



Gold Standard[®]

Climate Security & Sustainable Development

CONSULTATION

INTEGRITY FOR SCALE: ALIGNING GOLD STANDARD-CERTIFIED PROJECTS WITH THE PARIS AGREEMENT

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A TIME OF CHANGE IN VOLUNTARY MARKETS

The voluntary carbon market is in the midst of a number of major changes and developments that affect its operation now and into the future.

On 27 January, the [Taskforce on Scaling the Voluntary Carbon Market](#) (TSVCM¹) published a blueprint for improving market infrastructure to enable voluntary carbon trading to scale up significantly. The next day, the Science Based Targets Initiative (SBTi) launched a [consultation](#) on criteria for a corporate net zero standard², including on the role of voluntary carbon credits. And this November, UNFCCC negotiators are due to adopt guidance for carbon trading under Article 6 of the Paris Agreement, and are expected to give clarity on the future of the Clean Development Mechanism (CDM) following interim measures agreed by the CDM Executive Board in December 2020.

Taken together, these developments have the potential to mark a major step-change in the role, functioning, eligible activity types and use of the voluntary carbon market. Article 6 guidance, if agreed, will provide the **framework** in which carbon trading operates in the post-2020 period and its rules are likely to set a benchmark for activities serving the voluntary market, as the CDM has done historically. The TSVCM's blueprint could spur new **mechanics** for trading in the voluntary carbon market, including upgraded infrastructure and a drive for standardisation and integrity. Meanwhile the net zero standard under consultation by the Science Based Targets Initiative will establish new norms for best practice in the **use** of carbon credits in the context of credible corporate climate action.

With these developments, the voluntary carbon market has an opportunity to mobilise increasing levels of finance for projects that advance action towards the goals of the Paris Agreement, as well as to help achieve the Sustainable Development Goals. For this to be realised, it is vital that the evolution of the voluntary market takes place in a way that protects and advances quality, and that the rules of market activity and norms of integrity develop in such a way that finance is channelled towards projects that are additional, rigorously designed and impactful, rather than encouraging a race to the bottom.

¹ Gold Standard's Chief Technical Officer, Owen Hewlett is a participant in the Taskforce

² Owen Hewlett is also a member of the Net Zero Standard Expert Working Group, as well as the overall SBTi Technical Advisory Body

Gold Standard was set up in 2003 to promote and pioneer best practice in carbon markets, ensuring that projects issuing carbon credits feature the highest level of environmental integrity and contribute to sustainable development. On the cusp of potentially significant changes in the market, we consider this mission to be as important as ever. In particular, Gold Standard wants to ensure that:

- The changes ahead of us take place in a way that protects and strengthens integrity, driving progress towards the goals of the Paris Agreement and 2030 Agenda for Sustainable Development, and;
- Our standard ([Gold Standard for the Global Goals](#)), Gold Standard projects, and the credits they generate continue to represent best practice in this new era, and are both demanded by buyers and eligible for a broad spectrum of markets and uses as a result and;
- We facilitate a fair and thoughtful transition for our existing project developers, whilst recognising that not all changes are directly in Gold Standard’s control.

As previously shared, **Gold Standard considers it essential that the voluntary carbon market aligns with the Paris Agreement.** This can maximise the market opportunities for Gold Standard-certified projects, while minimising the risk of inadvertently undermining ambition under the Paris Agreement and damaging the reputation of the voluntary carbon market.

This document has been prepared with that objective in mind. It is intended for Gold Standard stakeholders, including project developers, civil society, auditors, governments and members of the public. Its purpose is to:

- Outline how Gold Standard expects the voluntary carbon market to evolve in light of the developments highlighted above and how that might impact Gold Standard rules and projects.
- Set out several immediate safeguards that Gold Standard has already established or is putting in place to prepare for this new context.
- Provide early indication to project developers of further rule updates we expect may be necessary in the near future in order to align with emerging rules under Article 6 of the Paris Agreement.

This document is open to comment until **15 April 2021**, which will inform how Gold Standard updates its rules, requirements and criteria to reflect the new context, and in particular emerging UN requirements under the Paris Agreement. This period will include a series of stakeholder engagements. The comments received will inform further thinking on updates to GS4GG, once there is further clarity on the outcome of UNFCCC negotiations on Article 6. We then intend to consult again on specific rule changes at a later date. Comments will also, where applicable, inform Gold Standard’s wider engagement on the future direction of the voluntary carbon market, including our advocacy for a fair transition.

The questions on which feedback is being sought are included at the end of each section, and summarised at the end of this document. Comments can be provided via this [online form](#) or directly to: standards@goldstandard.org

1 | INTRODUCTION

Since 2003, Gold Standard has been the leading exponent of environmental integrity and sustainable development in the voluntary carbon market and the Clean Development Mechanism (CDM), pioneering new approaches and best practice.

2021 marks a turning point for these efforts. The voluntary carbon market is in the midst of transformative changes, with growing demand in recent years, efforts underway by the Taskforce for Scaling the Voluntary Carbon Market (TSVCM) to scale the market even further, and corporations adopting new standards of best practice under the Science-Based Targets Initiative (SBTi).

Meanwhile UNFCCC negotiations this November are due to result in new rules for international carbon trading under Article 6 of the Paris Agreement, as well as providing clarity on the future of the CDM.

