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ZeroMission Comments: Operationalising and Scaling Post-2020 Voluntary Carbon Market

Thank you for an informative webinar on the new changes within Gold Standard and the voluntary carbon market post-2020. ZeroMission is a carbon offsetting provider in the Nordics, sourcing credits from projects certified by Gold Standard among others. We appreciate the opportunity to comment on the webinar on Operationalising and Scaling Post-2020 Voluntary Carbon Market.

GS Consultation text excerpts and ZeroMission's Comments:

Context (page 2)

Policy (PA): All countries have targets; Article 6 will drive rule updates

We suggest slightly more distinction between VCM and carbon trade between countries. Suggest "will drive rule updates for trade between countries."

Fragmentation: Varied issuers and domestic schemes, blurring voluntary + compliance

We don't consider this a significant change. There have been varied issuers, domestic schemes and blurring of the voluntary and compliance market for many years.

Gold Standard facilitated a civil society and market working group, paper here.
Working group paper not found at the link.

GUIDING PRINCIPLES (page 5)

Principle 1
While we understand the interest from GS in claims, and while this is clearly an important issue, it seems to us that the Gold Standard Foundation doesn't have the power or mandate to control claims. Claims are more likely to be defined by organsiations such as ISO of advertising authorities.

Suggest being more specific about what "claims" means, even listing the claims that are being discussed.

Principle 3
Agree that the Paris Agreement rule book will be very important but it's also important that GS considers each and every rule in the book very carefully and that GS diverges from the Paris rulebook where it would be best to do so (eg the crediting periods set for renewable energy projects under CDM proved to be too long since additionality has disappeared and it would be important not to make a similar mistake again).

GOLD STANDARS ROLE(S) IN THE CARBON MARKETS (page 6)

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:

This claim ("most credible") may be true but it's not for GS itself to judge. This statement is too partial for such a consultation document.

Suggest the role of Sustain Cert in relation to GS is clarified somewhere in this section.

As a labeller of third-party credits including potentially Article 6.4, domestic and international compliance schemes (for example Chinese CERs) or voluntary markets

Q: is this an existing or potential new role?

Isn't GS also the manager of a register in which credits are issued, transferred and retired? Suggest this is an important role to state here.

3. RULE UPDATES AND TRANSITIONS (page 7)
Corresponding Adjustments

Q: in which year will CORSIA enter its "full phase"? ie from which year will CORSIA require corresponding adjustments?

This meant that climate action eligible for carbon offsetting was both 1) over and above compliance obligations and 2) financially additional."

We don't think the VCM has always achieved these two aims so suggest adding two words "carbon offsetting was to be both 1) …"

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).

What's inevitable is that carbon finance from countries and airlines will begin to differentiate between credits with CAs and those without. The VCM is many different markets and, at this stage, it's not inevitable that other parts of the VCM will make this differentiation.

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.

Q: What is meant here by "units"? Any examples?

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.

Suggest making clear that this applies when credits are to be exported from the host country. Q: will CAs be applicable in any domestic situations ie when the end buyer is in the same country as the project? Also suggest clarifying that the double-counting would be by two countries (host country and buyer country) or by a country and an end buyer. Since companies and countries have separate accounting systems there is discussion about whether it would be double-counting if the end buyer is a company.

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

suggest clarifying that reference is to climate benefits ie "noncompensatory climate 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.

We suggest time is required here. Suggest "thoughtful, fair and gradual implementation"

Implementation of unit/claim differentiation (page 9)

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.

Does this mean differentiation of 2021 vintage credits? This is very soon, creating risks for projects and not allowing the necessary time for adjustments in the market. Could the differentiation start from 2022 instead?

Ref CORSIA: does the scheme already require the adjustments? See previous question on Full Phase of CORSIA. When will this happen?
The choice to seek a Corresponding Adjustment will therefore be for the project developer to decide

Isn't the choice for the project owner, who will have long-term responsibility for the project? Rather than for the project developer?

Gold Standard's help, especially in working with countries to establish corresponding adjustments, will be essential. Otherwise there is the risk that small projects will not be able to handles this issue and will be disadvantaged.

