

Carbon Market Watch feedback to Gold Standard's document "*Operationalising and scaling post-2020 carbon markets*"

Part 1 - Comment on GS's vision for compensation Vs. contribution credits

Carbon Market Watch welcomes Gold Standard's vision for the post-2020 voluntary market and supports the idea of developing a new type of claim which would not be used for compensation of greenhouse gas emissions. If carbon credits continue to be used as offsets/compensation, we also support the position that this should only be possible if the underlying emission reductions are not counted by the host country, i.e. a corresponding adjustment is applied. We are particularly interested in the "contribution claim" concept and would be happy to work with Gold Standard to further elaborate what such a claim could mean, how it can be designed in a way that is attractive to buyers, and how it could be promoted. It would represent a step forward to commercialise this new claim, and open and transparent communication will therefore be an important element to ensure that buyers are aware of and interested in this new product.

Furthermore, we would be happy to work with Gold Standard to better understand and define the differences between a compensation and a contribution claim, and how this market evolution can go beyond simply semantics. This is a challenge we still see for the new concept of "contribution", as it is currently mostly a change of name/re-branding of something which already exists. How this change will affect corporate climate strategies is an important element for the evolution of this market.

Part 2 - Comment on GS' consideration of new activity scopes

CMW notes that Gold Standard is considering extensions to its current scope, to activity types which are in high demand, but also carry high risks when used to generate offsets. We urge Gold Standard to prioritise integrity over meeting low-quality demand, and to not issue "compensation" credits for projects where permanence cannot be guaranteed, including LULUCF projects. These projects could be supported through the contribution claim, and Gold Standard's leading role in offering this claim on the market could provide it with a competitive advantage, given that some buyers have a preference for such land-use credits, but are also aware of the risks associated with making compensation claims while relying on non-permanent emission reductions.

We note that it is virtually impossible to ensure permanence in forestry or other land-use projects, and that the effectiveness of buffer pool approaches will only be known in centuries from now, as this is the time horizon for which carbon should remain stored in order to be able to claim some form of compensation. Currently, land-use offsets merely shift carbon from highly stable reservoirs (fossil fuel stored in the ground) to highly unstable ones (biomass).

Regarding Gold Standard's proposed development of activities in the agriculture sector, CMW would again urge caution, as most agriculture projects are unsuitable for the issuance of carbon

offsets. Projects which aim to store carbon in the soil are at high risk of impermanence, and Gold Standard should carry out a detailed review of existing literature regarding the uncertainty around how much - if at all - agricultural practices can durably store carbon in soil. In addition, projects which aim to reduce the carbon intensity of cattle ranching can be detrimental to the climate by entrenching unsustainable practices which should not continue in the long term. Such projects are comparable to increasing the efficiency of coal power plants, which Gold Standard does not recognise as suitable for issuing carbon credits. In both types of projects (i.e. methane reduction from cattle and increased efficiency of coal plants), the impetus is placed on reducing emissions at the margin, for a practice which should in the long term disappear/be drastically reduced.

Finally, we would like to highlight the danger of issuing carbon offsets based on “technology based removals”. Emissions removed through such technologies are at risk of non-permanence, and use of the technology itself could lead to locking-in existing high carbon practices, notably in the industrial sectors. Allowing to issue carbon offsets for practices such as Carbon Capture and Storage (CCS) could lead to a situation where one company justifies its continued emissions by financing a practice which leads to another company also claiming that it does not need to change its business model/activities. Both outcomes would be negative for the climate in the long-term, and yet the transaction of a “carbon offset” would be branded as a positive climate contribution.

As CMW is engaging on the topic of negative emissions, we would be happy to further discuss this topic when/if Gold Standard designs relevant methodologies or frameworks.