

Transition and renewal of existing projects

1| Do you think that certain projects should be exempted from a vulnerability assessment? This could include projects from the CDM and other certification schemes hosted by LDCs/LLDCs/SIDS/conflict zones with a start date of first crediting period before 1 January 2016.

Alternatively, it could include specific activity types that are deemed additional under Gold Standard's Activity Requirements.

- If environmental integrity is the basis for quality of an offset credit, and vulnerability is important for environmental integrity, it does not make sense to make exceptions to this rule. The fact that LDCs / LLDCs / SIDS / conflict zones have special needs, also considering their climate vulnerability means that they require particular solutions for climate finance. This should not come at the expense of the environmental integrity of a reduction unit.
- One could in the future consider particular rules for projects that fit these criteria as offset credits or as a measured financial contribution.

2| Do carbon credit buyers think it would be useful for carbon markets, including both compliance and voluntary programs, to adopt criteria to assess the ongoing financial need for projects every 5 years at the time of renewal of crediting period?

- The vast majority of carbon credit buyers do not have the level of understanding and sophistication to understand such considerations. Nevertheless, this is an important discussion around vulnerability.
- Especially for CDM projects, there is a particularly important need to review the vulnerability of projects because of the questionable financial need of many projects at inception, the general writing off of the sunk costs of assets that occurred after the market crash after 2012, and because the scheme was always only planned until 2020.
- Going forward, robust rules for additionality testing should be the main criteria for consideration. Although not foreseeable, the need for a vulnerability assessment as in the context of the CDM is unlikely to present itself again. Nevertheless, for every credit renewal period, ideally the host country should take the opportunity to revisit a project's relationship to the country's NDC. If after this revisiting, the country declines to issue a corresponding adjustment because a decision was made to include the emissions source within the NDC, a financial contribution consideration could be explored.

3| Do project developers think the OFN requirement is reasonable and manageable, or are there adjusted or alternative approaches that could still

achieve the same goal? Should flexibilities be put in place for certain projects, such as those in LDCs/ LLDCs / SIDS / Conflict zones?

- Cannot speak on behalf of project developers, however for the second question, see response to question 1.

Using voluntary carbon credits in the post-2020 world

1| Do you agree with the proposed staggered approach to the implementation of corresponding adjustments rather than introducing a requirement for all countries at the same time?

- This proposition seems to imply that double counting is acceptable for a few years. Although there are differences in the level of capacity of DNAs and relevant decision makers, this does not necessarily exactly correspond to “developing country” or “LDC/LLDC/SIDS” status.
- For vulnerable older projects and new projects starting crediting periods, a financial contribution claim should be promoted for projects with no corresponding adjustment.

2| Are there particular cases where you think exemptions should be made to the application of corresponding adjustments, for instance for micro-scale projects or those in areas of extreme poverty?

- No. If the emission reduction credits are used to support an offset claim it is critical that they provide a guarantee of their environmental integrity and the application of a corresponding adjustment is a necessary (if not sufficient) condition for that to hold. This should be the case, regardless of the specificities of the project activity. If the project is vulnerable (for existing projects), or additional (new projects), then extra effort should be made to find alternative finance for cases where micro-scale projects and areas of extreme poverty.

3| Do you agree that domestic offsetting, as described above, should be treated in the same way as offsetting using international credits? If not, are there alternative safeguards that could be applied?

- Yes, if a credit is being used to compensate emissions for a company’s GHG footprint (a discussion of this is the best way forward for corporate targets is could be separately considered) no distinction should be made for the voluntary market if the offset buyer is in the same country as the project or not. A corresponding adjustment is required for environmental integrity in either case.

- A financial contribution claim would obviously avoid this requirement, and may be attractive to firms looking to finance projects in the areas that they operate.

4| Do you agree that the requirement for a corresponding adjustment should be applied to projects outside the scope of the host country's NDC as well as inside? Are there alternative approaches that should be considered for mitigation outcomes outside the NDC?

- Yes, a corresponding adjustment should be applied in all cases, particularly as NDC scope is typically ill-defined and needs to expand (where not yet economy-wide) over time. Given the lack of detail regarding scope of many NDCs, requiring a corresponding adjustment for projects that may be outside the scope of a country's NDC allows for project development in those sectors without risking providing a perverse incentive to not develop broader and better NDCs during NDC review cycles. A contribution claim could be an important alternative approach.

