Gold Standard

Double Counting Guideline

Scopes	Land Use & Forests (LU&F), Energy & Waste (E&W)
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Executive Summary

Prior to 2013 the Kyoto Protocol provided for the management, accounting and reporting of greenhouse gases across the international community. While the EU and other countries continue to base accounting on Kyoto, generally the international approach and the markets that serve them have become increasingly fragmented and unregulated. It appears very likely that for the period until 2020 and potentially beyond, this state of uncertainty will remain.

In the absence of a robust global architecture the possibility for double counting of emissions reductions exists. It is therefore critical to the authority and reputation of the Gold Standard that a rule/process is provided to guard against this. In line with the principles and spirit of the Gold Standard the new approach must be of the highest rigour and transparency and remove any doubt as to the possibility of double counting where Gold Standard VERs/CO2-certificates are involved.

It remains uncertain how this situation will evolve over time but wherever VERs are issued by a project within an affected host country or region this will remain an issue. This guideline does not affect other Gold Standard products such as labelling of CERs or Water Benefit Certificates.

Gold Standard

CONTENTS

INTRODUCTION

The rule applies where the potential exists for Double Counting of emissions reductions due to issuance of Gold Standard VERs/CO2-certificates. It is intended to protect the transparency, credibility and robustness of all Gold Standard VERs. At the same time there are increasing market demands for Gold Standard VERs generated within countries that have cap on GHG emissions.

Typically the potential for Double Counting arises where there is a government-regulated system/programme for the constraint and monetisation of GHG emissions (such as international emissions trading, cap and trade or carbon tax mechanisms). Examples may include national/international schemes such as the Kyoto Protocol, the EU ETS or sub-national, various regional schemes such as the Chinese, Canadian and American provincial/state-based schemes.

Under these systems/programmes the potential exists for the Gold Standard VERs/CO2-certificates to be inadvertently or intentionally captured and monetised outside of the Gold Standard issuance-transfer-retirement practice.

The above scenario is typified (though not exclusively) by a cap and trade system whose accounting is managed via Assigned Amount Units (AAUs) or scheme-based compliance credits. Such accounting mechanisms vary widely in quality, rigour and content with differing examples of sector and scope inclusion. The scenario may also occur where a carbon tax exists, for example in South Africa.

This guideline provides a robust response to resolve this issue across the relevant Gold Standard activities.

DEFINITIONS

Double Counting: The scenario wherein the benefit of a single GHG Emission Reduction (ER) unit is used on more than one occasion to:

- Sell to third parties for the purpose of financial gain, VER offsetting or to achieve regulated targets AND/OR
- Be included in an account or inventory to avoid the requirement to purchase ER units under a regulated system

Double Counting of ERs is therefore defined as the benefit or value of one ER unit being inadvertently (or indeed intentionally) used twice or more.

This is best illustrated through the following examples:

Example 1 – Gold Standard VER issued in a Kyoto Annex B Country that has achieved its targets:

In this example both a VER is issued by Gold Standard and an AAU surplus could be created by the host country. The amount of this surplus includes for the ER created by the Gold Standard VER project. This results in two potential purchasers (one for the VER and one for the AAU, typically a second Annex B country) both using the unit to offset their respective emissions.

Therefore for two tons emitted only one ton (inadvertently issued twice) is used to offset them. We are therefore left with net one ton emitted where there should be none. In this example while the 'extra' AAU is not directly linked to the activity itself it only exists because of the presence of the Gold Standard VER project.

Example 2 – Gold Standard VER issued in a Kyoto Annex B Country that has failed to achieve its target:

In this example the reverse is true. This time the host country has failed to achieve its target and reports the excess emission reductions, which are misleadingly higher due to the presence of the Gold Standard VER project. This means that the host country is able to purchase fewer AAUs to balance its account than it otherwise would have done.

Therefore for two tons emitted (one by the purchaser of VER and the other from the host country) only one is offset. This is because the Gold Standard VER offsets one ton and the host country has not purchased an AAU to offset theirs. This results in a net one ton being emitted where there should be none.

