

## **Response from the Gold Standard Foundation to the Integrity Council for the Voluntary Carbon Market's Consultation on its draft Core Carbon Principles, Assessment Framework and Assessment Procedure - 27 September 2022**

If the voluntary carbon market is to play an enduring, stable, and impactful role in global efforts to address greenhouse gas emissions, its growth must be based on firm foundations of quality and integrity. Gold Standard welcomes the proposals put forward by the Integrity Council for the Voluntary Carbon Market (IC-VCM) as a positive step towards achieving this objective. We are pleased to share with the IC-VCM Secretariat our overall assessment of its purpose and proposals, as well as areas where we believe the proposals could be further strengthened or where modifications are required.

### **Overall assessment**

For nearly twenty years, Gold Standard has sought to support and enable projects that represent the highest levels of quality and at the same time contribute to sustainable development. In this time, we have continuously sought to evolve in line with best practice and science, to maintain and strengthen the rigour of our work, and to retain the trust of market actors in the process that we oversee and the credits that we issue.

The market is at a critical turning point, with increased scrutiny from market actors and from regulators, new norms and requirements stemming from the implementation of the Paris Agreement, and an opportunity to play a significant role in global decarbonisation efforts if we get the fundamentals right.

In this context, we increasingly see the importance of the IC-VCM to ensure high standards and provide a benchmark for quality across the market, and to shine a spotlight on entities issuing credits that do not meet this benchmark. We do not have time for the trust of those willing to invest to be shaken by standards and methodologies that fall short of where we should be.

The role of crediting standards is not an easy one, and it will not be made easier by the introduction of a new governance body and the rigorous requirements proposed by the IC-VCM. It is though our view that this is as it should be. Carbon credits are not a tangible asset that can be held and examined. They are instruments based on trust: trust in the rigour of a standard's procedures and requirements, of a project developer's monitoring and activity, and a verifier's due diligence, all which are complex and difficult for non-experts to understand. We believe that the Core Carbon Principles – enabling and enhancing the good work and approaches that have been established by standards and other market actors over several decades - can help to instil this trust, and to secure the foundations of the carbon market to allow it to scale with integrity and confidence.

In the following section, we outline key recommendations and comments for the IC-VCM to consider.

## Detailed comments

### 1. Enabling implementation and action, rather than holding this back

As is reflected in this consultation response, Gold Standard welcomes the role that the IC-VCM and the CCPs can play to provide assurance of quality in the carbon market. However, the right balance has to be struck between rigour on the part of the IC-VCM's through its framework, and flexibility for standards to innovate, to move quickly, and to improve and simplify rules and procedures. On this topic, we would like to give the following main recommendations:

- A. At various public and private events, it has been shared that the initial CCPs are a starting point on the road to further ratcheting of quality, ambition and integrity. Whilst at one level Gold Standard supports this, it is important to relate this to the specific use case of offsetting, which is the IC-VCM's stated aim. Offsetting requires, in order to be 'true', that each CCP is met in such a way that the claim to have offset is ultimately delivered. Going beyond this threshold, in some cases, will not mean 'more' offsetting has happened and thus becomes a driver of inefficiency. For example, if it is deemed (illustratively) that we should be 80% certain or more to safeguard the claim of offsetting, then ratcheting to 90% is simply adding unnecessary

cost. We would recommend therefore focusing as much on delivering 80% more efficiently as on ratcheting to 90%, in this example.

- B. Many of the governance-related requirements proposed by the IC-VCM are directly relevant to the processes that lead to high-quality credits. However, we consider others to go beyond the mandate of the IC-VCM, as a body focused primarily on credit-level quality, and we are wary about their adoption where they may prove difficult to abide by. For instance, a requirement to publish minutes of governing body meetings may act to stifle the frank and open discussion amongst members that is needed for robust and inclusive decision-making.
  
- C. Well-run standards have in place robust procedures to design approaches for the assessment of additionality and the adoption of new methodologies, which involve input from recognised experts. Rather than acting as an additional regulatory hurdle for the adoption of new methodologies or approaches, and contributing to delays, we believe the IC-VCM could choose to work with standards as stakeholders within their processes. This way of working could both bring efficiency and lead to better outcomes. A good example of this ethos can be found in the governance and membership of the ISEAL Alliance, of which Gold Standard is a member. This more collegiate way of working engenders trust, innovation and mutual support and is thus a better way to work with non-profit organisations (as all of the longer-established standards are).
  
- D. Gold Standard has taken a number of steps in recent years to bring simplicity and efficiency to its processes and rules, without compromising on either accuracy or integrity. It is hoped that the IC-VCM will consider it a priority to embrace and encourage efforts to simplify and streamline approaches, rather than introducing criteria that would require standards to do the opposite.

