

A teal-tinted photograph of the Paris skyline, featuring the Eiffel Tower prominently on the right side. A large white rectangular box is positioned in the upper right corner, partially overlapping the tower's top.

# Gold Standard<sup>®</sup>

*Climate Security & Sustainable Development*

**CONSULTATION**

## **OPERATIONALISING AND SCALING POST-2020 VOLUNTARY CARBON MARKET**

16 June 2020

## Introduction

This document sets out Gold Standard's intended **policy and approach to carbon markets** post-2020. It includes topics that will inform how Gold Standard will update its rules, requirements and approaches to ensure integrity, relevance, and ambition in future markets.

The document is intended for Gold Standard stakeholders, including civil society partners, project developers, auditors, governments and members of the public. It is open to comment (see below) which will inform Gold Standard's policies in 2020 and beyond.

This document does not constitute any change in Requirements under Gold Standard for the Global Goals. Further updates and/or new Requirements will be developed in due course, in part informed by the feedback to this consultation.

## Context

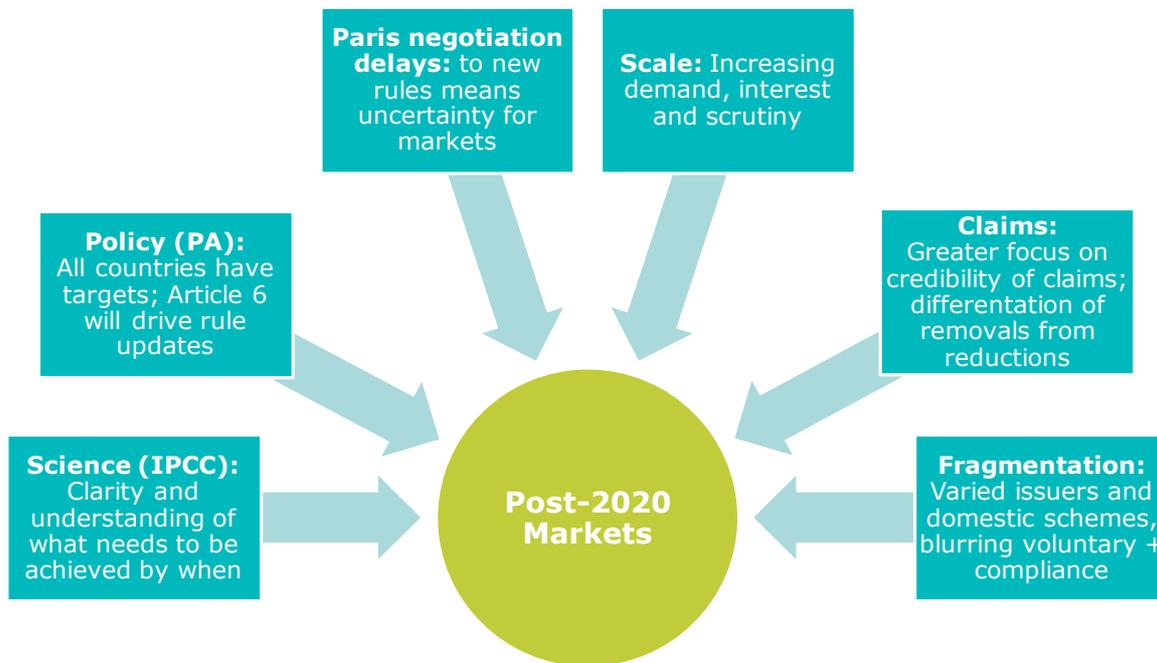
Since 2003, Gold Standard has pioneered best practice in environmental and sustainable development integrity to catalyse more ambitious climate action. Gold Standard's vision and mission is directed towards achieving the twin goals of averting the climate emergency (through a successful and robust implementation of the Paris Agreement and science-based mitigation targets) and achieving the Sustainable Development Goals (SDGs).

