun Safeguards.

J-REDD safeguards, including Cancun, are of limited effectiveness to avoid harm to communities.

Crediting programs would have to undergo significant changes to meet IC-VCM requirements (IC-VCM too stringent).

#### *Recommendation by the Expert Panel*

Set compliance with Cancun Safeguards as initial threshold for J-REDD.

Develop a “Cancun Safeguards +” for full threshold compliance.

Standalone REDD+ projects apply the IC-VCM safeguards framework as is.

#### Current practice among carbon crediting programs

Both VERRA J-REDD and ART-TREES require conformity with Cancun Safeguards.

Standalone REDD+ projects under VCS can apply the CCB.

#### Impacts

Cancun safeguards are a subset of IC-VCM safeguard framework (e.g., gender; resource efficiency and pollution prevention not explicitly included). However, a thorough application of Cancun Safeguards, particularly effective participation, can fill the gap.

The differentiation between initial and full compliance threshold will bring flexibility.

## Expert Panel

### Issue # 3: Are the IFC safeguards not suitable for the voluntary carbon market? (1/ 2)

#### Main comments

- Some respondents argue that IFC safeguards were created primarily for large scale infrastructure investments and are not suitable for the VCM.
- Or that they are overly cumbersome, and their adoption will slow down market operations, especially for large scale projects. Some respondents were also concerned that the scope of IFC requirements go beyond the legal responsibilities of project proponents (e.g., labour rights).
- Others questioning the suitability of an IFC framework are concerned that Crediting programmes and VVBs are not geared up for application of this framework.
- Some of those respondents questioning the suitability of the IFC framework argue that alignment with national regulatory frameworks should be sufficient for the VCM.
- Conversely, a different and sizeable group believes that IFC framework lacks sufficient stringency, recommending alternative frameworks or additional provisions (e.g., from different UN efforts such as Global Compact, UN RBHR).

#### ***Recommendation by the Expert Panel***

- We recommend continuing with the basic structure of AF that uses IFC Performance Standards as an underlying framework adapted and improved for VCM use.
  - A requirement for monitoring and compliance with the IC-VCM safeguards is added to the AF criteria 7.1 by replacing the words 'and managing' with the words 'monitor and comply with the safeguards for no harm done'. Furthermore, a cross-reference is added to state that safeguard requirements are subject to criteria 1.2 'Program governance' incl. use of the Grievance Mechanism. The carbon crediting program shall take action against non-compliance at its own discretion.
- **Rationales:**
    - The IFC PS Framework is widely used beyond IFC and has been adopted and adapted by many other investment institutions including the Green Climate Fund, as well as by some crediting programmes, notably Gold Standard.
    - The ICVCM draft AF draws on IFC as a benchmark with adaptation and improvement by the EP drawing on other standards (e.g., Cancun and EIB) and VCM specific considerations

## Expert Panel

### Issue # 3: Are the IFC safeguards not suitable for the voluntary carbon market? (2 / 2)

#### **Current practice among carbon crediting programs**

Gold Standard consultation response states that their requirements are based on IFC and adapted for the VCM. ACR refers to IFC as one of a number of international standards considered appropriate. Verra CCB does not explicitly refer to IFC but is broadly in alignment in most areas.

#### **Impacts**

- Adoption of a safeguards' framework based on IFC will bring the VCM in line with other climate investment institutions.
- Impacts will be contingent on the decision to adopt a risk-based approach. If a risk-based approach is adopted, higher level of stringency will only apply to high-risk asset types & contexts. Some crediting programmes will need to review and update their standards for full alignment.
- Significant technical capacity is available from beyond the VCM given the widespread use of IFC based safeguards.

## Expert Panel

### Issue #4: How should the effects of mitigation activities on SDGs be assessed and reflected by the IC-VCM and AF? (1 / 3)

#### Main public comments

- A group respondents suggest SDG impact assessment should be a central element of CCPs.
- Some respondents suggest the CCP should be expanded to quantified SDG impact requirements.
- Some respondents suggest the requirement should be limited only to qualitative analysis until sufficient science and tools are available.
- Some comments recommend allowing the use of standardized tools for consistency.
- A group of respondents request the use of national tools not be a requirement.
- Some commenters suggest SDG impacts should be reflected only as a voluntary tag.

#### *Recommendation by the Expert Panel*

- To be robust, an assessment of SDGs must consider the trade-offs between positive and negative impacts on different SDGs which are inherent to any activity.
- The SD assessment is premised on the existence of robust safeguards as necessary to avoid unacceptable negative impacts, which ensures only acceptable tradeoffs occur.
- We recommend:
  - Replace 'net' with 'overall' positive SDG impacts in the CCP/AF criteria, to move away from the implication that quantification is required.
  - Clarify that the disclosure requirement on how SDG impacts are consistent with host Party SDG objectives, **does not require** the use national tools.
  - Retain quantification of SDG impacts as voluntary option to achieve an attribute tag.
  - Establish a work program for further development of qualitative and quantitative tools and approaches for the assessment of SD impacts that could eventually be adopted for common/standardized usage.

#### Current practice among carbon crediting programs

- Most programs adopt a Sustainable Development criteria. However, they don't fully or partly fulfill the AF criterion 7.10: Ensuring net positive SDG impacts.
- Several programs require mandatory SD reporting and/or offer SDG impact tools for quantification of impacts.
- Most programs require public disclosure of impacts and alignment with host Party SDG priorities.

#### Impacts

- A requirement to demonstrate overall positive SDG impact will enhance the social integrity of ICVCM compliant activities.
- This may attract impact investors interested in demonstrating compliance with ESG criteria and enable a "race to the top" on promoting sustainable development, provided there is a willingness to pay.



7.2 ~~SD-net-Overall~~ positive ~~SD~~ impact

This section specifies provisions by carbon-crediting programs to promote overall net positive impacts ~~related to~~ the Sustainable Development Goals (SDG) based on the following criteria:

- a) ~~net-demonstrate overall~~ positive SDG impacts of mitigation activities;
- b) provide evidence where a mitigation activity is consistent with the SDG objectives of the host party, noting that SDG objectives are not limited to those specified by the host party, and, where possible, uses national/local tools and frameworks;
- c) provide guidance on use of standardised tools and methods to assess SDG impacts; and
- d) make information publicly available.

**Criterion 7.10: Ensuring net-overall positive SDG impacts**

**Description**

The carbon-crediting program shall incorporate guidance and provisions on using standardised tools and methods to assess the SDG impacts of mitigation actions and ensure a net-overall<sup>18</sup> positive SDG impact.

**Means of assessment**

This criterion is assessed by evaluating the carbon-crediting program normative program documents ~~of the~~ and supporting information available from the program registry and accreditation bodies. The requirements in Table 35 shall be fulfilled for the carbon-crediting program to be deemed CCP-eligible.

**Table 35 – Requirements for Criterion 7.10: Ensuring net-overall positive SDG impacts**

Threshold	Requirements
Initial	<p>The carbon-crediting program shall require mitigation activity proponents to qualitatively assess the positive and negative SDG impacts of mitigation activities through the use of <u>an IC-VCM approved, publicly available tool</u> <del>such as project level SDG tools by the Gold Standard and the ADB, SD Vista by Verra, the SDI good practice guidance, the UN Statistics SDG Global Database, WRI NDC SDG interlinkages mapping, the ICAT Sustainable Development Methodology and the SEI Synergies Tool.</del></p> <p>The carbon-crediting program shall require that mitigation activities demonstrate that they deliver <u>ana net-overall</u> positive SDG impact, <del>as demonstrated by the results of the assessment of the positive and negative SDG impacts of mitigation actions,</del> or that because of <del>specific</del> <u>specific/unique</u>, documented conditions it is not possible to implement the mitigation activity in a way that delivers net-positive SDG impacts beyond GHG mitigation. <del>For instance, CCS in remote locations where other SDG impacts cannot be delivered.</del></p> <p>The carbon-crediting program shall provide clear guidance on the use of standardised tools and methods to assess the SDG impacts of mitigation activities.</p>

	<p><u>The carbon-crediting program shall have procedures in place to ensure information is made publicly available on how mitigation activity is consistent with the SDG objectives with the host party, where relevant</u></p> <p>The carbon-crediting program shall have provisions for monitoring <u>and</u> reporting in accordance with these criteria that enables SDG impact tracking <u>during the entire crediting period.</u></p>
Full	<p><del>The carbon-crediting program shall incorporate evidence-driven procedures to ensure that a mitigation activity is consistent with the SDG objectives of the participating parties and where possible use national/local tools and frameworks.</del></p> <p><u>The carbon crediting program shall ensure that the overall positive SD impact and monitoring reports are certified and/or verified by a duly accredited independent third party VVB,</u></p> <p>The carbon-crediting program shall provide clear guidance and robust tools for actively promoting the implementation of <u>actions with an net overall</u> positive SDG impact <del>actions.</del></p> <p>The carbon-crediting program shall assess and disseminate how types of mitigation activities contribute to SDGs based on publicly available data from mitigation activities.</p> <p><u>The carbon-crediting program shall update and improve its methods and tools for the assessment, verification and/or quantification of SDG impacts, as determined through the SDG Impact Work Programme of the IC-VCM.</u></p>

## Expert Panel

### Issue 4#: Attribute 2 - Quantified SDG impacts (2/3)

#### ***Sustainable Development Benefits : Attribute: Quantitative measurement***

##### **Proposed recommendation:**

- Retain quantification of SDG impacts as a voluntary option to achieve an attribute tag. This is a central request from many stakeholders including corporate entities.
  - To be robust, an assessment of SDGs must consider the trade-offs between positive and negative impacts on different SDGs which are inherent to any activity.
  - The SD assessment is premised on the existence of robust safeguards as necessary to avoid unacceptable negative impacts, which ensures only acceptable tradeoffs occur.

##### **We recommend:**

- Retain third-party verified quantification and monitoring of SDG impacts as voluntary option to achieve attribute tags (one per SDG).
- SDG 13 (Climate Action beyond GHG contributions) to look for existence of adaptation benefits. Additional attribute "Host-aligned Adaptation Co-Benefit" refers to impact AND alignment with host-country.
- Establish a work program for further development of qualitative and quantitative tools and approaches for the assessment of SD impacts that could eventually be adopted for common/standardized usage.

##### **Current practice among carbon crediting programs**

- Some programs require mandatory SD reporting and/or offer SDG impact tools for quantification of impacts.
- Most programs require public disclosure of impacts and alignment with host Party SDG priorities.

##### **Impacts**

- SDvista & CCB are recommended tools and therefore could facilitate immediate CCP-eligibility

## 12.2 Attribute 2: Quantified SDG impacts

### Description

This attribute may be assigned if the carbon credit's associated mitigation activity quantifies, monitors and provides third-party verification of its claimed substantive net positive significant contribution to Sustainable Development beyond mitigation.

### Rationale

The VCM can be a promoter of substantial sustainable development benefits beyond those related to carbon mitigation. Therefore, it is worthwhile to recognize the contribution of mitigation activities to other SDG through a specific attribute for each SDG.

Article 6 requires host countries to ensure a contribution towards sustainable development in all cooperative approaches. 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 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.

Having ensured a do-no-harm approach and an overall net positive benefit on sustainable development, as defined by the host country through its national SD objectives, mitigation activity proponents may want to quantify their net positive contribution to SD of their mitigation activity as a relevant decision-making element for potential buyers. The tag for SDG 13 (Climate Action) will relate to adaptation benefits in general. As indicated in Section 12.3 the "Host-aligned adaptation benefits" attribute tag refers to impact AND alignment with host-country.

The Integrity Council will co-develop and approve SDG+ tags/labels for CCP-approved mitigation activities in collaboration with providers of internationally recognized tools or methods for quantitative SDG impact assessment.

### Requirements for carbon-crediting programs

- a) To qualify for this attribute, the carbon crediting program shall: Have procedures for mitigation activity proponents to provide quantified evidence of a substantive net positive contribution to each SDG they wish to make a claim about.
- b) Require the use of an IC-VCM approved, publicly available tool, such as the SDG Impact Tool by the Gold Standard, SD Vista by Verra to assess the relevant sustainable development impacts of the mitigation activity.
- c) Have procedures in place to ensure assessment of the impacts claimed for sustainable development are quantified, certified and/or verified by a duly accredited independent third party VVR.
- d) Have provisions for monitoring, reporting and verification in accordance with these criteria that enables SDG impact tracking for no less than each issuance request during the entire crediting period of the project. and
- e) Make information about the quantification, assessment and verification/certification publicly available.

The SDG+ attributes are not mutually exclusive, i.e., one or several SDG contributions may be tagged to a carbon credit in a staggered manner.

## Expert Panel

### **Issue#4: Host-aligned Adaptation Co-benefits (3/3)**

**Attribute:** To provide information on contributions to adaptation consistent with host country's priorities, in line with the spirit of the provisions under Article 7.1 of the Paris Agreement.

#### **Main public comments:**

- Some responses argue against labelling of Adaptation Co-benefits. Too difficult to obtain host country agreement, too difficult to measure.
- Another groups of responses propose it is a good idea but for a later time when measurement methodologies and rules and guidelines have been established. Other responses indicate that adaptation does not contribute to the integrity of the credit.
- Another group point that adaptation co-benefits is a useful attribute but should be reformulated such that crediting programs decide whether the project fits adaptation, not the host country. Reformulate such that crediting programs assess whether adaptation co-benefits are present without assessing the extent to which they meet national priorities and needs.

#### **Proposed recommendation**

- Retain reporting and verification requirements as voluntary option to achieve an attribute tag based on demonstrating positive adaptation impact that is aligned with the Host country's priorities
- Establish a work program for further development of qualitative tools and approaches for the assessment of adaptation co-benefits that could eventually be adopted for common/standardized usage.

#### **Current practice among carbon crediting programs**

- GS has called for the CCP to be more aligned with Paris Agreement's goal on adaptation finance and has recently launch a consultation for Adaptation Requirements within overarching standard, Gold Standard for Global Goals.

#### **Impacts**

- A voluntary requirement to demonstrate contributions to host country adaptation priorities will enhance the social license and value of ICVCM compliant activities

### 12.3 Attribute 3: Host-aligned Adaptation co-benefits

#### Description

This attribute may be assigned if the proponent of the carbon credit's associated mitigation activity wishes to provide information on contributions to adaptation consistent with host country's priorities, in line with the spirit of the provisions under Article 7.1 of the Paris Agreement.

#### Rationale

Under Article 7.1 of the Paris Agreement, 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 in general, and of carbon credits.

As noted in the IPCC's AR6-WGIII report on mitigation of climate change, there are strong linkages between climate change mitigation, adaptation and development policy so that "coordinated policies, equitable partnerships and integration of adaptation and mitigation within and across sectors can maximize synergies and minimize trade-offs and thereby enhance the support for climate action".

In addition to ensuring a do-no-harm approach and an overall net positive SD benefit, mitigation activity proponents may want to inform the positive adaptation co-benefits of their mitigation activity as a relevant decision-making element for potential buyers.

This information shall include reference to alignment with the host country's Adaptation Communication under the Paris Agreement or other published adaptation plans or strategies.

#### Requirements for carbon-crediting programs

To tag carbon credits with this attribute, the carbon-crediting program shall:

- a) Have procedures for mitigation activity proponents to provide evidence that the mitigation activity delivers a substantial contribution to "enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to sustainable development" in alignment with the host country's Adaptation Communication under the Paris Agreement or other published adaptation plans or strategies, as demonstrated by the results of the adaptation impact quantification;
- b) Have procedures for mitigation activity proponents on the use of ~~the~~ best available public tools to provide information on co-benefits to adaption that constitutes international best practice and that its application is certified/verified by an independent third party to quantify adaptation impacts the relevant sustainable development impacts of the mitigation activity;
- c) Have procedures in place to request mitigation activity proponents to validate that evidence of co-benefits from mitigation activities is aligned with the host country's Adaptation Communication under the Paris A Reviewing or other published adaptation plans or strategies; and
- d) Make information on the quantification, assessment and verification/certification publicly available.

## Expert Panel

### Issue #5: Clarify when, how and if benefit sharing applies to mitigation activities

#### Main public comments

- Some comments indicate that benefit sharing has colonial connotations reflecting an imbalance in power between ‘the top’ (usually the global North) and the ‘bottom’ (usually the beneficiary in the South). They suggest Language should reflect a decolonized language advocating for IPLCs as equal partners of mitigation activities.
- Some commenters suggest replacing ‘benefit sharing’ with ‘revenue sharing’ and/or ‘beneficiary’ with ‘stakeholder or partner’
- Some commenters claim the entire criterion is a major overreach and infringement on the confidentiality of commercial terms.
- A group of comments highlight the importance of benefit sharing provisions and/or request further strengthening the CCP.

#### *Recommendation by the Expert Panel*

Retain the requirement and clarify when benefit sharing agreements are required and how, as follows:

- Apply immediately to project activities that involve community (i.e., JREDD+ household-based projects)
- Establish a work programme to operationalize benefit sharing for other project types for which it is appropriate

#### Current practice among carbon crediting programs

- The Cancun Safeguards requires benefit sharing for REDD+ as well as World Bank funded JREDD+ initiatives
- CCB has benefit sharing guidance via the optional criteria of The Community Gold Level.
- The government of South Africa requires LC revenue sharing in its Renewable Energy Independent Power Producers Procurement Program
- Adapting the guidance as such to incorporate benefit sharing is not technically difficult. Implementing and monitoring the benefit sharing as such may prove difficult with some groups IPLC groups that will require capacity building and infrastructure support.

#### Impacts

- Broadly incorporating benefit sharing would improve the reputation and social license to operate of carbon credits.
- If required of all project types the majority of existing credits outside REDD+ based projects/programs would be ineligible



**Criterion 7.11: Access and benefit-sharing**

**Description**

The carbon-crediting program shall have procedures to ensure equitable and fair benefit-sharing arrangements.

**Means of assessment**

This criterion is assessed by evaluating the carbon-crediting program normative documents. The criterion is applicable ~~to Nature-Based Solutions, JREDD+ and to Community- or Household-based activities~~ in the initial ~~threshold~~ and ~~will be expanded to other activity types in the full thresholds~~ of the Integrity Council. The requirements in Table 36 shall be fulfilled for the carbon-crediting program to be deemed CCP-eligible.

**Table 36 – Requirements for Criterion 7.11: Access and benefit sharing**

Threshold	Requirements
Initial <del>and second</del> Threshold	<p><del>a) The carbon-crediting program shall define the responsibility of mitigation activity proponents for developing and implementing benefit-sharing arrangements and plans in an inclusive, consultative, transparent, and participatory manner appropriate to the context of the respective <u>Nature-Based Solution, JREDD+, Community- or Household-based</u> activity. <u>For land use initiatives that distribute revenues from carbon credits sale,</u> it is especially important to have effective participation and consent from IPLCs.</del></p> <p><del>b) The carbon-crediting program shall outline robust requirements in normative documents for the content of benefit sharing plans including benefit sharing arrangements, and other elements to be developed according to the unique context and scale of the proposed mitigation activity in line with national legal frameworks and other social safeguards detailed in this Assessment Framework.</del></p> <p><del>c) The carbon-crediting program shall require that the Benefit Sharing Plan is implemented in accordance with the terms specified.</del></p> <p><del>d) The carbon-crediting program shall include a detailed description of the Benefit Sharing Arrangements in the mitigation activity documentation and be made public.</del></p> <p><del>e) The carbon-crediting program shall, at a minimum, make an advanced draft Benefit Sharing Plan publicly available in a form, manner, and language understandable to the affected stakeholders and disseminated in a targeted and tailored way to specific affected communities for the mitigation activity prior to mitigation activity validation.</del></p> <p><del>f) The carbon-crediting program shall make the final Benefit Sharing Plan publicly available in English prior to credit issuance and disclosed in a form, manner and language understandable to the affected stakeholders for the mitigation activity.</del></p> <p><del>g) The carbon-crediting program shall define the minimum acceptable content for the advanced draft and the final benefit sharing plan including, inter alia, the following:</del></p>

- ~~g) The carbon-crediting program shall define the minimum acceptable content for the advanced draft and the final benefit sharing plan including, inter alia, the following:~~
- ~~1) the consultation and design process, including the agreements and outcomes of consultations;~~
- ~~2) reporting on total carbon revenues and the allocation of those revenues between project management, in line with the benefit sharing arrangements agreed with partners, in particular IPLCs directly affected by the activity;~~
- ~~3) compliance with relevant laws;~~
- ~~4) categories of beneficiaries, including rationale, eligibility criteria, and demographic considerations;~~
- ~~5) the types and scale of monetary and non-monetary benefits and rationale by partner group including upfront or interim advance payments as well as efforts to build capacity to ensure IPLCs have access to/can directly manage funds;~~
- ~~6) distribution of monetary and non-monetary benefits by beneficiary group, including rationale, calculations of performance, and proportions;~~
- ~~7) the benefit distribution mechanism(s), including institutional arrangements, funding flows, and current status; and~~
- ~~8) processes for how potential complaints arising from the implementation of the benefit sharing plan would be addressed. The process for agreeing/obtaining any arrangements with the beneficiaries and how such arrangements will be documented are also expected to be explained in the advance draft benefit sharing plan.~~
- ~~h) The carbon-crediting program shall set out a process for how benefit sharing would be managed relative to revenue from post-issuance of credits and subsequent transactions in the secondary market.~~
- ~~i) The carbon-crediting program shall define a performance system to monitor the effective implementation of access and benefit sharing including third-party verification.~~

Full Threshold

%1) The carbon-crediting program shall have provisions defining the responsibility of mitigation activity proponents for developing and implementing benefit-sharing arrangements and plans in an inclusive, consultative, transparent, and participatory manner for additional project types, as determined through the Benefit Sharing Work Programme of the IC-VCM.

# GOVERNING BOARD MEETING

26 JANUARY 2023

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THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



**EXPERT PANEL RECOMMENDATIONS ON  
Sustainable Development Benefits and Safeguards**

## ***Risk-based approach for assessment of IC-VCM safeguards 1 / 2***

### **Issue #1: The AF needs to be more flexible and recognize different levels of inherent risk in mitigation activities**

#### **Main public comments**

A group of comments argue the AF is too homogenous, failing to reflect the wide diversity of contexts. In addition, the comments suggest proportionality, flexibility & cultural appropriateness be built in.

Another group argues IFC-based standards are overly cumbersome for the VCM and will slow down market operations. Conversely, a different group believes the IFC framework is not stringent enough, recommending additional provisions from different UN efforts such as Global Compact, UN RBHR be brought into the AF.

Another group recommend a two-step risk screening process, with more stringent informational requirements kicking in where the initial assessment is anything other than low risk. This is based on the notion that the use of a risk-based approach or differentiation by scale/ geographies/credit/IPLC types may facilitate uptake and addresses the need to reduce implementation costs and separate out 'essential' and 'desirable' requirements.

#### ***Recommendation by EP: Adopt a general assignment of risk categories***

- The ICVCM should categorize project types according to their environmental and social risks, using three categories defined ( A – high risk, B - medium risk, C – low risk). This risk-categorization aims to reduce multiple and overlapping requirements for mitigation activities while providing the highest level of environmental and social protection with at least the level of protection by IC-VCM ESS criteria being required.
- The ICVCM differentiates its requirements on environmental and social safeguards according to this risk categorization by determining for the three risk categories.
  1. Alignment with international applicable safeguards: Example: Cancun safeguards apply to REDD+ only
  2. Safeguards required (i.e., specific ESS criteria). Example: assessment of risks for biodiversity is necessary for land-use projects but not required for end-of-pipe industry projects.
  3. Differentiates stringency of requirements by scale, geographies. Example: Initial threshold applies when IPLCs are mitigation activity proponents

**Issue #1: The AF needs to be more flexible and recognize different levels of inherent risk in mitigation activities****Current practices amongst carbon crediting programs**

Most standards do not use ex-ante ESS risk-based categorization. Project type categorization is applied differently in the VCM.

