



OBSERVATIONS IN RELATION TO CATEGORY ASSESSMENT RENEWABLE ENERGY JULY 2024

Purpose of these observations

The Governing Board of the Integrity Council for the Voluntary Carbon Market (ICVCM), when considering the assessment of methodologies related to renewable energy activities identified that it would be beneficial to make public the Integrity Council's observations in relation to this Category, for the purpose of supporting the future development of methodologies in this Category.

These observations are non-binding and do not impact or form any part of the Assessment Framework, Assessment Procedure, or any Decision (as defined under the Assessment Framework) and are published by the Integrity Council for the purpose of information only.

The Integrity Council may, from time to time, publish other observations for other Categories where it considers this may be useful for CCP-Eligible Programs and other stakeholders, and may update and revise its observations from time to time based on further assessment processes or information. Observations are not an exhaustive set of views of the Integrity Council and not all aspects addressed in assessment processes are included. No reliance may be placed on observations, as they are for the purpose of information only and observations published are without prejudice to other ongoing assessments.

Observations relating to renewable energy methodologies

For several years, carbon market experts have noted concerns about the additionality of many renewable energy activities and the difficulties in transparently demonstrating the additionality of these activities approved under existing methodologies. In 2019, the question of whether some renewable energy activities had matured beyond the point where they needed to be supported by carbon financing led two major programs to revise their eligibility criteria.^{1,2} Methodological experts note there can be activity-to-activity variance (so that even within a given group of potential activities that are largely competitive without carbon revenue, some activities might be additional). The ICVCM does not assess individual mitigation activities but focuses on carbon crediting programs, methodology improvement and assurance of carbon crediting programs' adherence to the Assessment Framework.

A Multi-Stakeholder Working Group (MSWG)³ undertook an assessment of renewable energy methodologies for adherence to key criteria of the Assessment Framework. The MSWG noted the potential relevance of the levelized cost of electricity and the penetration rate of each renewable energy technology type, among other factors, and in this specific context. Literature considered by the MSWG also noted concerns related to certain assumptions within the quantification protocols of these methodologies, including the calculation of grid emission factors.

¹ <https://verra.org/wp-content/uploads/2019/04/VCS-v4-Revision-to-Scope-of-VCS-Program.pdf>

² https://globalgoals.goldstandard.org/standards/202_V1.4_AR-Renewable-Energy-Activity-Requirements.pdf section 2.1.3

³ MSWG [Terms of Reference](#)

The Governing Board agreed that the complexity of using existing renewable energy methodologies to reliably determine the additionality of renewable energy activities meant that such methodologies should not be approved as CCP-Approved Categories. The Governing Board also considered that it is important to improve best practice in the approaches for additionality demonstration, and that a continuous improvement work program might be helpful in this regard, subject to availability of resources.

The related work of the Article 6, paragraph 4 Paris Agreement Crediting Mechanism is noted below.

Grid Emission Factors

The Governing Board observes that, in the context of current renewable energy methodologies, the options allowed for calculating the **grid emission factors** in renewable energy methodologies, as well as the procedures and criteria used in these calculations, appear to not all meet the level of conservativeness required by the Assessment Framework.

In this context, the Governing Board also observes that the Paris Agreement Crediting Mechanism (PACM) (Article 6.4) supervisory body is working on potential updates to grid emission factor calculation protocols⁴.

Given the above observations, the Governing Board invites CCP-Eligible programs to consider the work on grid emission factors that has been undertaken, and review/revise this element in new versions of the methodologies that they submit to ICVCM for assessment.

Suppressed Demand

The Governing Board observes that, in the context of current renewable energy methodologies, the concept of **suppressed demand** used in current and historical methodologies for renewable energy methodologies may be applied in such a way that the level of conservativeness in the methodology does not meet the Assessment Framework.

The Governing Board also observes that the Paris Agreement Crediting Mechanism (PACM) (Article 6.4) supervisory body is working on potential updates to how the concept of suppressed demand is applied in specific methodologies⁵.

Given the above observations, the Governing Board invites CCP-Eligible programs to consider the work on suppressed demand that has been undertaken, and review/revise this element in new versions of the methodologies that they submit to ICVCM for assessment.

⁴ Underway as part of the PACM Methodological Expert Panel's [Work on revision of CDM methodologies / methodological tools / Standard / Guidelines](#)

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Observations relating to Clean Development Mechanism (CDM) Additionality Tools⁶

The Governing Board also observes that existing methodologies that use CDM Tools 1, 2, 19, 21 and 32 do not always have further evidential requirements that mean that conformity with the requirements of the [ICVCM Assessment Framework](#) can be determined with confidence.⁷

Given the above, the Governing Board encourages CCP-Eligible programs using the above CDM Additionality Tools to consider reviewing and/or updating their methodologies/tools to be in line with Assessment Framework requirements on additionality and, in the context of renewable energy mitigation activities, to consider introducing specific guidance on the validation of technology penetration rates.

In addition, the Governing Board observes that the Paris Agreement Crediting Mechanism (Article 6.4) supervisory body is reviewing CDM methodological tools and methodologies, including these CDM Tools for potential use in the PACM. The ICVCM will closely monitor those processes and expects CCP-Eligible Programs to remain informed about that work and review and/or revise the use of these tools, as appropriate. CCP-Eligible Programs are required to submit information to the ICVCM on changes to their program rules and revisions to CCP-Approved methodologies must be submitted for assessment against the Assessment Framework. The Governing Board will use the oversight and assurance processes as set out in the Assessment Procedure to ensure that CCP-Eligible Programs undertake reviews of the CDM methodological tools and methodologies where necessary.

⁶ [Tools for the demonstration and assessment of additionality.](#)

⁷ Note that the Assessment Framework recognizes a number of ways to demonstrate additionality and includes requirements that ensure transparent and robust demonstration of that additionality. Please refer to ICVCM Criterion 8.1: Additionality Demonstration, as well as to Paragraph 3.3 and footnote 6 of the ICVCM [Assessment Procedure. Assessment Framework](#) Criterion 8.1: Additionality Demonstration, as well as to Paragraph 3.3 and footnote 6 of the ICVCM [Assessment Procedure.](#)