This consultation document represents the approaches that Gold Standard envisages to be taken in the specific case of carbon markets towards realising those twin goals.<sup>1</sup>

The carbon market is faced with a once-in-a-generation opportunity to reflect on its role in responding to the climate emergency. A range of factors, including increased urgency, scientific clarity, public awareness and global policy all demand a review of

<sup>1</sup> Other areas of Gold Standard's strategy, such as the Value Change programme for Scope 3 action are or will be covered elsewhere.

how markets can be a part of the solution and of what needs to be updated in order to facilitate this ambition.



In this window of opportunity for shaping markets, Gold Standard is seeking input to shape policy to again ensure integrity and quality in the post-2020 era, including:

- Guiding principles and approach to carbon markets
- Supporting the development of robust, credible claims
- The role(s) Gold Standard will play in future markets
- The potential changes to our standards and how these will be introduced
- The types of activities Gold Standard will support

It is intended that this consultation acts as the beginning of an ongoing discussion with stakeholders across key areas of our work.

## Inputs to date

Since the advent of the Paris Agreement, the Science Based Targets initiative and the SDGs in 2015, Gold Standard has engaged in and led discussion on the future of carbon markets, particularly the interface between voluntary/private action and

compliance markets. This has included the facilitation of a civil society working group (including public consultations), participation at key industry workshops and events, discussions with governments and the hosting of webinars and consultations for Gold Standard's users.

The ideas presented in this document is thus informed by research, our civil society partners, users, stakeholders, governance bodies and staff. To enable discussion, this document is intended to be non-technical. For broader context and unpacking of key technical issues, Gold Standard facilitated a civil society and market working group, paper [here](#).

## Consultation

Gold Standard recognises that there has been and will continue to be ongoing dialogue and evolution of these topics. The intention of this consultation is therefore to engage our stakeholders in these conversations and to help make sense of the changes affecting our markets, including those that Gold Standard does not directly control but must react to robustly. It is acknowledged that parts of this policy will evolve and improve over time, as we and our stakeholders learn together.

Gold Standard invites comments until 17 August 2020. This consultation period will include a series of stakeholder webinars and engagements. The comments received will inform a further draft that will ultimately be scrutinised by the Gold Standard Technical Advisory Committee for use in developing the specific standards updates required.

The feedback received will help Gold Standard further refine its positions and inform future decision making.

Comments should be addressed to: [standards@goldstandard.org](mailto:standards@goldstandard.org)

# PART ONE – GOLD STANDARD CARBON MARKETS POLICY

## 1. GUIDING PRINCIPLES

Since 2003, Gold Standard has been a pioneer and the leading exponent of high sustainable development and environmental integrity in the Clean Development Mechanism (CDM) and Voluntary Carbon Market (VCM).

The following high-level principles inform the way Gold Standard views its role in carbon markets:

**Principle 1:** Gold Standard represents the highest and most appropriate environmental and sustainable development integrity in the carbon markets, applied to all projects, never optional. Integrity applied across the activity and implementation, methodological MRV, crediting and labelling, and subsequent claims will be consistently applied to all Gold Standard issued credits and to credits that Gold Standard labels.

**Principle 2:** Gold Standard will be applicable in any geographic context, subject to specific requirements, but will prioritise activities and areas with high development need and potential through eligibility and continuous review of access mechanisms and requirements for marginalised stakeholders.

**Principle 3:** With climate science as the 'north star', Gold Standard will seek alignment and consistency with the Paris Agreement rulebook and Science Based Targets to ensure widest applicability and shared ambition, but will assess key rules and improve upon them for greater ambition and integrity wherever needed.

**Principle 4:** Gold Standard will drive confidence in markets by collaborating with civil society and other partners to co-develop and promote credible claims that truthfully and clearly represent impacts achieved for issuers and buyers.

**Principle 5:** Gold Standard will stand for and promote the essential need for governance good practice and transparency in markets, in line with our intentions and commitments as the first climate-focused Associate Member of the [ISEAL Alliance](#).<sup>2</sup>

These principles inform key implications discussed throughout this document.