In this changing context, Gold Standard aims to be at the forefront of efforts to ensure carbon market activities, and the use of credits, reflect the highest standards of integrity, and support the twin goals of climate security and sustainable development.

This requires us to look outward, ensuring that practices, approaches and rules applied across the carbon market uphold high levels of integrity. We are for instance actively engaged in the TSVCM, SBTi and other ongoing initiatives, advocating for high integrity and for our stakeholders' interests.

But we also need to look inward, ensuring Gold Standard for the Global Goals continues to represent best practice in the context of the Paris Agreement, and that Gold Standard projects – both existing and new – continue to deliver transformative impacts and meet the needs of buyers.

This turning point for the voluntary market represents a major opportunity for many Gold Standard projects, with the potential for increased demand, new markets and a premium placed on quality. However, it also requires certain changes to current practices, to align with emerging requirements and norms.

In particular, the implementation of the Paris Agreement, including rules for international carbon trading under Article 6, will require updates to existing rules for Gold Standard projects. This is the clear position of independent civil society and

academic observers and we expect this to be the case for all voluntary standards. These updates will be necessary to ensure that Gold Standard continues to represent best practice in the post-2020 period, that Gold Standard credits remain in demand and eligible in as many markets as possible, and that the claims made when credits are used have integrity.

This document provides an overview of the main areas of change that Gold Standard believes will be necessary for projects serving the voluntary carbon market, in order to support the Paris Agreement’s overall goals and align with the emerging rules under its Article 6. In some cases, this document outlines changes that have already been made or will take immediate effect; in others, it sets out our expectation of changes that will be needed as soon as practicable to align with the Paris Agreement. The purpose of this is to give as much clarity and visibility to project developers and other stakeholders as possible, and to provide an early opportunity for feedback.

Gold Standard recognises that this is an uncertain time for all market participants, but particularly for existing projects set up prior to 2021 that wish to continue operations in the post-2020 period. This document, and the engagement that will follow, is one part of our efforts to help project developers to manage this transition smoothly. Our approach to transitioning existing projects will be informed by civil society, and guided by the following principles:

- **Quality:** Gold Standard will ensure environmental and sustainable development integrity is protected and strengthened in the new post-2020 context, applying rigorous safeguards and ensuring projects enable and drive greater ambition towards the Paris goals.
- **Consideration:** We will implement the transition in a thoughtful way, providing stakeholders with clear expectations and notice of changes, and implementing changes carefully for our legacy portfolio.
- **Fairness:** While we do not directly control the wider VCM environment we will provide all participants with fair and just processes, recognising the contribution of our legacy portfolio, and will establish access provisions for marginalised and/or excluded stakeholders.
- **Efficiency:** We will demonstrate that the transition can be done efficiently, consistently and with stability.

— **Responsibility:** We will take responsibility for providing clear guidance on the integrity of claims related to Gold Standard credits in various market applications.

These principles are reflected in the information that follows and will underpin Gold Standard’s ongoing work to transition to the new post-2020 context. Gold Standard intends to develop the information included in this document further as part of a guidebook for transitioning the voluntary carbon market to align with the Paris Agreement. This guidebook is expected to be made public later this year, and is made possible by funding from the German Ministry for the Environment (BMU).

2| TRANSITION AND RENEWAL OF EXISTING PROJECTS

On 1 December 2020, the second commitment period of the Kyoto Protocol came to an end. Going forward, carbon markets will operate in a new context, with new rules for international carbon trading under the Paris Agreement due to be adopted at the end of this year. As part of this, governments are expected to agree rules for a new UN credit mechanism and clarify the transition away from the Clean Development Mechanism (CDM).

With this transition will come new requirements for projects, as outlined later in this document. But in the short-term, a priority for Gold Standard is to enable a smooth transition for existing projects – both existing Gold Standard projects, and others that may wish to transition to Gold Standard from other schemes, including the CDM. We wish to ensure this transition is undertaken carefully and with thought, to enable high-integrity projects to continue to operate and deliver positive outcomes for the climate and sustainable development.

This section outlines requirements for projects from other schemes wishing to transition to Gold Standard, and existing Gold Standard projects wishing to renew their crediting period. We encourage developers to read the other sections of this document in addition to this, as they will also be relevant.

Determining the vulnerability of projects

The purpose of carbon finance is to support activities that are additional and requiring of ongoing finance until the point they can become financially sustainable, i.e. where the mitigation outcome would not have occurred and could discontinue in the absence of this source of revenue. Central to this is the 'vulnerability' of a project, i.e. whether or not it would be able to continue operations in the absence of ongoing carbon credit revenue. This is a different issue to ex-ante additionality, instead focusing on the ongoing impact of finance.

Whether or not a project can continue abatement without these revenues is a critical determinant of the additionality of the project and the impact of buying a carbon credit from a project that is already implemented. Purchasing a credit from a vulnerable mitigation project might prevent it from terminating GHG abatement. Non-vulnerable activities, on the other hand, are those that can continue operations even

without revenues from carbon credits, so the emission reduction or removal will continue even in the absence of a buyer.

With this purpose in mind, we intend to require projects seeking to transition to Gold Standard, or renew their crediting periods, to demonstrate that they are vulnerable without a steady stream of carbon finance, applying the requirements outlined below.