## 2. Accessibility and safeguarding the interests of vulnerable communities

Whilst acknowledging the importance and benefits associated with the CCPs, it must also be acknowledged that they will inevitably add cost and resource burden to the market. Gold Standard encourages the IC-VCM to take into consideration the following issues:

- A. It is important to be able to 'grandfather' good projects that are part of the existing portfolios of market standards, such that they can achieve the IC-VCM label. Vulnerable projects (i.e., those that might fail without market support) should be prioritised, particularly those in developing countries. It would not be fair to exclude good projects in these areas simply because of their timing. Indeed, there would be no market without them, and it would send an unsettling and counterproductive signal. We recommend that a procedure for existing projects is added, including how to deal with timebound CCPs that cannot be dealt with retroactively. This isn't simply a matter of inclusivity; the CCPs will inevitably be a factor in carbon credit pricing and buyer preferences.
- B. The added costs of the CCPs can only be borne to a certain extent by the standards. It is inevitable therefore that some may be passed to participants, which may be unfair particularly for developing country / vulnerable community projects. The costs associated with the assessment procedure are not currently clear, but Gold Standard urges IC-VCM to carefully consider this in relation to projects that are already in hard to reach and challenging conditions, as these are the areas in most need of financial support. We would also recommend considering each CCP in light of Least Developed Country conditions and whether there can be any easing of requirements and/or processes reflective of the challenges faced in those contexts. Gold Standard has extensive experience of this and has demonstrated that this can work.
- C. The stated aim of the IC-VCM documentation is to set out CCPs that, in summation and packaged as a credit, lead to support of the claim to have offset/compensated an emission elsewhere. We understand the logic behind using this as an initial benchmark. However, we note that use of the

voluntary carbon market is already beginning to move beyond offsetting, with some companies seeking to make alternative claims without such a direct compensatory claim. The aim of the IC-VCM may act to skew the types of activities supported through the carbon market towards those most able to meet the CCPs rather than those most important to support, which may be suitable for other non-offsetting forms of voluntary use of the carbon market. We would like to see greater acknowledgement of this in surrounding communications, to ensure this is well understood by stakeholders.

### 3. Alignment with, and best practice under, the Paris Agreement and 2030 Agenda for Sustainable Development

While the voluntary carbon market may not be directly regulated by the Paris Agreement, it clearly exists and operates within an international policy framework that is defined by it. It is therefore important that the voluntary carbon market aligns with the new context under the Paris Agreement in order to uphold its rigour, for instance with respect to additionality and baseline-setting. We also consider it sensible to align with design features of the new crediting mechanism under Article 6.4, to help build towards a global, harmonised carbon market. We welcome the fact that these goals have been reflected in different parts of the IC-VCM proposals.

The IC-VCM presented options for three issues related to alignment with the Paris Agreement: share of proceeds for adaptation finance, overall mitigation in global emissions and the application of corresponding adjustments under Article 6.

With respect to the first two of these, adaptation finance and overall mitigation in global emissions, Gold Standard is of the view that the voluntary carbon market should respect the decision taken by Parties at COP27, and in particular the strong encouragement placed on Parties and stakeholders to contribute to both goals when using mitigation outcomes authorised under Article 6.2. We intend to consult on the following approach to this topic in the near future, developed through discussion with our [Expert Group on Alignment with the Paris Agreement](#):

1. For credits authorised under Article 6.2 of the Paris Agreement, set a default that 2% of credits will be cancelled at issuance to deliver overall mitigation of global emissions and 5% diverted for sale to fund adaptation, but give project developers the option to receive full issuance without application of these levies (subject to point 3 below).
2. For credits not authorised under Article 6.2, set a default that no credits are cancelled at issuance or diverted for sale to fund adaptation (subject to point 3 below), but give project developers the option to request application of these levies.
3. Respect any regulations or requests set by a project's host country that require that credits must be cancelled to deliver overall mitigation of global emissions or diverted to fund adaptation, whether or not the credits are authorised under Article 6.2.
4. Add identifiers in the registry to signal contributions to adaptation finance and overall mitigation in global emissions.

We consider this approach to respect the decision adopted by Parties at COP26, providing strong encouragement but also optionality to market actors, as well as the right of governments to introduce requirements related to overall mitigation of global emissions and adaptation finance if they wish to do so. We invite the IC-VCM to consider its adoption or recognition within its framework.

With respect to corresponding adjustments, it is our hope that the IC-VCM is able to rise above the contention associated with this topic, and to find an approach to the risk of displacement or deferral of mitigation action that is as robust as the proposals it has made in other areas. The IC-VCM's framework exists in order to provide assurance of the quality of carbon credits for offsetting purposes, with safeguards to ensure that any risks to the integrity of credits are comprehensively addressed. If the IC-VCM is not able to include safeguards that manage the risk of displacement or deferral of mitigation action towards the host country's NDC - recognising that the extent of this risk will be variable across scenarios - then its work will be incomplete. See also below for further comments on double counting.

