OBSERVATIONS IN RELATION TO CATEGORY ASSESSMENT
JUST TRANSITION
OCTOBER 2026

1. Purpose of these observations

The Governing Board (the Board) of the Integrity Council for the Voluntary Carbon Market (ICVCM), when considering the assessment of methodologies related to Just Transition identified that it would be beneficial to make available their observations 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 ICVCM for the purpose of information only.

The ICVCM 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 ICVCM, 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.
The Governing Board would like to express its gratitude to the experts and other stakeholders engaged in the assessment process who provided input to the ICVCM regarding this Category.

2. Category Details

The Just Transition Category covers mitigation activities that accelerate the retirement of coal-fired power plants (CFPPs) ahead of the date on which they would otherwise have ceased operation, with the foregone generation replaced, in whole or in part, by new renewable electricity. Methodologies in this Category typically combine a determination of the baseline retirement date with requirements relating to replacement generation, grid reliability and a just transition for affected workers and communities.

Accelerating the retirement of CFPPs in developing countries is essential because coal remains one of the most carbon-intensive sources of electricity, and continued operation can lock in emissions for decades. Early retirement, combined with investment in clean energy and support for affected workers and communities, can deliver substantial near-

term emissions reductions while enabling developing economies to meet growing energy demand on a lower-carbon pathway.

3. Observations relating to Just Transition methodologies

The Governing Board's observations regarding the assessment of Just Transition methodologies against the CCP Assessment Framework and its Core Carbon Principles generally relate to additionality, robust quantification, leakage and to no double-counting.

VM0052 – Accelerated Retirement of Coal-Fired Power Plants Using a Just Transition (version 1.1), together with its module VMD0060, applied under the VCS (operated by Verra), is the only methodology to which these observations relate. The Governing Board notes that other methodologies for this mitigation activity type remain under assessment.

The methodology was revised by Verra during the assessment process, including in relation to additionality, robust quantification, no double-counting and contribution to net zero transition. In its consideration, the Governing Board took note of independent analyses, including publicly available analyses, and other public commentary on the methodology and on the wider use of carbon crediting to support early CFPP retirement.

4. Robust Quantification

Modelling changes in grid emissions, whether resulting from additions to or subtractions from the grid, is complicated, particularly where demand, generation mix and dispatch patterns are changing rapidly. Further research into modelling the grid-emissions effects of accelerated CFPP retirement and replacement generation would be valuable. VM0052 relies on both (a) historical generation of the CFPP being retired and (b) of reference CFPPs; it requires screening of reference plant data for market distortions and to avoid overstating baseline generation where CFPPs already operate at low-capacity factors. The Governing Board notes that historical generation data may not always capture the effects of evolving energy policies on future coal utilisation, but noted that appropriate safeguards do exist in the methodology (e.g. if jurisdictions adopt policies to lower coal usage over time, this is captured in the methodology).

5. Leakage and system-level effects

The retirement of a CFPP may result in its lost generation being supplied by other fossil generation on the same grid, which would, in such a case, likely result in little, or no emissions reductions. VM0052 seeks to address this through pairing the retirement of the CFPP with generation of new renewable electricity, and by accounting for ex-post

generation that is not covered by paired renewables as leakage using the grid operating margin (i.e. the emission rate of fossil generation on the grid, determined ex post).

VM0052 relies on confirmation from the system operator, supported by a structured reliability assessment and rate impact analysis, that the CFPP retirement and the accompanying pairing plan will not materially affect consumer prices, access to electricity or grid stability. The methodology requires such confirmation to come from an independent system operator where a utility is the project proponent, to address potential conflicts of interest.

The methodology requires no-new-coal commitments whose scope depends on ownership. For a CFPP owned by a state-owned utility, the commitments apply to both the utility and the host country. For an independent power producer (IPP) owned CFPP, they apply to new CFPPs and capacity expansions under the owners' control. However, the IPP commitments do not prevent other entities outside the owners' control from developing new coal capacity in the host jurisdiction. it should be noted that these no-new-coal commitments may not prevent new CFPP capacity coming online where independent power producers operate in a jurisdiction that has not made such commitments. Where new CFPPs supply electricity to the connected grid, their generation is included in the operating-margin calculation used to quantify leakage for the shortfall not covered by eligible paired renewables.

Where a CFPP is retired early, the coal it would otherwise have consumed may be used elsewhere if the reduction in demand lowers coal prices and other power plants or industrial users increase their consumption in response. As with other methodologies in the energy sector, VM0052 does not quantify this effect, the extent of which depends on how coal supply and demand respond to prices. Cross-border dynamics, including the response of exporting countries and other importing markets are highly complex. Further, responses from industrial coal users (i.e. non-power) within and outside a jurisdiction that hosts an accelerated coal plant closure project is difficult to model and therefore attribute to a specific project. The Governing Board notes that further research and market modelling would be valuable and expects CCP-Eligible Programs to remain attentive to this risk and to consider updating the methodology as evidence becomes available, including from the first projects in this Category.

6. No double-counting

Pairing renewable electricity assets with a retired CFPP creates a risk that the same renewable electricity generation from those assets supports more than one claim. VM0052 requires a publicly acknowledged pairing agreement for all pairing pathways, which provides assurance that the paired quantity assets will not be registered under another program or generate other environmental attributes. Further, this risk of

potential double counting is also addressed through ongoing monitoring requirements under the methodology.

7. Broader ongoing work on just transition in the Integrity Council continuous improvement work stream

The Integrity Council ran detailed expert stakeholder discussions on transition credits as a thematic carbon credit type during 2025 in the Continuous Improvement Work Program (CIWP) on Transition Credits. The stakeholder-focused continuous improvement workstream aims to deliver recommendations for potential refinements of the CCP Assessment Framework and is separate from assessment processes which operate based on current requirements.

The CIWP report[1] contained recommendations from the working group to the ICVCM on many areas of future work. CIWP reports do not impact relevant ongoing assessments and are kept separate from such. Nonetheless, the Governing Board does still expect CCP-Eligible Programs to remain aware of findings from these stakeholder discussions and to consider them in new or revised methodologies, as appropriate. The Integrity Council will continue to work with stakeholders to deepen sector-wide understanding on transition credits in the years to come, and will consider necessary refinements to the Assessment Framework through the relevant governance processes.[2]

The Governing Board notes, in light of the above, that VM0052 v1.1 includes a module (VMD0061 – Just Transition Requirements for Accelerated Retirement of coal-fired power plants) to address the potential adverse social and economic impacts of accelerated CFPP retirement, including loss of livelihoods and employment for workers, their households and contractors, as well as impacts on affected communities and local economies. The CIWP report noted that a just transition is fundamental to the integrity of transition credits.

In accordance with the Integrity Council procedures, the scope of the Integrity Council's assessment is by reference to the current Assessment Framework and to the existing applicable criteria and requirements on sustainable development and safeguards, which include stakeholder engagement and measures to minimise and address negative environmental and/or social impacts[3].

8. Ongoing assurance and oversight

[1] https://icvcm.org/continuous-improvement-work-programs/standardised-approaches/#transitioncredits
[2] https://icvcm.org/wp-content/uploads/2026/08/CCP-Rule-Architecture-with-Annexes-August-2026.pdf
[3] Please refer to ICVCM Assessment Framework 1.2 & Section 7

Given the novel nature of the Category, the Governing Board recognises that further research and empirical testing of Just Transition methodologies may identify new information, and new risks, including in relation to the social and economic impacts of accelerated CFPP retirement on workers and communities, and it will be attentive to these as part of the Integrity Council's ongoing assurance and oversight and rule development.