There are project specific complementary standards, i.e.:

- VCS, CCB and ART-TREES for land-use projects, ACR's guidance for carbon project development on tribal lands, CAR's Mexico Forest Protocol.
- VCS differentiation only applies under AFOLU projects with no impact to local stakeholders.
- GS has the most robust safeguards and detailed guidance for all projects. Risk is assigned ex-post in Assessment Question.
- For SD, GS SDG Impact tool does provide categorization of project type for monitoring indicators, based in impact category or SDGs. SD VISTa (Verra) enables project type categorization.

**Impacts**

- Although project type categorization is applied differently, the risk-based approach is a new market practice.
- Allows programs with weak safeguards to be CCP eligible for mitigation activity types where safeguards are less essential. Recognizes that some carbon crediting programs, such as the CAR, require certain safeguards only for specific project types and include these in their methodologies. Entails that (across time) part of the environmental and social safeguards criteria would become **credit type level criteria**.

# Risk-based approach: Possible implementation approaches considered

## Approach A (*Preferred by the EP*): Step-wise risk-based assessment by credit type

The ICVCM differentiates its requirements on environmental and social safeguards according to this risk categorization by determining which safeguards are required for which risk category (or for each project type). Example: assessment of risks for biodiversity is necessary for land-use projects but not required for end-of-pipe industry projects.

A step-wise approach:

- 1) The general approach is defined in the AF.
- 2) The risk categorization for specific project types is conducted when assessing different project types / carbon credit types (i.e., in the implementation phase of the ICVCM)

The approach:

- Provides more flexibility while still ensuring high safeguards where they are most needed.
- Allows programs with weak safeguards to be CCP eligible for project types where safeguards are less essential.
- Recognizes that some carbon crediting programs, such as the CAR, require certain safeguards only for specific project types and include these in their methodologies.
- Entails that part of the environmental and social safeguards criteria would become **credit type level criteria**.

## Approach B: Program-level risk-based assessment

Consider the possible introduction of Approach A as part of a work program.

Maintain environmental and social safeguards as a **program-level criterion** only.

The ICVCM sets out minimum criteria and principles of how such a risk-based approach would need to be implemented by carbon crediting programs.

The approach:

- Provides more flexibility by allowing carbon crediting programs to pursue a risk-based approach.
- Requires more time so that EP defines minimum criteria and guidance to carbon crediting programs.



## Issue # 2: Is IC-VCM safeguards not suitable (or partially suitable) for REDD+?

### **Main public comments**

IC-VCM should follow international consensus and adopt Cancun Safeguards for J-REDD.

All REDD+ activities (not only J-REDD) should follow Cancun Safeguards.

J-REDD safeguards, including Cancun, are of limited effectiveness to avoid harm to communities.

Crediting programs would have to undergo significant changes to meet IC-VCM requirements (IC-VCM too stringent).

### ***Recommendation by the Expert Panel***

Set compliance with Cancun Safeguards as initial threshold for J-REDD.

Develop a “Cancun Safeguards +” for full threshold compliance.

Standalone REDD+ projects apply the IC-VCM safeguards framework as is.

### **Current practice among carbon crediting programs**

Both VERRA J-REDD and ART-TREES require conformity with Cancun Safeguards.

Standalone REDD+ projects under VCS can apply the CCB.

### **Impacts**

Cancun safeguards are a subset of IC-VCM safeguard framework (e.g., gender; resource efficiency and pollution prevention not explicitly included). However, a thorough application of Cancun Safeguards, particularly effective participation, can fill the gap.

The differentiation between initial and full compliance threshold will bring flexibility.

## Issue # 3: Are the IFC safeguards not suitable for the voluntary carbon market? (1/2)

### Main comments

- Some respondents argue that IFC safeguards were created primarily for large scale infrastructure investments and are not suitable for the VCM.
- Or that they are overly cumbersome, and their adoption will slow down market operations, especially for large scale projects. Some respondents were also concerned that the scope of IFC requirements go beyond the legal responsibilities of project proponents (e.g., labour rights).
- Others questioning the suitability of an IFC framework are concerned that Crediting programmes and VVBs are not geared up for application of this framework.
- Some of those respondents questioning the suitability of the IFC framework argue that alignment with national regulatory frameworks should be sufficient for the VCM.
- Conversely, a different and sizeable group believes that IFC framework lacks sufficient stringency, recommending alternative frameworks or additional provisions (e.g., from different UN efforts such as Global Compact, UN RBHR).

### *Recommendations by the Expert Panel*

- We recommend continuing with the basic structure of AF that uses IFC Performance Standards as an underlying framework adapted and improved for VCM use.
- A requirement for monitoring and compliance with the IC-VCM safeguards is added to the AF criteria 7.1 by replacing the words 'and managing' with the words 'monitor and comply with the safeguards for no harm done'. Furthermore, a cross-reference is added to state that safeguard requirements are subject to criteria 1.2 'Program governance' incl. use of the Grievance Mechanism. The carbon crediting program shall take action against non-compliance at its own discretion.

### **Rationales:**

- The IFC PS Framework is widely used beyond IFC and has been adopted and adapted by many other investment institutions including the Green Climate Fund, as well as by some crediting programmes, notably Gold Standard.
- The ICVCM draft AF draws on IFC as a benchmark with adaptation and improvement by the EP drawing on other standards (e.g., Cancun and EIB) and VCM specific considerations.

## Issue # 3: Are the IFC safeguards not suitable for the voluntary carbon market? (2/ 2)

### Current practice among carbon crediting programs

Gold Standard consultation response states that their requirements are based on IFC and adapted for the VCM. ACR refers to IFC as one of a number of international standards considered appropriate. Verra CCB does not explicitly refer to IFC but is broadly in alignment in most areas.

### Impacts

- Adoption of a safeguards' framework based on IFC will bring the VCM in line with other climate investment institutions.
- Impacts will be contingent on the decision to adopt a risk-based approach. If a risk-based approach is adopted, higher level of stringency will only apply to high-risk asset types & contexts. Some crediting programmes will need to review and update their standards for full alignment.
- Significant technical capacity is available from beyond the VCM given the widespread use of IFC based safeguards.

## Issue #4: How should the effects of mitigation activities on SDGs be assessed and reflected by the IC-VCM and AF? (1 / 3)

### Main public comments

- A group respondents suggest SDG impact assessment should be a central element of CCPs.
- Some respondents suggest the CCP should be expanded to quantified SDG impact requirements.
- Some respondents suggest the requirement should be limited only to qualitative analysis until sufficient science and tools are available.
- Some comments recommend allowing the use of standardized tools for consistency.
- A group of respondents request the use of national tools not be a requirement.
- Some commenters suggest SDG impacts should be reflected only as a voluntary tag.

### *Recommendation by the Expert Panel*

- To be robust, an assessment of SDGs must consider the trade-offs between positive and negative impacts on different SDGs which are inherent to any activity.
- The SD assessment is premised on the existence of robust safeguards as necessary to avoid unacceptable negative impacts, which ensures only acceptable tradeoffs occur.
- We recommend:
  - Replace 'net' with 'overall' positive SDG impacts in the CCP/AF criteria, to move away from the implication that quantification is required.
  - Clarify that the disclosure requirement on how SDG impacts are consistent with host Party SDG objectives, **does not require** the use national tools.
  - Retain quantification of SDG impacts as voluntary option to achieve an attribute tag.
  - Establish a work program for further development of qualitative and quantitative tools and approaches for the assessment of SD impacts that could eventually be adopted for common/standardized usage.

### Current practice among carbon crediting programs

- Most programs adopt a Sustainable Development criteria. However, they don't fully or partly fulfill the AF criterion 7.10: Ensuring net positive SDG impacts.
- Several programs require mandatory SD reporting and/or offer SDG impact tools for quantification of impacts.
- Most programs require public disclosure of impacts and alignment with host Party SDG priorities.

### Impacts

- A requirement to demonstrate overall positive SDG impact will enhance the social integrity of ICVCM compliant activities.
- This may attract impact investors interested in demonstrating compliance with ESG criteria and enable a "race to the top" on promoting sustainable development, provided there is a willingness to pay.
- Quantification of SDG impacts may enable price and willingness to pay discovery for specific SDG impacts and/or impact levels.
- Most of the market might need to upgrade their current SD assessment and contribute to ensure negative impacts are also included.



**SOC RECOMMENDATIONS ON  
Sustainable Development Benefits and Safeguards**

## a) Environmental and Social Risks/Safeguards

### Criterion 7.1: Assessment and Management of Environmental and Social Risks

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

#### DESCRIPTION

Carbon crediting program must have robust processes in place to assess the environmental and social risks and impacts posed by mitigation activities and must require mitigation activity proponents to implement and regularly report on measures designed to address identified risks and impacts.

Consistent with the national requirements and applicable laws and rules, the carbon crediting programs must ensure robust, systematic, accountable, inclusive, gender-responsive, participatory, and transparent management of risks and impacts from mitigation activities seeking to issue carbon credits under this section and the Environmental and Social Safeguards (ESS) criteria.

# Criterion 7.1: Assessment and Management of Environmental and Social Risks and Impacts

## REQUIREMENTS

The carbon crediting programme shall:

- a) Have robust processes in place, which take into account the scope and scale of the mitigation activity, to assess the environmental and social risks associated with various mitigation activities or activity types
- b) Require mitigation activity proponents, in light of the program's assessment, to include measures to minimize and address negative impacts, commensurate with the identified risk, in validated design documents prior to registration.
- c) Require that mitigation activity proponents provide evidence in validated design documents, that the mitigation activity meets the requirements for each of criteria 7.2 to 7.10, where the program has determined that the mitigation activity or activity type poses environmental and social risks under a) above.
- d) Require mitigation activity proponents to include information on measures implemented to address environmental and social impacts in each verified monitoring report.

# Criterion 7.2: Labour Rights and Working Conditions

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, where the program has determined that the mitigation activity or activity type poses environmental and social risks associated with labor rights and working conditions, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Abides by national, local and, where applicable, international laws, regulation and declarations on labor rights and working conditions.
- b) Provides safe and healthy working conditions for employees, with particular attention given to disadvantaged and marginalized groups, and the prevention of violence against women.
- c) Provides fair treatment of all employees, avoiding discrimination and equal opportunities.
- d) Does not prevent employees from joining or forming workers' organizations or participating in collective bargaining and has procedures in place to avoid retaliation against workers who organize.
- e) Prevents the use of forced labor, child labor, or trafficked persons, and protects contracted workers employed by third parties.

# Criterion 7.3: Resource Efficiency and Pollution Prevention

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, where the program has determined that the mitigation activity or activity type poses environmental and social risks associated with resource efficiency and pollution, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a. Abides by international, national, and local laws and regulations related to resource efficiency and pollution prevention.
- b. Avoids or minimizes pollutant emissions to air, discharges to water, noise and vibration, and the generation of waste.
- c. Promotes more sustainable use of resources, including energy and water.
- d. Avoids or when this is not feasible, minimizes and controls the release of hazardous materials in production, transportation, handling, storage, and use
- e. Avoids or where this is not feasible, minimizes, to the level necessary for targeted use, chemical pesticides and fertilizers.

# Criterion 7.4: Land Acquisition and Involuntary Resettlement

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, where the program has determined that the mitigation activity poses environmental and social risks associated with land acquisition and involuntary resettlement, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Avoids physical and/or economic displacement and any forced eviction.
- b) Where avoidance is not feasible, displacement only occurs with the consent of affected parties, with full justification and appropriate legal protection and compensation.
- c) Provides for meaningful and informed participation of affected individuals and communities in the planning, implementation, and monitoring of resettlement activities.

# Criterion 7.5: Biodiversity conservation and sustainable management of living natural resources

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, where the program has determined that the mitigation activity poses environmental and social risks associated with biodiversity conservation and sustainable management of living natural resources, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Is consistent with the objectives of national forest programs and their relevant international conventions and agreements.
- b) Avoids or where this is not feasible, minimizes negative impacts on biodiversity and ecosystem services.
- c) Abides by international, national and local laws regulating the introduction of invasive alien species of flora and fauna affecting biodiversity.
- d) Does not convert natural forests, grasslands, wetlands, or high conservation value habitats.
- e) Protects the habitats of rare, threatened, and endangered species, including areas needed for habitat connectivity.
- f) Minimizes soil degradation and soil erosion.
- g) Minimizes water scarcity and stress in the mitigation activity area.

# Criterion 7.6: Indigenous Peoples, Local Communities, and Cultural Heritage

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, where the mitigation activity directly or indirectly impacts, indigenous peoples or cultural heritage or where the program has determined that the mitigation activity or activity type poses environmental and social risks to indigenous peoples and local communities, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Promotes the protection of the rights of indigenous peoples and local communities in line with international human rights law, including their rights to customary lands, territories, and resources, and respects their dignity, aspirations, culture, knowledge, and practices
- b) Identifies, in design documents, the rights-holders possibly affected by proposed mitigation activities and the land they customarily own and use.
- c) Anticipate, in design documents, and avoids adverse impacts on IPs & LCs, or when avoidance is not possible, obtains the consent of affected parties and provides compensation for such impacts with their agreement.
- d) Consults IPs & LCs and secured as partners at the design stage, and that consultations are inclusive, culturally appropriate, and effective before the mitigation activity is implemented.



# Criterion 7.6: Indigenous People, Local Communities, and Cultural Heritage

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

- e) When relevant to circumstances, ensure the application of free, prior, and informed consent (FPIC).
- f) Avoids negative impacts on land, territories, and resources claimed by IPs & LCs.
- a) Avoids negative impacts on the self-determined climate, conservation, and sustainable development priorities, decision-making mechanisms, and forms of self-government of IPs & LCs as defined by them in alignment with the United Nations Declaration on the Rights of Indigenous Peoples and ILO Convention 169 on Indigenous and Tribal People.
- b) Avoids implementation where uncontacted or isolated IPs & LCs inhabit or it is believed they might inhabit.
- c) Does not force eviction or any physical or economic displacement of IPs & LCs, including through access restrictions to lands, territories, or resources, unless agreed upon with IPs & LCs during the FPIC process.
- d) Preserves and protects cultural heritage and promotes consistent with IPs & LCs own protocols/rules/plans on the management of cultural heritage; UNESCO Cultural Heritage conventions or any other national or international legal instruments that might have a bearing on the use of Cultural Heritage.
- e) Identifies and includes diverse inputs, particularly from women, vulnerable, and more marginalized groups.
- f) Ensures that indigenous knowledge and legal systems are acknowledged, respected, and promoted, including the protection of Indigenous data sovereignty
- g) Recognizes and respects the indigenous peoples' collective rights to own, use, develop and control the lands, resources, and territories that they have traditionally owned, occupied or otherwise used or acquired, including lands and territories for which they do not yet possess title.

# Criterion 7.7: Respect for Human Rights, Stakeholder Engagement, and Grievance

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Avoids discrimination.
- b) Abides by the International Bill of Rights, core human rights, and universal instruments ratified by the host country
- c) Abides by local and national human rights laws, obligations and regulations.
- d) Conducts local stakeholder consultations before the mitigation activity is registered, and such consultations are conducted in a manner that is inclusive, culturally appropriate, respectful of local knowledge, and effective for local communities.
- e) Takes into account and responds to local stakeholders' views, including those of women and vulnerable groups.

# Criterion 7.8: Gender Equality

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, where the program has determined that the mitigation activity or activity type poses environmental and social risks related to gender equality, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Aligns with national gender policy frameworks (including gender provisions within climate policy frameworks).
- b) Performs a gender assessment and gender action plan
- c) Provides equal opportunities to women, men, non-binary, and gender nonconforming people
- d) Protects against and appropriately responds to violence against women and girls.
- e) Provides equal pay for equal work.
- f) Provides documentary evidence of using gender disaggregated data to monitor, assess and report on gender impacts.

# Criterion 7.9: Benefit-sharing

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, wherever relevant, require that mitigation activity proponents:

- a. Develop and implement benefit-sharing arrangements and plans in an inclusive, consultative, transparent, and participatory manner appropriate to the context and in line with local laws.
- b. Share the draft and final benefit-sharing plan with affected stakeholders in a form, manner, and language understandable to the affected stakeholders.
- c. Make the final benefit-sharing actions publicly available, including the distribution of monetary and non-monetary benefits by beneficiary group, including rationale.

# Criterion 7.10: Cancun Safeguards

The ICVCM will assess the following elements on Safeguards & Sustainable Development instead of those required by CORSIA

## REQUIREMENTS

The carbon-crediting program shall, for all REDD+ mitigation activities, require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) complements or is consistent with the objectives of national forest programmes and relevant international conventions and agreements;
- b) supports and promotes transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
- c) Respects the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
- d) Provides for the full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities;
- e) Is consistent with the conservation of natural forests and biological diversity, ensuring that the mitigation activity is not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;
- f) Includes measures to address the risks of reversals;
- g) Includes measures to reduce displacement of emissions.

## b) Assessment & Management of Sustainable Development Impacts

### Criterion 7.11: Ensuring overall positive SDG impacts

#### REQUIREMENTS

The carbon-crediting program shall require that mitigation activity proponents provide evidence in validated design documents that the mitigation activity:

- a) Delivers overall positive sustainable development impacts beyond GHG mitigation (i.e. where a qualitative assessment indicates enhanced synergies and positive impacts are greater than negative impacts in relation to the Sustainable Development Goals):
  - i. The validated design documents must provide a clear rationale and document the prevailing conditions where this is not possible.
  - ii. The validated design documents must provide information on the use of standardized tools and methods to assess the sustainable development impact.
- b) Is consistent with the SDG objectives of the host country, where relevant and feasible.

# SOC Rationale for Approach

ESS/SDI received the highest percentage (19% of total) comments/reactions during the public consultation, reflecting importance, urgency, and need.

In response, the EP presented two approaches to implementation:

- (a) Step-wise risk-based assessment by credit type (preferred EP approach) and
- (b) program level risk-based assessment.

The SOC agreed with the EP on the need for (i) a risk-based approach, (ii) an overall positive, sustainable development impact, and (iii) a set of voluntary attributes. The SOC view, though, departed from the EP's preferred step-wise approach, considering the following:

1. The step-wise approach and/or initial and full thresholds were no longer consistent with the phasing decision.
2. This approach would require disproportionate human and financial resource investment within ICVCM beyond its core expertise.
3. The SOC's view is that ICVCM should ensure that programs require mitigation activity proponents to adhere to best practice for environmental and social safeguards and incentivize positive sustainable development impacts consistent with SDG goals of host countries.

The SOC, therefore, proposes to adopt an approach that empowers the Programs (as we have done in all other areas). SOC believes that ICVCM should neither conduct risk assessment nor and/or prescribe implementation plans and pathways. We propose that the Programs should act as a key pillar where:

- (a) ICVCM defines requirements for a set of ESS, overall positive SD impacts, and possible voluntary Attributes;
- (b) ICVCM allows the programs to monitor and ensure implementation
- (c) Programs obtain evidence in a validated design document
- (d) ICVCM keeps the option to undertake a deeper assessment or spot checks, where necessary.

# SAFEGUARDS & SD IMPACTS – BOARD RESOLUTION

The Board (ex market representatives) is asked to:

- **Approve the proposals set out on the previous pages for environmental & social safeguards and sustainable development impacts, as recommended by the SOC**
- **Approve the creation of a work programme on access and benefit sharing**





THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

Minutes of the Board meeting held on 26/01/2023  
Board decision

# BOARD DECISION

## Decision

**Subject to SOC addressing the points raised, the Board (excl. market representatives) approved:**

- The proposals set out on the previous pages of the Board deck for environmental & social safeguards and sustainable development impacts, as recommended by the SOC.
- The creation of a work programme on access and benefit sharing.

# GOVERNING BOARD MEETING

09 MARCH 2023



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## 3. SOC MATTERS: RELEASE 1 FOR IN-PRINCIPLE APPROVAL



# KEY CHANGES: SAFEGUARDS & SUSTAINABLE DEVELOPMENT

- ✔ Introduce risk-based approach where programs require mitigation activity proponents to assess risks and where risks are identified, include measures to address them and report those measures.
- ✔ Extensive and detailed signposting on requirements for next iteration of the Assessment Framework, with commitment to consultation
- ✔ Require transparency on any existing program-required benefit sharing+ ICVCM work program
- ✔ Require application of Cancun safeguards for REDD+ in addition to other requirements
- ✔ Require mitigation activity to manage negative SDG impacts and report positive SDG impacts.
- ✔ Introduce credit-level criteria on safeguards to apply to already issued credits (to follow in release 2)



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## IV. Double Counting

# EP RECOMMENDATION ON DOUBLE COUNTING



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## Reviewer triage summaries: No Double Counting (1)

The ICVCM should consider the Paris Agreement and company accounting systems as operating in parallel and not connected. Double counting conflicts would only arise when Paris Agreement accounting is based on company accounting. If they remain separate but parallel, no double counting conflicts would arise.

Go to Paris Alignment

Qualify double claiming as only posing an issue where the mitigation activity provides benefits to entities under multiple mitigation policies

Clarification required

Credits should never be granted to any activity included under a compliance program (divergence)

Clarification required

Create exclusion for JREDD credits from double claiming rules where ERRs are only used towards compliance purpose (ART: line 198 of Excel sheet)

Not clear what is being sought

First-come first-served approach to double claiming (overlapping claims) may collide with nesting under J-REDD programs (EDF: line 268)

Clarify the requirement

Take into account emissions in scope 2 and 3 that are reduced by the manufacturer / electricity supplier but also accounted for and possibly offset by the user (several comments)

Claims issue; outside of scope; should be referred to VCMI



## Reviewer triage summaries: No Double Counting (2)

Need for a centralized registry to be able to account for all credit issuances and retirements (several comments)

Highlight the need for work programme with the Climate Action Data Trust (former Climate Warehouse)

Credits should be able to be used by companies for both Scope 1 and Scope 3 claims (several comments)

Claims issue: refer to SBTi, HLEG and VCMI guidance

Concerns around wording of double-issuance and overlapping geographic boundaries

Requirements in Table 18 related to stakeholder consultation and disclosure of data and documents received pushback

Concern that requirements hinder “credit stacking” i.e., ability to create both a carbon credit and a biodiversity credit, request to clarify that section of the AF (table 21)

Need to clarify the issue of "credit stacking"

Some support for Option B in Table 21

Legal attestation preferred by some stakeholders

Clarity on double claiming with NDC

Is the NDC included in the scope of "mandatory emission trading systems"

Suggestion to extend scope of provision in Table 17b) (double registration) to results-based payments schemes

## DOUBLE COUNTING – Draft recommendations by the EP to the SOC (2)

### Credit “stacking” and potential overlaps with Scope 2 and Scope 3 accounting

Is it acceptable, under the current AF, to have stacking of credits for different features or benefits, such as biodiversity credits? Also, should double counting be avoided with reductions or removals accounted for within company supply chains?

### Main public comments

- Stakeholders expressed concern that requirements hinder “credit stacking”, i.e., the ability to create both a carbon credit and a biodiversity credit, and requested to clarify that section of the AF (table 21)
- There were also requests to clarify that double counting should be avoided between carbon credits and supply chain carbon accounting (e.g., Scope 3 insetting)

### Recommendation by the Expert Panel

- Clarify language for criterion 4.5 to make clear that stacking is allowed in principle and that overlapping claims should be avoided where mitigation is directly claimed through supply chain accounting frameworks (e.g., “insetting”)
- (However, note that ICVCM / crediting programs may not be able to police all potential overlapping claims with supply chain accounting)

### Current practice among carbon crediting programs

- Programs have varied and sometimes *ad hoc* policies towards credit stacking and supply chain accounting

### Impacts

- Most programs would need to adopt general program rules addressing these issues to be CCP eligible
- Note: These provisions do not address questions related to additionality where credit stacking is allowed

#### **Criterion 4.5: No double claiming of mitigation outcomes in relation to other environmental credit or attribute-tagging schemes**

##### **Description**

Carbon credits shall not be issued for mitigation activities directly or indirectly claimed in conjunction with other funding sources, including trading units issued under other environmental market mechanisms.