In doing so, Gold Standard can continue to support projects that are additional and that deliver benefits that are at risk of discontinuation, while at the same time restricting competition to existing Gold Standard developers from projects that no longer need this finance stream. Projects that achieve financial sustainability, by definition, would not lose out because of this rule.

- CDM projects and projects from other certification schemes with a start date of first crediting period before 1st January 2016 are already restricted from transitioning to Gold Standard (as GS VER projects) unless they demonstrate risk of discontinuation. This can be established based on the four-step methodology from Oeko Institute Report, May 2017³ or other suitable approaches submitted to and approved by Gold Standard. **This is an existing rule, available [here](#) and therefore not open to consultation.** Decisions are still to be made as to whether to modify this rule to exempt certain transitioning projects from this assessment, and concerning the deadline for projects wishing to transition from the CDM. This latter decision will be made following the outcome of this year's Article 6 negotiations within the UNFCCC.
- All Gold Standard projects shall demonstrate 'ongoing financial needs' (OFN) at the time of renewal of their crediting period. Currently the submission of information to demonstrate OFN is necessary at the time of renewal of crediting period but this information is not used formally to determine whether a project shall renew or not. For crediting period renewals that are submitted after these proposed assessment criteria become effective as GS4GG rules, this information **will** be used to formally determine whether a project shall be eligible to renew.

³ <https://www.oeko.de/en/publications/p-details/vulnerability-of-cdm-projects-for-discontinuation-of-mitigation-activities>

Proposed time of application and other considerations

- **Projects from other certification schemes (including CDM projects not registered under Gold Standard) with start of first crediting period before 1 January 2016:** Projects must demonstrate risk of discontinuation at the time of transition to Gold Standard.
- **All other projects (including existing CDM projects registered under Gold Standard):** Projects must demonstrate ongoing financial need at the time of first renewal of crediting period post-2020, with the exception of projects that have successfully demonstrated 'risk of discontinuation', which is considered sufficient for transition. This applies at CPA/VPA level rather than PoA level. Criteria to assess ongoing financial need will be developed and published at the time this rule becomes effective.

Additionality: Alongside vulnerability, additionality is a prerequisite for the environmental integrity of any carbon credit, protecting the buyer's claim to have enabled climate mitigation and underpinning the integrity of offsetting and other financial claims. Additionality is expected, based on draft Article 6 decisions developed at COP25, to be a required attribute of internationally transferred mitigation outcomes (ITMOs) under Article 6.2 and also required in the design of activities under the Article 6.4 mechanism. As a concept, additionality has been under critical scrutiny in recent years and will need to be adapted to align with the Paris context. Gold Standard is developing principles and guidance for the additionality of ITMOs under Article 6.2, and will publish more information on this work shortly, including how it may inform approaches in the voluntary market.

FEEDBACK SOUGHT:

- 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.*
- 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?*
- 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?*

3 | USING VOLUNTARY CARBON CREDITS IN THE POST-2020 PERIOD

The implementation of the Paris Agreement, coupled with the emergence of new standards for corporate climate action under the Science Based Targets initiative, has brought forth a new context for the use of carbon credits for voluntary purposes.

This allows us to consider a 'science-based' mitigation hierarchy, with clear targets and an understanding of how companies can apply the different mitigation mechanisms such that they credibly work together. In turn and as predicted by [Gold Standard in 2018](#), markets will become increasingly recognised and legitimised by civil society as part of a credible corporate strategy and different market applications will emerge.

Until this point, the voluntary use of carbon credits has been synonymous with 'carbon offsetting', whereby one actor – for instance a company – increases their direct greenhouse gas emissions, but purchases credits representing an equivalent amount of emissions that have been reduced elsewhere, in order to 'offset' their own increase. For Gold Standard, this new era requires a shift in mindset of those engaging in voluntary climate action. Firstly, to ensure that the well-understood practice of carbon offsetting is fit for the new context in which the voluntary market operates, and secondly to explore and develop new models for voluntary finance beyond carbon offsetting.

This section outlines Gold Standard's perspective on both of these issues, and what this means for project developers, buyers and other stakeholders. This perspective is aligned with that of civil society and academia, and we expect the changes outlined here to affect the entire voluntary market. Through the rule updates outlined below, Gold Standard is seeking to be proactive rather than reactive in adjusting our approach to the new context.

1 | Preserving the promise of carbon offsetting

Voluntary action now takes place in the context of the Paris Agreement, under which all countries – developed and developing – must take action to limit global warming, communicated publicly in the form of Nationally Determined Contributions (NDCs).

National governments will put in place policies and measures to achieve their NDCs, and must regularly track progress towards them.

The promise of carbon offsetting is that the atmosphere is no worse off as a result of the act of offsetting, as net-emitters compensate by purchasing emission reductions or removals achieved elsewhere. In the context of NDCs this means that credits used for offsetting purposes cannot also be counted towards the NDC of the host country if the claim is to maintain its integrity. This is because it cannot be assured at issuance or retirement that the emission reduction or removal used for offsetting has not also displaced or deferred other actions the host country (i.e. the second claimant) would have taken to meet its NDC. In short, it will not be possible to be certain that the promise of offsetting has been delivered.