## 2. GOLD STANDARD'S ROLE(S) IN THE CARBON MARKETS

Gold Standard is uniquely placed amongst carbon market standards as the most credible issuer of carbon credits, backed by a broad group of [NGO Supporters](#) and as a respected labeller of third-party credits to the same high standards. This means Gold Standard is well positioned to drive quality in emerging, fragmented markets including:

1. As an issuer of credits for general voluntary market application (see Box 1 for how the discourse on claims is evolving)
2. As a recognised, approved or eligible issuer of credits for use in regulated schemes such as CORSIA, domestic schemes or in future by countries under Article 6.2
3. As a labeller of third-party credits including potentially Article 6.4, domestic and international compliance schemes (for example Chinese CERs) or voluntary markets
4. In future and subject to further consultation, as a potential labeller of ITMOs under Article 6.2 where related (for example) to sectoral or national accounting rather than individual activities. This will entail new requirements and approaches being developed for this purpose.

Gold Standard will actively and immediately pursue the first three options above, particularly where there is both need and demand for high quality, ambitious certification. These will build on the already strong provisions within Gold Standard for the Global Goals. Gold Standard will seek to ensure that the key attributes that make up a Gold Standard credit or label (i.e. integrity at the activity, MRV, crediting and claims levels) are consistently applied, while adjusting for key eligibility issues (where

<sup>2</sup> Gold Standard, as of May 2020, is an Associate Member of the ISEAL Alliance and is seeking full Membership by end of 2020.

consistent with Gold Standard principles) that allow the credits to be used in different markets.

For example – Gold Standard credits can be used in the CORSIA market, subject to meeting CORSIA eligibility requirements, such as vintage

The fourth will be the subject of further consideration, working closely with government and civil society partners.

### **3. RULE UPDATES AND TRANSITIONS**

#### **Corresponding Adjustments**

Sections 1 and 2, above, point to a series of policies that have implications for future updates to Gold Standard Requirements. The most impactful of these is the emerging discourse on differentiating between carbon credits that have obtained a host-country corresponding adjustment and those that have not.

This differentiation has implications for market access (for example, CORSIA will require adjustments in its full phase) and the claims that can be credibly made for voluntary use. (See Box 1)

#### **Box 1**

##### **Gold Standard’s position on double claiming with the Paris Agreement**

The promise of carbon offsetting using the voluntary carbon market has been to drive change, to accelerate de-carbonisation beyond business as usual. This meant that climate action eligible for carbon offsetting was both 1) over and above compliance obligations and 2) financially additional.

Under the binary world of the Kyoto Protocol, there was a clear line of demarcation defining beyond-compliance climate action projects. Under the Paris Agreement, every country has a target. These targets or nationally determined contributions (NDCs) are heterogeneous, sometimes unclear, and expected

to change over time. Defining 'beyond compliance' activities is fraught. This makes it challenging to be sure that the impact of a carbon credit has not inadvertently displaced an equivalent impact for which the host country has stated targets. That is, without Corresponding Adjustments, it is difficult to be certain there is no double claiming.

This uncertainty has been addressed in the Paris Agreement (Article 6) by requiring a Corresponding Adjustment of national inventories for any Internationally Transferred Mitigation Outcomes (ITMOs).

It is inevitable (for example due to CORSIA and Article 6) that carbon markets will begin to differentiate between credits with Corresponding Adjustment and those without. This has prompted an ongoing dialogue (in which Gold Standard has been a pro-active participant) amongst market observers and participants on the use of and claims associated with different units.