Example 3 – Gold Standard VER issued in a country with a domestic ETS: In this example there is the potential for both the Gold Standard VER and a domestic unit to be issued, both representing the same ER. This results in the same scenario as example one wherein for two tons emitted only one is genuinely offset.

Example 4 – Carbon Tax: In this example a Gold Standard VER is issued in a domestic carbon taxation scheme. This results in the issuing project receiving the financial benefit of the VER as well as a reduced tax burden. It also means that two parties – the issuing facility and the purchaser of the VER are in effect using the same emissions reduction.

Therefore for two tons emitted one is offset (via Gold Standard VER) and the other is not reported within the domestic taxation scheme (as it has been claimed by a third party elsewhere). This results in a net one ton where there should be none.

NOTE – there are a number of incentive schemes available to certain activities (for example subsidies for solar installations domestically). These matters are a consideration for additionality assessment unless an offset unit is issued. Where they occur in Annex B countries they are already accounted for by the Kyoto Protocol mechanism and don't represent a 'third' count.

The following table provides further definition as to the types of Double Counting that potentially exist:

Type of Double Counting	Dealt with in proposed rule	Definition	Example	Mitigation
Double Claiming	NOT REQUIRED	Wherein the GHG benefits are claimed by multiple parties	Where a Gold Standard VER is issued and used to demonstrate carbon neutrality of a manufacturer and also its product. The carbon neutrality of the product may also be claimed by the product purchaser.	Not considered 'double counting' as both claims can be considered true. This is because the offset is used against a single emission only.
Double Selling	CONSIDERED DOUBLE COUNTING BUT MEASURES ALREADY EXIST (REGISTRY, ETC)	Wherein the GHG benefit is sold multiple times by the same entity.	Where the owner of a Gold Standard VER trades the same asset multiple times. Alternatively where a Gold Standard VER is also sold separately as a REC.	While this is considered double counting (because a single offset unit would be applied to multiple emissions) the existing Gold Standard Registry procedures and rules to track ownership and retirement provide for transparency in this respect. Gold Standard does not currently police the activity of retailers beyond the Gold Standard Registry. No change proposed within this guideline.
Double Accounting against a target (no financial/offset measure in place)	UNDER REVIEW	Wherein the GHG benefits are accounted for on multiple occasions.	Where a Gold Standard VER is issued in a country or region where an accounting/reporting procedure exists for GHG emissions (for example a carbon tax, national account or in the future INDCs). The GHG benefit is accounted under Gold Standard and within the country or regional accounting system.	UNDER REVIEW AS INDC MECHANISMS DEVELOP
Double Counting of Unit	REQUIRED	Wherein the GHG ER benefit is unitised and made available for accounting or trade under multiple mechanisms/products.	Where a Gold Standard VER is issued in a policy, country or region that operates within an international or domestic GHG Cap and Emissions Trading Scheme or carbon tax that thereby realises the same ER unit on multiple occasions.	Considered Double Counting – two units from a single emissions reduction may be used on more than one occasion. Therefore proposed rule change for Double Counting outlined in this document.

Applicability & Scope

Prior to this guideline there were rules under the scope 'Energy & Waste' requiring the cancellation of AAUs in lieu of issuance of VERs and preventing the issuance of RECs under renewable energy projects (the latter rule remains in force). Rules for 'Land Use & Forest' have been dealt with case-by-case basis to date.

This guideline replaces the current rules and requirements within the Gold Standard scope 'Energy & Waste' in relation to double counting of emissions reductions and is added to the Land-Use and Forest Scope.

Type of Double Counting

This guideline addresses the specific Double Counting issues caused by 'Double Counting of Unit' and their subsequent action as defined in Section 1 of this document.

The aim of mitigation of Double Counting is to protect the environmental and financial integrity of the Gold Standard VER/claimant as well as (so far as possible) the integrity of the regulator/inventory from which the issue arises. It is noted that in many countries it is not necessarily feasible to 'balance' the host inventory by cancelling units originated there. It is therefore noted that:

- Cancelled units are to be valid for the regulatory regime wherein double counting arises as this protects both the Gold Standard VER and the inventory.
- In the case of international emissions trading scenarios cancelled units should at minimum balance the international inventory (i.e. units do not have to originate from host country).