New context, new claims – Aligning with the Paris Agreement – Integrity of other provisions

Issue 1 – Emission reductions / removals are real

1| Do you think there are other criteria we should consider to ensure crediting baselines used by Gold Standard projects have integrity and are aligned with principles within Article 6 of the Paris Agreement?

- The three criteria (baselines should take host country policies into account, baselines must be set below business as usual, and projects should update their baseline at least every 5 years) are progressive and laudable. They will not necessarily however in and of themselves target the “high hanging fruit” where (carbon) finance could have the most impact. To go further, baselines should take Paris-aligned host country policies into account even if they are not considered or implemented by host countries. This makes the assumption that all countries are doing what they should be doing to reach well under 2 / 1.5 C – and crediting rewards going beyond that level of ambition.
- Crediting baselines and eligibility should consider the incentive that support through carbon finance may have on setting more ambitious NDCs in update cycles.

2| Do you think host countries will be willing to carry out corresponding adjustments for suppressed demand credits considering that they are

avoided emissions? If not, should Gold Standard continue to issue such credits and why? Are there other means Gold Standard could adopt to channel carbon finance to such projects implemented in vulnerable communities?

- It is a particularly hard sell for countries to carry out corresponding adjustments for suppressed demand credits. Inflation of baselines makes targets harder to reach when a corresponding adjustment is issued. At the same time, the majority of countries where suppressed demand is applied have NDCs that focus on adaptation action and often inflated baselines from which they plan “to reduce”. Nevertheless, if they do issue a corresponding adjustment for projects with baselines based on suppressed demand, this is an additional incentive to not ratchet their NDC. As mentioned, baselines based on suppressed demand undermine environmental integrity and alternative approaches should be found for poverty alleviation in relevant countries. Here, alternative financing claims can play an important role. MRVed finance does not have to come in the form of CO₂e reduced, but can also be measured with other metrics such as capacity of renewable energy installed, or number of people who gain access to potable water.

3|Should Gold Standard require corresponding adjustment for suppressed demand credits, considering that they will potentially not be counted in host country’s emission inventory and hence are unlikely to be double claimed?

- Gold Standard should avoid issuing suppressed demand credits and promote alternative finance (contribution, or crowd sourcing) models for instances where poverty means that there are few emissions to reduce in the first place.

Contribution to sustainable development

Do you agree that Gold Standard’s existing rules on sustainable development are appropriate for the new context and rules under the Paris Agreement, or do you believe changes are required?

- Gold Standard has been quite progressive in its work on sustainable development co-benefits. Efforts to make it simpler for projects to deliver more impact in a streamlined way are laudable. It is important to consider a cost benefit analysis regarding the transaction costs of MRVing sustainable development benefits. There is an important assessment to be made when the cost of the level of accuracy of the MRV of sustainable development co-benefits could be better invested

in expansion of project activities instead – even if claims surrounding those benefits may have to be adjusted.

- For more information see our publication on Indicators for sustainable development under Article 6 of the Paris Agreement¹.

Effective contribution to “Overall Mitigation in Global Emissions”

Do you think OMGE is a principle that Gold Standard should adopt? If yes, how would you suggest that this is operationalised? For example, should it be done by partial discounting of a percentage of credits at issuance, by setting up conservative baselines, or by some other means?

- OMGE is an important means of moving beyond a “zero-sum game”.
- As we write in our Report on Operationalising OMGE², automatic cancellation and discounting are the only measures that lead to OMGE. Conservative baselines constitute a host country benefit, but not an OMGE.
- It is important to note that in a voluntary context, a financial contribution model does not carry the same problematic “zero-sum game” considerations and could represent an alternative for many voluntary market stakeholders / buyers.

¹ NewClimate (2020). Indicators for sustainable development under Article 6 of the Paris Agreement. <https://newclimate.org/2020/11/30/indicators-for-sustainable-development-under-article-6-of-the-paris-agreement/>

² NewClimate (2018). Operationalising an ‘overall mitigation in global emissions’ under Article 6 of the Paris Agreement. Available at: <https://newclimate.org/2018/11/21/operationalising-an-overall-mitigation-in-global-emissions-under-article-6-of-the-paris-agreement/>