This dialogue is ongoing, however there are emerging civil society and policy views that the voluntary carbon market can and should deliver additional finance in two ways, with two differentiated claims:

1. Beyond compliance for compensation/offsetting claims: to unlock unique (singularly owned) "offsetting" or "carbon neutral" claims, the host country makes Corresponding Adjustments for the issued credits and does not include them within its own reporting. This ensures that the action of offsetting is not double-counted.
2. Enabling Paris goal commitments to be met through "financing" or alternative claims: Ideally working with the host country, the voluntary carbon market serves as a mechanism to channel private finance to help countries meet their commitments under the Paris Agreement.



Gold Standard therefore supports a smooth market implementation for differentiation between units:

- 'Beyond' Paris-compliance for use in offsetting claims
- Other uses of markets that have non-compensatory benefits

Gold Standard recognises the need for a thoughtful, fair implementation that ensures market continuity and value for participants while avoiding the exploitation or exclusion of host countries and communities.

Stakeholders are directed to the civil society working group paper (here) which further explains the rationale for claim differentiation and the need for transition. Gold Standard expects that some of the key civil society observers and other stakeholders will begin to strongly position for the differentiation noted above in the coming months.

### **Implementation of unit/claim differentiation**

Gold Standard will actively differentiate for post-2020 vintages (i.e. in the Gold Standard registry and terms and definitions) between units that do and those that do not have a Corresponding Adjustment. This change is inevitable, to support markets such as CORSIA that already require adjustments. It is also likely that other markets may emerge that are, for example supporting domestic efforts and would not require them.

The choice to seek a Corresponding Adjustment will therefore be for the project developer to decide, with the clear expectation, supported by Gold Standard that there will be a shift both in the market and in significant civil society advocacy towards differentiation of claims and appropriate uses associated with each (per Box 1). Although exact timing is difficult to predict, Gold Standard expects key civil society organisations to publish positions by or during 2021 and will actively engage in and support these efforts.

New claims guidance, processes and requirements will be rolled out in collaboration with partners in civil society based on these efforts.

Gold Standard recognises that while differentiating between adjusted and unadjusted credits in its registry is relatively simple, the shift towards differentiated usage claims requires support from a range of stakeholders, including civil society, governments, buyers and project developers. This is because many participants in the carbon

markets have come to rely upon common practice claims, such as offsetting and carbon neutrality in sales strategies.

It also requires robust and practicable processes on the part of countries, who have not yet finalised key provisions under the Paris Agreement. Gold Standard will work closely with key civil society actors to develop claims that:

- Support market integrity and ambition aligned with Gold Standard’s Mission
- Recognise the need to grow demand for non-compensation/offsetting claims and clarity on the differences between and applications of different market instruments
- Ensure market continuity by maintaining and increasing demand and not undercutting existing projects and issued (or to be issued) assets
- Are implemented when:
  1. The policy mechanisms to apply Corresponding Adjustments exist
  2. There is confidence that countries will not be exploited and
  3. Projects are able to reasonably access Corresponding Adjustment mechanisms in a practical and transparent way (noting that it will be for host countries to decide whether to provide them)

It is reaffirmed that whether adjusted or unadjusted, all units will continue to be subject to Gold Standard’s safeguarding and inclusivity principles and be required to demonstrate SDG benefits. During 2020/2021, Gold Standard intends to publish SDG Impact Tools to support project developers in implementing and monitoring these SDG benefits.

## Claims Guidance and Terms & Definitions

Alongside the alignment of standard Requirements with the Paris Agreement, Gold Standard will further engage with key civil society actors such as the Science Based Targets Initiative to align and integrate the claims associated with markets. This represents an opportunity to both direct carbon finance beyond the targets of companies and to increase demand amongst those companies. (See Box 2)

### Box 2

#### Reduce within/finance beyond – role of carbon markets

Gold Standard advocates for the critical need for companies to reduce their own direct and indirect emissions in line with science. A good example of this is the Science Based Targets Initiative (SBTi) which sets out a method for companies to set and report how they are reducing emissions in line with a 1.5 degree scenario that is informed by science and in line with the Paris Agreement to balance emissions with sinks by mid-century. To achieve global decarbonisation, it is essential that companies prioritise internal emission reduction and apply markets for compensation beyond these commitments.

