Gold Standard

FUTURE PROOFING THE VOLUNTARY CARBON MARKETS – DOUBLE COUNTING POST-2020

A tool for assessing the exposure of projects to double counting

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Federal Ministry
for the Environment, Nature Conservation
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INTRODUCTION

The voluntary carbon markets have played a major role in raising ambition towards climate mitigation efforts to date[1]. They will continue to have a critical role in the future, with commitments under the Paris Agreement falling short of what is needed to keep global temperature rises well below 2°C. Given the importance of raising corporate ambition and providing an opportunity for individuals to contribute, it is vital to ensure that voluntary carbon opportunities continue to be available post-2020.

While historically an issue only for voluntary issuances in Kyoto Annex B countries[2], the post-Paris era will see the risk of double counting prevail globally. This risk is a threat to the credibility and viability of the voluntary carbon markets and hence a robust assessment of the risk, coupled with innovative solutions is a necessary development.

It is Gold Standard's mission to provide leadership on critical issues concerning voluntary markets post-2020. With support from the German Government Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), Gold Standard has developed and tested a tool to assess and define the risk of double counting of Voluntary Emissions Reductions (VERs).

This paper provides an overview of double counting risk in consideration of Nationally Determined Contributions (NDCs) and proposes a working definition of double counting. The paper then goes on to provide an overview of the purpose and content of the tool and the results of testing and stakeholder discussions[3]. The conclusions drawn are intended to inform further discussion amongst carbon market participants on future solutions.

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[1] http://forest-trends.org/releases/p/sovcm2017

[2] http://unfccc.int/kyoto_protocol/items/3145.php

1 – DEFINITION OF DOUBLE COUNTING

Articles 6.2 and 6.5 of the Paris Agreement make specific reference to the need for robust accounting and the avoidance of double counting. Decision 1/CP21 (para 36)[4] also calls for the Parties to make necessary accounting adjustments, including for those involving non-Party approaches, such as CORSIA[5] (which is likely to involve the use of voluntary carbon credits). Article 4 also allows for the potential of other related targets and the subsequent adjustment of targets for enhanced ambition.

To date the main voluntary carbon market standards have all included anti-double counting principles and guidelines under the Kyoto Protocol (for example Gold Standard and VCS). While these provisions have served the purpose of avoiding double counting under the Kyoto Protocol their continued use is not suitable for adoption post-2020, as will be demonstrated.

This section provides a short explanation of double counting and the risks it poses to credibility, before presenting a proposed working definition to facilitate further work on solutions.

What is Double Counting?

Typically, double counting has been used as an umbrella term for a group of related issues, well summarised in an excerpt from a paper by Climate Focus (see Box 1, below) published shortly after the Paris Agreement.

This paper focuses on double counting under the Paris Agreement specifically but as outlined in the excerpt there are other forms of Double Counting that exist outside or alongside the Agreement. The tool developed and discussed in this paper does not specifically deal with these as they relate to eligibility criteria rather than the post-Paris accounting (and would therefore likely form part of core standards requirements as they do currently):

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[4] http://www.oecd.org/environment/cc/Accounting-for-mitigation-targets-in-Nationally-Determined-Contributions-under-the-Paris-Agreement.pdf

[5] https://www.icao.int/environmental-protection/Pages/market-based-measures.aspx?TSPD_101_R0=fb0183e8ac3e5f681f029e04e9d1dc9bs4900000000000000008517a156ffff000000000000000000000000000005aba28ab00635aa4a6

1 – Double Registration: Double Counting may occur when a voluntary carbon project Registers under two different standards (for example Gold Standard and VCS). Unchecked this form of Double Counting would result in a GS and a VCS VER being issued for the same Emission Reduction. This is expressly not allowed and is easily checked via Registry comparisons. It is certain that rules related to this form of Double Counting will be maintained post-2020.

2 – Double Counting may also occur where a facility (for example a factory) is governed under a carbon tax or similar but also carries out an on-site voluntary carbon project, thus reducing emissions for tax purposes while also issuing voluntary carbon credits. This is also expressly disallowed currently and would be expected to be maintained post-2020.