Within the UNFCCC, a mechanism has been put in place to avoid such ‘double claiming’ when mitigation is transferred for use by another party: a ‘corresponding adjustment’. A national government transferring a mitigation outcome must adjust its emissions balance to reflect the transfer and, in cases where the user of the outcome is another national government, they must make a corresponding adjustment to their emissions balance to reflect the use.

While its original purpose was to avoid double claiming between two NDCs, the large majority of experts in civil society, academia and beyond have since recognised that corresponding adjustments can also address risks associated with double claiming, such as companies making voluntary carbon offsetting claims or airlines complying with obligations under CORSIA. Such potential uses of corresponding adjustments were allowed for in [draft versions](#) of Article 6 guidance produced in the UNFCCC at COP25. The proposals outlined below assume that similar provisions will ultimately be adopted, so any change at the UNFCCC level may require us to review our approach.

The principle of governments accounting for the voluntary use of carbon credits is not new. Gold Standard, like other standards in the voluntary carbon market, already requires the cancellation of eligible units (for example, Assigned Amount Units (AAUs)) in cases where a Gold Standard VER is issued in a country or region that operates within an international or domestic GHG Cap and Emissions Trading Scheme or carbon tax. Similarly, the UK Government has not allowed units issued under its domestic Woodland Carbon Code to be claimed by UK companies as offsets, as the

underlying emission impact is already counted towards the UK’s UNFCCC targets⁴ (see pg. 116).

“It has been argued that all voluntary action is double claimed by the host country as a natural consequence of accounting. For example, if a company sets a science-based target and avoids and reduces emissions towards it then this could be seen in the national inventory too.

While this is correct, it misunderstands the differing impact of double claiming for corporate inventory reporting and offsetting. For double claiming in inventory reporting, both the company account and the national inventory would be accurate, and both claims concerning those reports would be true. For offsetting, the double claiming undermines the truth of the claims being made, that the atmosphere is no worse off because of the compensatory action.

It is correct to say that the national inventory and Paris accounting generally would be accurate. But it would accurately reflect a worse result than the promise offered by offsetting.”

In the Paris era, Gold Standard assesses that it will be necessary for corresponding adjustments to be applied in cases where carbon credits will be used for voluntary offsetting claims, just as it is when credits are used to comply with offsetting

⁴ HM Government (2019) [Environmental Reporting Guidelines](#). See p116

requirements under CORSIA. We expect this to be the position of civil society and that examples where it is not undertaken risk coming under public scrutiny.

This is not simply a choice. It is a necessity to maintain the promise of offsetting: that the atmosphere is no worse off as a result. Gold Standard is not willing, as a rule, to certify and issue carbon credits for the purpose of voluntary offsetting where we cannot be confident that the underlying impact to the atmosphere is real, and has not simply deferred or delayed other action the host government may have taken. We hope that other standards will follow suit, recognising the importance of this issue for the integrity of the voluntary carbon market and to protect their users' reputations.

We do understand that this requirement introduces additional complexity, in particular for project developers, and that it cannot be introduced overnight. We recognise it will take time for governments to put in place the necessary arrangements for corresponding adjustments, and that the time needed and capacity to do so may differ depending on a country's development status. In some contexts, such as for projects in LDCs, introducing a requirement for a corresponding adjustment too early would be an unreasonable demand and could undermine project viability. This is a necessary practical consideration that must be balanced against the risk to the integrity of claims that exists throughout the NDC period.

Gold Standard therefore intends to take the below approach to the introduction of corresponding adjustments, where credits are intended for use towards a voluntary offsetting claim. More information on how this will be operationalised is [available here](#).

Stakeholders should be aware, when reviewing this assessment criteria, that we also intend to continue issuing credits from projects that do not have a corresponding adjustment, where these are intended for use towards a voluntary 'financing' claim, and will make the distinction clear in our registry. This is explained from page 20.

— **Assessment criteria**

These assessment criteria are relevant where a project wishes for its credits to be eligible for voluntary offsetting purposes, including for cases where the emission reductions will be generated and the credits used in the same jurisdiction. Where this is the case, the project shall request a document from the host country's designated focal point, or other suitable institution, authorising the project to export emission

reductions or removals and provide assurance that double counting/ claiming will be avoided. This document must be submitted to Gold Standard.

We envisage this being in the form of a Letter of Authorisation and Assurance (LoAA) with confirmation that corresponding adjustments (CA) will be carried out. If other methods are established in the future that can provide the same assurance that double claiming will be avoided, Gold Standard will consider incorporating these as an alternative route.

— **Proposed time of application and other considerations**

Timing: An LoAA or other official document from the host country can be submitted any time before the retirement of credits on the Gold Standard Registry. It is acknowledged that there will be a time gap between the use of a credit and its actual adjustment in the host country’s account. Hence, the submission of an LoAA or other official document to Gold Standard, providing assurance that a corresponding adjustment *will* be carried out, will be sufficient to execute the retirement of credits for voluntary offsetting purposes, rather than evidence that the corresponding adjustment itself has been carried out. Safeguards will be put in place to protect against risks that corresponding adjustments committed to have not been completed.

Transition period for introduction: As above, Gold Standard recognises that host countries will need time to build capacity to authorise and apply corresponding adjustments, and that the time required may depend on the country’s level of capacity. Gold Standard’s intention is that the transition to the Paris era is done in a thoughtful and equitable way. We recognise the application of corresponding adjustments as an area where this principle is particularly important.