In scenarios where there are multiple sources of funding for a given mitigation activity, clear documentation regarding the attribution of the emission reductions achieved to each source shall be provided. Carbon-crediting programs shall have provisions in place that require project proponents to clearly disclose the sources and types of financing used for a project and to attest that no other ownership claims exist to the underlying emission reductions delivered by the project activity.

**Table 21 – Requirements for Criterion 4.5: No double claiming**

Threshold	Requirements
Initial and Full	<p>The carbon-crediting program shall provide clear documentation regarding the ownership of the emission reductions achieved and shall have provisions in place to ensure that:</p> <ul style="list-style-type: none"><li>• Carbon credits are not issued for mitigation that is claimed in conjunction with:<ul style="list-style-type: none"><li>• Other funding sources;</li><li>• Other tradable units used within separate environmental market mechanisms or accounting frameworks, where such units convey claims to greenhouse gas emission reductions or related attributes, e.g. Renewable Energy Certificates (RECs)</li></ul></li></ul> <p>AND</p> <p>b) Mitigation activity proponents provide a legal attestation confirming they have free, uncontested, and exclusive claim to credited emission reductions or removals.</p>

## **DOUBLE COUNTING – Draft recommendations by the EP to the SOC (3)**

### **Policies for reconciling overlapping claims (incl. nested REDD+) (1/2)**

Current approach could create a race to issuance as it requires that, in case of overlapping accounting boundaries, the activity that issued credits first gets to keep the credits. The AF also does not directly address potential overlapping claims with results-based financing programs (as opposed to crediting programs).

### **Main public comments**

- The “first come first served” approach is incompatible with J-REDD because nesting implies, by definition, overlapping accounting boundaries
- EP response: this approach is indeed problematic, but this is not unique to J-REDD. In addition, there is a "control" problem. For example, if activity A is registered under an ICVCM-approved program, and then activity B is registered with an overlapping claim under a non-ICVCM-approved program. The ICVCM-approved program cannot do much about it, and it would be unfair to require it to invalidate the issued units.
- Avoidance of overlapping claims should extend to results-based financing programs

### **Recommendation by the Expert Panel**

- Modify text to require programs to have processes in place to share and reconcile data with other programs in case of overlapping boundaries. Maintain requirement that programs must check for any overlaps *before* registering an activity.
- Clarify inadvertent confusion with regard to phasing and checks against overlaps with other programs

## **DOUBLE COUNTING – Draft recommendations by the EP to the SOC (3)**

### **Policies for reconciling overlapping claims (incl. nested REDD+)(2/2)**

#### **Current practice among carbon crediting programs**

- VCS, GS, CAR and ACR have committed to implement rules that would be sufficient to meet these requirements as part of the "avoiding double counting guidelines" (developed in the context of CORSIA implementation).
- It is not clear that the main programs have effectively implemented these rules. However, effective implementation would not necessarily require a first come first served approach.

#### **Impacts**

- Avoiding double issuance of credits that both represent mitigation outcomes is important for integrity; this extends to overlaps with results-based financing, even where carbon credits are not directly issued.
- Major programs have already agreed to develop rules that would be consistent with these requirements.

**Table 17 – Requirements for Criterion 4.1: No double issuance (double registration)**

Threshold	Requirements
Initial and Full	<p>The carbon-crediting program shall:</p> <ol style="list-style-type: none"><li data-bbox="550 468 2420 654">a. prohibit the active registration of mitigation activities that are, or have been, registered under other programs; or if double registration occurs, ensure that credits are not issued for carbon credits issued in respect of reductions or removals under another program, unless the other program first cancels those credits expressly to avoid double issuance;</li><li data-bbox="550 661 2420 889">b. before issuing carbon credits, require checks with other carbon crediting programs and any carbon credit-based results-based payment programs (e.g. Pilot Action Facility, TCAF) to verify that a mitigation activity is not actively registered by any other program and has not been issued carbon credits for the same emission reductions or removals (unless credits that were already issued by the other program have been cancelled for the purpose of reissuance under the current program); and</li><li data-bbox="550 896 2420 982">c. have procedures and requirements in place to ensure that no more than one credit is issued for one tonne of CO<sub>2</sub>-equivalent of mitigation.</li></ol>

**Criterion 4.2: No double issuance (overlapping claims)**

Eligible credits shall only be issued for emission reductions or removals from sources and sinks that are not included within the accounting boundaries of other mitigation activities. A credit shall not be issued for an emission reduction or removal where **other** credits have been or are anticipated to be issued for the same mitigation outcome.

**Means of assessment**

The requirements in Table 18 shall be fulfilled for carbon credits to be deemed CCP-eligible.

**Table 18 – Requirements for Criterion 4.2: Double-issuance (overlapping claims)**

Threshold	Requirements
Initial	<p>The carbon-crediting program shall have robust provisions that identify potential overlaps between projects registered and avoid such overlaps by:</p> <ul style="list-style-type: none"><li>a) disallowing registration of projects whose accounting boundaries overlap with the accounting boundaries for crediting of other projects registered under the same program; and/or</li><li>b) not issuing credits for emission reductions or removals that occur at sources or sinks within the accounting boundaries of another actively registered project, under the same program; and/or</li><li>c) issuing credits to a mitigation activity only if the program has provisions in place to ensure that, where overlapping accounting boundaries exist, no more than one credit is issued – under the same program – for each tonne of CO<sub>2</sub>-equivalent emission reductions or removals occurring within the activity’s accounting boundary.</li></ul>
Full	<p>In addition to the initial threshold requirements, the carbon-crediting program shall extend the provisions to checks with other crediting programs, as well as other types of programs that issue units conveying claims to greenhouse gas mitigation benefits, such as renewable energy certificates (RECs). Programs shall have provisions to engage in data sharing and reconciliation with other program if both programs are involved in the issuance of credits to activities whose accounting boundaries overlap.</p>

## **DOUBLE COUNTING – Draft recommendations by the EP to the SOC (4)**

### **Overlapping claims with mandatory emission schemes**

Should NDCs be considered mandatory mitigation policy and should double claiming with NDC be avoided?

Proposed wording

### **Criterion 4.4: No double claiming with mandatory domestic mitigation schemes**

If a carbon-crediting program issues a carbon credit that reduces emissions or enhances removals covered by a mandatory domestic mitigation scheme, it would potentially duplicate the benefit provided to the claimant. The claimant would recover that benefit in the credited reduction under the carbon-crediting program and receive an equivalent benefit from the decreased liability (i.e., save on emission allowances under an emission trading system) under the domestic mitigation scheme.

[...]

For the purposes of this criterion, a Nationally Determined Contribution under the Paris Agreement does not constitute a mandatory domestic mitigation scheme. While an NDC may be put into effect through a variety of instruments, including mandatory domestic mitigation schemes, it is separate from the latter and is considered distinct from these.



# GOVERNING BOARD MEETING

23 FEBRUARY 2023



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# SOC MATTERS – DOUBLE COUNTING



# Key changes: double counting

- ✔ Reframe text to allow revenue stacking from credits based on non-carbon benefits
- ✔ Reframe text to allow revenue stacking from non-credit funding sources
- ✔ Address double claiming issues for VCM credits that also claim RECs
- ✔ Remove provision to avoid double claiming with insetting



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## V. Robust quantification (programme)



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# EP Recommendations on Robust Quantification (programme)

# Robust Quantification – Draft recommendations by the EP to the SOC (1)

## *Issue*

Should programs require that credited emission reductions or removals be determined in a conservative manner?

## *Main public comments*

- A group of comments question the concept of “conservativeness” per se, requesting that the “most accurate value” shall be used
- Another group claims that choosing a conservative approach would disincentivize the use of improved monitoring and data collection (Remark: The EP is of the opinion that the conservativeness principle inherently rewards better monitoring approaches)

## *Recommendation by the Expert Panel*

- Keep principle of conservativeness in the AF but improve the language, including:
  - Deleting language contained in the parenthesis in Criterion 2.2.h.1 to avoid confusion ("rather than striving to use the most accurate estimate")
  - Clarifying that emission reductions or removals should very likely not be overestimated

## *Current practice among carbon crediting programs*

- All programs assessed under the road-testing mention the concept of conservativeness, but the concept and its implementation is often not clearly defined

## *Impacts*

- Conservativeness is central for avoiding overestimation of reductions / removals
- Most programs would need to clarify the concept of conservativeness in their general program provisions

## Robust Quantification – Draft recommendations by the EP to the SOC (2)

### *Sub-Issue*

Why should emission reductions/removals (ER) “very likely” not to be overestimated (and not merely “likely”)?

### *Approach in the AF published for consultation*

- Program-level RQ: EP recommended “very likely” for full threshold – changed to “likely” in an unintentional last-minute edit
- Carbon-credit-level RQ: “likely” required for initial threshold, “very likely” required for full threshold

### *Key considerations*

- The IPCC defines “very likely” as >90% and “likely” as >66% probability. Roughly,
  - “very likely” means 1 out of 10 projects overestimate ERs
  - “likely” means 1 out of 3 projects overestimate ERs
- All emission reductions/removals calculations are subject to uncertainties – this is not a problem as long as uncertainties are transparently disclosed, and the conservativeness principle is applied.
- As activities that overestimate ERs are more financially attractive, “cherry-picking” may lead over-estimation in aggregate (compared to an unbiased distribution)
- Buyers want to purchase “high-integrity” (very high likelihood of representing one full ton of CO<sub>2</sub>e)

## Robust Quantification – Draft recommendations by the EP to the SOC (3)

### *Recommendation by the Expert Panel*

- Program-level RQ: Retain the previously recommended approach for the full threshold: i.e., emission reductions or removals should very likely not be overestimated (which requires, however, an edit to the current AF)
- Carbon-credit-level RQ: Retain the previously recommended approach: “likely” for the initial threshold, and “very likely” for the full threshold

### *Current practice among carbon crediting programs*

- All programs assessed under the road-testing mention the concept of conservativeness, specific requirements are often missing.
  - Road testing indicates that most programs do not require systematic treatment of uncertainty on meth level
- ⇒ Most programs would need to update their program principles to be CCP eligible, but this is straight-forward

### *Impacts*

- “Very likely” sets a higher bar, i.e., ensuring that 9 out of 10 activities are not overestimated (not 2 out of 3)
- Very likely implies that more methodologies will need revisions in the future to ensure this level of certainty of conservativeness is achieved.



## Proposed edits to Criterion 2.2 h on conservativeness

- h) ~~To ensure conservativeness,~~ The carbon-crediting program's general program provisions shall ~~require~~ include the following principles ~~(rather than only in its specific quantification methodologies)~~ that:
- 1) emission reductions or removals ~~from an activity shall~~ be determined in a conservative manner ~~(rather than striving to use the most accurate estimate)~~ to ensure that emission reductions or removals are ~~very likely~~ not overestimated; ~~and~~
  - 2) the approaches to achieve conservativeness (e.g., assumptions or the ~~degree of any deductions~~) ~~conservativeness~~ in quantifying emission reductions or removals ~~shall be~~ based on the magnitude of uncertainty in the estimation of emission reductions and removals (e.g., applying a larger ~~degree of conservativeness deduction~~ in case of higher uncertainties).~~;~~ ~~and~~
  - 3) ~~conservativeness applies to assumptions (e.g., baseline scenario), models (e.g., first-order decay model estimate methane emissions from solid waste disposal sites), parameters (e.g., default values), and measurements (e.g., accuracy of measurement methods) used in the determination of emission reductions and removals.~~

# GOVERNING BOARD MEETING

23 FEBRUARY 2023



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**SOC MATTERS – ROBUST QUANTIFICATION  
(PROGRAMME)**



# Key changes: Robust quantification (program)

- ✔ Address conservativeness at the principle-level
- ✔ Address uncertainty at the principle-level
- ✔ Revisit the required % likelihood of not overestimating emission reductions on the credit level requirements
- ✔ Remove provision on aligning crediting periods with NDCs
- ✔ Remove reference to any specific project type



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## VI. Attributes

# EP recommendation on Attributes



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## 12.1 Attribute 1: Host country authorization under Article 6 of the Paris Agreement (Article 6 authorization)

### Description

This attribute shall be assigned if the mitigation outcomes underlying a carbon credit have been authorized by the host country for use towards “other international mitigation purposes” (OIMP) under Article 6 of the Paris Agreement.

### Rationale

Buyers may wish to purchase carbon credits associated by a host country Article 6 authorization. This attribute identifies such credits.

### Requirements

Carbon-crediting programs that wish to assign attributes to carbon credits for an Article 6 authorization shall establish the following provisions in their normative program documents:

1. The carbon-crediting program shall ensure that the following requirements have been satisfied before carbon credits receive the attribute for an Article 6 authorization for use towards OIMP :
  - a. Carbon credits identify the calendar year in which the associated emission reductions or removals occurred. Only one calendar year shall be assigned to a carbon credit.
  - b. An Article 6 authorisation associated with the carbon credits has been secured from the host country (or, where applicable, the country where the carbon credit’s emission reductions or removals occurred).
2. The carbon-crediting program shall make the information received in relation to Article 6 authorizations publicly available on its website, and ensure it is kept up to date.
3. The carbon-crediting program shall prepare regular reports on the status of carbon credits associated with Article 6 authorizations and make these reports publicly available, including disaggregated data by host country, activity and vintage. This information is also transmitted to all host countries (or countries where the emission reductions or removals occurred).<sup>1</sup>
4. The carbon-crediting program regularly seeks evidence of the appropriate application of corresponding adjustments by the host country. If such evidence cannot be obtained within 2 years after the application of corresponding adjustments was due in accordance with relevant decisions under Article 6 of the Paris Agreement, the carbon-crediting program shall withdraw the attribute of Article 6 authorization from any carbon credits held in holding accounts and inform the users of any carbon credits held in cancellation or retirement accounts. The carbon-crediting program shall also have provisions in place to ensure that liability for erroneous information regarding host country authorisation is addressed.

## 12.2 Attribute 2: Share of Proceeds for Adaptation

### Description

This attribute may be assigned if a Share of Proceeds for Adaptation has been forwarded to the Adaptation Fund of the United Nations. The Share of Proceeds for Adaptation may be provided in the form of (i) a monetary contribution and/or (ii) a fraction of the issued carbon credits being forwarded to a program registry account owned by the Adaptation Fund.

### Rationale

Buyers may wish to contribute to climate change efforts that go beyond mitigation. Contributions to the Adaptation Fund will advance the wider goal of increasing adaptation and resilience to climate change in the most vulnerable countries.

### Requirements

Carbon-crediting programs that wish to assign attributes to carbon credits for the application of a Share of Proceeds for adaptation shall establish the following provisions in their normative program documents:

1. The carbon-crediting program shall ensure that one or both of the following requirements have been satisfied before carbon credits receive the attribute for a Share of Proceeds and may be marked accordingly in the carbon crediting program registry:
  - a. A monetary contribution of at least # USD per carbon credit has been made to the Adaptation Fund; and/or
  - b. At least #% of issued carbon credits have been forwarded to a dedicated holding account managed by the Adaptation Fund. Note that this may be implemented through
    - i. An automatic process to forward a fraction of the carbon credits issued; or
    - ii. A process for obtaining evidence from mitigation activity proponents that the respective amounts have been forwarded.
2. The carbon crediting program shall make the information in relation to monetary contributions and/or a share of carbon credits forwarded to the Adaptation Fund publicly available on its website, and ensure it is kept up to date.



## 12.3 Attribute 3: Quantified SDG impacts

### Description

This attribute may be assigned if the carbon credit's associated mitigation activity monitors, quantifies, and provides third-party verification of its claimed substantive net positive significant contribution to Sustainable Development (SD) beyond mitigation.

### Rationale

The VCM can promote substantial SD benefits beyond those related to climate mitigation. It is worth recognizing the contribution of mitigation activities to other SDGs through the assignment of a specific attribute.

Article 6 requires host countries to ensure a contribution towards SD in all cooperative approaches. The Article 6 rulebook specifies that Parties should report how activities are consistent with national SD objectives and demonstrate their SD contribution during implementation. Participating host countries, buyers of ITMOs, mitigation activity proponents and other participants will need to analyse the consistency with and assess the contribution of their Article 6 activities to the SD of the host party.

Having ensured a do-no-harm approach and an overall net positive benefit on SD, as defined by the host country through its national SD objectives, mitigation activity proponents may want to quantify their net positive contribution to SD as a relevant decision-making element for potential buyers.

### Requirements for carbon crediting programs

Carbon crediting programs that wish to assign attributes to carbon credits for quantified positive SDG impacts shall establish the following provisions in their normative program documents:

1. The carbon-crediting program shall ensure the following requirements have been satisfied before carbon credits receive the attributes for quantified positive SDG impacts:
  - a. The SDG impacts of the mitigation activity have been monitored and quantified ex-post using the SDG Impact Tool by the Gold Standard, SD Vista by Verra, or another tool or methodology approved by the IC-VCM;
  - b. The monitored and quantified SDG impacts lead to an overall positive SDG contribution; and
  - c. The assessment of SDG impacts has been verified by a VVB;
2. The carbon crediting program shall make all information received in relation to the SDG impacts publicly available on its web site.

## 12.4 Attribute 4: Host country-aligned adaptation co-benefits (1/2)

### Description

This attribute may be assigned if the mitigation activity proponent of the carbon credit's associated mitigation activity wishes to provide information on contributions to adaptation consistent with host country's priorities, in line with the spirit of the provisions under Article 7.1 of the Paris Agreement.

### Rationale

Under Article 7.1 of the Paris Agreement, 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 in general, and of carbon credits.

The IPCC's AR6-WGIII report on mitigation of climate change notes there are strong linkages between climate change mitigation, adaptation and development policy so that "coordinated policies, equitable partnerships and integration of adaptation and mitigation within and across sectors can maximize synergies and minimize trade-offs and thereby enhance the support for climate action".

In addition to ensuring a do-no-harm approach and an overall net positive SD benefit, mitigation activity proponents may want to promote the positive adaptation co-benefits of their mitigation activity as a relevant decision-making element for potential buyers.

This information shall include reference to alignment with the host country's Adaptation Communication under the Paris Agreement or other published adaptation plans or strategies.

## 12.4 Attribute 4: Host country-aligned adaptation co-benefits (2/2)

### Requirements for carbon-crediting programs

Carbon-crediting programs that wish to assign attributes to carbon credits for host country aligned adaptation benefits shall establish the following provisions in their normative program documents:

The carbon-crediting program shall ensure the following requirements have been satisfied before carbon credits receive the attribute for quantified ~~positive SDG impact~~ **host country-aligned adaptation co-benefits**:

- The ~~adaptation impact~~ **host country-aligned adaptation co-benefits** of the mitigation activity have been quantified, using a publicly available tool that constitutes international best practice;
  - The assessment of ~~adaptation impact~~ **host country-aligned adaptation co-benefits** has been verified by a VVB;
  - a. The application of the tool and the verification confirms that the mitigation activity delivers a substantial contribution to “enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to sustainable development” in alignment with the host country’s Adaptation Communication under the Paris Agreement or other published adaptation plans or strategies.
1. The carbon crediting program shall make this information publicly available on its website.

## Attributes on specific technologies

The Expert Panel and Board discussed attributes for specific technologies.

Discussions included:

- emission reductions vs emission removals
  - tech-based removals vs nature-based removals
  - "emerging technologies"
- 
- Previous EP discussions noted that distinctions between technologies are seldom clear-cut or based solely on technical issues. The EP was unable to provide clear recommendations as it felt that such recommendations would cut across policy decisions to be made at either Board or SOC level
  - The EP considers that the consultation process did not yield any new input that would lead the EP to change its existing opinion (see document by the ExecSec on Attributes)
  - ***The EP recommends that the SOC provides guidance on the desirability of one or more attributes along the specific technology types mentioned above.***

# GOVERNING BOARD MEETING

23 FEBRUARY 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## SOC MATTERS - ATTRIBUTES



## Key changes: attributes

- ✔ Create attribute for credits authorized under art 6
- ✔ Create attribute for credits contributing a share of proceeds
- ✔ Create attribute for quantified SDG Impacts
- ✔ Remove attributes pertaining to mitigation activity information:
  - Avoidance vs removal
  - Tech vs nature



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## VII. PARIS ALIGNMENT



# GOVERNING BOARD MEETING

13 OCTOBER 2022



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## 4.6 Corresponding Adjustments - Public Consultation

- Majority argue against imposing requirements for CAs. Some voices in favour.
- Corresponding adjustments do not belong in voluntary-private based carbon markets
- Clearly label host country authorization as an attribute

## 4.6 Corresponding Adjustments – EP recommendation\*

### Issues and options

Under the accounting system of the Paris Agreement, Parties are required to provide adjustments to the emissions balances to reflect transactions of ITMOs. The Paris Agreement allows for (but does by itself not mandate) the use of "corresponding adjustments" for transactions under the voluntary carbon market (as "other mitigation purposes"). There is a lively discussion on the impacts to integrity from requiring and not requiring corresponding adjustments.

Options considered by the Expert Panel and presented to the SOC/Board include:

- Option 1:** Mandate host country authorizations as a requirement for CCPs, by (X/20XX).
- Option 2:** Establish an ICVCM work programme on defining scenarios/conditions on transfers for which CAs would be required, with the following features:
- role of differentiation of claims in relation to use of credits
  - factors underlying the analysis of the impacts of corresponding adjustments
  - identification and assessment of likelihood of scenarios related to CAs

## 4.6 Corresponding Adjustments – EP recommendation\*

### Summary of impacts analyzed by EP

- There are at least some scenarios – although their precise identification is unclear - under which CA should be necessary to assure integrity of the offsets.
- The need for CA in order to maintain environmental integrity depends inter alia on the level of implementation of the Paris Agreement, and on the level of presumed displacement of domestic action/finance.
- With (i) increasing level of PA implementation (completeness of inventory and NDC, implementation of mitigation plan to achieve NDC etc.), as well as (ii) with the expected growth of the VCM, the need for CA becomes more acute.
- Application of CAs may lead to additional transaction costs.

\*Please see Annex for further detail on EP rationale and discussion

## 4.6 Corresponding Adjustments – SOC Recommendation

The SOC does not feel that the ICVCM has enough information to support Option 1 as proposed the EP.

### **Recommendation by the Standards Oversight Committee**

1. Maintain Attribute for Host Country Authorisation as in the current AF
2. Adopt EP Option 2: Establish a Joint ICVCM and VCMI work programme on defining scenarios/conditions on transfers for which CAs would be required

The SOC recommends that the Work Program is framed as follows

The IC VCM recognizes that today, the VCM is related to the “unauthorized” window of Article 6 (i.e. corresponding adjustments are not yet applied to any VCM transactions). As countries move to implement systems to deliver on their Paris Agreement commitments the VCM and host country systems will increasingly interact. The IC VCM recommends we establish a joint work program with VCMI on defining scenarios/conditions on transfers for which CAs might be required, with the following features:

Factors underlying analysis of the impacts of CA and its implications for credit integrity

- Identification and assessment of likelihood of scenarios related to CAs
- Potential implications of scenarios on claims in relation to use of credits
- Differentiation of Claims (VCMI relevance)

The SOC makes this recommendation in light of the complexity of the issue, the cross over with work already being undertaken by VCMI, to be completed within 6 months, and the strength and divergence of views expressed during the public consultation.