Box 1: Excerpt from Climate Focus 'Double Counting in the Paris Agreement, January 2017'

> *In the context of climate change mitigation, double counting is widely used to describe situations where a single greenhouse gas emission reduction or removal is used more than once to demonstrate compliance with mitigation targets. Double counting becomes prominent where multiple mitigation mechanisms overlap over sources or sinks and when emission reductions are transferred among entities subject to mitigation targets and accounted towards them.*
>
> *Such double counting may take the following forms:*
>
> > *a) Double claiming, where two or more Parties claim the same emission reduction to comply with their mitigation targets as formulated in the NDCs.*
> >
> > *b) Double issuance, whereby more than one emission reduction unit is registered for the same mitigation benefit under different mitigation mechanisms, such as under the sustainable development mechanism and an NDC.*
>
> *Other forms of double counting, such as double purpose, double finance, or double use are also known but less relevant to the accounting concerns of the Paris Agreement.*

Within the carbon markets there are therefore two types of Double Counting that are relevant to the development presented in this paper:

1 – Compliance/Compliance double counting – in this case one Emission Reduction unit is (inadvertently or otherwise) used twice for the purposes of compliance reporting. This may occur for example where two parties to the Paris Agreement capture a single Emission Reduction unit in each of their national reporting. This in turn would make it

appear that each country or participant has advanced towards its targets when in fact only one of the two claims would be true.

2 – Compliance/Voluntary double counting – in this case a voluntary carbon market project is established and begins to issue carbon credits. A voluntary buyer, for example a corporate, purchases those carbon credits and counts them towards a voluntary 'carbon neutrality' claims. In this case, the unit may also have been inadvertently captured in the host country inventory, thus creating a second claim towards a target when there is in fact only one.

Why is Double Counting a problem post-2020?

Double counting would undermine the integrity of the voluntary carbon markets and in turn the intended raising of ambition by going beyond what is required by regulations. It would also go against the relevant Articles of the Paris Agreement and undermine confidence in national reporting.

In the absence of any mitigation measures – such as the existing Gold Standard requirement to purchase and retire an equivalent amount of allowances – emission reductions arising from projects located in host countries that are subject to a performance target are reflected in the host country's national inventory. They therefore contribute to the national target as opposed to 'going beyond'.

In the Kyoto era, this is generally overcome by voluntary carbon credits originating in countries with no target, hence making it impossible for the Emission Reduction to be captured inadvertently in national reporting. Where projects do exist in countries with Kyoto targets then GS requires the cancellation of a corresponding compliance unit (for example an AAU) to mitigate. As explained in Box 2, below, these are no longer realistic solutions:

Box 2: What is different about the Paris Agreement:

Under the Kyoto Protocol only Annex B countries produced national accounting and reporting towards mitigation performance targets. This meant that there could be no double counting against the national inventory when a VER was issued in a non-Annex B country. The Paris Agreement has been signed by 195 parties, each producing and reporting against a Nationally Determined Contribution (NDC), typically involving various mitigation and finance targets. In effect this means that there are now no countries where it can be considered zero risk of double counting when issuing VERs.

NDCs are often even more complex than this however, with many focusing on targets that are related to but not specifically measuring climate mitigation. For example, some have renewable energy, forestry or finance related targets. Furthermore, the target itself may be economy-wide or a subset or specific sector and in many cases this is not easy to extract (an excellent resource and summary is provided by the NDC Platform). Finally, there are compliance schemes such as CORSIA whose demand will impact on the voluntary market significantly and hence also the reporting of host countries.

In addition to the challenge of Double Counting posed by the relationship between a voluntary project and its host NDC there is also the challenge that the NDC accounting and/or target may recalculated or retrospectively changed. This would mean that a project that can demonstrate that it is not double counted would not be able to guarantee this position would not change over time and therefore would face major risks to its sustainability and business model.

Definition of Double Counting

For the purposes of this paper and for the tool development a definition of double counting is provided in Box 3. This focuses on the specific accounting risks of double claiming and double monetisation. Over time and as solutions develop in both the voluntary markets and in the Paris negotiations this definition is likely to be updated and refined further:

Box 3: Definition of Double Counting:

Double counting of emission reductions or removals occurs when a single greenhouse gas (GHG) emission reduction or removal is used more than once to achieve climate change mitigation efforts.

Specifically, this definition implies:

- That double counting is an accounting issue as it refers to the unitised Emission Reduction (ER) being applied multiple times.
- That use by the Host Country requires that the GHG emission reduction or removal be expressed as a clearly defined and quantified target (whether expressly in the form of a GHG or not) and that progress towards achieving the target is quantifiable.
- That specifically this includes the risk of double counting between a voluntary action and a formal commitment under the Paris Agreement

- It specifically relates to performance efforts such as NDC targets and to voluntary situations but does not assume these are formal 'compliance' mechanisms (as the Paris Agreement is non-binding)

In effect the assessment of double counting of voluntary credits under the Paris Agreement can be simplified to the question of whether a VER is captured or potentially captured under its host NDC. As will be demonstrated in the following sections however this question is not necessarily straightforward to answer.