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.

Q: how exactly will this work? What evidence will GS require for corresponding adjustments? at what stage will the CAs be granted (validation, verification or issuance)?

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.

Claims are made by end buyers, often on advice from retailers. Q: how is GS engaging with end buyers and retailers in this discussion?

Claims Guidance and Terms & Definitions (page 10)

This represents an opportunity to both direct carbon finance beyond the targets of companies and to increase demand amongst those companies.

We don't see the argument as to how demand will be increased. What is the argument behind the statement "This represents an opportunity… to increase demand amongst those companies"?

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.

We don't agree with a distinction between offsetting and removals. ISO 14021 has a good definition of offsetting, which includes reductions, avoided emissions and removals.

We agree with the SBTi position, which doesn't permit use of offsets in SBTs. This is based on sound carbon accounting which doesn't permit "netting" in carbon accounts when offsets are purchased. This principle of carbon accounting must be preserved

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.

Q: why should claims should be different for different sectors or for different types of entities?

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.

We urge caution with regard to the international agreements under Article 6.4. Suggest GS should, at this stage, commit to "take into account" the final agreed policy and tools of Article 6.4, rather than commit to "reflect" the agreement.

Microscale and smallholder projects Gold Standards goal is to prioritise access for vulnerable and excluded stakeholders, balanced with environmental integrity required to participate in key markets.

It's these projects - microscale and smallholder - that will be at most risk from a rapid implementation of the distinction between credits with CAs and credits without. These projects will need support to get CAs, otherwise there is the risk that these types of projects fall into the "unadjusted" group while large, well-connected projects form the "adjusted" group.

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.

In accordance with existing definitions, we consider removals to be offsets. Over the coming years, projects that reduce or avoid emissions are likely to become a smaller % of the total number of projects, while numbers of projects that are removals increases. The transition towards removals should happen naturally and we don't think it's necessary to create a new type of unit.

CONCLUSIONS – PART ONE (page 13)

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

It's crucial to keep end buyers on board through these changes, else the financing to good projects will reduce rather than increase. End buyers' views may differ from those of civil society actors.

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.

GS has the possibility to represent better quality than the forthcoming Article 6 of the Paris rulebook. We suggest circumspection is applied rather than a blanket acceptance of the framework.

See general questions and comments on the next page.

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General questions and comments

Questions regarding corresponding adjustments:

- What will the GS process be for verifying CAs? Eg what evidence will GS ask for that CAs have been made? At what stage (eg validation, annual, verification, issuance) will that evidence have to be made available to GS?

- Will countries have to make an adjustment for each project or could they make allowances and cancellations for entire sectors? (e.g. cookstoves, biogas)

Questions and comments regarding carbon neutrality:

- In our market, we see that "offsetting" and carbon neutrality will still be claims that companies will seek to make post-2020. There is currently ongoing an international process to write a new ISO standard for carbon neutrality.

- In the GS Consultation Webinar, it is stated that carbon neutral is "the promise of a zero-negative impact". However, this is not the full definition of carbon neutrality. For instance, ISO 14021: *"Carbon neutral" refers to a product (as a product system) that has a "carbon footprint" (see 7.17.2) of zero or a product with a "carbon footprint" that has been offset.* In the latter case the negative impact has been made but it is balanced with offsets.

- In what forums do you expect carbon neutrality and other claims mentioned in the webinar to be discussed and which organisations will lead this work?

Questions regarding the financing alternative/other uses of markets that have non-compensatory benefits:

- Do you still see a market for the non-corresponding adjustment alternative when the buyer cannot make claims of e.g. carbon neutrality? How will this alternative be differentiated from traditional aid?

- Do you anticipate projects in the non-corresponding adjustment alternative will face the risk of disappearing due to reduced income? If so, are you planning on helping them in any way?

Questions related to host countries:

- Besides civil society interest, what interest has there been from countries to allow corresponding adjustments? Have some countries already started?

- With a flatter landscape in the voluntary carbon market, will Gold Standard have any interest in certifying projects in European countries?