**Outcome: The ICVCM approves the establishment of a work programme with the VCMI, noting that this will be completed within 6 months.**

## 4.7 Share of Proceeds for Adaptation Finance – Public Consultation

Of over 40 responses on SOPA:

- Around half were in favour of no requirement, as not in scope, a tax on projects, and better suited to governments
- A substantial minority were in favour of a mandatory requirement, for reasons of equity, reputation and alignment with Article 6
- A smaller share were in favour of a voluntary requirement

## 4.7 Share of Proceeds for Adaptation finance – EP Recommendation

### Issue

Under Article 6.4, adaptation finance is delivered through three pillars: (a) 5% of issued credits forwarded to an account managed by the Adaptation Fund, (b) a monetary contribution depending on project or issuance scale, and (c) periodic contributions from the administrative fees collected by the mechanism. Under Article 6.2, countries are strongly encouraged to contribute resources for adaptation, taking into account Article 6.4 provisions. This raises the question whether programs in the voluntary carbon market should align with Article 6 provisions and implement a share of proceeds for adaptation (SOPA).

### EP Recommendation

From [date] onwards, the carbon crediting program shall levy a share of proceeds of [X%] at issuance, for the benefit of the Adaptation Fund, to assist developing countries to meet the cost of adaptation.

### Summary of impacts analyzed by EP

- No impact on the environmental integrity of carbon credits
- Implementing SOPA could lead to enhanced reputation with regard to social impacts of carbon credits and the overall social integrity of the VCM.
- (Potentially) higher carbon credit prices, higher costs for buyers
- (Potentially) Decrease in profits by project developers
- Potential growth and number of projects / issuance due to enhanced reputation

## 4.7 Share of Proceeds for Adaptation finance – SOC Recommendation

### The SOC could not conclude on the issue of Share of Proceeds for Adaptation (SOPA)

- Some in the SOC supported the recommendation by the EP, for reasons related to the political sensitivity of the issue, as a clear social benefit to VCM, as a way to generate developing country and NGO support for the VCM, and to maintain balance with article 6.4 etc.
- Others in the SOC did not see a case for the application of the SOPA to the VCM and opposed its application because the VCM does not have to mirror the UN rules, because it is a tax on mitigation, because of concerns about the Adaptation Fund, and because of concerns about the impact on community based and smaller projects, and because it potentially opens the door for other levies on VCM mitigation activities etc.
- A potential compromise discussed without conclusion:
- *Recommend including SOPA as an attribute and establish a Work Programm to be concluded within 6 months to consider:*
  - *potential exemptions based on project type or size based on the mitigation and adaptation impacts, and on benefits and revenues to communities participating in carbon projects/programs in developing countries.*
  - *the readiness of buyers of credits to make such a contribution*
  - *the merits of voluntary vs mandatory approaches*
  - *the appropriate destination of any credits/revenue*
  - *the impact on market participants and the incentives created*

**Outcome: Consensus approval of work programme on SoP**



## 4.8 Overall mitigation in global emissions (OMGE) – Public Consultation

- OMGE received less comment than Corresponding Adjustments or SOPA
- On OMGE very little support as mandatory except from LDC Group and AOSIS (open letter to us in June 2022)

## 4.8 Overall Mitigation in Global Emissions (OMGE) – EP Recommendation

### Issue and options

The Article 6 decisions adopted in Glasgow at COP26 establish a mandatory cancellation to achieve an overall mitigation in global emissions (OMGE) under the Article 6.4 mechanism. Under Article 6.2, countries are strongly encouraged to cancel ITMOs to achieve an OMGE. This raises the question whether programs in the voluntary carbon market should align with Article 6 provisions.

### Recommendation by the Expert Panel

For the full phase of the ICVCM, the carbon crediting program shall require that a portion of at least 2% of the carbon credits shall be cancelled at issuance for the purposes of achieving an overall mitigation in global emissions.

### Summary of impacts analyzed by EP

- No impact on the environmental integrity of carbon credits but implementing OMGE could lead to further emission reductions beyond the claims made by the users of carbon credits in the voluntary carbon market.
- Implementing OMGE leads to higher carbon credit prices and higher costs for buyers; does not strongly affect profits by project developers (prices increase, credit volumes decrease)
- Implementing OMGE for Article 6 authorized reductions would follow encouragements in Paris Agreement decisions

## 4.8 Overall mitigation in global emissions (OMGE) – SOC Recommendation

### Recommendation by Standards Oversight Committee

The SOC is not ready to frame OMGE elements in a work program at this stage given the lower level of engagement in public consultation and the lack of relationship to carbon credit integrity, but we will consider OMGE at a later stage.

Outcome: approved by consensus

## 4.9 Paris Alignment – Conclusion: SOC Recommendation (in reserve for meeting conclusions depending on Board SOPA and CA decision)

Create a timebound "Paris Alignment" Work Programme initially including:

- The issues related to Corresponding Adjustment
  - Factors underlying analysis of the impacts of CA and its implications for credit integrity
  - Identification and assessment of likelihood of scenarios related to CAs
  - Potential implications of scenarios on claims in relation to use of credits
  - Differentiation of Claims (VCMI relevance)
- The issues related to Share of Proceeds to Adaptation (pending Board approval)
  - potential exemptions based on project type or size based on the mitigation and adaptation impacts, and on benefits and revenues to communities participating in carbon projects/programs in developing countries.
  - the readiness of buyers of credits to make such a contribution
  - the merits of voluntary vs mandatory approaches
  - the appropriate destination of any credits/revenue
  - the impact on market participants and the incentives created
- Noting that other topics may be relevant for this work programme as we progress through the key issues list

Outcome: approved by consensus

# Annex to Section 4

# Addendum – Public Consultation Responses

## Number of comments by type of organisation



## 4.6 Corresponding Adjustments – EP analysis

### Impacts on integrity

The impact on integrity of the application of corresponding adjustments depends on a variety of assumptions about the robustness and scope of accounting and the reaction of different parties – host country ambition, credit buyer, the level of implementation of the Paris Agreement (i.e. the availability of corresponding adjustments and their infrastructure, etc.) Analysis conducted by experts has identified some instances where the absence of the CA would lead to lower environmental integrity (but also some instances in which it would presumably have no impact or even positive impact) under current scenarios. There is no analysis to date on the relative plausibility of the scenarios.

There is some agreement within the EP that:

- There are at least some scenarios – although their precise identification is unclear - under which CA should be necessary to assure integrity of the offsets.
- The need for CA in order to maintain environmental integrity depends inter alia on the level of implementation of the Paris Agreement, and on the level of presumed displacement of domestic action/finance.
- With (i) increasing level of PA implementation (completeness of inventory and NDC, implementation of mitigation plan to achieve NDC etc.), as well as (ii) with the expected growth of the VCM, the need for CA becomes more acute. Over time, CAs should likely become the norm for all VCM transactions of offsets.

Experts have also discussed the impact of different claims on the need for CA. Some experts contend the following:

- The need for CA in order to maintain environmental integrity depends inter alia on the exact claim in the context of which the credit is purchased.
- Depending on the credit type and the PA implementation scenario, CA may be needed for all credits.

Under such view, for hard offsets and assuming an increasing level of implementation of the Paris Agreement, CA are required to assure robust accounting credits that represent alternative claims.

## 4.6 Corresponding Adjustments – EP analysis

### Other key impacts

- Application of CAs may lead to additional transaction costs. Differing estimates have been produced, relying either on "opportunity cost" measures of foregone mitigation or actual transaction costs. If such costs would be sufficiently high, that would have a likely and large dampening effect on voluntary carbon market demand.
- Requiring the immediate application of CAs immediately may bring the VCM to standstill as infrastructure is not yet developed, but a clear signal for future need for CAs would send a signal and help gradual development of such infrastructure.





THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

Minutes of the meeting held on 13/10/2022  
Board decision

## Corresponding Adjustments

**No objections were raised with the SOC recommendations and the Board approved by consensus.**

*The IC VCM recognizes that today, the VCM is related to the “unauthorized” window of Article 6 (ie corresponding adjustments are not yet applied to any VCM transactions). As countries move to implement systems to deliver on their Paris Agreement commitments the VCM and host country systems will increasingly interact. The IC VCM recommends we establish a joint work program with VCMI on defining scenarios/conditions on transfers for which CAs might be required, with the following features:*

- Factors underlying analysis of the impacts of CA and its implications for credit integrity*
- Identification and assessment of likelihood of scenarios related to CAs*
- Potential implications of scenarios on claims in relation to use of credits*
- Differentiation of Claims (VCMI relevance)*

**Action: The ICVCM recommends establishing a work program with the VCMI, to be completed within six months.**

## Share of Proceeds for Adaptation Finance (SOPA)

The recommendations include SOPA as an attribute and establish a Work Program to be completed ***within 6 months*** to consider:

- *potential exemptions based on project type or size based on the mitigation and adaptation impacts, and on benefits and revenues to communities participating in carbon projects/programs in developing countries.*

- *the readiness of buyers of credits to make such a contribution*
- *the merits of voluntary vs mandatory approaches*
- *the appropriate destination of any credits/revenue*
- *the impact on market participants and the incentives created*

*The Board approved the above recommendations by consensus.*

**Action: Complete the Work Program within 6 months.**

## **Overall Mitigation in Global Emissions (OMGE)**

The SOC is not ready to frame OMGE elements in a work program at this stage given the lower level of engagement in public consultation and the lack of relationship to carbon credit integrity, but we will consider OMGE at a later stage after the initial work program.

The Board approved the above recommendation by consensus.

# GOVERNING BOARD MEETING

9 MARCH 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



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FOR THE VOLUNTARY CARBON MARKET

## 3. SOC MATTERS: RELEASE 1 FOR IN-PRINCIPLE APPROVAL



# KEY UPDATES: PARIS ALIGNMENT

- ✔ Set up a joint work program with VCMI to develop guidance on Corresponding Adjustment and Share of Proceeds for Adaptation
- ✔ Not moving forward with a requirement or work program on Overall Mitigation of Global Emissions at this point
- ✔ Provide guidelines to crediting programs for the application of an attribute on Corresponding Adjustments
- ✔ Provide guidelines to crediting programs for the application of an attribute on Share of Proceeds for Adaptation



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## **VIII. ASSESSMENT PROCEDURE**



# GOVERNING BOARD MEETING

12 JANUARY 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



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FOR THE VOLUNTARY CARBON MARKET

**SOC: MATTERS FOR APPROVAL**

# ASSESSMENT PROCEDURE – INTRODUCTION

The Executive Secretariat has prepared proposals for the Assessment Procedure, based on public consultation and on the recent Board decision on level of assessment and 2023 Stepwise Approach. The Expert Panel provided input.

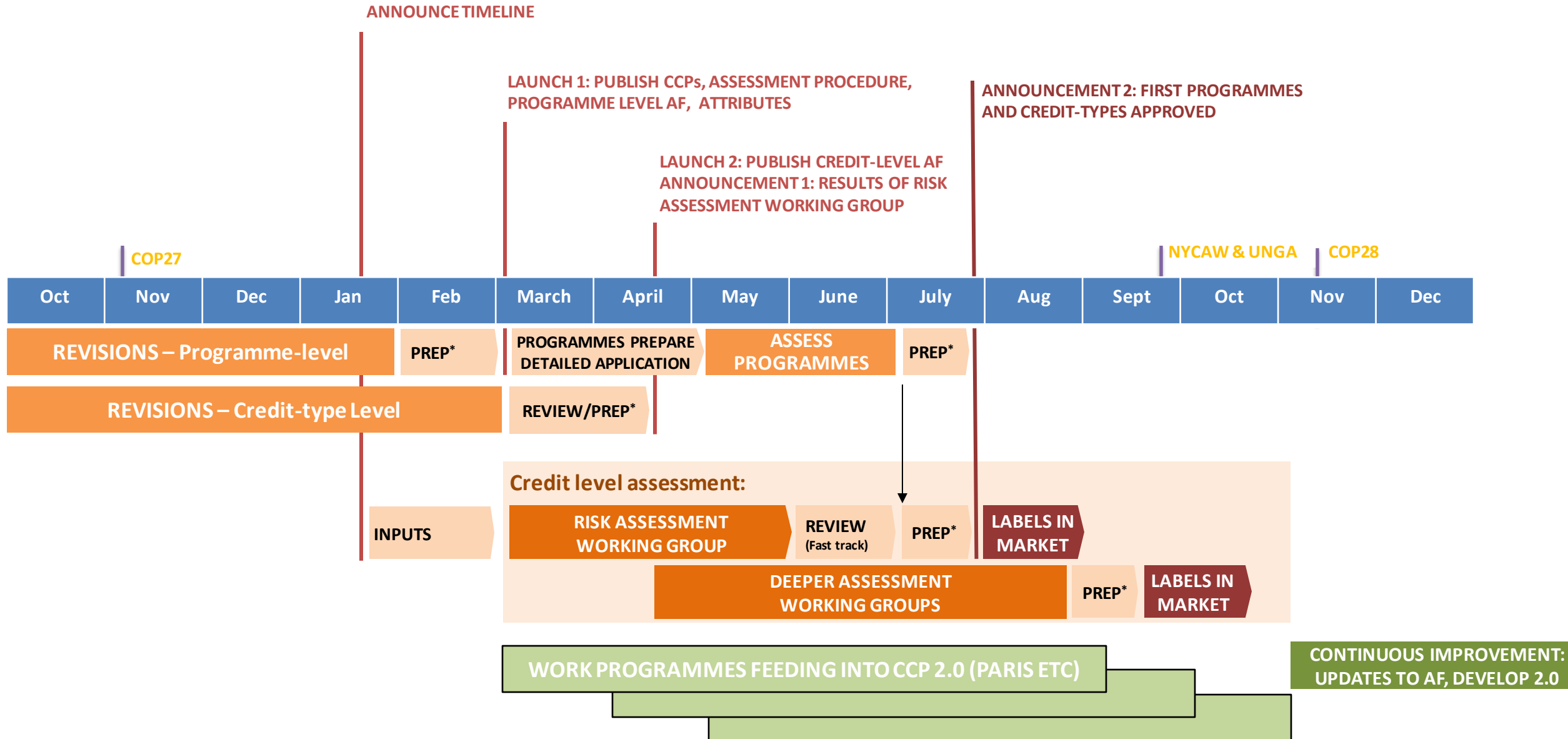
The SOC has reviewed these proposals and recommends them as amended and set out on the following pages.

## Public comments on Assessment Procedure

Around 300 comments received:

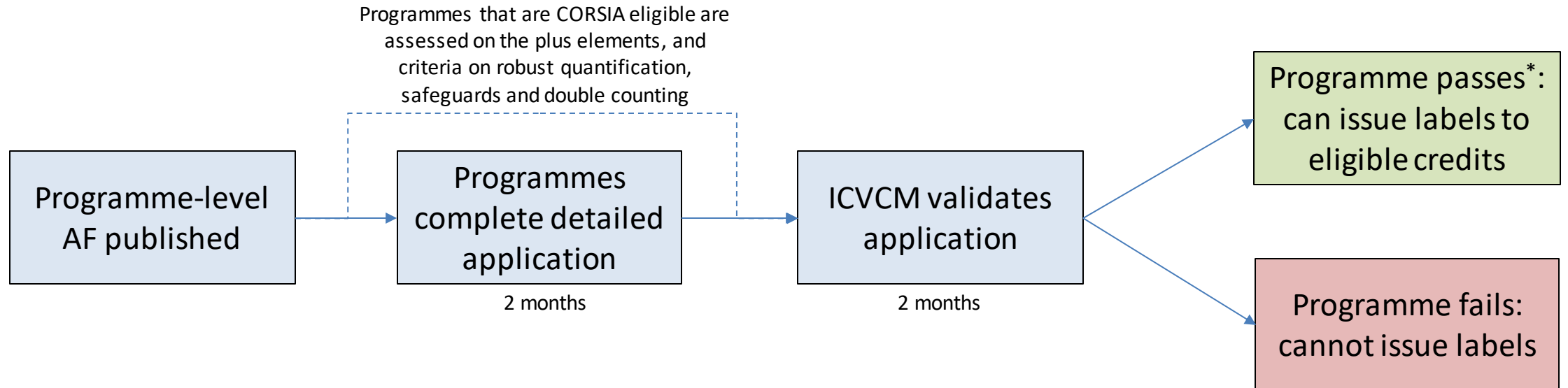
- Of these, around 60% related to Level of Assessment and Phasing and have been summarised under those topics
- The remaining 40% centred on 7 other issues:
  1. Definition of credit-type
  2. Inputs to Assessments
  3. Programme Application
  4. Validity Period for our Decisions
  5. Suspension and Termination
  6. Ongoing Oversight
  7. Appeals and Dispute Resolution

# STEPWISE RELEASE IN 2023



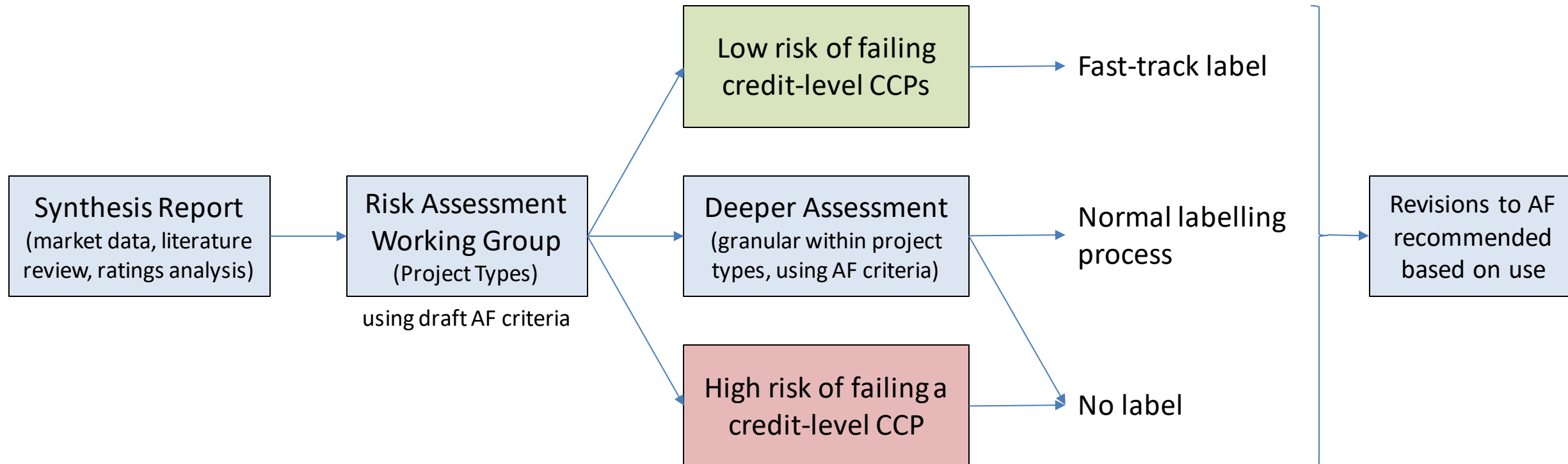
\* Prep includes final editing, proof-reading, formatting, translating, comms and market engagement

# PROGRAMME LEVEL ASSESSMENT PROCESS FLOW

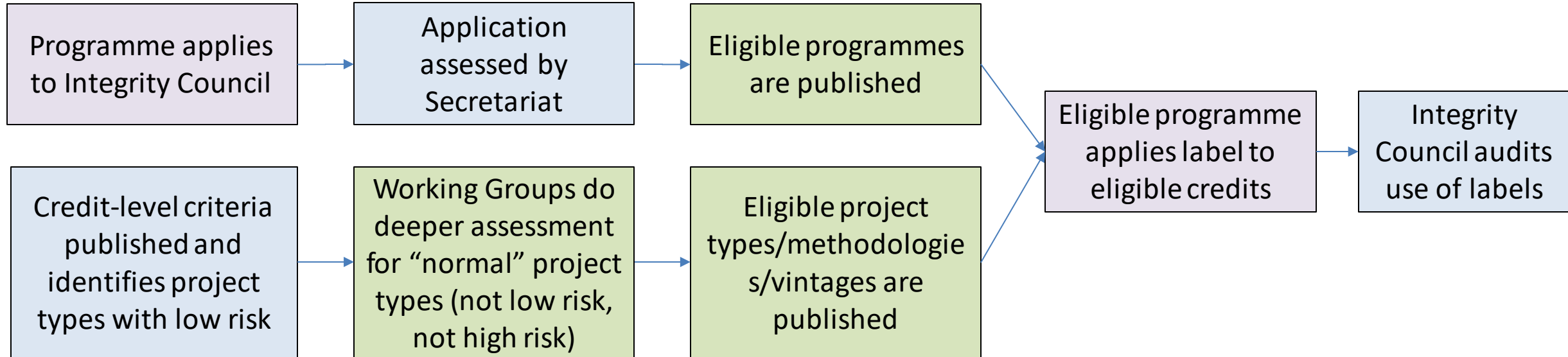


\* This can include pass pending agreed remediation, at ICVCM Board discretion

# CREDIT LEVEL ASSESSMENT PROCESS FLOW



# OVERVIEW OF ASSESSMENT PROCESS



# SOC RECOMMENDATION ON ASSESSMENT PROCESS (1)

## Programme-level assessment

1. Programmes complete detailed application, providing evidence against programme-level criteria.
  - Programmes that are CORSIA eligible are assessed on the agreed plus elements and the remaining programme-level criteria
  - Programmes that have not applied for CORSIA are assessed on all programme-level criteria
  - We will not initially consider applications for programmes rejected by CORSIA, but will signal our intent to work with CORSIA TAB to understand how programmes rejected by CORSIA might be able to improve and apply for ICVCM eligibility in the future
2. ICVCM Secretariat assesses programme application and submits for review by [a committee/panel/process to be defined] and Board approval
  - Programmes that pass the assessment are CCP eligible and can label eligible credits
  - Programmes that fail cannot issue CCP labels
  - Programmes that need to make small adjustments to become eligible will be given a pending status and time to make remedial measures.



# SOC RECOMMENDATION ON ASSESSMENT PROCESS (2)

## 1. Credit (type) level assessment (see flowchart on slide 8)

- a. Synthesis report collates existing market knowledge (literature, ratings, reports) to produce an initial strawdog proposal
- b. Risk assessment working group (internal and external experts) to fast-track project types with low risk on additionality, permanence, robust quantification and transition to net zero, and identify project types with high risk on any credit-level CCP
- c. Remaining project types are subject to more granular analysis in deeper assessment working groups\*, prioritized by size and risk
- d. Result: first labels for low-risk credits in the market and decisions on high-risk project types in July, followed by staggered announcements on medium risk credit types thereafter

\* These working groups are distinct from the suite of multistakeholder work programmes that will also be launched in 2023 to address areas of the assessment framework that need to be elaborated for future generations of the CCPs (e.g. Paris Alignment).