Alternative Views

While the above definitions represent the context for this paper, alternative views do exist and may be helpful when considering solutions (see Section 5). Summarily these alternative views typically propose that double counting of voluntary and formal commitment targets is either not relevant (as they are separate forms of accounting), immaterial (due to the relative scale of the voluntary market) or an acceptable risk.

As demonstrated in Section 4 of this paper this viewpoint is not commonly held by stakeholders engaged in the process. In some cases, it was recognised that even if this position is correct that the perception of Double Counting would still potentially exist and therefore undermine the markets anyway. Gold Standard's position is that voluntary carbon credits should finance beyond formal commitments to raise ambition[6], though there remains an opportunity to explore mechanisms that work as contributions towards national targets (see Section 5).

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6 https://www.goldstandard.org/sites/default/files/documents/a_new_paradigm_for_voluntary_climate_action.pdf

2 - DEVELOPING A TOOL TO ASSESS DOUBLE COUNTING RISK

To address double counting risk, it is critical to understand and define how and why they occur. Gold Standard has therefore developed and tested a tool with the following guiding principles:

1. The tool outputs should be able to answer both questions: 'is double counting going to affect a given project/VER?' and 'where specifically is this double counting risk coming from in relation to the host NDC?' in order to be able to support the further development of solutions.
2. The tool should be practical and logical in structure such that it is as user-friendly as possible (noting that the NDCs themselves are not standardised and often difficult to follow)
3. The tool should be neutral to the possible solutions to the double counting issue and focus instead on defining the risk

As noted in Section 1 the core question the tool seeks to answer is: **Could the ER proposed to be issued also be captured under the NDC?** The route to answering that simple-sounding question however is varied, nuanced and in some cases difficult to answer firmly dependening on the NDC. The tool therefore presents a series of related questions that probe at the core question to be answered and allows for the answers to some of those questions to be 'unclear'. In those cases, it is likely that a lack of certainty that no double counting is occurring it is probable that the issuer will need to assume that it is in order to be conservative.

The tool is applicable to individual projects, programmes and at the portfolio level, wherein a given sector could be analysed in a specific country. The tool is designed to first assess whether VERs issued from a project are at risk and secondly to specifically state the reasons for this.

The tool was developed by the Gold Standard Secretariat with input from a dedicated Expert Working Group (see acknowledgements) alongside a wide range of stakeholder input, including a workshop at COP23. Section 4 includes a summary of these inputs.

The latest version of the tool and its associated guideline is annexed to this report. Over time it is likely to develop further and potentially become part of the Gold Standard Requirements dependent on the solutions that are reached.

3 - TESTING THE TOOL

The tool was developed and tested iteratively with each round of testing further refining the questioning. The first phase, by Gold Standard, demonstrates how the tool can be applied for sector/country contexts and not only for individual projects.

The second phase of testing was carried out by MyClimate, a Swiss-based not-for-profit Project Developer with extensive experience of Gold Standard and a broad portfolio of projects. This phase demonstrates how a Project Developer can apply the tool to assess risks to individual projects or their overall portfolio. The combined results are displayed in Table 1, below.

Overall the findings clearly point to there being only very rare cases where it is feasible to demonstrate with certainty that no double counting is occurring. Throughout testing only one example (non-grid connected landfill gas project in China, methane claims only) could be considered to be clearly not included under the relevant NDC. More commonly the NDC may appear not to include a given activity but through a variety of other areas covered or lack of clear statement this often becomes less clear.

Table 1 – Example findings from testing

Host Country	***Project Type***	***Finding***
Madagascar	Improved Cookstove	Yes (stated) but with lack of clarity
Kenya	Improved Cookstove	Potentially no but with lack of clarity – lack of clarity over exclusion of certain gases under NDC
India	Biodigester	Potentially no but with lack of clarity – power production mentioned, no specific reference to biodigesters though agriculture mentioned under adaptation
Tanzania	Solar PV	Potentially no but with lack of clarity – NDC quite vague - no quantifiable targets leading to lack of certainty
Nicaragua	Afforestation/ Reforestation	Potentially no but with lack of clarity – no NDC published to date
Brazil	Renewable Biomass	Potentially no but with lack of clarity – waste sector not mentioned, lack of clarity over methan capture