With respect to sustainable development, which is treated as an additional attribute, programmes must be expected to apply robust quantification,

monitoring and verification of SDG impacts as a condition for indicating credits as holding this additional attribute. This is needed to avoid SDG-washing, and to provide more consistency across the market in how and when SDG impacts can be associated with projects and credits. See also below for further detailed comments on sustainable development and safeguarding.

In addition, we encourage the IC-VCM in addition to consider aligning maximum crediting period limits with those set under the new crediting mechanism established by Article 6.4, to ensure consistency in approach.

#### 4. Alignment with the 1.5°C temperature goal and avoiding the lock-in of emissions

The voluntary carbon market's value is in enabling the adoption of technologies and practices that reduce or remove emissions and bring the world closer to achieving the temperature goal adopted under the Paris Agreement. It should not serve to perpetuate technologies and practices that involve continued emissions that could put achievement of this temperature goal at risk.

Gold Standard therefore welcomes the IC-VCM's proposal to consider and assess the consistency of technologies with a net-zero emission goal by mid-century. However, rather than the proposed approach of assessing each mitigation activity under programmes, we recommend that the IC-VCM establishes a dynamic 'negative list' of technologies/mitigation activities that are deemed incompatible with the net-zero emission goal. This should take into account regional differences where appropriate, and be reassessed and updated regularly, for instance every five years.

This approach would achieve the objective sought by the IC-VCM and provide a clear, consistent, market-wide signal while avoiding additional administrative burdens to standards and developers.

#### 5. Robust approaches to sustainable development and safeguarding

Gold Standard welcomes the inclusion of both safeguarding principles and contribution to sustainable development, both of which are also important parts

of alignment with the Paris Agreement. On this topic, we would like to share the following comments:

- A. The references cited for safeguards, for example to IFC and UNDP standards, are useful and relevant. However, from our experience it is not possible to simply point to these standards as they are not governed by our scheme and are not written in standards language that can easily be adopted and verified. Gold Standard reinterpreted these and others to be fit for our purpose, and we have therefore clearly demonstrated that this is possible. We recommend that the CCPs state clearly that a conversion / adoption process should be implemented, rather than a simple reference to third party standards.
- B. We also advise IC-VCM to be sure that it is itself protected from poor safeguarding implementation, and that it gives itself the ability to withdraw approvals where necessary, including retroactively.
- C. Sustainable development contributions and co-benefits should be stated explicitly and publicly by all projects and programmes, even where either none is achieved or no MRV is in place. Those projects that do contribute positively should then receive a 'CCP+' tag for sustainable development. In this way the CCP becomes part-mandatory (though with no 'fail' threshold for sustainable development contributions, simply disclosure) and part-additive. This would ensure that projects that make no effort to contribute to sustainable development or no effort to have their efforts assured cannot make unverified claims to the market, in association with the IC-VCM name and brand. It also helps to more clearly differentiate those projects that do contribute, allowing them to justifiably attract a higher market value.

## 6. Double counting

A unique claim, i.e. only one claimant uses the benefit associated with a credit against one target/claim, is an essential principle of offsetting. Without it, i.e. where the benefit is used by two or more claimants for any reason, the claim to have offset is no longer secure. This is because neither the first claimant nor the credit issuer can guarantee how further claimants will respond to the 'free' benefit



handed to them and thus it is as likely that the credit offsets their emissions as the originally intended claimants. A good example of this would be the South Africa carbon tax, where the emissions being offset are not the purchasing companies but emissions elsewhere in the South African NDC. In this example this is intentional and acceptable, but it is often conflated with a company level claim to have offset emissions, which is not true.

The CCPs correctly identify the three forms of double counting that can lead to the scenario of failure to offset the target emissions. The first two – double issuance and double use are well-covered and we expect little further effort to address. Double claiming however is poorly explained and poorly covered.

In the current market environment there are two forms of double claiming that are particularly challenging that have not been an issue for historic markets, namely with host country NDCs and with voluntary company inventories (such as via Science Based Targets). The former can and should be dealt with via either a Corresponding Adjustments or through a non-offset claim which does not require a unique claim. The latter - as stated in a recent guidance from the [Greenhouse Gas Protocol](#) (see Chapter 13) - should be similarly adjusted for by the reporting company. Gold Standard recognises that the latter especially may not be in the gift of either projects or standards to administer.

Accordingly, we recommend a much stronger definition and rationale for the issues caused by double claiming, a clear statement of these two forms, and a clear position on them by IC-VCM. This may be to say that IC-VCM recognises them as issues but considers them to be buy-side consideration. However, stating that the issues are not settled or are contentious is technically unsound and diminishes the stated aim to bring integrity to the market.

We look forward to further dialogue with the IC-VCM Secretariat and Expert Panel on these and other topics.