# APPROACH: SYNTHESIS REPORT

- To prepare for a risk assessment working group against the credit-level CCPs (Additionality, Permanence, Robust Quantification, Transition to Net Zero), a consultant will prepare a synthesis report
- In the synthesis report, information will be gathered and analysed by project type to guide an initial proposal and to help structure the working group:
  - Market data on size of project types
  - Literature review (academic papers and other relevant market reports e.g. from eNGOs)
  - Ratings analyses (from any participating rating agencies e.g. CCQI, Sylvera, Calyx, BeZero)
- The output is a report categorising project types into low, medium and high risk against each credit-level CCP (or blank if no available info), highlighting any concerns or risk-drivers in the input information, including any specific concerns about environmental and social safeguards for particular project types

# APPROACH: RISK ASSESSMENT WORKING GROUP

## Who?

- Internal and external experts – see next slide

## Authority?

- No decision-making authority. The working group gathers input and advice. Building on this, the Expert Panel develops a recommendation followed by SOC recommendation for approval by Board

## When?

- Meet regularly starting early March

## What and How?

- Inputs:
  - Synthesis report with initial risk categorization (see previous page)
  - Finalised CCPs and draft revised credit-level Assessment Framework
- Validate the strawdog risk assessments, applying the relevant AF criteria
- Outputs:
  - Types with >20% market share (Renewables, Project REDD+) can be allocated to working groups to start immediately
  - Any project type identified as low risk against all credit-level CCPs will be fast-tracked for labelling
  - Other types will be allocated to a deeper assessment working group for more granular analysis, prioritizing by size and risk

# APPROACH: RISK ASSESSMENT WORKING GROUP - PARTICIPANTS

## INVITATION SYSTEM

- Participants by invitation, ensuring they are all technically proficient for the topics
- Invitations based on a quota to ensure appropriate balance across multiple stakeholder groups
- Consider geographical and gender mix and ensure IPLC inclusion

## Proposed Allocation

12-16 seats for External Experts

4 Major Programmes

- At least one each from the following categories
  - Smaller programme
  - Project Developer
  - Market Intermediary
  - UNFCCC and World Bank
  - IPLC / Global South NGO
  - Rating Agency
  - Project Investor
  - Buyer

3 seats for ICVCM Expert Panel co-chairs (Pedro, Daniel, Lambert)

6 seats for ICVCM Core Experts working on Additionality, Permanence, Robust Quantification (Derik Broekhoff, Gilles Dufrasne, Jürg Füssler, Gabriel Labbate, Donna Lee, Sudhir Sharma)

SOC members are also welcome to participate

# APPROACH: DEEPER ASSESSMENT WORKING GROUPS

- Deeper Assessment Working Groups are framed as follows:
  - Assess Renewables based on activity type, scale of project, host country and vintage
  - Assess Project-based REDD+ at methodology level, [with a focus on key issues arising from rating agency data]
    - For satisfactory methodologies, further assess the largest projects issuing [250k/year] at individual project level using remote sensing partner **[TO BE CONSIDERED FURTHER]**
  - Assess JREDD (currently small but potentially large in the future)
  - Assess other project types, starting with those making up the top 95% of market share, prioritizing those that are low/medium risk on one or more CCPs based on the risk assessment working group
    - Emerging credit types (e.g. soil carbon, blue carbon) with existing methodologies may also be prioritized based on prospective market share and/or strong co-benefits
    - Project types identified as high risk against any credit-level CCP will be reviewed last
- Remaining smaller credit types will be assessed efficiently in subsequent phases, to be determined and informed by the first phase

The Board (ex market representatives) is asked to:

- **Approve the proposals set out on the previous pages on the assessment procedure, synthesis report, risk assessment working group and deeper analysis working groups**
- **Delegate the SOC to create a process for the review of programme level assessment including new or existing board committees and panels.**



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

# **ASSESSMENT PROCEDURE – OTHER PUBLIC COMMENTS**

# ASSESSMENT PROCEDURE – ISSUES (1 OF 3)

## 1. Definition of credit type

- A key question from road-testing is how specific and granular the credit-type definitions and decisions need to be.
  - There is a trade-off between precision and workability. We do not aim to step into the shoes of the programmes by assessing at project level. Therefore, our aim is that the assessor does not need to apply significant judgement or project-level analysis in applying the definition.
  - In some project types, e.g., AFOLU, it can be harder to delineate. We want to avoid a simplistic blanket exclusion, so we will review the criteria the programmes apply at the level of individual projects to enable them to distinguish good from bad, and we will provide guidance for the programmes and/or selectively perform spot-checks as appropriate
- **Accepted: assessment working groups will aim to define credit types in as clearcut a way as we can, based on the most material differentiators. For project types where it is hard to delineate good from bad a priori, we will look to how programmes distinguish at individual project level.**

## 2. Inputs to assessments:

- Two comments: our assessments should be informed by peer-reviewed research as well as by stakeholder input
  - **Accepted: the synthesis report informing the risk assessment working group will include peer-reviewed research**
- Specialists who advised on the methodology should be consulted on assessments where these specialists are rare and world-leading
  - **Accepted: we are widening participation to include external experts including in specialist areas (where they don't already act as SME for us), noting the potential for conflict of interests where they work for a project developer**

## 3. Programme Application

- Should assessment procedure include a pathway to assess programmes unsolicited? Responses were more no than yes. Several suggested no except where an organisation claims CCP compliance without having applied to us. Some workshop participants encouraged us to assess new entrants. The Expert Panel urge that we don't give up this right prematurely – it may be helpful and strengthen our hand to have it even if we never use it.
  - **Recommend we retain a pathway to assess a programme unsolicited in special circumstances (e.g. where it claims CCP alignment)**
- (from a VVB) Can we include a pathway for non-programme operators to get methodologies approved?
  - **Reject. CCPs apply to both programmes and credit-types. We won't award CCP labels except where we have approved the programme.**



# ASSESSMENT PROCEDURE – ISSUES (2 OF 3)

## 4. Validity Period for our Decisions

- Comments that five years is too long for our assessments to remain valid, given pace of change and innovation.
  - Instead of expiry / validity period which can create a cliff-edge, we will follow a review cycle aligned with phasing, with triggers for earlier review where appropriate
  - **Recommend a review cycle where our decision on a programme or project type is reassessed following issuance of a future version of programme or credit level criteria, and retaining triggers for earlier review such as where the programme or situation changes significantly (supported by strong, formalised ongoing communication with the programmes about changes to their decision-making, methodologies or practices)**

## 5. Suspension and Termination

- Multiple responses proposed a grace period for programmes to plead their case if we decided on a suspension or termination
  - We recognise the potential market impact and the need for fairness, although some may be more clearcut e.g. they lost CORSIA eligibility
  - **Recommend we allow an eight-week grace period for programmes to plead their case or provide a rebuttal or remediation before a suspension/termination is finalised and published**
- Request to clarify that credits can be retroactively labelled after the issue is remediated and a suspension is lifted
  - **Recommend we clarify that credits issued during a suspension period can be retroactively labelled (although not necessarily automatic, depending on how the suspension was resolved)**

# ASSESSMENT PROCEDURE – ISSUES (3 OF 3)

## 6. Ongoing Oversight

- Multiple concerns about scope and intent of ‘ombudsman’ role and how it fits with accountability mechanisms defined in programmes’ governance.
  - The Integrity Council is not seeking to intervene or arbitrate on individual project disputes, nor equipped to do so.
  - The aim of the Integrity Council’s ongoing oversight is
    - to ensure approved programmes and those they oversee such as VVBs are faithfully upholding the CCPs
    - to be alert to thematic issues (real or perceived) that warrant follow-up or lessons to be shared, to ensure high integrity is maintained.
- **Recommendation:**
  - **Remove reference to Ombudsman role**
  - **Clarify that the Integrity Council’s ongoing oversight will include a combination of spot-checks and sample-based auditing, monitoring complaints and issues arising in the market (particularly any patterns), ongoing consultation through a series of work programmes and encouraging suggestions for improvement from all stakeholders**

## 7. Appeals and Dispute Resolution

- Comments on our proposed internal appeal process, that it should be third-party.
  - We’re seeking legal advice on dispute resolution. Initial conversation with external counsel suggests we include an independent arbitration mechanism. To be explored further, considering precedent, best practice and practicalities

The Board (ex market representatives) is asked to:

- Delegate the resolution of issues and recommendations in response to seven other issues raised by public consultation to the SOC



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

**MINUTES OF THE BOARD MEETING HELD ON 12/01/2023**  
**BOARD DECISION**

## Decision

The Board approved:

1. The assessment procedure, synthesis report, risk assessment working group and deeper analysis working groups.
2. Delegate the SOC to create a process for the review of programme level assessment including new or existing board committees and panels.

The Board approved:

1. Delegate the resolution of issues and recommendations in response to seven other issues raised by public consultation to the SOC



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**EP & SOC RECOMMENDATIONS ON ASSESSMENT  
PROCEDURE - PHASING**

**EP RECOMMENDATION ON  
PHASING**

# Phasing – Recommendation by the EP to the SOC

## **Single (full) threshold, with immediate possibility of CCP eligible credits**

- Establish a single full threshold with regard to programme-level requirements (which possibly none of programs may immediately meet)
- Grant programs conditional eligibility now if they meet a significant share of the requirements and if they commit to implement necessary changes within [X][2] years
- Permit programs under conditional eligibility to mark eligible credits with a “CCP0” label for a maximum period of [X][2] years
- Once programs have implemented necessary changes, they achieve full eligibility and may mark credits with a respective “CCP1” label



# Phasing – Recommendation by the EP to the SOC

## General pros and cons

### **Pros:**

- + Flexibility and thus potential buy-in from programs and project owners
- + Incentives for innovation and improvements
  - Programs to improve rules
  - Project owners in designing projects or moving towards newer methodologies
- + Some programs pass and CCP eligible credits are available next year

### **Cons:**

- Transition arrangements for programs and credits need to be addressed
  - Approach B (single full threshold): from conditional to full eligibility
- Potential confusion around initial versus full, or conditional versus full

## Specific pros and cons of Approach B (single full threshold):

### **Pros:**

- + No need to make (arbitrary) decisions on what is initial and what full
- + Clarity from the start what is integrity

### **Cons:**

- No clarity on how many requirements programs can fail on, to still have conditional approval. Would programs apply that meet hardly any criteria? Where to draw the line?



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

# SOC RECOMMENDATION ON PHASING

# SOC RECOMMENDATION ON PHASING

The SOC recommends the following approach be taken to phasing:

## **A Single Threshold without grading**

- A single threshold is included in the initial Assessment Framework - comprised of a set of programme level requirements and a set of credit-level requirements.
- The ICVCM will have one label rather than multiple labels distinguished by grading or scoring approaches (i.e. gold, silver, bronze).
- This initial framework will be considered as phase one of the CCP threshold standard and labels will make clear which phase a label is associated with (CCP1, CCP2, etc)
- The initial release of the Assessment Framework will also:
- Establish multi-stakeholder work programmes to address the most important and complex issues faced by the market (i.e. we have already agreed to established a work programme for Paris Alignment).
- Include as much detail as possible about what criteria and requirements are likely to be included in CCP2 in order to give programs as much time as possible to prepare for new requirements.

## **Continuous Improvement**

- The next iteration of the Assessment Framework (CCP 2) will begin as soon as the initial release (CCP1) is implemented including by establishing all multi-stakeholder work programmes agreed and by setting up consultation processes (public, program, academic, IPLC etc) and analysis necessary to inform its development.
- The next iteration of the Assessment Framework (CCP2) will be scheduled for launch in the coming 2-3 years (early 2026).

## **Considerations on Transition**

- Versions of the CCP labels (e.g. CCP1.0) will not “expire” and credits will continue to carry these labels unless and until programs update these to reflect updated eligibility for more recent versions of the CCP label (CCP2, CCP3 etc).
- ICVCM will consider (possibly in collaboration with the VCMI) making recommendations related to the use of CCP1.0 credits upon release of subsequent versions of the CCP label.

# SOC Rationale for Approach

## 1. Simplicity

The proposed approach seeks to decrease the complexity that is currently slowing the market. Buyers are seeking a clear quality signal. Creating a single threshold without grades sends a clear message to the market on the standard to be achieved.

## 2. Improvements

- The proposed approach balances need for a single actionable threshold while signaling direction of travel for needed improvements on key quality areas and by establishing multistakeholder workprograms to inform CCP 2.0
- The initial CCP label will indicate MINIMUM quality thresholds to identify what constitutes high quality today, while raising the collective bar through CCP 2.0 development process over the course of 2025-2026.
- The market will (and should) continuously improve and evolve as better science and information becomes available (e.g. many of the standards will be releasing new versions of methodologies that address issues and problems identified in the AF in 2023)

## 5. Risk Management

Creating conditional eligibility provisions opens the ICVCM to reputational risks in cases where programmes issues CCPO credits but does not comply with remedial actions.

# Example: Continuous Improvement Approach

2023

- Launch CCP 1.0 and label credits
- Include as much detail as possible in AF1 about likely CCP2 requirements
- Announce/launch work program areas to inform CCP 2

2025

- Launch revision process on for CCP2
- Informed by work programmes, analysis and consultation and work programs (submissions, proposals for revisions and/or clarifications)

2026

- Publish CCP/AF 2 in Jan 2026
- Start issuing CCP2 label in autumn 2026
- From this point on, both CCP1 and CCP2 labels will exist in the market

# BOARD RESOLUTION ON PHASING & GRADING

The Board (ex-market representatives) is asked to approve the recommendations of the SOC proposals set out below:

## A Single Threshold without grading

- A single threshold is included in the initial Assessment Framework - comprised of a set of programme level requirements and a set of credit-level requirements.
- The ICVCM will have one label rather than multiple labels distinguished by grading or scoring approaches (i.e. gold, silver, bronze).
- This initial framework will be considered as phase one of the CCP threshold standard and labels will make clear which phase a label is associated with (CCP1, CCP2, etc)

## The initial release of the Assessment Framework will also:

- Establish multi-stakeholder work programmes to address the most important and complex issues faced by the market (i.e. we have already agreed to established a work programme for Paris Alignment).
- Include as much detail as possible about what criteria and requirements are likely to be included in CCP2 in order to give programs as much time as possible to prepare for new requirements.

## Continuous Improvement

- The next iteration of the Assessment Framework (CCP 2) will begin as soon as the initial release (CCP1) is implemented including by establishing all multi-stakeholder work programmes agreed and by setting up consultation processes (public, program, academic, IPLC etc) and analysis necessary to inform its development.
- The next iteration of the Assessment Framework (CCP2) will be scheduled for launch in the coming 2-3 years (early 2026).

## Considerations on Transition

- There will be only one CCP label in the market.
- It will be possible through the associated detail for the market to determine which phase a label on a specific credit is associated with.
- The detail of how this will work along with any new criteria that would be mandatory to retain the CCP label in light of new CCP phases will be determined before the launch of CCP2.



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

**MINUTES OF THE BOARD MEETING HELD ON 12/01/2023**  
**BOARD DECISION**

# BOARD DECISION

## Decision

The Board approved the proposals on Phasing & Grading as recommended by the SOC (including updates to the resolution slide made during this meeting).



# GOVERNING BOARD MEETING

9 MARCH 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## **3. SOC MATTERS: RELEASE 1 FOR IN-PRINCIPLE APPROVAL**



# KEY UPDATES: ASSESSMENT PROCEDURE

The Assessment Procedure has been deeply redrafted to go to a detailed level of process

- ✔ The process steps for each assessment have been added, including which body does what and at which stage. EP recommends to SOC which recommends to Board. The IC Governing Board will take all formal decisions that could have market impact.
- ✔ Timelines remain fairly flexible; streamlined assessment for CORSIA-eligible programs
- ✔ AP contains provisions to manage changes in CORSIA
- ✔ Stakeholder input is possible at all times and stakeholders can make complaints
- ✔ Rights of programs have been enhanced, including a right to a hearing and to third party independent review
- ✔ Programs can exclude certain methodologies from assessment
- ✔ Insurance for Board members is being sought (via our insurance brokers)

Legal review is ongoing.



# FEEDBACK STATEMENT KEY ISSUES – RELEASE 2



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**PERMANENCE**

# GOVERNING BOARD MEETING

1 JUNE 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

# PERMANENCE – EP AND SOC RECOMMENDATIONS

# PERMANENCE – RISK-BASED APPROACH: EP RECOMMENDATION AND SOC RECOMMENDATION

## Issue

Risk- based approach to permanence

## Current practice among carbon crediting programs

- This risk-based approach reflects current practice across standards: projects with no risk of reversal are not required to demonstrate permanence or address this risk.
- To date, protocols and risk management tools (ACR and VCS) involving geological storage rely to varying degrees on transfer of liability, project level insurance, and/or buffer pool contributions.

## Impacts

- Most carbon crediting programs would not suffer any impact, as this is established current practice.

## Recommendation by the Expert Panel (full recommendation in annex)

- Distinguish simply into two categories: without risk and with risk of reversal.

## Recommendation by SOC

- SOC agrees with the EP.



## PERMANENCE – RISK-BASED APPROACH – EP RECOMMENDATION OF CATEGORIES

### Without risk

- Mitigation activities not involving storage of carbon in reservoirs
  - methane capture/destruction
  - rice cultivation/management
  - nitrous oxide reduction from nitric acid production
  - ozone-depleting substances
  - coal mine methane
- Emission reduction from displacement of fossil fuel use
  - Renewable energy production (geothermal, hydro, wind, solar)
  - Energy efficiency improvements
  - Transportation

### With risk

- Storage and protection of carbon in biogenic reservoirs
  - Conservation and avoided conversion (ex. grassland/rangeland, REDD+)
  - Agriculture soil carbon sequestration
  - Forestry sequestration (improved forest management, afforestation/reforestation, agroforestry)
  - Wetland restoration/management, blue carbon
  - Clean cookstove distribution (avoided forest depletion)
  - Biochar
- CCS with geologic storage
- Enhanced weathering\*
- CCS with mineralization\*
- CO2 in concrete utilization\*

\* There is little track record with these mitigation activity types. As a matter of precaution measures to address reversal risk may be required.

## PERMANENCE – RISK-BASED APPROACH – SOC RECOMMENDATION OF CATEGORIES

Without risk	With risk (Broken into 2 lists)
<ul style="list-style-type: none"> <li>• Mitigation activities not involving storage of carbon in reservoirs               <ul style="list-style-type: none"> <li>○ methane capture/destruction</li> <li>○ rice cultivation/management</li> <li>○ nitrous oxide reduction from nitric acid production</li> <li>○ ozone-depleting substances</li> <li>○ coal mine methane</li> </ul> </li> <li>• Emission reduction from displacement of fossil fuel use               <ul style="list-style-type: none"> <li>○ Renewable energy production (geothermal, hydro, wind, solar)</li> <li>○ Energy efficiency improvements</li> <li>○ Transportation</li> </ul> </li> </ul>	<p><b>Categories with material risk where buffer reserve is best practice</b></p> <ul style="list-style-type: none"> <li>• Storage and protection of carbon in biogenic reservoirs               <ul style="list-style-type: none"> <li>○ Conservation and avoided conversion (ex. grassland/rangeland, REDD+)</li> <li>○ Agriculture soil carbon sequestration</li> <li>○ Forestry sequestration (improved forest management, afforestation/reforestation, agro-forestry)</li> <li>○ Wetland restoration/management, <del>blue carbon</del></li> </ul> </li> </ul> <p><b>Categories with risk where other measures more appropriate</b></p> <ul style="list-style-type: none"> <li>○ Clean cookstove distribution (avoided forest depletion)</li> <li>○ Biochar</li> <li>○ CCS with geologic storage</li> <li>○ Enhanced weathering*</li> <li>○ CCS with mineralization*</li> <li>○ CO2 in concrete utilization*</li> </ul>

**Rationale for difference: 1. Blue Carbon is not clearly defined as a category; 2. Not all projects with reversal risk require pooled buffer reserves to address this risk.**

# PERMANENCE – LENGTH OF COMMITMENT PERIOD TO MONITOR AND COMPENSATE FOR REVERSALS – EP RECOMMENDATION

## Issue

Length of commitment period for monitoring and compensation of reversals

## Recommendation by the Expert Panel (full recommendation in Annex)

- Set threshold at minimum of 50 years **after the vintage year** [with an exception for where partial crediting is used (on a 100-year timeframe, i.e. 1% crediting per year), a 30-year threshold is acceptable.] For mitigation activity proponents that voluntarily may wish to comply with this requirement, but that are covered by programs that do not comply, allow for an option to voluntarily commit to a longer time commitment, if within the scope of the program.
- Require publication (tagging) in credit information (for each vintage) within registries on the time length of commitment to monitor and compensate for reversals
- No distinction for jurisdictional approaches
- Include: “In the next iteration of the AF, a period of 100 years instead of 50 years will be required.”

# PERMANENCE – LENGTH OF COMMITMENT PERIOD TO MONITOR AND COMPENSATE FOR REVERSALS – SOC RECOMMENDATION

## Issue

Length of commitment period for monitoring and compensation of reversals

## SOC Recommendation

- Minimum monitoring and compensation period of 40 years from the start date of the project
- Different approach for Jurisdictional approaches
- Sign post that the next iteration of the AF will consider a longer period (e.g. 100 years), aligned with emerging approaches being considered by carbon crediting programs
- Work Program on permanence

## Rationale for Departure

- Further consideration of current and alternative approaches to permanence is required drawing from common practice in other fields (finance, insurance) to pool and address risk more effectively.
- A 50-year threshold from the year of emission removal/reduction has highly significant market impact but does not sufficiently address the issue of permanence.
- Setting a threshold of 40 years more closely aligns with current market best practice.
- Jurisdictional REDD+ approaches with permanence risk require separate consideration because of their scale, buffer requirements, and different considerations as to what constitutes a reversal.

## PERMANENCE – SUFFICIENCY OF COMPENSATION MECHANISMS – EP RECOMMENDATIONS

### Issue

Sufficiency of compensation mechanisms (i.e. sufficiency of buffer pools)

### Recommendation by the Expert Panel

- Undertake work programme to: (1) conduct stress test of existing buffer reserves; and (2) explore other options for managing reversal risk. The carbon crediting program shall implement a pooled buffer reserve to compensate for reversals, to which all relevant mitigation activities contribute, and from which reversals may be compensated.
- The carbon crediting program shall define clear criteria for determining whether a reversal is avoidable or unavoidable
- The carbon crediting program shall require that:
  - the fraction of carbon credits placed into the pooled buffer reserve is at least 20% of the total carbon credits issued to contributing mitigation activities OR
  - The fraction of carbon credits in the pooled buffer reserve is proportional to the reversal risk of the mitigation activity estimated using a clearly defined methodology.
- The carbon crediting program shall make publicly available information on buffer pool contents
- Continued operation of the buffer reserve if the carbon crediting program ceases to exist
- Following an avoidable reversal, the carbon-crediting program shall cease the issuance of carbon credits until reversal is compensated
- Carbon crediting program retires from buffer where mitigation activity proponents do not or cannot fulfil the obligation to compensate an avoidable reversal.
- Cessation of monitoring and verification considered to be an avoidable reversal and the carbon crediting program compensates accordingly

## **PERMANENCE – SUFFICIENCY OF COMPENSATION MECHANISMS – SOC RECOMMENDATIONS**

### **Issue**

Sufficiency of compensation mechanisms (i.e., sufficiency of buffer pools)

### **SOC Recommendations**

- Agree with EP recommendations but allow some limited time for carbon crediting programmes to disclose information on buffer pool contents

## PERMANENCE – TEMPORARY CREDITING: EP RECOMMENDATIONS AND SOC RECOMMENDATIONS

### Issue

Temporary crediting

### Current practice among carbon crediting programs

- Only used by the CDM

### Impacts

- No negative impacts from maintaining the “window” for this option

### Recommendation by the Expert Panel (full recommendations in Annex)

- As market evolves, could provide an alternative model that channels ongoing payment streams to carbon storage activities
- Keep temporary crediting as a recognized and valid approach for crediting temporary storage and managing reversal risk, albeit not one that is currently favored in the market

### SOC Recommendation

- Do not recognize temporary crediting in the current AP because of implementation challenges. Instead, consider temporary crediting or similar mechanisms in the context of the permanence work program.
- Rationale for Departure: Implementation challenges with regard to replacement in the context of temporary crediting.

# PERMANENCE – TONNE YEAR ACCOUNTING: EP RECOMMENDATION

## Issue

Exclusion of tonne-year accounting (TYA) approaches without any minimum time commitment

## Main public comments

- TYA unfairly discriminated against
- ICVCM failed to recognize the theory of change behind TYA

## Recommendation by the Expert Panel

- TYA without a commitment to long-term strategies to be excluded from ICVCM status, as credits issued using this approach cannot support a robust offset claim (although they may have value in conjunction with other kinds of claims)

## Rationale

- TYA (in some form) could work as an incentive mechanism or policy tool for maintaining carbon storage
- However, current TYA approaches are based on a flawed premise that storing carbon for arbitrarily short periods can be deemed “equivalent” to some fraction of a permanent reduction in fossil CO<sub>2</sub> emissions
  - This is true only when comparing cumulative radiative forcing over an arbitrary time horizon (e.g., 100 years), but not from the perspective of maintaining cumulative emissions within a safe global carbon budget (which is required to achieve Paris long-term temperature goals)

## Current practice among carbon crediting programs

- Only newer programs use tonne-year accounting without a minimum time commitment (e.g. NCX). Some established programs have considered (or are considering) its use.