South Africa	Renewable Biomass	Potentially no but with lack of clarity – project type not mentioned but switch from coal in baseline, a key energy source in SA a concern
Nepal	Composting	Potentially no but with lack of clarity – not mentioned explicitly but NDC indicates a potential willingness to adjust for credits
Dominican Republic	Solar PV	Potentially no but with lack of clarity – overall reduction target only
Indonesia	Biodigester	Yes (stated) but with lack of clarity – project type stated

As can be seen above in many cases a firm answer is difficult to provide though the tool does at least help to frame the right questions to ask when seeking further clarification. The lack of clear exclusions of given activity types could be read as meaning that it is not covered and therefore not double counting. This would leave the risk however of a future clarification otherwise by the host regulator leaving environmental integrity in question.

Similar tests were also carried out for other project types in Kenya, Uganda, China, Indonesia, Madagascar, Vietnam, Iceland, EU, Myanmar, Mongolia, Bangladesh and India with similar results as represented in the table above.

The conclusions drawn are included in Section 5 of this paper.

4 – STAKEHOLDER INPUTS

The tool was developed and tested with the input of experts in accounting issues under the Paris Agreement. Alongside these inputs Gold Standard also reached out a wide variety of different stakeholders to capture views that could inform both the tool as well as recommendations to take forward into specific solution development. The following section captures the feedback received in annotated form. It is generally anonymised, indicating stakeholder type as the organisations sharing views were not generally doing so from a formal policy position (which in many cases is still being formed).

Future Proofing the Voluntary Carbon Markets: COP 23

At COP23 in Bonn (November 2017), Gold Standard, supported by BMU, convened a panel discussion session on the topic of double counting. The panel included Gold Standard, Carbon Market Watch, MyClimate, ICROA and the Meridian Institute. The session was well attended by key market participants from the retail and project

developer communities. Although this was early in the tool development process there were a number of useful findings and outcomes, summarised as follows:

- Market participants are clearly concerned about the potential risk and hence viability and value of voluntary carbon markets pending resolution of double counting issues.
- There was general consensus that the voluntary regulators should act multi-laterally, cohesively and consistently as multiple approaches to double counting will only serve to confuse the overall messages.
- There was near consensus that double counting must be acted upon and cannot be left undefined and unmitigated (i.e. the 'do nothing' scenario would not be acceptable).
- There is a lack of consistency on the meaning of 'carbon neutrality' to different buyers of voluntary carbon credits but a general consensus that the viability of such claims is undermined by double counting.
- Where double counting is unavoidable, solutions discussed include defining rules for accounting adjustments, providing alternative products and claims, or changing the nature of a VER (see Section 5).

Image 1: Gold Standard at COP 23

At a COP21 Side Event moderated by BMU, Gold Standard were joined by Meridian Institute, ICAO, MyClimate and Carbon Market Watch to discuss the risks and possible solutions to double counting post-2020.

The session was attended by a wide variety of market participants, including Project Developers and Retailers.

In addition to the COP23 event Gold Standard also reached out to a wide range of stakeholders. The following table presents some of the key messages received from stakeholder outreach, noting that names of individual organisations are redacted as these discussions did not represent formal policy positions:

Table 1: Stakeholder Feedback

Stakeholder Type	Key Findings TO FOLLOW (AWAITING FINAL INPUTS:
Designated National Authorities (DNAs) – typically the bodies responsible for accounting within a host country. Gold Standard engaged with a mix of Least Developed Country, developing country and former Annex B countries.	• General recognition, understanding and concern about the issue and that it must be resolved to avoid integrity risks to national accounting. • There is discrepancy between readiness between LDC and developed (based on a small sample size) wherein developed countries have greater likely ability to make accounting adjustments were they necessary. • Understanding of double counting and potential solutions in voluntary market terms is both limited and low priority in many cases. It is generally assumed to be dealt with as part of the ongoing Paris negotiations but the topic of accounting adjustments appears to be on DNA agenda. • General desire to see finance and ambition promoted by voluntary market but with a concern that the NDC must also be achieved. • The role and importance of CORSIA was noted as a concern, particularly in the sense of ensuring that all definitions and solutions are aligned.