Scopes

This guideline addresses the topic of Double Counting within all activities of the Gold Standard that are associated with issuance of carbon emission reductions. Here, it affects the issuance of all Gold Standard VERs/CO2-certificates (validated and verified).

When the Gold Standard issues labels for CDM credits (CERs) it does not create a separate asset or replicate the UN's accounting and registry systems. Therefore, as there is no possibility that application of Gold Standard can result in one ER unit benefit being realised twice. This guideline does not therefore apply to Gold Standard labelled CERs.

The guideline does not affect the Gold Standard Water scope. As this sector develops, individual cases will be reviewed and further guidelines provided in due course.

Finally this guideline does not address stacking of assets e.g. the issuance of VERs and Water Benefit Certificates for example. This topic will be dealt with separately.

Time

Applicability of these guidelines shall be determined at the point of project 'Listing' as per Gold Standard Requirements. Accordingly an assessment of Double Counting risk will be undertaken at eligibility check / Pre-Feasibility Analysis. At that time the position is fixed for that project as follows:

- For 'Energy & Waste' projects - fixed until conclusion of first crediting period (at which point applicability shall be assessed again)
- For 'Land Use & Forest' projects – reviewed at every second Performance Certification (10 years)[1]

Gold Standard justifies this process on the basis that should a GHG Emissions Trading Scheme (for example) commence in a given country during the crediting period then the Gold Standard project would have notified the Designated National Authority already during stakeholder consultation process. It would be for the new regulatory scheme at that point to take account of any Gold Standard projects currently in operation.

[1] Note in the event that a scheme comes into force during a Performance Certification cycle Gold Standard and Project Developer shall jointly consider the most appropriate response in relation to conversion to Verified Units.

Requirements

Assessment by Gold Standard

Either at Eligibility Check, Pre-Feasibility Assessment (PFA), application for Listing or application for Renewal Gold Standard shall conduct a desk-review to establish if there is a risk of Double Counting as defined in this document. This results in two possible scenarios:

Scenario 1 - Gold Standard does not consider project to represent risk of Double Counting – proceed as per standard requirements.

Scenario 2 - Gold Standard considers there to be a risk of Double Counting:

Option 1 – Project owner may proceed to investigate and demonstrate to Gold Standard that the risk of Double Counting does not exist or is mitigated external to this guideline. Approval of such cases shall be at the discretion of Gold Standard Technical Advisory Committee (TAC).

Option 2 – Project owner may commit to cancel Eligible Cancellation Units alongside/back to back with issuance of Gold Standard VERs.

Gold Standard desk appraisal will consider only whether the potential conditions exist for Double Counting and will not review in detail the possibility of Scenario 2, Option 1 applying. This option may be investigated by project owner and shall ultimately be determined by Gold Standard Technical Advisory Committee at project registration stage. Due to the complexity of such evidences it is likely that this will involve further rounds of query and would likely extend the typical timelines for certification.

While Gold Standard will review each project on case-by-case basis, the following provides guidance as to those countries that would be considered to fall under Double Counting definitions. This list is not exhaustive and may evolve/change over time:

- Any Kyoto Protocol Annex B country
- Any country with an international commitment that includes the potential for trade of emissions with other countries.
- Any country, region or locality that includes for a regulated, domestic level emissions trading scheme or carbon tax that accounts for the Scope of the Gold Standard Activity.

A useful source for tracking such countries can be found at https://icapcarbonaction.com

Gold Standard shall confirm the position and findings of the desk appraisal to project owner to assess and confirm how they wish to proceed as per the options above.

Scenario 1

Should Gold Standard confirm that a risk of Double Counting exists for a given project then project owner may proceed as per Scenario 2, Option 1 above and investigate further if it could be demonstrated that no such risk exists. Such evidence shall be considered by Gold Standard Technical Advisory Committee on a case by case basis.