SBTi therefore does not allow offsetting as part of achieving a company's Science Based Target, something Gold Standard strongly supports (noting that potential recognition of removals in a Net Zero target does not necessarily represent offsetting, though it may make use of VCM infrastructure. The Gold Standard Value Change programme provides guidance and pathways to certify carbon reduction activities towards a Science Based Target. **Gold Standard recommends supporting mitigation beyond the company Science Based Target trajectory, through offsetting.**

In 2019, SBTi led a dialogue (in which Gold Standard participated) on establishing 'Net Zero' claims for companies, expecting to deliver further outputs in 2020.

Gold Standard supports the SBTi stance on the use of offsetting directly against targets and will work closely with the group on establish complementary claims that make best use of markets without disrupting the essential mission of the initiative, as well as establishing new forms of climate leadership claims for the most ambitious companies.

Gold Standard will therefore work closely with civil society partners to develop a Net Zero programme for better, complementary integration between Science Based Targets and markets to define best practices for companies to reach Net Zero emissions. As part of this approach, Gold Standard will also explore claims for other uses of offsetting, such as for travel, events, products, as well as approaches for small business and individuals.

The result of this approach for our market stakeholders is better, more credible alignment and the opportunity to recognise how carbon credits can contribute to

resolving the climate emergency. In doing so it is expected and intended that demand for Gold Standard carbon credits will increase due to enhanced legitimacy.

In due course and as greater clarity on claims is achieved, the Gold Standard Claims Guidance and key terms and definitions will adapt accordingly. This process is expected to begin in 2020 and will be gradually realised in the coming years.

Updates to Gold Standard for the Global Goals Requirements to align with Paris

To deliver on the commitment to align with the Paris Agreement, a number of rule updates are expected. The timing of these is difficult to predict due to the evolving timing of the Paris negotiations, but is expected that rule changes will begin to come into force in 2021 and 2022 and will be applied to new projects and typically at certification renewals for existing projects:

- **Additionality and Ongoing Financial Need** – It is expected that current additionality definitions and tools will update to reflect the finally agreed policy and tools of Article 6.4. Gold Standard has also pioneered the role of ‘Ongoing Financial Need’ assessments to ensure that market finance is directed to the most needed activities; it is expected that this requirements will be further clarified, enhanced and applied in future years.
- **Baseline** – It is expected that the definition of baseline will align with the Paris Agreement and be required to be reviewed and updated at certification renewals in most cases.
- **Crediting periods** – Gold Standard has already aligned with the five-year cycle of the Paris Agreement; further update is not necessarily expected but will be monitored in case of change.
- **Microscale and smallholder projects** – The role and applicability of processes that support community and smallholder projects, for example microscale validation and verification, additionality and suppressed demand will be reviewed to align with the poverty alleviation goals and environmental integrity of the Paris Agreement. Gold Standard’s goal is to prioritise access for vulnerable and excluded

stakeholders, balanced with environmental integrity required to participate in key markets.

- **Removals** – To align with both the Paris Agreement and outcomes of a Net Zero programme, it is expected that a review of requirements for removals units and their differentiation from emission reductions in registries and potentially in claims will be required. Gold Standard is a member of the Greenhouse Gas Protocol’s Advisory Group for removals and is actively engaged in the Net Zero dialogue established by the Science Based Targets initiative. It is expected that a reflection on the role of removals will take place over the next two years.
- **Existing project transition** – Provisions and rationale for which projects can transition to new mechanisms and the process for doing so will be developed in 2020/2021.

## 4. CONCLUSIONS – PART ONE

This section has set out the broad policies and activities that Gold Standard will pursue to ensure integrity and raise ambition in carbon markets.