Civil Society – Gold Standard engaged with a variety of major NGOs working on this topic	• Consensus that double counting cannot be left unmitigated and that solutions should ensure integrity of both voluntary markets and NDC accounting. • Agreement that voluntary market mechanisms should aspire to raise ambition and can play a major role in generating finance and drawing attention to development. • Approaches should work with existing tools and experts to avoid duplication and inconsistency. • Err on the side of caution – if double counting cannot be disproved then it should be assumed to be happening. It may also be the case that in all projects evidence of adjustment or no-reporting may be required to avoid any later issues. • Ethical questions were raised concerning removing units from LDCs (for example) and therefore making it harder for the host country to achieve its targets.
Market participants – Gold Standard engaged with Project Developers, retailers and standards.	• Concern about future value and viability of their portfolios and how they can sell their assets to voluntary buyers, impacting already on ability to forward sell. • Recognition that the market will have to lead on a response (as oppose to waiting for Paris negotiations to resolve). • Expectation that voluntary market should come together to resolve and should be aligned with any CORSIA response • There is no consistent 'claims' message used by the market though terms such as 'carbon neutrality' are common. There are mixed views on the

	marketability of such terms though opposition to ruling them out exists.

5 - CONCLUSIONS AND RECOMMENDATIONS

The development and testing of a tool to assess and define double counting risk for VER projects has highlighted a number of areas for further development and market discourse. These are summarised as follows:

Table 2: Conclusions and recommendations

CONCLUSION	RECOMMENDATION
C1: Double counting is an issue – with very few voices of disagreement it is strongly concluded that double counting cannot be left unmitigated, i.e. the market will not be viable without solutions to the new double counting risks caused by the Paris Agreement.	**R1:** Discourse on and development of solutions for the risk of double counting should be prioritised and accelerated in order to be in place prior to the likely start date of reporting (assumed to be January 2020), when the NDC reporting regime begins.
C2: Double counting is an issue for nearly all projects – the testing of the tool has demonstrated that there will be few, if any cases where a project can be demonstrated as clearly not double counted and even where this is the case there is no guarantee that the host country regulator will not in future account for the impact of the voluntary project (knowingly or unknowingly).	**R2:** The possibility of certain areas of the carbon markets being exempt or immune to the risk of double counting can be discounted. Solutions should be developed that are globally applicable and comprehensive and not based on individual sectors, countries or project types.
C3: The question of double counting is essentially about whether a VER is potentially captured under the NDC. While that question appears to be straightforward the actual answer requires an assessment that looks at various aspects in order to draw a conclusion. Where uncertainty exists,	**R3:** Solutions should focus on avoiding the need for complex assessments and instead on global solutions. For example, a standardised approach to receiving host permissions (accounting-adjustment approach – see below) or universally agreed claims definitions.

the general view is to assume double counting is happening in order to protect environmental integrity.	**R4:** Over time a 'library' of NDC assessment results, policy positions and updates should be developed in order to improve the efficiency of assessment and access to solutions. Early examples of this, such as the NDC Platform, have already paved the way for such approaches.
C4: The NDCs are disparate, often vague, often ambiguous – the testing of the tool has shown that in many cases it cannot be definitively confirmed either way whether double counting is happening and that deciding whether 'unclear' is good enough to accept the risk is fraught with challenges.	
C5: The NDCs are not user friendly – the development of the tool was focussed on practicality so far as possible, but a major limiting factor is the clarity and accessibility of information contained within the NDCs. In addition, it is clear that these will evolve over time, presenting and ever shifting risk profile.	
C6: The market expects voluntary regulators and civil society to work together on solutions and be consistent in approach – it is clear from early discussions with DNAs that the solution to double counting of voluntary markets with NDCs is not a high priority in negotiations or domestic policy in many cases. Feedback from market participants has also show the desire (and need) to come together as an industry to resolve.	**R5:** The market should organise around key workstreams/developments for consistency. Ideally 2-3 solution streams should emerge that avoid the need for unilateral developments.
C7: There are potential solutions – an accounting-adjustment approach that works with NDC regulators would be an option as would forming alternative	**R6:** Potential solutions are briefly outlined below. Definitions and work plans for these should be created as soon as possible in 2018, allowing market working groups to

products and claims out of the existing carbon market approaches.	form around them and develop them towards implementation by 2020.

6 – FRAMING POTENTIAL SOLUTIONS

Having developed a tool to assess the risk, Gold Standard will lead further market dialogue around a number of solutions. Potential solutions include as follows, with a short review of pros and cons of each presented in Table 3, below.

These solutions reflect a similar position reached by ICROA[7] and provide a platform to further engage with market actors to fully realise solutions.