In light of this, Gold Standard proposes a staggered approach to the requirement for corresponding adjustments for credits intended to be used for voluntary offsetting purposes. Projects will need to secure an LoAA or another official document from the host country confirming that a corresponding adjustment will be carried out for credits from the following vintage onwards, for these to be eligible for use towards a voluntary offsetting claim:

— **Projects in developed countries⁵:**

— **New projects:** applicable immediately for all credit issuances with vintages starting from 1st January 2021.

— **For existing Gold Standard projects:** applicable immediately for all credit issuances with vintages starting from 1st May 2021.

This rule updates the pre-existing requirement for cancellation of Kyoto units, such as AAUs, for projects in Annex B countries under the Kyoto Protocol. This update is necessary as the Kyoto Protocol is superseded. Gold Standard has a small number of projects in developed countries and will specifically engage with them to discuss a fair and robust way forward.

— **Projects in developing countries (besides Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Developing States (SIDS), and conflict zones):** Credits with vintages starting 1st January 2023, though with the possibility of extensions on a case-by-case basis.

— **Projects in LDCs/LLDCs/SIDS/conflict zones:** Circumstances will be evaluated to assess if the host country is in a position to issue an LoAA or other official document confirming that a corresponding adjustment will be done for credit vintages starting from 1st January 2025.

Host country requirements will supersede the timings outlined above in cases where governments require such an LoAA or other official document earlier than the dates mentioned above.

Gold Standard recognises that Article 6 guidance – including rules related to corresponding adjustments - has not yet been adopted in the UNFCCC, with an intention for this to be finalised at COP26 this November. The dates provided above

⁵ The Paris Agreement distinguishes in a number of places between developed and developing countries, as well as Least Developed Countries (LDCs) and Small Island Developing States (SIDS). However Article 6 is applicable to all countries, with some special provisions under consideration for LDCs and SIDS. Gold Standard proposes to introduce the requirement for corresponding adjustments in a staggered way based on the country definitions as understood within the UNFCCC, but with the intention that the requirement is in place for projects in all countries over time.

have been proposed with this in mind, to ensure that – outside of developed countries where a similar form of adjustment is already required – we are not introducing a requirement for corresponding adjustments until the rules for their application are adopted, a period of time has passed for capacity to be put in place, and possible further Article 6 guidance under the UNFCCC has been adopted at COP27. With that in mind, we may reconsider the suitability of these dates if Article 6 guidance is not adopted this November.

Inside/outside NDC: Gold Standard recognises that UNFCCC negotiations have not yet provided clarity as to whether / when corresponding adjustments will be required for mitigation generated by projects outside the sectors and greenhouse gases covered by a host country’s NDC.

Until this clarity is provided, Gold Standard’s intention is to require corresponding adjustments for credits generated both inside and outside the scope of the NDC. Under our proposed staggered introduction, this will only apply to developed countries in the short-term, which are in any case expected under the Paris Agreement to undertake economy-wide absolute emission reduction targets, meaning the distinction should not be relevant. However, we will consider our approach on this issue carefully before this rule is extended to developing countries, taking into account the outcome of Article 6 negotiations and feedback from stakeholders.

Domestic offsets: We are aware that there is growing demand for ‘domestic offsets’ in the voluntary market, which involves the emission and the credit used for its offset both occurring in the same country. Whilst some argue that this negates the problem of double claiming, this is not technically accurate.

The truth of the offset claim can still be undermined in the same ways as described above, and runs the risk of disrupting domestic policies and actions if not properly integrated. As highlighted above, we note, for example, that the UK Government has not allowed domestically generated ‘Woodland Carbon Units’ to be reported by companies as offsets or carbon credits due to the underlying emission impact also being accounted for towards the UK’s UNFCCC targets.

Gold Standard does not therefore distinguish between voluntary domestic and international offsetting in this regard. We do recognise that new domestic markets are emerging and will likely continue to grow and that there may be safeguards that can be developed to mitigate these risks. We will therefore work closely with civil society

and other actors to establish the necessary safeguards to ensure domestic market use-cases maintain integrity and quality. In time this could mean that alternative solutions to corresponding adjustments are available for domestic applications, but stakeholders are strongly advised not to assume that domestic offsetting is 'exempt' until any alternative provisions are developed.

Further advice for project developers: Gold Standard recommends that projects begin the process of engaging with their host country governments on this topic. We also recommend that project developers review [Guidelines on Avoiding Double Counting for CORSIA](#) published in June 2019. These guidelines were prepared by a working group that included Gold Standard and other voluntary market standards and includes valuable guidance on the process of obtaining an LoAA, the content of such a letter, as well as other relevant requirements.

We would be willing to support project developers in your engagement with host countries where helpful, though the responsibility ultimately lies with projects to do so. Where project developers operate in countries that will be more immediately affected by the rule change outlined above, we are also willing to have individual conversations on this issue and to provide further support and guidance as appropriate. Finally, we recognise an urgent need for capacity-building with host governments in the coming years to ensure the resources, capacity and processes are in place to operationalise Article 6 guidance and the application of corresponding adjustments, including for mitigation outcomes authorised for voluntary offsetting purposes. We will seek opportunities to work with partners to take this forward.