1. Gold Standard will:
  - a. Continue to issue voluntary carbon credits for global application that can be recognised in third party voluntary and compliance schemes
  - b. Develop labelling approaches for third-party credits, including Article 6.4
  - c. Explore how Gold Standard can support the realisation of high integrity and ambition Article 6.2 ITMO transfers
2. Gold Standard will further explore and develop:
  - a. The understanding, roles, use and claims associated with credits that have Corresponding Adjustments by host countries (i.e. not included in NDC reporting) and those without and are therefore making a contribution towards NDC targets
  - b. Develop claims guidance to differentiating between compensatory offsetting claims (requiring Corresponding Adjustments) and contribution claims (not requiring Corresponding Adjustments), supporting the leadership of key civil society actors

- c. A well-planned, practicable, appropriate and fair transition to new provisions to align with the Paris Agreement and protective of the integrity of Gold Standard products
3. Gold Standard will collaborate with Science Based Targets initiative and other relevant partners to develop integrated, complementary approaches and claims that respect and prioritise the need for companies to reduce their internal direct and indirect emissions in line with science and to go beyond, for example using carbon markets.
4. Gold Standard for the Global Goals will be updated to align with the Paris Rulebook and application for new and existing projects will be carefully managed in consultation with market stakeholders and civil society.

# PART TWO – GOLD STANDARD ACTIVITY TYPES

## 1. OVERVIEW

Gold Standard aims to support activity types considered most in need of and most appropriate for the unique role of carbon finance generated from carbon credits. For example, Gold Standard has never issued carbon credits for many of the industrial-focused CDM scopes, restricting to Renewable Energy (recently restricted further/LINK), Waste Management, End-use Energy Efficiency, Agriculture and Afforestation/Reforestation.

As per Principle 2, outlined in this document, Gold Standard will continue its commitment to high development impact through both considerate requirements and through the activity types it supports.

This section seeks consultation on the activity types Gold Standard supports. While this is as comprehensive as possible, it is inevitable that other activity types may be submitted to Gold Standard in the future. These will be reviewed according to established principles and process.

## 2. GOLD STANTARD ACTIVITY TYPES

With the opportunity to review Gold Standard’s policy and approach to markets comes an opportunity to broadly consider the activity types that Gold Standard currently supports and intends to expand to support in coming years. The intention is to receive stakeholder feedback to be more efficient and more holistic in the approach to planning and implementing these changes.

In some cases it may be beneficial to allow certain activity types to apply only for unadjusted credit issuance (see Section 1 of this document), if it is determined that

they are best supported by finance claims rather than offsetting. This will be assessed as new activity types are researched and added.

The Table below schedules the activity scopes targeted by Gold Standard for growth and expansion (governance approvals needed are stated in brackets, links to existing methodologies via hyperlinks). The current stated exclusions for nuclear, geothermal engineering and fossil-fuel switch/perpetuation (excepting LPG clean cooking with safeguards) will remain in place.

SCOPE/ACTIVITY	EXAMPLES	INTENTION
<p><b>Energy Processes:</b> Focuses on emission reduction activities and are not expected to change dramatically beyond what is already approved. Instead, Gold Standard will focus on streamlining requirements and enhancing efficiency and taking bold approaches towards greater practicality and integrity while growing the overall portfolio to meet increased demand.</p>		
Renewable Energy	Wind, solar, waste, biogas	Streamline and improve efficiency, target increased demand for certification.
Community Services (end use energy efficiency & shift to renewables)	Clean cooking, Safe Water Supply, community biogas	
Waste Management	Waste to energy, landfill gas recovery and power generation, composting	Review specific requirements to support vulnerable, marginalised and high development potential activity types (for example community services)
<p><b>Nature-based solutions:</b> Focuses on land-use and marine carbon where Gold Standard intends to both grow its existing portfolio and expand into new activity types. The focus is on high-development potential and activities that deliver permanent carbon sequestration benefits to contribute to global net zero targets.</p>		