## Impacts

- Not awarding CCP status to TYA carbon credits could result in lower demand for them
- The approach could be abandoned, despite being a model for how temporary carbon storage could be effectively incentivized (notwithstanding the problems with flawed assertions of equivalence to permanent reductions)



## **PERMANENCE – TONNE YEAR ACCOUNTING: SOC RECOMMENDATION**

### **Issue**

Exclusion of tonne-year accounting (TYA) approaches without any minimum time commitment

### **SOC Recommendation**

SOC agrees with EP recommendation and rationale

## **RESOLUTION OF THE BOARD**

- **The Board approves the recommendations of the SOC with regards to Permanence.**



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**CONTRIBUTION TO NET ZERO TRANSITION**

# NET ZERO TRANSITION – EP RECOMMENDATION

## Contribution to Net Zero Transition – EP Recommendation

### *Issue*

- How can it be ensured that the VCM's support is targeted at activities that are compatible with a transition towards a net-zero society?

### *Main public comments*

- It is unclear how ICVCM will determine which activities are "net-zero" compatible.
- Concerns related to the ability/capacity of the ICVCM to assess this for all existing and potential VCM activity types

### *Recommendation by the Expert Panel*

Shift from a positive to a negative approach. The ICVCM will define a negative list of activities that are not compatible with a transition towards a net-zero society (with possible geographical and temporal exceptions). The EP will propose such a list for adoption by the board, together with a process for updating it.

Require methodologies to include a dedicated section explaining how the activities eligible for crediting under that methodology are compatible with a transition towards a net-zero society. This applies only to new and revised methodologies (i.e. adopted or revised by the crediting programme after the publication of the AF) in the current phase, and will apply to all active methodologies in the next iteration of the AF.

## Contribution to Net Zero Transition – EP Recommendation

### *Current practice among carbon crediting programs*

Programs do not currently require this.

### *Impacts*

- The bulk of credits on the market today are unlikely to be from activities that will be included on a negative list
- A dedicated section is a relatively easy element to include in methodologies, and the progressive phase-in of the requirement (i.e. not applicable to existing methodologies during the current threshold) makes it a realistic requirement. Crediting programmes ~~will have to~~ have the freedom to choose how to provide guidance on the implementation of this requirement.
- The ICVCM will have to determine a negative list of activities that are incompatible with a net-zero society. There are useful existing tools to do this (e.g. CCQI which has assessed many activities on this already), and it can be an iterative process. Framing this as a negative (rather than positive) list limits the burden on ICVCM and ensures that this process will not block the market.

# NET ZERO TRANSITION – SOC RECOMMENDATION

# NET ZERO TRANSITION: SOC RECOMMENDATIONS

## CRITERION 1: INCOMPATIBILITY

a) Carbon credits issued under Categories listed in a) 1) below are not eligible to be CCP-Approved.

1) Categories:

A. [Activities that directly lead to an increase in the extraction of fossil fuels (e.g., exploration and extraction of fossil fuels).]

B. [Coal-fired electricity generation.]

C. [All other unabated fossil fuel-powered electricity generation, other than new gas-fired generation credited with increased zero-emissions generation capacity in support of national low carbon energy transition.]

D. [Activities focused on road transport that relies on the continued use of engines fired solely by fossil fuels.]

## CRITERION 2: COMPATIBILITY

a) New or revised methodologies shall require mitigation activities to assess compatibility of the mitigation activity with transition to net zero by reference to the net zero objectives of the host country.

## NEXT ITERATION OF THE ASSESSMENT FRAMEWORK

In addition to the requirements under the current threshold, the ICVCM will consider requiring carbon crediting programs to include a dedicated section in all methodologies describing, including expected contribution, how the activities eligible under that methodology are compatible with a transition towards net-zero in the relevant host country.



# NET ZERO TRANSITION: SOC RECOMMENDATIONS

- The SOC recommendation is based on the work from the small group on Net Zero composed of SOC and EP members.
- **Rationale for the decision:**
  - SOC agrees that fossil fuel-led activities are neither the future nor consistent with the transition to Net-zero.
  - That said, we have to be mindful of IPCC's recommendation that technologies which lead to removal and reduction of the GHG emissions are crucial to achieving the goals of the Paris Agreement as well as Net-zero pathway.
  - Therefore, SOC's recommends that ICVCM:
    - Will put coal-fired and all other unabated electricity generation on its negative list;
    - Allows for the new zero-emission gas fired as well as the use of technologies (such as CCS and Hybrid Vehicles) if they are part of national low-carbon strategies. These would be crucial to the NetZero Transition especially in the developing world.
    - Consistent with ICVCM's policy towards "continuous improvement", we will move from a qualitative assessment of compatibility with Net-zero Transition to "expected contribution" i.e. quantitative, in the next iteration.

## **CONTRIBUTION TO NET ZERO: BOARD DECISION**

- The Governing Board for the ICVCM decides to approve the recommendation from the SOC.



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

JREDD+

# GOVERNING BOARD MEETING

8 JUNE 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

**SOC MATTERS:**

**JREDD+ CATEGORY LEVEL REQUIREMENTS**

**SPECIFIC RULES FOR JREDD+ PROGRAMS RELATING TO:  
ADDITIONALITY  
ROBUST QUANTIFICATION, NESTING  
PERMANENCE**

# EP RECOMMENDATION: JREDD+ ADDITIONALITY, PRIOR CONSIDERATION

## *Issue*

How should prior consideration be demonstrated for JREDD programs?

## *Main public comments*

- Some comments support this requirement while others note that it should be sufficient for programs to deliver reductions below a baseline and that no other additionality requirements are necessary.

## *Recommendation by the Expert Panel*

Allow demonstration of prior consideration through one of the following three alternative approaches:

1. The program requires prior consideration of carbon credits or results-based payments before the start date of a JREDD program + submission of proof of this prior consideration at the latest three months after the start date of the JREDD program + limits the period of time between date of prior consideration and registration to a "reasonable" length (to be defined by the program)
2. The program has measures in place that require individual JREDD programs to demonstrate that they have considered carbon credit or results-based payments prior to their start date
3. All JREDD programs for which no more than 2 years pass between the start date and the registration or validation date are automatically considered to have met this criterion

# EP RECOMMENDATION: JREDD+ ADDITIONALITY, PRIOR CONSIDERATION

## ***Recommendation by the expert panel (continued)***

The definition of the start date depends on the most relevant scenario, which may include:

- Where a jurisdictional REDD program involves significant expenditure, the start date is the date when the first significant expenditures for implementing the jurisdictional REDD program are incurred;
- Where a jurisdictional REDD program does not involve significant expenditure, the start date is the date when the first actions were taken to implement the jurisdictional REDD program.
- Where a jurisdictional REDD program was initially implemented without carbon credit revenues but would discontinue operation as other funding or revenues (e.g. results-based payments) are no longer available, the start date is the date when the jurisdictional REDD program would discontinue its operation due to the loss of other funding or revenues.

## ***Minority opinion***

One expert panel member disagrees with the content of this criterion and is of the opinion that the assessment of additionality should follow that of established J-REDD crediting programs.

## ***Current practice among carbon crediting programs***

- Programs do not currently have measures in place that would meet the requirements from approach 1. Programs currently do not have measures in place to meet the requirements. Introducing approaches 2 or 3 would be relatively simple and some (or possibly most) JREDD programs would pass.



## EP RECOMMENDATION: JREDD+ ADDITIONALITY, PRIOR CONSIDERATION

### *Impacts*

- This is an important element to avoid that jurisdictions that never sought carbon credits or results-based payments for REDD+ activities could receive credits retroactively for a long period of time
- Given that programs currently do not require approach 1 – the other two approaches will keep the door open to some JREDD programs that can credibly demonstrate prior consideration of carbon credits or results-based payments.

# EP RECOMMENDATIONS: JREDD+ ADDITIONALITY, REVENUES

## Recommendation by the Expert Panel

*Note: One expert panel member is of the opinion that no text is necessary on this matter, and hence disagrees with the recommendation below.*

Jurisdictional REDD+ program proponents shall provide evidence demonstrating that expected revenues received per tonne of credited CO<sub>2</sub> equivalent mitigation (or per tonne paid for through results-based finance) over the jurisdictional REDD+ program's initial crediting period are sufficient to cover or exceed the expected costs per tonne of CO<sub>2</sub>-equivalent mitigation achieved over this period. Expected cost per tonne shall be estimated as the ratio of:

- i. the jurisdictional REDD+ program proponent's estimate of the total jurisdictional budget needed to undertake the jurisdictional REDD+ activity, as defined in part (a), above, amortised over the jurisdictional REDD+ program's initial crediting period; and
- ii. the jurisdictional REDD+ program proponent's estimate of the total emission reductions and removals it expects to achieve by undertaking the jurisdictional REDD+ program, amortised over the jurisdictional REDD+ program's initial crediting period

Example: If a jurisdictional REDD+ program expects to generate 10 million tonnes of CO<sub>2</sub> equivalent mitigation over a period of five years and the total jurisdictional budget to achieve this mitigation is estimated to be USD 100 million USD over this period, then the expected cost per tonne of CO<sub>2</sub> equivalent mitigation is USD 10. The jurisdiction must then show that the price it expects to receive per tonne of CO<sub>2</sub> equivalent mitigation is equal to or higher than USD 10.

## Current practice among carbon crediting programs

- No program currently requires a demonstration that expected revenues would cover costs

# EP RECOMMENDATIONS: JREDD+ ADDITIONALITY, REVENUES

## The issue

Should additionality assessment for jurisdictional REDD+ programs include a test to demonstrate that expected carbon credit revenues cover the full cost per tonne of CO<sub>2</sub> to the jurisdiction for implementing these mitigation actions?

The EP members have different views on this matter.

## Main public comments

- Request for clearer language and rationale
- Opposition to the requirement

## Arguments in favor of the requirement

- A key issue in determining additionality is that the mitigation would not have occurred but for the revenue stream from carbon credits. If expected carbon credit revenues cover only a fraction of the full costs, additionality would be less plausible.
- Determining the costs of undertaking the jurisdictional REDD+ implementation plan is feasible and reasonable to ask, because under this criterion the program is expected to clearly define the new and/or enhanced actions it will undertake.

## Arguments against the requirement

- Decision-making at the jurisdictional level is not based only on a cost-benefit analysis.
- The income from credits does not have to be above the costs of implementing the jurisdictional REDD+ program to constitute a valid incentive
- The challenges in conducting such tests in the context of jurisdictional REDD+ programs can be significantly higher than for other mitigation activities. The transaction costs of conducting the test do not justify its information value.

# **SOC RECOMMENDATION: RATIONALE ON JREDD+ ADDITIONALITY, PRIOR CONSIDERATION**

## **PRIOR CONSIDERATION**

### **RATIONALE FOR REQUIRING CONSIDERATION BEFORE THE CREDITING PERIOD OR APPLICATION (WHICHEVER IS EARLIER)**

It is often very difficult to identify a single, precise point in time where new or enhanced mitigation actions started in a start in a typical multi-pronged, multi-agency, multisectoral jurisdictional REDD+ program.

If a jurisdiction applies to join a JREDD+ program for a future crediting period, and the application specifies new or enhanced activities, it is hard to argue that there was no prior consideration of carbon markets.

If, however, the jurisdiction applies to join a JREDD+ program for a historical crediting period, then there should be evidence of prior consideration before, but not too long before, the historical crediting period. Using the start of the historical crediting period as the reference point is more certain and pragmatic than trying to pinpoint a single moment when relevant actions were first implemented.

## **SOC RECOMMENDATION: JREDD+ ADDITIONALITY, PRIOR CONSIDERATION, QUALITATIVE**

### **REQUIREMENT FOR PRIOR CONSIDERATION:**

- The carbon-crediting program shall require documented evidence that the REDD + Jurisdiction considered carbon credits or results-based finance related payments prior to the implementation of new or enhanced implementation of mitigation actions.
- This requirement is met where the REDD+ Jurisdiction submits a concept note to, or registers with, the relevant carbon crediting program prior to the start of the Jurisdictional REDD + Program crediting period.
- Where the crediting period starts prior to the submission of the concept note or the request for registration to the carbon crediting program, the carbon crediting program shall require proof that consideration of the generation of carbon credits or results-based finance related payments, occurred before the start of the crediting period and within the maximum time period set by the carbon-crediting program.
- The carbon-crediting program shall set a maximum time period for the time between the prior consideration and start of the crediting period for the Jurisdictional REDD+ Program [under the carbon-crediting program].

### **REQUIREMENT ON QUALITATIVE ADDITIONALITY (NOTE: NO SOC RECOMMENDATIONS ON REVENUES)**

- The jurisdictional REDD+ program proponents shall provide evidence demonstrating that expected revenues from carbon credits (or results-based finance) are decisive for enabling the implementation of the program, for example, by providing information on how expected revenues catalyzed mitigation actions and/or how expected revenues are instrumental in financing the mitigation actions.

## EP RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, NESTING

### *Issue*

In light of concerns about the overestimation of baselines from avoided deforestation projects, should the ICVCM (i) provide guidance how to implement “nesting of baselines” and/or (ii) limit project-based crediting to an appropriate allocation of jurisdictional-scale performance?

### *Main public comments*

With regard to (i): Nearly all comments were supportive of the idea of nesting, but many reviewers had concerns with being overly prescriptive. Specific points included:

- “Avoided deforestation projects” should be specified to avoided unplanned deforestation; three commenters noted that there is no consensus on how to nest a baseline from an avoided planned deforestation project
- Another noted that nesting should not be only defined as nesting baselines; instead of nesting baselines, nesting could occur through performance-based allocations... or some jurisdictions may wish to cut out project areas from a jurisdictional approach entirely.
- Nine commenters noted that nesting approaches should be defined by jurisdictions NOT by the programs (“the crediting program shall have...”)

With regard to (ii): Nearly all comments were against the text, but in favor of retaining a “nesting” provision

# EP RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, NESTING

## *Recommendation by the Expert Panel*

- Delete the existing provisions in Table 11 and instead include the following text in Criterion 10.2 (robust quantification) in the section on conservativeness of baselines: “Note that in the case of an activity implemented in a context where a jurisdictional or sectoral baseline has been defined, “nesting” of baselines (i.e., the allocation of relevant parameters such as activity data from the jurisdictional baseline to the projects) may be one approach to promote conservativeness, depending on the uncertainty and conservativeness of the jurisdictional or sectoral baseline.”

## **Current practice among carbon crediting programs**

- VCS, CAR and ACR do not require the nesting of baselines by projects in their current project-based REDD methodologies. The VCS is however developing new methodologies that include nesting of baselines by 2025.
- GS and CDM do not allow for avoided deforestation projects.

## **Impacts**

- This issue primarily impacts VCS, the largest issuer of project-based REDD credits. The provision sends a signal on the utility of nesting baselines to promote conservativeness but does not prescribe this approach.

# SOC RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, NESTING

## REQUIREMENTS

In the case of project type mitigation activities seeking to generate carbon credits that are located within a boundary of a jurisdictional REDD+ program, the carbon crediting program shall, where possible, have appropriate provisions in place to ensure that project-based baselines are nested within the jurisdictional REDD+ baseline and a share of the jurisdictional baseline is allocated to it in accordance with the jurisdictional REDD+ program to nesting of project baselines.

Note:

This differs from the consultation draft by allowing the jurisdiction to determine how nesting will occur.

- Note, concept/definition of nesting to be included



# EP RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, BASELINES

## Issue

- Should the ICVCM require that baselines for subsequent crediting periods for jurisdictional REDD+ programs be lower than for the previous crediting period?

## Main public comments

- The majority of comments raised concerns that deforestation may rise even if the jurisdiction has successfully implemented all activities and policies related to the REDD+ program. Examples of these situations included: natural disasters, global economic downturns/recessions, and increasing deforestation rates to previous crediting periods due to economic pressures (e.g., if demand for palm oil triples over the next five years, then the previous five years' rate would be too low and inaccurate for future crediting periods).
- Additionally, there was a question about the definition of a "previous" crediting period: is it the original crediting period or the one just before the latest crediting period?

## Recommendation by the Expert Panel

Keep the original concept that a jurisdictional baseline must “ratchet down over time”. However, allowing flexibility in the case that a baseline was set, but no credits were issued against it due to unforeseen events (e.g. force majeure events), modifying the text as follows: “In the case of jurisdictional REDD+ activities, the baseline for subsequent crediting periods shall not be higher than the baseline of *any* previous crediting period *for which credits were issued.*”

# EP RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, BASELINES

## Current practice among carbon crediting programs

- **ART/TREES:** An updated crediting level may not be higher than the previous crediting level. If a new crediting level value is greater than the previous crediting level value, the previous crediting level must be used for the new crediting period. When a new pool or activity is added the new crediting level must be calculated with the new pool or activity included in the 5-year reference data. This represents the only circumstance in which a crediting level could rise from one crediting period to the next.
- **FCPF:** There aren't separate rules for updating crediting levels; JREDD+ programs would use the same approach (historical average).
- **JNR:** JNR requires that reassessed FRELs “shall be equal or lower than the previous jurisdictional FREL” and that FRELs should be updated and revalidated every 4-6 years.

## Impacts

This change allows for exceptions to the baseline/crediting period rule in rare (currently: 0) cases where a jurisdictional REDD+ program does not generate any credits due to unforeseen events.

# **NO SOC RECOMMENDATION (NO REQUIREMENTS ON REDUCING BASELINE)**

# SOC RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, LEAKAGE

## REQUIREMENTS

Quantification methodologies shall:

- a) Consider all potential sources of leakage associated with the type of mitigation activity and not limit the consideration to a particular boundary (i.e., not limited to national boundaries);
- b) Include all material sources of leakage in the quantification of emission reductions or removals, except where the omission of leakage sources is conservative
- c) consider the following potential sources of leakage:
  - 1) **Upstream/downstream emissions:** a mitigation activity can directly impact emissions or removals that occur downstream or upstream. An example is the emissions associated with the production of a fuel or feedstock used under the mitigation activity (e.g., methane emissions from natural gas production).
  - 2) **Activity-shifting:** mitigation activities can shift emissions to locations not targeted, or emissions not monitored, by the activity. An example is the displacement of agricultural activities from land that is afforested.
  - 3) **Market leakage:** mitigation activities can have an impact on the supply or demand of an emissions-intensive product or service, thereby increasing or decreasing emissions elsewhere. For example, forest management or conservation activities may reduce timber harvests within an intervention area, leading to increased harvesting in other areas to meet demand for wood products. (Note that activity-shifting and market leakage are interrelated, and may be distinguished primarily by how widely dispersed and/or physically distant displacement effects are.)
  - 4) **Ecological leakage:** mitigation activity can affect emissions indirectly in areas that are hydrologically connected. An example is carbon dioxide emissions from soils in a wetland if the water level is lowered due to the implementation of the mitigation activity.
- d) Estimate and deduct any residual leakage emissions in the quantification of emission reductions or removals; and
- e) Ensure that the estimation of leakage emissions is robust and conservative in the light of the uncertainties, taking into account the choice of assumptions, models, parameters, data sources, measurements methods, and other factors.

# SOC RECOMMENDATION JREDD+ ROBUST QUANTIFICATION, QUANTIFICATION OF EMISSIONS AND REMOVALS

## REQUIREMENTS

a) The requirements of Approach A or Approach B below must be met.

### Approach A

1) In the case of a project-type mitigation activity that is seeking to generate carbon credits and that is located within the boundary of a Jurisdictional REDD+ Program, the carbon crediting program shall have appropriate provisions in place to ensure that the project-type mitigation activity-based baselines are nested within the Jurisdictional REDD+ Program baseline and a share of the Jurisdictional REDD+ Program baseline is allocated to it in accordance with the Jurisdictional REDD+ Program rules on nesting of project-type mitigation activity baselines. The provisions shall be made publicly available.

### Approach B:

1) In the case of a project-type mitigation activity that is seeking to generate carbon credits and that is located within the boundary of a Jurisdictional REDD+ Program, the carbon crediting program will have a formal timetable in place to implement the requirements of Approach A above within a reasonable period of time. [The timetable for implementation shall be made publicly available.]

# EP RECOMMENDATION: PERMANENCE AS PER OTHER CATEGORIES (NO SPECIFIC RECS.)

### Why permanence of JREDD is fundamentally different from the permanence of project scale credits

- Unlike at the project scale, a single fire or harvest event in one area may be netted out through performance reducing emissions and enhancing stocks in other areas.
- Unlike many projects, JREDD+ programs have legally binding requirements to continue crediting for x number of years. Unlike projects they cannot cease crediting (and therefore buffering) at any time.
- As JREDD+ programs are implemented by sovereign actors – national or sub-national governments, or Indigenous peoples over their ancestral territories - it is not clear how crediting programs could enforce monitoring requirements on a sovereign government after it leaves the program.

### How JREDD+ can address risks of reversals

- A JREDD+ crediting program can include stringent and robust compensation mechanisms, including buffer pool contribution requirements that are tied to the probability of future reversals, and measures to incentivize continued participation of jurisdictions (which means longer monitoring for reversal and accumulation of more credits in the buffer).
- Natural forest loss in tropical jurisdictions that are not being rewarded for reducing emissions from deforestation has trended well under 1% annually for the past 15 years, even during changes in governments. A jurisdiction's buffer pool contribution should (conservatively) be sufficient to compensate for any prospective reversals for decades into the future.

# SOC RECOMMENDATION: JREDD+ PERMANENCE

## REQUIREMENTS

The carbon crediting program shall:

- Implement a **pooled** buffer reserve ~~for each participating Jurisdiction~~, to which ~~the~~ **each participating** Jurisdiction shall contribute and from which reversals in that Jurisdiction must be compensated.
- Require that the fraction of carbon credits that a Jurisdiction must place into the buffer reserve is proportional to the reversal risk and adequate to compensate for future potential reversals for a minimum of 40 years [from the start of the crediting period].
- Require a participating Jurisdiction to replenish the buffer reserve as needed to compensate for any reversals that occur in the Jurisdiction **above its cumulative contributions to the buffer pool** while it is participating in the carbon crediting program.
- Require that all the carbon credits in the buffer reserve ~~for~~ **contributed by** that jurisdiction ~~are~~ **be** immediately retired when that Jurisdiction leaves the carbon crediting program.