1 – NDC Accounting Adjustment Approach / Non-NDC Crediting: In this solution the NDC account would be adjusted for the issuance of a voluntary carbon credit. This model could operate under a number of potential structures, for example:

- Project Proponent provides evidence that the host NDC regulator has/will adjust the national accounting and therefore a VER can be issued. This places the burden on the project and the timing and veracity of evidence becomes critical to success.
- Countries agree to allow a certain amount of VERs (perhaps targeting strategic development sectors) to be issued and transparently records these such that others can assess their project viability. For example, CORSIA could agree with certain countries that a maximum purchase over a given period is allowed and hence up to that limit evidence would be in place that double counting is dealt with.
- For VERs that are not captured under the NDC then it is likely that evidence from the host regulator would still be required to confirm this position. As it would not be possible to make an adjustment for something that isn't being reported a confirmation that it will not later be included may still be required.

For compliance claims accounting adjustments will be a requirement. This solution is therefore an essential component of a post-2020 strategy, likely overlapping with the efforts of CORSIA and for Internationally Transferable Mitigation Outcomes (ITMOs) where voluntary carbon standards may play a useful role.

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7 http://www.icroa.org/resources/Documents/ICROA_Pathways%20to%20increased%20voluntary%20action.pdf

2 – Alternative VER definitions and carbon neutrality claims: In this solution the existing voluntary market apparatus is retained but the nature of the VER and associated claims is adjusted to deal with double counting. This could include:

- a change from ownership of an Emission to the attribution of an Emission Reduction
- a change from the feature that an Emission Reduction is going beyond national commitments to the feature that it contributes to a country reaching its target
- a change in the definition of carbon neutrality

This solution would require a shift in market approach and may potentially introduce different tiers of VER. It may also imply buyer-side tracking of a more sophisticated nature than currently exists in the voluntary carbon markets.

3 – Statements of Emissions Reduction: In this solution the basic apparatus remains the same (as per solution 2, above) but instead of a VER an attributable statement of ER outcomes is issued and can be 'sponsored' by a funder. In other words, this solution moves away from offsetting and carbon neutrality claims and towards claims to have financed or supported NDC achievements.

This solution would again require a shift in market thinking and clearer claims guidance. While not requiring NDC regulator buy-in this would certainly assist this model in terms of credibility.

Gold Standard has not attempted to develop the above solutions in any detail but instead will now proceed to facilitate market discussions on these topics. This will begin with a workshop in Berlin (April 2018) and a series of webinars to introduce the solutions, identify any other solutions and to begin the process of organising into workstreams that bring the market together.

In addition, Gold Standard will continue to dialogue with other parallel processes and continue to engage with DNAs.

Table 3: Solutions comparison

Characteristic	Solution 1 – Accounting Adjustments/Non-NDC Crediting	Solution 2 – Adjusting the nature of VERs	Solution 3 – ER Statements
Additionality	Required	Required	Required
Impact on host country inventory	Would require adjustment to NDC accounting to reflect issuance of VER or evidence confirming that it will not be included	Would not require adjustment – as these would represent a contribution towards the national target and claims tailored accordingly	Would not require any adjustment, the ER should be reflected in the national inventory and claims tailored accordingly
Attribution vs Ownership	Full transfer of ownership and attribution rights	Attribution of ER to a funder rather than full ownership model per existing market approach	Assignment of attribution rather than ownership –
Claims	Offsetting claims allowed, contributing to 'carbon neutrality'. Can also be used to claim towards national priorities and for making contributions to sustainable development.	Cannot be used for offset/carbon neutrality claims but rather allows for claims for contributions towards NDCs	Cannot be used for offset/carbon neutrality claims but rather allows for claims for contributions towards NDCs
Pros	• Makes use of existing carbon market apparatus	• Would resolve or avoid Double Counting issues	• Simple to implement and works within the context of the Paris Agreement

	• Is well understood by participants • Allows existing claims to be maintained	• Easily trackable using existing technology and makes use of existing infrastructure generally • Potential interest from companies to support domestic targets exists	• Makes use of the same apparatus as the existing markets with only minor changes needed • Potential interest from companies to support domestic targets exists
Cons	• Low response rate of DNAs indicates that it may be challenging to implement and to obtain necessary evidence • Ethical concerns may occur if individual countries allow for transfers and are then unable to meet their own targets • If burden of evidence is with the project proponents then this will marginalise smaller, community projects who are less able to facilitate	• May confuse participants to have two different types of VER • Challenges tracking and policing the different claims being made	• A new concept that would require careful marketing and capacity building to ensure buy-in and scale • Potential for misuse or misunderstanding of claim exists (i.e. users may still consider this to be an offset option)