Detailed guidelines on operationalising corresponding adjustment requirements, including information to be provided by project developers, information that will be made publicly available via the Gold Standard Registry and project database, safeguards in case of defaults by host countries and other pertinent details are available in a separate document for [stakeholders' review, available here](#).

FEEDBACK SOUGHT:

- 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?*
- 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?*
- 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?*
- 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?*

2|New context, new claims

The voluntary use of carbon credits has until this point been synonymous with 'carbon offsetting'. While corresponding adjustments will be necessary to avoid double claiming and thus ensure the integrity of voluntary offsetting claims, as outlined above, Gold Standard, like others in civil society, sees an opportunity to define a new type of corporate claim in the new post-2020 context. Rather than 'offsetting' or 'carbon neutrality' claims, companies can purchase quality carbon credits with the same rigorous requirements - real, additional, unique, and independently verified – and claim to have 'financed' emission reductions or removals.

In this way, a company can use existing voluntary carbon market infrastructure to purchase and retire an amount of carbon credits equal to its unabated emissions and can claim to have ‘financed’ a tangible contribution towards the goals of the Paris Agreement. This is different from an offsetting claim insofar as the company claims to finance the reduction or removal of an equivalent amount to its unabated emissions, but it does not claim their emissions have been ‘offset’.

The financing model has the potential to avoid complexity, ensure clarity and credibility of claims. When coupled with the implementation of Science-Based Targets, this marks a step-change in voluntary action and finance from the private sector.

It means that voluntary buyers can continue to invest in projects that do not have corresponding adjustments, but still catalyse and claim to have contributed to transformative, quantified and verified impacts towards the host country’s NDC and therefore the Paris Agreement, as well as the Sustainable Development Goals. At the same time, it also means corporate climate investment can reach climate solutions that are not typically supported through the voluntary carbon market, for reasons of cost, complexity or unsuitability for crediting in the new international accounting context, but that are vital to meeting the goals of the Paris Agreement.

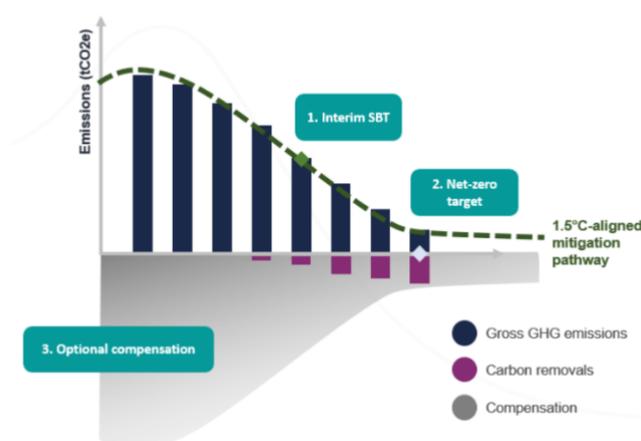
Gold Standard has advocated for this approach in the past, including in a 2018 publication with CDP and WWF, and held extensive engagement with partners. This approach is also well-aligned with wider developments to define best practice for companies looking to take full responsibility for their emissions. In January, the Science-Based Targets Initiative launched a consultation on a new [Net Zero Standard](#), which will enable companies to set robust and credible net zero targets in line with a 1.5°C future. This sets out that companies must:

- Achieve a scale of value chain emissions reductions consistent with the depth of abatement in pathways that limit warming to 1.5°C with no or low overshoot;

- Once they achieve their net zero target, neutralise the impact of any source of residual emissions that is unfeasible to eliminate by permanently removing an equivalent volume of atmospheric CO₂.

Companies with net zero targets are also encouraged to compensate for unabated value chain emissions during their transition to net zero. The recommendations for how compensation should be implemented reflect an effort to overcome the limitations of traditional 'carbon neutrality' claims, and open up opportunities beyond carbon offsetting, including financing innovative programmes not typically served by the voluntary carbon market, as well as purchasing high-quality carbon credits.

Figure 0.1. Graphical representation of a net-zero target, interim SBT, and optional compensation



SOURCE - Science Based Targets Initiative

The recent [WWF Blueprint for Corporate Action on Climate and Nature](#) provides further support for this approach. In the Blueprint, WWF propose that a financial commitment based on a credible internal carbon price and fee should be used to invest in further reductions across its value chain, purchase quality carbon credits, or to unlock climate solutions that may not be accessible through the voluntary carbon market. This was discussed further in [WWF's recommendations for corporate climate strategies in the era of the Paris Agreement](#).

Other civil society organisations, including [Carbon Market Watch](#), have also highlighted the advantages of such an approach. Meanwhile an independent initiative, the 'High Ambition Demand Accelerator for the Voluntary Carbon Market

(HADA-VCM)⁶, is being established to provide clarity on the role of voluntary carbon credits in supporting net-zero corporate transitions, aiming to build consensus on this issue.

Gold Standard will continue to engage with stakeholders, including civil society, project developers and users of Gold Standard credits, to build the credibility and understanding of, as well as mechanisms for, 'financing' claims. Importantly, we see this as an alternative route for developers serving the voluntary market in the post-2020 period, and an additional way for companies to support and fund high-integrity climate action beyond their boundaries.