This approach:

- **No requirements to monitor after participation**
- **Is based on creating an adequate buffer pool while a jurisdiction is still in the program to cover potential reversals for the equivalent monitoring period agreed by the Board for projects**
- **A work program on jurisdictional approaches not just JREDD+, established to explore the extent to which the criteria for permanence and robust quantification should be further adapted or strengthened to deal with unique characteristics of jurisdictional programs compared to project-based mitigation activities.**



## 2 | BOARD DECISION – JREDD+

The resolution of the Governing Board of ICVCM is that:

- The SOC Recommendations are Approved



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

## ROBUST QUANTIFICATION

BOARD HAS DELEGATED RQ TO SOC, 17 NOVEMBER 2022



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**27 JUNE 2023: SOC MEETING**



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

**EP RECOMMENDATIONS ON ROBUST QUANTIFICATION**

## Robust Quantification – Draft recommendation to the SOC – Conservativeness (1)

### What is conservativeness?

- To err on the side of underestimating emission reductions/removals, rather than overestimating

### Key starting points

- Actual (true) emission reductions are unknown – we can only make a “best guess” and assess the degree of uncertainty
- It is important to set a goal for the **degree of conservativeness** of emission reduction estimates
- To achieve a certain degree of conservativeness, **uncertainty** must be considered (see next slide)
- Conservativeness **can be achieved in different ways**: omission of baseline sources, conservative baseline scenario, conservative quantification methods (e.g., default values and 25% quantile of measurements) => the ICVCM should not prescribe a specific way

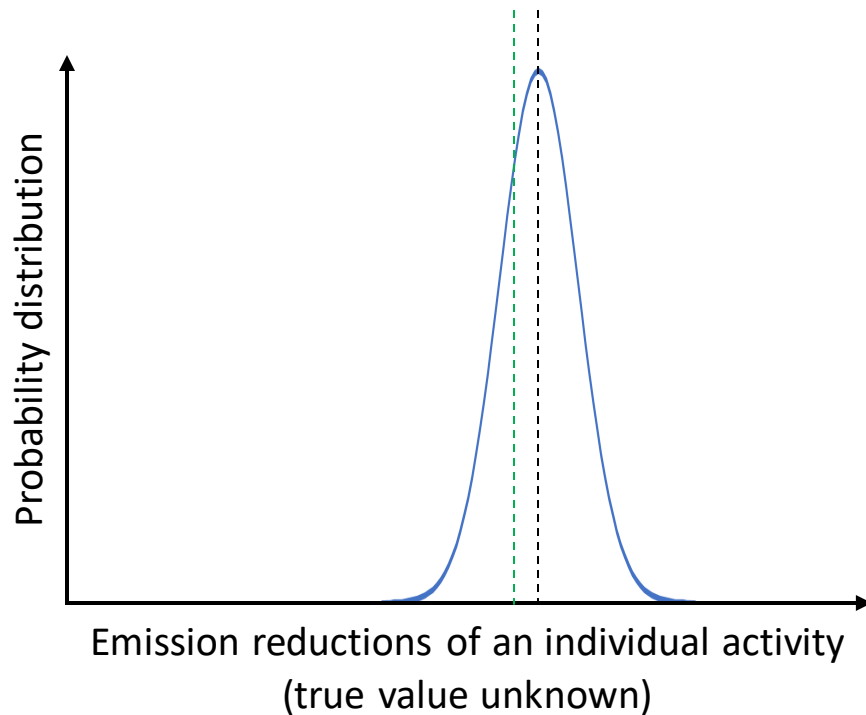
### Why conservativeness?

- A “best guess” estimate implies that about 50% of the mitigation activities overestimate emission reductions
- Without conservativeness, there is a risk that those activities which predominantly overestimate emission reductions will dominate the market, as these can offer comparatively lower carbon credit prices and outcompete activities that robustly quantify emission reductions (**adverse selection**)
- Conservativeness means that a larger uncertainty entails less credits issued; this provides incentives for mitigation activity proponents to reduce uncertainty (e.g., by using measurements instead of default values)

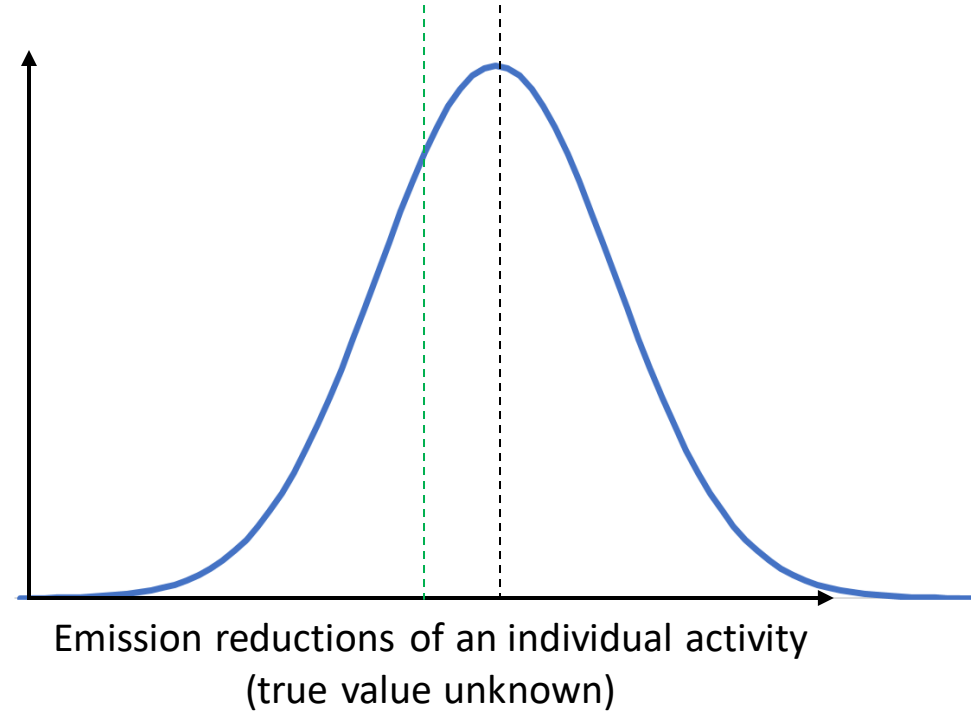
## Robust Quantification – Draft recommendation to the SOC – Conservativeness (2)

The necessary degree of deviating from the “best guess” estimate depends on the uncertainty

Small uncertainty → Small deviation



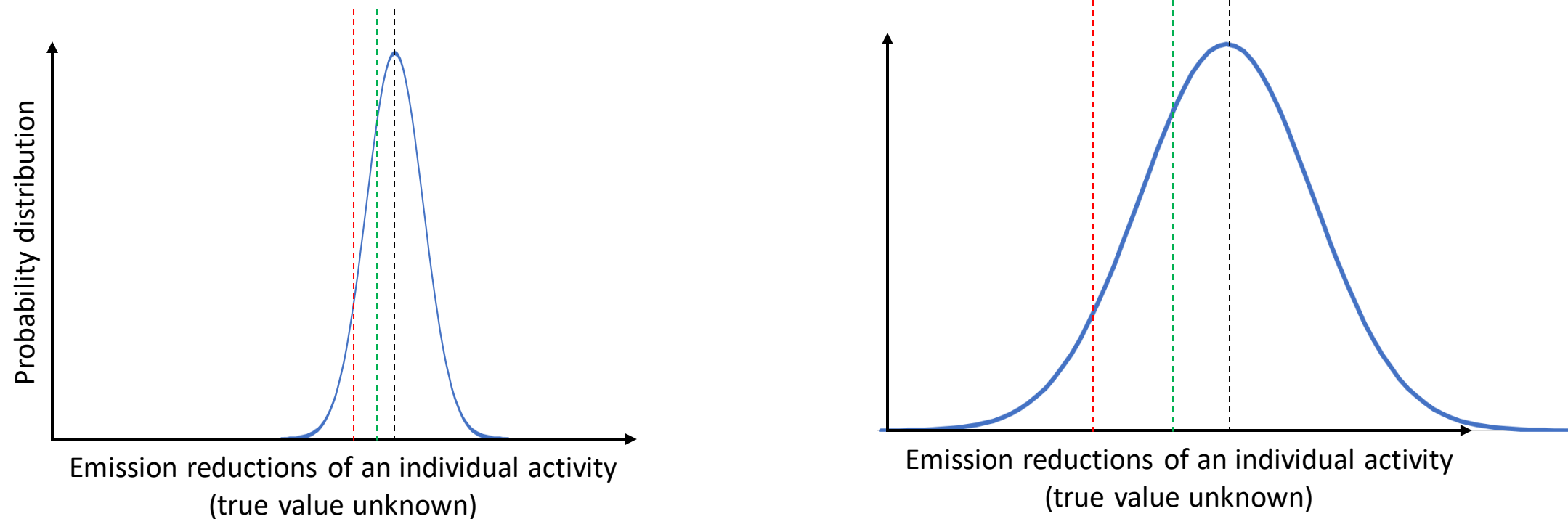
Large uncertainty → Large deviation



- Possible emissions reductions of an individual activity
- - - "best guess" (same likelihood of over or underestimation)
- - - 67% probability no overestimation

## Robust Quantification – Draft recommendation to the SOC – Conservativeness (3)

The impact of the required probability (66% vs. 90%) depends on the uncertainty as well



- Possible emissions reductions of an individual activity
- - - "best guess" (same likelihood of over or underestimation)
- - - 67% probability no overestimation
- - - 90% probability no overestimation

## Robust Quantification – Draft recommendation to the SOC – Conservativeness (4)

### How can the conservativeness goal be ensured by methodologies?

- Approaches that reduce uncertainty: e.g., through appropriate measurements, disaggregated default values, etc)
- Approaches that introduce conservativeness to ensure that a typical (or average) individual project achieves the required degree (e.g., at least 67% probability) of erring towards underestimation (see previous slide)

### The challenge of probability distributions

- There is variability in probability distributions among mitigation activities
  - Few large activities significantly overestimating emission reductions could undermine integrity
- => Additional criterion recommended to avoid this

### Recommendation by the Expert Panel

Restructured requirements as follows:

1. Overall requirement on the degree of conservativeness (with probability)
2. Principles and guidance for robust quantification that “*should*” be satisfied by quantification methodologies, but not all principles must be satisfied, as long as the overall requirement on degree of conservativeness is met.
3. Procedure for a systematic and transparent assessment by the ICVCM of methodologies. Expert judgment necessary on whether the required degree of conservativeness is achieved (similar to IPCC expert judgment procedures)



## Robust Quantification – Draft recommendation to the SOC – Proposed phrasing on overall conservativeness

### Proposed approach

The quantification approaches used by the carbon crediting program to quantify the credited emission reductions or removals for a given type of carbon credit, as included in quantification methodologies and other normative program documents, shall ensure conservativeness such that:

- a) It is likely (i.e., a probability of more than 66%) that the credited emission reductions or removals from corresponding mitigation activities are not overestimated, taking into account the overall uncertainty in quantifying the emission reductions or removals;

AND

- b) There is an [extremely low probability (<5%) (*majority view*)] [very low probability (<10%) (*minority view*)] that emission reductions or removals from corresponding mitigation activities can be overestimated by more than 30%.

# SOC DECISION: ROBUST QUANTIFICATION

The SOC agreed to notify the Board of its decision in relation to Robust Quantification:

[Decision:

- Approach of assessing only new meth for avoided unplanned deforestation
- Approach of setting out requirements for robust quantification and examples of approaches that ensure it].

# ROBUST QUANTIFICATION: CORSIA

*Eligibility Criterion: Carbon offset credits must be based on a realistic and credible baseline*—Carbon offset credits should be issued against a realistic, defensible, and conservative baseline estimation of emissions. The baseline is the level of emissions that would have occurred assuming a conservative “business as usual” emissions trajectory i.e., emissions without the emissions reduction activity or offset project. Baselines and underlying assumptions must be publicly disclosed.

- *Conservative baseline estimation:* The programme should have procedures in place to ensure that methods of developing baselines, including modeling, benchmarking or the use of historical data, use assumptions, methodologies, and values that do not over-estimate mitigation from an activity.
- *Baseline revision:* The programme should have procedures in place for the activities it supports to respond, as appropriate, to changing baseline conditions that were not expected at the time of registration.

*Eligibility Criterion: Carbon offset credits must be quantified, monitored, reported, and verified*—Emissions reductions should be calculated in a manner that is conservative and transparent. Offset credits should be based on accurate measurements and quantification methods/protocols. Monitoring, measuring, and reporting of both the emissions reduction activity and the actual emissions reduction from the project should, at a minimum, be conducted at specified intervals throughout the duration of the crediting period. Emissions reductions should be measured and verified by an accredited and independent third-party verification entity. *Ex-post* verification of the project’s emissions must be required in advance of issuance of offset credits;

- *Re-evaluation of assumptions:* The programme should have procedures in place requiring that the renewal of any activity at the end of its crediting period includes a reevaluation of its baselines, and procedures and assumptions for quantifying, monitoring, and verifying mitigation, including the baseline scenario; the same procedures should apply to activities that wish to undergo verification but have not done so within the programme’s allowable number of years between verification events.



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**ADDITIONALITY**

# GOVERNING BOARD MEETING

6 JULY 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

## **4. SOC MATTERS: ADDITIONALITY**

# ADDITIONALITY – GENERAL : TEXT OF CCP

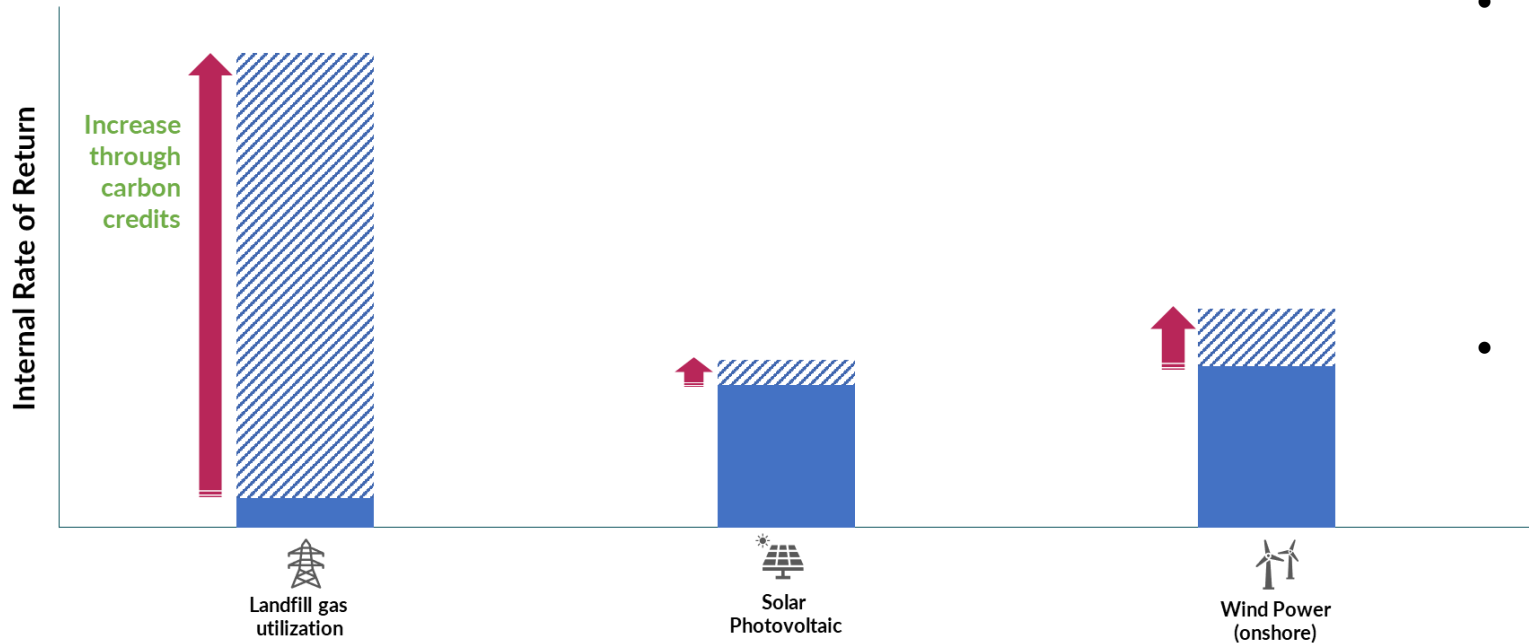
## FOLLOW UP FROM LAST BOARD

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 *{keep word}*.

*Recommend to Board to ~~remove "revenues"~~ and add a footnote to explain that financial additionality is not the only additionality approach that is acceptable.  
{note this is not final text}*

# EP RECOMMENDATION: ADDITIONALITY – SUMMARY OF MAIN ISSUES STEP 1

Illustration of how Step 1 would work in practice (based on data from registered projects)



- **Landfill gas utilization** may qualify as “high likelihood” of additionality
  - Low economic performance w/o credits
  - Carbon credits raise performance significantly, above benchmark
- **Solar PV and wind** may be considered as “insufficient” (in certain regions)
  - Relatively good economic performance w/o credits
  - Credits do not make a huge difference

Note: Data in the figures is from projects in developing countries and includes different sample sizes, with different representativeness. The results are therefore only for illustrative purposes.



# EP RECOMMENDATION: ADDITIONALITY – SUMMARY OF MAIN ISSUES STEP 1 AND STEP 2

## Step 1: Assessment of likelihood of additionality by ICVCM

- Provided more clarity on how financial indicators to assess typical economic attractiveness are calculated
- Lowered the stringency to qualify as high likelihood of additionality for indicator I2
- Clarified that lower benchmarks may be appropriate for projects implemented by the public sector
- Added a requirement on indicator I2 in situations of very low benchmarks (that not relative but absolute change in IRR due to carbon credit revenues matters)

## Step 2: Evaluation of carbon crediting program rules to assess additionality

- Introduced a chapter on “standardized approaches” (instead of “positive lists” which are now covered under “standardized approaches”), including performance benchmarks
- Consideration of legal requirements
  - Checking of newly enforced legal requirements “regularly” (instead of at each issuance or crediting period renewal)
  - Time period in which legal requirements can be considered non-enforced should be capped but at the discretion of the carbon crediting period
- Inclusion of more options to demonstrate prior consideration

# EP RECOMMENDATION: ADDITIONALITY – CARBON PRICES USED IN STEP 1

## Issue

- Uncertainty in, and guidance on, credit price(s) assumed in assessments in Step 1

## Main public comments (examples of many)

- "...guidance should be given as to what kind of carbon price to apply for each class of projects and regions (as a minimum, different classes of projects in existing carbon markets have wide differences in pricing)."
- "Carbon prices furthermore are not a useful indicator, due to the immaturity of the market and the opacity and heterogeneity of price data."

## Recommendation by the Expert Panel

- Maintain main approach but refine guidance on how to conduct the analysis, including sensitivity analysis, where necessary, to reflect impact of different carbon credit prices

## Current practice among carbon crediting programs

- Applied by Integrity Council, not programs

## Impacts

- How carbon credit revenues impact financial viability is a key indicator for the likelihood of additionality (also in relevant literature). Including this indicators is important for achieving reliable results
- Data uncertainty can be addressed by conducting sensitivity analyses

# SOC RECOMMENDATION ON ADDITIONALITY STEP 1 (EP)

## STEP 1 OF THE EP RECOMMENDATIONS

### RECOMMENDATION:

- NOT TO INCLUDE STEP 1 OF EP RECOMMENDATIONS (*Note: Sec is working to derive guidance for MSWG from content*)
- ADDRESS KNOWN PROBLEMS DIRECTLY: SEE NEXT SLIDE

### RATIONALE

- The Assessment Framework is a set of rules that carbon crediting programs meet to be CCP-Eligible and Categories meet for carbon credits to be CCP-Approved.
- The Category assessment process per the Assessment Procedure is dealt with as a process involving multistakeholder groups (CWG and MSWGs)
- Step 1 from the EP is presented as an assessment process to be undertaken by the Expert Panel and therefore the approach presented does not fit well within the Assessment Framework or as work for the CWG and MSWG.
- However, the content could be converted into a guidance document for the MSWG.

# SOC RECOMMENDATION ON ADDITIONALITY: ALT TO STEP 1 (EP)

## ADDRESS KNOWN PROBLEMS DIRECTLY

- Have a "specific assessment step" in the Assessment Framework for the CWG/MSWG to ensure that where carbon crediting programs have restricted the scope of methodologies for renewable energy etc., due to challenges of measuring additionality in certain types of country, those scope restrictions should be considered and taken into account in the assessment of that Category.
- This has the *de facto* impact of ensuring that renewable energy methodologies will not be fast tracked and will be assessed in detail by the relevant MSWG.

## PROPOSED TEXT: STILL IN DRAFT FORM

- When determining whether to recommend to the Governing Board to approve a Category as CCP-Approved the CWG and MSWG will, in addition to other information, take into consideration any decisions that impose restrictions and/or changes in scope/applicability of relevant Categories that have been taken by carbon-crediting programs, in particular in relation to the following Categories:
  - Activities that reduce hydrofluorocarbon-23 (HFC23) emissions
  - Grid-connected electricity generation using hydro power plants/units
  - Grid-connected electricity generation using wind, geothermal, or solar power plants/units
  - Utilization of recovered waste heat for, inter alia, combined cycle electricity generation and the provision of heat for residential, commercial or industrial use
  - Generation of electricity and/or thermal energy using biomass. This does not include efficiency improvements in thermal applications (e.g., cook stoves)
  - Generation of electricity and/or thermal energy using fossil fuels, including activities that involve switching from a higher carbon content fuel to a lower carbon content fuel
  - Replacement of electric lighting with more energy efficient electric lighting, such as the replacement of incandescent electrical bulbs with CFLs or LEDs
  - Installation and/or replacement of electricity transmission lines and/or energy efficient transformers.

NOTE: SCOPE could be linked to WB country type classifications.

# **SOC RECOMMENDATION ON ADDITIONALITY**

**Other elements to note in relation to Additionality recommendation:**

## **RECOMMENDATION:**

- 1. Program level requirements in relation to CORSIA to be met,**
- 2. Specific additionality requirements for JREDD + Programs will be included (already agreed by Board)**

# EP RECOMMENDATION: ADDITIONALITY – LEGAL REQUIREMENTS

## Issue

For how long can non-enforced laws and regulations be deemed non-enforced?

## Main public comments

- All laws should be considered enforced (because this sets an incentive for countries to enforce and reduces non-permanence risks)
- It should be a set number of years (e.g., 5 years)
- There should be regular monitoring of the status of enforcement, with no maximum time limit

## Recommendation by the Expert Panel

- Keep current approach with minor change: Request, in the next iteration of the AF, programs to limit the period during which laws can be considered non-enforced, with exception for LDCs – noting that it is up to programs to determine the length of that period

## Current practice among carbon crediting programs

- ACR and CAR both comply. VCS and GS would need to set a limit to meet the requirement for the next AF iteration.

## Impacts

- Limiting the grace period helps limit the perverse incentive against enforcement
- This will require a minor change in program rules for at least GS and VCS

# EP RECOMMENDATION: ADDITIONALITY – LEGAL REQUIREMENTS

## Issue

In the initial phase, should crediting stop if new requirements are enforced after registration of the activity?

## Main public comments

- Yes, to avoid over-crediting
- No, this creates a major risk for investors and activity proponents
- If it happens, then it should be at the renewal of the crediting period, or every X years

## Recommendation by the Expert Panel

- Revise the approach for current threshold: Request that the program has in place measures to assess the adoption and enforcement of new laws and regulations on a regular basis (as defined and appropriately justified by the program). (Draft AF published for consultation requires re-assessment at every crediting period renewal.)
- Recommendation for next iteration of AF remains unchanged: Re-assessment at each verification.

## Current practice among carbon crediting programs

- GS does not seem to require such reassessment. ACR requires the reassessment. VCS and CAR require some reassessment for some activity types.

## Impacts

- Limiting issuance after new enforcement of laws is important to avoid over-crediting
- GS, CAR and VCS would need to update their rules (at least for some activity types)

# SOC RECOMMENDATION ON LEGAL REQUIREMENTS

**RECOMMENDATION:** ACCEPT EP RECOMMENDATION REQUIRING LEGAL ADDITIONALITY, RECOMMEND ALTERNATIVE APPROACH TO WHETHER OR NOT TO CONSIDER THAT ALL LEGAL REQUIREMENTS ARE ENFORCED

**RATIONALE:** Legal additionality is market practice, but enforcement cannot always be assumed so nuance is required.

## **APPROACH:**

- Corsia requirements in relation to additionality
- Enforced or not: high income countries deemed enforced, other countries only deem not enforced where authoritative up to date information that is relevant and applicable to the mitigation activity
- Validation required prior to registration and appropriate frequency thereafter (eg,. Renewal of crediting period, regular issuance intervals where the crediting period is longer than five years.)



# EP RECOMMENDATION: ADDITIONALITY – PRIOR CONSIDERATION

## Issue

Should the current threshold include the option of project-by-project analysis of prior consideration evidence by the carbon crediting program?