<p>Afforestation/ Reforestation (A/R)</p>	<p>Restoration, agro-forestry, plantations, mangroves (biomass aspect)</p> <p>Urban forestry to be explored, either as an addition to or standalone from A/R</p>	<p>Streamline and improve efficiency</p> <p>Review specific requirements to support vulnerable, marginalised and high development potential activity types (for example smallholders)</p>
<p>Improved Forest Management [requires scope expansion subject to GS Board and TAC approval]</p>	<p>Various including extending rotation forestry techniques, reduced clear cutting etc</p>	<p>Develop and approve methodology framework and encourage new projects for certification</p>
<p>Livestock (dairy, meat)</p>	<p>Feed additives, other, tbc</p>	<p>Encourage new dairy activities, [subject to TAC approval]</p>
<p>Rice</p>	<p>Methane reduction through water management</p>	<p>Increase demand for use of approved methodology</p>
<p>Agriculture – Soil Organic Carbon, N2O emissions, biochar</p>	<p>Improved till, zero till, fertiliser management, cover cropping, intercropping, fire management, grassland management</p>	<p>Apply approved Soil Organic Carbon Framework and encourage submission of activity modules and projects for approval</p>
<p>Blue Carbon [requires scope expansion subject to GS Board and TAC approval]</p>	<p>Coastal restoration, mangroves (marine aspect), seaweed</p>	<p>Develop and seek Board/TAC approval for scope expansion, new activity requirements and methodology framework</p>

**Technology-based carbon removals:** These newly emerging technologies **will play a role** in mitigating the climate emergency. Gold Standard will explore, through stakeholder consultation and further research (noting that the restrictions on non-eligible activities will remain in place).

In recent years there have been a number of publications concerning how carbon markets can target 'higher hanging fruit' projects, those that may be out of reach to countries and that represent highest ambition. This concept is still evolving but Gold Standard expects to engage and explore. Hence new, highly ambitious project types can also be explored in the context of approved scopes and Gold Standard encourages new ideas and ways of assessing these to come forward.

In addition to the above scopes/activities, Gold Standard maintains its current position concerning avoided deforestation activities and REDD+ , summarised as follows:

- Gold Standard recognises the urgent need to reduce and cease deforestation and that to date market-based approaches to this issue have suffered significant credibility concerns.
- Gold Standard does not consider market application of project-based or nested-project approaches to avoided deforestation in REDD+ to be credible (including high environmental integrity, baseline and leakage provisions and social and environmental safeguarding) and will not seek to issue or label credits from them.
- Gold Standard considers that supporting avoided deforestation in National REDD+ schemes, either through Article 6 or ideally Article 9 of the Paris Agreement, or other robust financing, may be credible and valuable if nationally-appropriate, national-level robust safeguards and provisions for baseline, leakage and MRV are applied. Gold Standard, with key civil society and government partners, will therefore consider exploring its role in supporting high integrity National REDD+ actions outside the use of carbon credits.

### 3. CONCLUSIONS – PART TWO

Gold Standard seeks stakeholder feedback to the holistic view of activities that will continue to be supported by markets and those that will be added. While at this time specific rule updates are not being proposed, ideas to enhance value and practicability are welcomed and will be considered in due course.

The intention for the Gold Standard portfolio is summarised as follows:

1. Gold Standard will prioritise high development need and potential projects by:

- a. Reviewing key rules to support activities such as community services and smallholders
  - b. Building portfolio and expanding scope for Nature Based Solutions activities with the highest development need and potential
2. Gold Standard will maintain the scope of activities included in its energy processes scope and respond to ad hoc requests for specific methodology approval, in line with Gold Standard governance requirements.
3. Gold Standard welcomes feedback on technology-based carbon removal activities and will make an informed decision based on further research and input in due course (Gold Standard will undertake further review in Q4 2020 and Q1 2021).
4. Gold Standard will not issue credits for avoided deforestation activities under REDD+ nor will it label project/nested units from third party standards for use in carbon markets. Gold Standard will explore roles in national REDD+ schemes for carbon finance and/or markets subject to further research and input from stake