To support this development, Gold Standard will issue both credits eligible for 'financing' claims and those eligible for 'offsetting' claims in the future - all required to meet the same rigorous requirements but distinguished in our registry so buyers can purchase the appropriate credits for the claim they intend to make.

Summary

In line with our founding mission, Gold Standard intends to work in the post-2020 context to ensure that carbon markets continue to represent the highest integrity and help to achieve climate security and sustainable development for all. To ensure credibility and trust in the mechanism, this matters as much for the claims made when credits are used as it does for the quality of projects themselves.

Towards that end, we will:

- 1| Introduce a requirement that corresponding adjustments must be in place when Gold Standard credits are issued in order for these to be eligible for voluntary offsetting claims. We intend to introduce this in a staggered way, focusing first in developed countries where in most cases [Gold Standard has always required adjustments](#) (see Annex A) to address double claiming, and where there is generally greater capacity to facilitate corresponding adjustments. We intend to take special care to protect vulnerable projects, and so do not plan to require

⁶ Working title

adjustments in LDCs, LLDCs, SIDS and conflict zones until vintages from 1 January 2025.

- 2| Work with partners and stakeholders to further clarify and advocate for new clear, credible and compelling corporate claims and mechanisms for financing emission reductions and removals beyond boundaries – above and beyond traditional offsetting or carbon neutral claims.
- 3| Enable our registry to distinguish between the differing claims that a given credit is eligible for. In this way it would remain possible to continue to issue units for the purpose of making financing claims as described above, which can be converted to be eligible for offset claims if the necessary paperwork is submitted and verified. For example, projects in LDCs issuing today will be eligible for offset claims, whilst those in developed countries will only be eligible for financing claims until and unless a corresponding adjustment is in place.

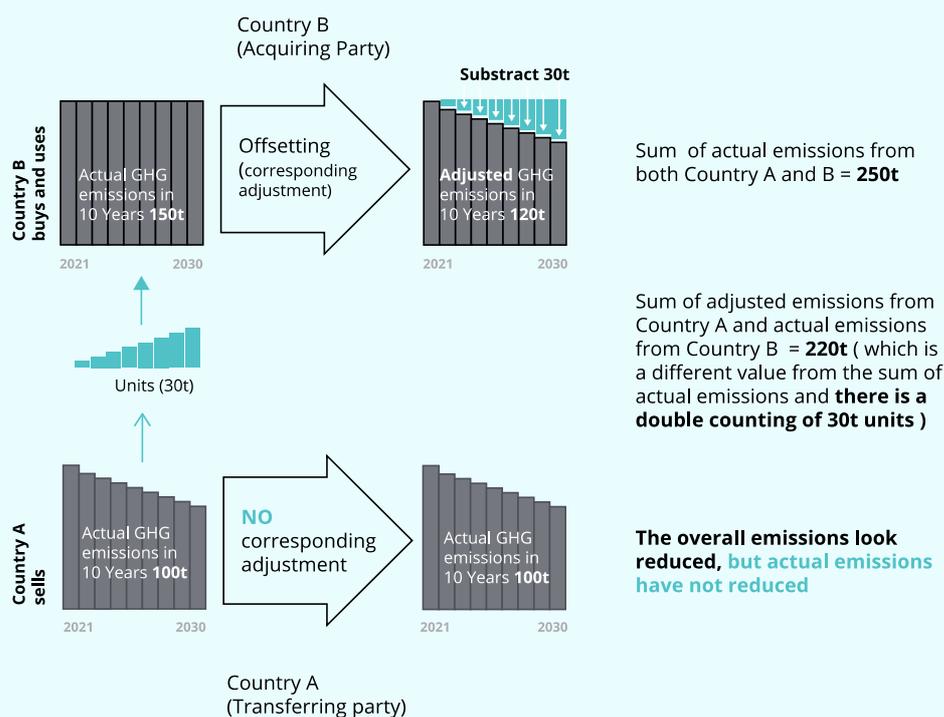
We believe that this approach strikes the right balance to protect environmental integrity and thus the reputation of the voluntary market while still enabling finance to reach projects delivering transformative benefits on the ground. We welcome further engagement with stakeholders on this issue, and welcome responses to the questions included above.

Explainer: Double-claiming and corresponding adjustments

Double claiming occurs when the same emission reduction / removal / mitigation outcome is claimed by two different actors. In the context of the Paris Agreement, this can occur when a project’s host government claims the outcome towards its NDC and at the same time it is claimed by another country (for their own NDC) or entity (for instance towards a voluntary offsetting claim or an airline’s offsetting obligations under CORSIA).

This effectively means that an emission reduction/removal is occurring once but being claimed twice. For some applications of markets, a failure to safeguard against double claiming could lead to inaccurate claims and potentially higher global emissions. The main safeguard established under the Paris Agreement to prevent double claiming is the ‘corresponding adjustment’, under which a country transferring a mitigation outcome must adjust its emissions balance to reflect the transfer and, in cases where the user of the outcome is another country, they must make a corresponding adjustment to their emissions balance to reflect the use.

Avoiding this form of double counting requires several procedures to be in place to enable robust accounting, through the application of corresponding adjustments, under the Paris Agreement. More information on corresponding adjustments, and how Gold Standard will operationalise them, is [available here](#).