Such proof shall be provided to Gold Standard as a requirement for the 'Registration' of the project. Beyond Listing no such evidence shall be considered by Gold Standard unless a significant change in the regulatory scheme occurs (for example where a scheme is dissolved, removed or replaced). The project owner shall demonstrate with documentary evidence that no Double Counting can occur by fulfilling one of the following options under scenario 1:

The project owner shall demonstrate that:

a) The GHG emissions reductions/removals scope (e.g. sector or activity) are not accounted within the relevant system of the host country/regional regulator, OR
b) Participation in the regulatory scheme is voluntary (e.g. there is not mandated or automatic capture of emissions reduction within the regulators inventory), OR
c) The host country/regional regulator does not account for voluntary GHG emissions reduction/removal contributions. This must be demonstrated credibly either through a policy instrument or by the regulator cancelling AAUS/Scheme units in lieu of Gold Standard VERs. Such removal must be demonstrated as permanent.

Scenario 2

If none of the above options under scenario 1 can be demonstrated then the project owner shall demonstrate that Eligible Cancellation Units (see list below) are cancelled by or on behalf of the project.

Eligible Cancellation Units include:

- Units eligible within the respective GHG Emissions Trading Scheme that are valid at the time of issuance (for example valid for a given commitment period).
- For Kyoto Protocol participants this is limited to:
    - AAUs
    - CERs with further eligibility as follows:
        - Must be from scopes/sectors eligible for Gold Standard labelling

- Must ideally have completed the UNFCCC SD Tool

Units may not be temporary/validated (tCER and lCERs from CDM A/R are not eligible).

The eligible units may come from any valid vintage and country of origin so long as they have been issued and can be demonstrated via attestation from the relevant registry to have been cancelled for the purposes of the respective Gold Standard project to address the topic of Double Counting. Gold Standard justifies the selection of Eligible Cancellation Units because they are Equivalent to the one implemented by host regulatory bodies (e.g. AAUs) to mitigate any risk of discrepant accounting.

An equivalent number of Eligible Cancellation Units shall be cancelled prior to each issuance of an affected project. The Gold Standard VER/CO2-certificates issuance process will occur in line with the timescales as appropriate under the Gold Standard Rules and Requirements, but Gold Standard VER/CO2-certificates issuance will not be completed until the cancellation of an equivalent number of Eligible Cancellation Units has been confirmed/attested.

The Gold Standard requires that the units cancelled must be issued in a transparent registry that allows for clear serial numbering and unequivocal attestation as to purpose. For example at the point of a cancellation some registries (for example UNFCCC Voluntary Cancellation Platform) allow for the attestation of purpose to be stated in the receipting. This attestation is required to demonstrate to Gold Standard that the purpose of cancellation was voluntary and explicitly for the mitigation of double counting risks. The attestation should therefore include the Gold Standard Project number (if known) and clear reference to the topic of Double Counting (e.g. Retired on behalf Gold Standard Project 1234 to resolve Double Counting).

Before issuance of Gold Standard VER/CO2-certificates takes place evidence on the cancellation shall be provided.

Note, that in case the project owner has to follow Scenario 2, the Gold Standard does NOT require the project owner to cancel the respective amount of Eligible Cancellation Units at the beginning of Gold Standard application process. It is recommended to wait until the final amount of Gold Standard VER/CO2-certificates has been confirmed by the audit report (to avoid the possibility of over or under estimation).

Procedures for Notification of Regulatory Bodies

The Project Owner shall notify the DNA and any relevant regulatory bodies concerning the voluntary activity/issuance of voluntary emissions reductions no less than two months prior to Registration. Any comments raised by such bodies in response to notifications shall be fully and satisfactorily addressed prior to Registration. Gold Standard reserves the right to reject project Listing or Registration should the host/DNA/Regulatory body object to project on the basis of potential Double Counting risks.

Should a regulatory scheme be proposed/commence development during the project crediting period the project owner shall notify the host/DNA or any newly formed regulatory body of the presence of their voluntary project in the jurisdiction and that steps should be taken to avoid Double Counting on the regulatory side.