## Main public comments

- Strong pushback from project developers, in particular, to *not* have this retroactive requirement
- “It is not clear how this criterion would be applied to existing mitigation activities. The guidance notes that at present most carbon crediting programs do not have this requirement, so the necessary documentation is not available and could not be available prior to a project start date. More guidance is needed on how this would apply to existing projects that have otherwise met the ICVCM additionality requirements.”
- “Putting burden on registries to evaluate other forms of documentation (and to determine whether it is legitimate and not fabricated) does not seem to be a viable option...”; defining "documented evidence" may be challenging

## Recommendation by the Expert Panel

- Revise the current approach: Keep a requirement for carbon credits to have demonstrated prior consideration, but simplify current threshold to allow two further approaches:
  - #1 – The program requires that projects must, within a reasonable timeframe after the start date of the project, taking into account the time period needed to prepare the relevant documentation, either be validated or be registered under the program. This timeframe shall not exceed 2 years.
  - #2 – Project level demonstration of evidence of prior consideration with VVB attestation and/or assessment by the carbon crediting program

## Current practice among carbon crediting programs

- Only Gold Standard complies with the requirements under the next iteration of the AF (except for “retroactive” projects)
- There is considerable disparity among other programs – some program / project type combinations may pass approach #1
- Where programs do not pass approach #1, individual projects could pass through approach #2 if programs put procedures in place

## Impacts

- Approach #2 provides projects have a pathway to CCP eligibility if the carbon crediting program puts in place provisions to assess evidence on a case-by-case basis and the project can provide the evidence
- Approach #1 allows projects without evidence to become eligible, as long as the carbon crediting program fulfills the requirement; some programs may, however, not fulfill the requirement.

# SOC RECOMMENDATION ON PRIOR CONSIDERATION

**RECOMMENDATION:** ACCEPT EP RECOMMENDATION REQUIRING PRIOR CONSIDERATION AND ALTERNATIVE APPROACHES

**RATIONALE:** Prior consideration is important for good market practice but not always present and should become the norm. An alternative for this version of the Assessment Framework is included.

## APPROACH

Demonstration through evidence; documented of expectation prior to start date, assessed by VVB/carbon crediting program and provided no later than a year after the start date and a limited time between the date of the evidence and the date of registration

Alternative approach limit time between start date and validation/ submission for registration

Plus signposting

# EP RECOMMENDATION: ADDITIONALITY – INVESTMENT ANALYSIS AS STANDALONE TEST

## Issue

- There are four approaches to prove additionality: (i) investment test (ii) market penetration assessment (iii) barrier analysis and (iv) standardized approaches. The consultation version allowed the following combinations:
  1. investment test (stand-alone)
  2. market penetration assessment AND barrier analysis
  3. standardized approaches (stand-alone)

## Main public comments

- Due to the well-known issues with regard to data that underlies the investment analysis (e.g. uncertainty, information asymmetry, incentives to overstate costs and understate revenues), the investment test should not be allowed stand-alone.

## Recommendation by the Expert Panel

- Only the combination of an investment test and a market penetration assessment is allowed to prove additionality

## Current practice among carbon crediting programs

- Relevant CDM tools (which are also used under the VCS and GS) already prescribe such a combination (e.g. CDM Tools 1 and 2)

## Impacts

- No material impact on carbon crediting programs
- More robust assessment of additionality

# SOC RECOMMENDATION ON COMBINATIONS OF TESTS FOR ADDITIONALITY

## RECOMMENDATION:

- ACCEPT EP RECOMMENDATIONS THAT INVESTMENT ANALYSIS SHOULD NOT BE STANDALONE.  
ALLOW COMBINATIONS PER EP RECOMMENDATION
  - An investment analysis combined with a market penetration/common practice assessment
  - A barrier analysis combined with a market penetration/common practice assessment
  - A standardised approach
- ALLOW FOR ALTERNATIVE APPROACHES TO BE SUBMITTED BY CARBON CREDITING PROGRAM
- HAVE A SPECIFIC ASSESSMENT STEP ALLOWING MSWG TO REFER TO LITERATURE WHERE A PROGRAM DOES NOT MEET REQUIREMENTS FOR THE CATEGORY (POLICY APPROACH)

## RATIONALE:

- The combinations proposed by EP are best practice and should be encouraged but many existing methodologies do not meet those requirements so some flexibility to have alternative approaches and a "policy" type approval where the Category is generally considered to be additional, are needed.

# BOARD DECISIONS – ADDITIONALITY

- CCP text: [Footnote only as change, keep word "revenues"]
- Step 1 EP: [Accept SOC recommendation]
- Reference to CORSIA: [Accept SOC recommendation]
- Specific assessment steps: [Accept SOC recommendation]
- Legal additionality: [Accept SOC recommendation]
- Prior consideration: [Accept SOC recommendation]
- Combinations of texts: [Accept SOC recommendation]
- Note the specific approach for JREDD additionality (as already adopted) will be included in additionality section of the AF



**THE INTEGRITY COUNCIL**  
FOR THE VOLUNTARY CARBON MARKET

## **4. SOC MATTERS: REVISITING JREDD NESTING**

# GOVERNING BOARD MEETING

6 JULY 2023



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

# SUMMARY OF ISSUES

The board previously agreed (8 June) to include requirements requiring that carbon crediting programs with registered REDD+ projects seek to ensure that such projects are nested with any jurisdictional level rules.

Concerns were raised that:

- Nesting is not always the best approach to managing baselines and robust quantification of REDD+ projects operating in a jurisdiction that has a jurisdictional REDD + program
- Rules are not in place, so programs doing REDD+ projects would need to implement them before applying
- Having nesting as a requirement on the carbon crediting program that has registered REDD + project may not reflect that a program cannot force or make a government allow the project to nest in the jurisdictional program.

On the other hand, it was noted that:

- Nesting is consistent with TFCI guide which calls for companies to "*rapidly shift demand towards credits originating from jurisdictional scale programs*" and notes "*jurisdictional scale credits include those...originated from projects that are fully nested into jurisdictional accounting and programs*"



## POSSIBLE WORDING ON NESTING

The carbon crediting program under which the Project based mitigation activity within a Jurisdictional REDD + Program (see Definitions) is registered shall meet the requirements of Approach A or Approach B below.

### Approach A

A carbon crediting program, under which a Project-based mitigation activity within a Jurisdictional REDD + Program is registered, shall require any (existing or new) rules of any Jurisdictional REDD + Program that relate to the nesting of projects or baseline allocation to be taken into account by the Project-based mitigation activity, where that is possible, and shall ensure compliance with such Jurisdictional REDD + Program rules, where that is possible, within a reasonable time.

### Approach B

A carbon crediting program under which a Project-based mitigation activity within a Jurisdictional REDD + Program is registered, shall have a formal timetable in place to implement any requirements introduced by the Jurisdictional REDD + Program, where possible, within a reasonable period of time.

## BOARD DECISION

- 

## (FOR REFERENCE)

# SOC RECOMMENDATION JREDD+ ROBUST QUANTIFICATION, QUANTIFICATION OF EMISSIONS AND REMOVALS

### REQUIREMENTS {note, composite text from two almost identical requirements slides in the 8 June board pack}

a) The requirements of Approach A or Approach B below must be met.

#### Approach A

1) In the case of a project-type mitigation activity that is seeking to generate carbon credits and that is located within the boundary of a Jurisdictional REDD+ Program, the carbon crediting program [*note, should be the one under which project is registered*] shall have appropriate provisions in place to ensure that the project-type mitigation activity-based baselines are nested within the Jurisdictional REDD+ Program baseline and a share of the Jurisdictional REDD+ Program baseline is allocated to it , if possible, in accordance with the Jurisdictional REDD+ Program rules on nesting of project-type mitigation activity baselines. The provisions shall be made publicly available.

#### Approach B:

1) In the case of a project-type mitigation activity that is seeking to generate carbon credits and that is located within the boundary of a Jurisdictional REDD+ Program, the carbon crediting program will have a formal timetable in place to implement the requirements of Approach A above within a reasonable period of time. [The timetable for implementation shall be made publicly available.]

Note:

This differs from the consultation draft by allowing the jurisdiction to determine how nesting will occur.

- Note, concept/definition of nesting to be included

## (FOR REFERENCE)

# EP RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, NESTING

### *Issue*

In light of concerns about the overestimation of baselines from avoided deforestation projects, should the ICVCM (i) provide guidance how to implement “nesting of baselines” and/or (ii) limit project-based crediting to an appropriate allocation of jurisdictional-scale performance?

### *Main public comments*

With regard to (i): Nearly all comments were supportive of the idea of nesting, but many reviewers had concerns with being overly prescriptive. Specific points included:

- “Avoided deforestation projects” should be specified to avoided unplanned deforestation; three commenters noted that there is no consensus on how to nest a baseline from an avoided planned deforestation project
- Another noted that nesting should not be only defined as nesting baselines; instead of nesting baselines, nesting could occur through performance-based allocations... or some jurisdictions may wish to cut out project areas from a jurisdictional approach entirely.
- Nine commenters noted that nesting approaches should be defined by jurisdictions NOT by the programs (“the crediting program shall have...”)

With regard to (ii): Nearly all comments were against the text, but in favor of retaining a “nesting” provision

## (FOR REFERENCE)

# EP RECOMMENDATION: JREDD+ ROBUST QUANTIFICATION, NESTING

### *Recommendation by the Expert Panel*

- Delete the existing provisions in Table 11 and instead include the following text in Criterion 10.2 (robust quantification) in the section on conservativeness of baselines: “Note that in the case of an activity implemented in a context where a jurisdictional or sectoral baseline has been defined, “nesting” of baselines (i.e., the allocation of relevant parameters such as activity data from the jurisdictional baseline to the projects) may be one approach to promote conservativeness, depending on the uncertainty and conservativeness of the jurisdictional or sectoral baseline.”

### *Current practice among carbon crediting programs*

- VCS, CAR and ACR do not require the nesting of baselines by projects in their current project-based REDD methodologies. The VCS is however developing new methodologies that include nesting of baselines by 2025.
- GS and CDM do not allow for avoided deforestation projects.

### *Impacts*

- This issue primarily impacts VCS, the largest issuer of project-based REDD credits. The provision sends a signal on the utility of nesting baselines to promote conservativeness but does not prescribe this approach.



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

# SAFEGUARDS AND SUSTAINABLE DEVELOPMENT



**THE INTEGRITY COUNCIL**  
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## **4. SOC MATTERS: SAFEGUARDS AND SUSTAINABLE DEVELOPMENT BENEFITS AT CATEGORY LEVEL**

# EP RECOMMENDATION: SAFEGUARDS 1/2

**Issue to be addressed:** Assess sufficiency of risk-management to ensure no-harm to meet CCP approval

**Recommendation by the Expert Panel:** [\(text link\)](#)

Step-wise process to facilitate category(s) grouping and deeper assessment. The assessment will be based on expert judgement and/or stakeholder consultations and available literature.

- CCP approval:
  - Step 1: Risk-categorization.
  - Step 2: Assessment of rigor of carbon-crediting program approaches to managing E&S risk: Non-exclusive list of highly relevant risks by credit type to inform which risks must be addressed by which credit types. Non-listed risks should still be required to be checked.

**Summarized rationale:** There are inherent risks associated to different credit-types. A step-wise approach enables differentiation and provides flexibility while allowing for a robust assessment of S&E safeguards that contributes to ensure no-harm.

**Summarized issues identified from public comments:**

- Stakeholders refer to the need for differentiating safeguards management across different credit types and commensurate to scale/geographies.

**Current practice among carbon crediting programs**

- Crediting programs do not apply a risk categorization.
- VCS-CCB, Gold Standard and ACR require an assessment and management of Environmental and Social Risks and Impacts and corresponding actions to mitigate risks. ART-TREES requires compliance with Cancun Safeguards. CAR has no specific requirements beyond the principle level, which is that mitigation activities neither cause nor contribute to social and environmental harm.

# EP RECOMMENDATION: SAFEGUARDS 2/2

## Impacts of recommendation

- Although project type categorization is implicitly applied, the risk-based categorization **is a new market practice. Programs have to create guidance and adapt methodologies.**
- Step-wise recommendation contribute to reduce overall transaction costs and project development and processing time
- Allows programs with weak safeguards to be CCP eligible for mitigation activity types where safeguards are less essential to ensure no-harm.
- It is compatible with the fact that some carbon crediting programs, such as the CAR, require certain safeguards only for specific project types and include these in their methodologies.
- It is consistent with ICVCM phasing for program-level requirements and can contribute to enrich discussion in Work Programs.

## Pros:

- Aligns with category-level assessment: Recommendation of groupings may specify further conditions for which category of carbon credits are CCP-approved (scale/geography).
- Informs carbon crediting program implementation of program-level requirement 7.1 and facilitates methodology and complementary tools update + overall CCP uptake/phasing.

## Cons:

- Possible false positives.
- Requires management of site-specific circumstances to address commensurability of actions and avoid unintended consequences.



# EP RECOMMENDATION: DELIVERING POSITIVE SDG IMPACT 1/2

## Issue to be addressed:

Assessment of potential of delivering positive SDG impacts to meet CCP approval and ensure MRV of impacts.

## Recommendation by the Expert Panel:

Step-wise process to facilitate category(s) grouping and deeper assessment for ranking of credit types based on their SDG impact profiles.

- CCP approval:
  - Step 1: Integrity Council assess the ex-ante "expected SDG Impact" of different types of mitigation activities on each SDG (except SDG13).
  - Step 2: Assessment of carbon-crediting program rules to guide contribution claims
    - All credit types will require an assessment of carbon crediting rules for MRV of expected SDG impacts to ensure expected positive impacts are delivered
- Applicability:
  1. Before 2015 – not assess & use inherit categorization to inform market
  2. Between 2016 and 2023 – assess available methodologies & tools (CCB, SDVista, SDG Impact tool)
  3. Post 2023 – assessed revised methodologies once available

## Summarized rational:

- It is possible to aggregate information about the general contribution of types of mitigation actions to the various SDGs/targets based on qualitative information.
- Such information can serve to categorize types of credits according to their expected SDG impacts.
- These categories can help identify credit-types that are eligible for a limited assessment, those that require a more thorough assessment to ensure positive SDG impacts and those that are not CCP eligible.
- Credit-types SDG impact profiles may inform scope of MRV and differentiation in respective methodologies.

# EP RECOMMENDATION: DELIVERING POSITIVE SDG IMPACT 2/2

## Summarized issues identified from public comments:

- Some commenters highlighted the SDG provisions as one of the main potential benefits of the IC-VCM.
- Some commenters expressed concern with the potential cost and complexity of assessing SDG impact, particularly with mandatory quantification.

## Current practice among carbon crediting programs:

- Gold Standard SDG Impact Tool, standardized Excel-based tool used by all GS4GG projects irrespective of size, type and scale to monitor and report positive SDG impacts.
- VCS SD Vista
- The Article 6.4 SB has decided that use of the SDG Tool (to be developed by end-2023) shall be mandatory

## Impacts of recommendation

- Contributes to consistent performance across carbon-crediting programs.
- This may attract impact investors and enable a "race to the top" on promoting sustainable development, provided there is a willingness to pay such in the case of biodiversity.
- SDG impacts profiles may enable price discovery for specific SDG impacts levels.
- Most of the market might need to upgrade their current SD assessment and contribute to ensure negative impacts are also included.
- Raising the profile of readily-available complementary tools.

### Pros:

- Aligns with category-level assessment
  - Recommendation of groupings may specify further conditions for which category of carbon credits are CCP-approved (scale/geography).
- Informs carbon-crediting program implementation of program-level requirement 7.11 and differentiates from Attribute.
- Facilitates methodology and complementary tools update + overall CCP uptake/phasing.
- Ensures carbon crediting program requirements for MRV of expected SDG impact to mitigate the risk of false positives.
- The ICVCM could become the aggregator of SDG impact information, increasing and differentiating its value proposition to the market players.

### Cons: false positives at validation stage

- Requires management of site-specific circumstances to address commensurability of actions and avoid unintended consequences.

# SOC RECOMMENDATION: SAFEGUARDS AND SUSTAINABLE DEVELOPMENT

## RECOMMENDATION:

- DO NOT ACCEPT THE EP RECOMMENDATIONS. (*Note Sec working to derive guidance for MSWG from content*)
- ADOPT CORSIA REQUIREMENTS AND REFER TO THIRD PARTY LINKED CERTIFICATION SCHEMES.
- RELY ON ALREADY CONSIDERABLE PROGRAM LEVEL REQUIREMENTS ADOPTED IN RELEASE 1.

## RATIONALE:

Departure from EP recommendations, to take into account that the existing market inventory of credits was issued largely against minimal "do no harm" rules, and that the ICVCM published program level requirements represent a "stretch assignment" for the programs in relation to safeguards and sustainable development benefits already. In addition, the SDG Attribute rewards premium SDG benefits, and a continuous improvement work program will address the need to strengthen over time.

## PROPOSED TEXT:

- Meet CORSIA requirements<sup>1</sup>,
- Mitigation activities shall do no harm.
- Where a Category/mitigation activity is also operating under a third party linked certification scheme or set of principles relevant to safeguards/SD it shall be deemed to have met the requirements

Signposting: The ICVCM will consider risk ratings for Category types and specific requirements for different risk ratings of Categories *{text still being confirmed}*

# BOARD DECISIONS – SAFEGUARDS AND SUSTAINABLE DEVELOPMENT BENEFITS

- Requirements: [Accept SOC recommendation]



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# DOUBLE COUNTING



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**27 JUNE 2023: SOC MEETING**

# 4. DOUBLE COUNTING

**(BOARD HAS DELEGATED DC TO SOC, 17 NOVEMBER 2022)**

# DOUBLE COUNTING: PROGRAM DECISIONS ALREADY TAKEN

## CRITERION 6.1: NO DOUBLE ISSUANCE (DOUBLE REGISTRATION)

Requirements a) The carbon-crediting program shall have provisions to: 1) prevent the registration of any mitigation activity that has been registered under another carbon-crediting program and is still active under that program; and 2) ensure that it does not issue carbon credits for GHG emission reductions or removals where another program has issued credits to the same mitigation activity and/or for the same GHG emission reductions or removals and has not cancelled those credits for the purpose of avoiding double issuance.

## CRITERION 6.2: NO DOUBLE ISSUANCE (OVERLAPPING CLAIMS)

Requirements a) The carbon-crediting program shall have provisions [for the respective category] to identify potential overlaps between different mitigation activities and ensure that where there are overlapping GHG accounting boundaries between mitigation activities, it will only issue one carbon credit for the GHG emission reductions or removals that occur within the GHG accounting boundaries of more than one mitigation activity, including by: 1) disallowing registration of any mitigation activity whose GHG accounting boundaries overlap with the GHG accounting boundaries for carbon crediting of another mitigation activity. 2) disallowing carbon credits for GHG emission reductions or removals that occur within the GHG accounting boundaries of another mitigation activity, under the same program. b) The carbon-crediting program ('program A') shall also have provisions [for the respective category] in place to apply, where practicable, the requirements set out in a) above in respect of mitigation activities registered under another carbon-crediting program ('program B'), that have GHG accounting boundaries that overlap with mitigation activities that are registered with the carbon-crediting program (program A).



# DOUBLE COUNTING: PROGRAM DECISIONS ALREADY TAKEN

**CRITERION 6.3 NO DOUBLE USE** Requirements a) The carbon-crediting program shall have registry provisions that prevent the further transfer, retirement or cancellation of a carbon credit once it has been cancelled or retired.

**CRITERION 6.4: NO DOUBLE CLAIMING WITH MANDATORY DOMESTIC MITIGATION SCHEMES** Requirements a) The carbon-crediting program shall have provisions [for the respective category] to ensure either that: 1) mitigation activities that generate GHG emission reductions or removals that overlap with mandatory domestic mitigation schemes (e.g., emissions trading systems or renewable energy quotas) are not registered and/or carbon credits are not issued; or 2) when carbon credits are associated with GHG emission reductions or removals that are also covered by the mandatory domestic mitigation scheme, the mandatory domestic mitigation scheme has measures in place to ensure that any relevant impacts of the mitigation activity (e.g., the GHG emission reductions achieved or the kilowatt-hours of renewable electricity produced) are not counted towards the achievement of targets or obligations under the mandatory domestic mitigation scheme (e.g., by cancelling allowances from the emissions trading system before issuing carbon credits).

**CRITERION 6.5: NO DOUBLE CLAIMING OF GHG MITIGATION ARISING FROM OTHER ENVIRONMENTAL CREDITS** Requirements a) The carbon-crediting program shall have provisions [for the respective category] in place to ensure that carbon credits are not issued for GHG emission reductions or removals achieved by a mitigation activity where units related to the same climate impacts of the mitigation activity are traded in other environmental markets or accounting frameworks (e.g., Renewable Energy Certificates (RECs) generated from renewable energy projects).

# SOC DECISION: DOUBLE COUNTING

The SOC agreed to notify the Board of its decision in relation to Double Counting:

[Decision: To add relevant wording into the Program level requirements only].



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# ELIGIBILITY CRITERIA



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## **4. SOC MATTERS: ELIGIBILITY (HOW LONG A CATEGORY WITH CCP- APPROVAL RETAINS THE APPROVED STATUS)**

# CCP APPROVAL OF CARBON CREDITS WHEN PROGRAM CCP-ELIGIBILITY IS TERMINATED

AS DECIDED IN THE PUBLISHED ASSESSMENT PROCEDURE

## **Termination of Program eligibility:**

- The Governing Board shall consider the revised draft Termination Decision and shall take a Decision to: (a) Not terminate the CCP-Eligibility of the program/the CCP-Approval of the Categories. (b) Terminate the CCP-Eligibility of the program/the CCP-Approval of the Categories, in which case the Termination Decision shall as a minimum contain: the grounds for the termination and sufficient information for the carbon-crediting program to understand how the Integrity Council came to the view that suspension was necessary and proportionate. The Termination Decision shall have immediate effect.
- **The termination of CCP-Eligibility of a carbon-crediting program means that, unless otherwise decided by the Governing Board and communicated in the relevant Termination Decision, no further carbon credits may be tagged as CCP-Approved or tagged with CCP Attributes and no new mitigation activities may be identified as CCP-Approved.**
- **The Integrity Council may update this section of the Assessment Procedure to address implications of termination of CCP-Approval of Categories when Part II of the Assessment Framework is published (expected Q2 2023).**
- **FOR DECISION: WHAT SHOULD BE THE UPDATED REQUIREMENTS PER ABOVE?**

# CCP APPROVAL OF CARBON CREDITS WHERE AF IS REVISED

## AS DECIDED IN THE PUBLISHED ASSESSMENT PROCEDURE

- A carbon credit that has been tagged as CCP-Approved shall retain the CCP-Approved tag until it is retired or cancelled.
- Subject to termination or suspension of the CCP-Eligible program and/or the CCP-Approval of the Category per section 5 of this Assessment Procedure, the CCP-Approval of the Category applies to all issued carbon credits included within the Category at the date of the CCP Approval Decision and to all carbon credits in the Category that are issued by the CCP Eligible program after the date of the CCP-Approval Decision.
- Where a CCP-Eligible program includes a new Category within its scope (for example, due to a new version of a methodology or a new methodology or a new approach to address non-permanence risks) or wishes to seek the approval of a Category that was previously withdrawn per 3.6 above, it may request assessment of that Category in order for it to be included as a CCP-Approved Category in accordance with this section 3 and further procedures that may be developed by the Integrity Council.
- **The Integrity Council may update this section of the Assessment Procedure when Part II of the Assessment Framework is published (expected Q2 2023), to address CCP-Approval of Categories following revisions of Part II of the Assessment Framework.**
- **FOR DECISION: WHAT SHOULD BE THE UPDATED REQUIREMENTS PER THE ABOVE?**

# CCP APPROVAL – WHAT CAUSES IT TO END/EXPIRE FOR CARBON CREDITS FROM A MITIGATION ACTIVITY

**Issue:** Release 2 additions to the Assessment Procedure need to make clear how long CCP-Approval lasts for carbon credits from a mitigation activity

***Question 1: What happens when a program loses its CCP Eligibility?***

***Question 2: What happens when a new version (version 2) of the Assessment Framework is issued, and the Category is not eligible any longer?***

**Note:** A CCP-Approved carbon credit does not lose its CCP-Approval (persists until retirement/cancellation)