Source: https://ercst.org/wp-content/uploads/2019/01/1cs6nq3ce_702975.pdf

4| ALIGNING WITH THE PARIS AGREEMENT – INTEGRITY OF OTHER PROVISIONS

Gold Standard considers alignment with the Paris Agreement to be critical for our standard, Gold Standard for the Global Goals, and for the voluntary market as a whole. The rules agreed within the UNFCCC for carbon trading are anticipated to become the new international benchmark for market activities, a blueprint for domestic markets, and a basis for determining the quality of projects and credits. If projects wish to remain eligible for new markets, remain attractive to buyers and represent high integrity, aligning with rules under the Paris Agreement – and where necessary going beyond these – will be essential.

Towards this end, Gold Standard wants to ensure that our standard and projects align with the Paris Agreement as soon as is practicable, while giving project developers as much advance notice as possible of the rule updates that this is likely to require in the future. Alignment may not in all cases mean mirroring; there may be instances where Gold Standard deems it necessary to be consistent with but go beyond provisions adopted in Article 6 guidance, in order to best uphold the integrity of our standard.

The two sections above outlined how Gold Standard intends to update its approach on two key issues – the transition of projects started prior to 2021 and the requirement for corresponding adjustments for particular uses - as part of the transition to the Paris context. In addition, we expect that several further updates to Gold Standard rules will be required in the future to align with emerging rules under Article 6 of the Paris Agreement.

This section summarises three further areas where updates to existing GS4GG rules are likely to become necessary in the coming years. Any rules changes will need to be consulted on once the detail of Article 6 guidance is clearer. However we wish to outline our current expectations now in order to enable project developers to prepare for possible changes, and to give all Gold Standard stakeholders an opportunity to comment at this point in time. Any feedback received from stakeholders in response to this document will be considered as we develop any future rule changes in response to the final outcome of negotiations on Article 6 guidance.

Issue 1 - Emission reductions/removals are real

Under current rules, the methodologies used by Gold Standard projects to quantify emission reductions or removals from credited project activities must be true and accurate and not lead to an over-estimation of the emission reductions or removals.

There is recognition in civil society and academia, as well as within Article 6 negotiations, that methodologies will need to be updated to fit the new context of the Paris Agreement. This includes the fact that all countries now have NDCs in place and will introduce policies to achieve them. The modalities for developing methodologies for the new Article 6.4 crediting mechanism have not yet been finalised, but the most recent versions of the Article 6.4 guidance produced at COP25 indicate that methodologies may be required to take into account relevant policy, be consistent with the host country's NDC and encourage an increase in ambition over time.

In principle, the baseline for a crediting project should be set below the GHG emissions that would occur over a specified period of time (business as usual (BAU)) in the project's absence, taking into account a range of factors — **including domestic policies** — that might influence those emissions. The baseline thus should be able to establish conservatively the reference level(s) of emissions used to quantify the GHG reductions that the project generates over time. These reference levels shall be below BAU, which is based on historic emissions, in recognition that baseline emissions would go down over the NDC period due to implementation of policies.

This is in line with principles adopted by the International Carbon Reduction and Offsetting Alliance (ICROA), [which has said](#) that in the post-2020 period, carbon standards will be required to ensure that baselines and methodologies are updated over time so as to ensure emission reductions over and above business-as-usual and regulatory requirements.

Gold Standard will consider carefully the relevant provisions in final Article 6 guidance once this is adopted, to ensure alignment. At this point in time, we expect to update GS4GG to require the below when projects register or renew their crediting period:

- 1| **Baselines should take host country policies into account.** Crediting baselines at project level should be updated taking into account the host country's policies. Long term strategies and host country measures should be

considered. The CDM E+/E- policy guideline⁷ should not be used in carbon markets after 2020.

- 2| **Baselines must be set below a business-as-usual scenario.**
Methodologies will need to be updated to enable projects to adjust their baseline so that they are conservative and below a business-as-usual scenario.
- 3| **Projects should update their baseline at least every 5 years, unless otherwise deferred by Gold Standard for specific project types.** This is already required of Gold Standard projects and would in addition be required for Gold Standard CDM projects. Some methodologies may also shift to a dynamic baseline scenario for example those for grid connected renewable energy projects in countries with ambitious renewable energy targets, which will change the grid emission factor frequently.

Suppressed demand: One issue that needs further consideration, by Gold Standard but also more broadly, is suppressed demand, a concept developed to support communities that could not otherwise access carbon finance due to lack of access to minimum service provisions. A number of Gold Standard projects apply a suppressed demand baseline, though this is only available to those that fall within micro- or small-scale thresholds.

The need for suppressed demand activities could be seen to grow stronger in the future, as governments pursue their dual commitments under the Paris Agreement and 2030 Agenda for Sustainable Development, working to grow their economies and improve livelihoods while limiting and reducing emissions. However, the nature of suppressed demand means that countries may not in all cases be willing to apply corresponding adjustments for such projects, where this could make achievement of their NDC more difficult. Gold Standard also notes that the latest draft Article 6 guidance does not include emissions avoidance – a category that includes suppressed demand - within the definition of Internationally Defined Mitigation Outcomes (ITMOs), proposing instead that further consideration is given to its inclusion.

⁷ <https://cdm.unfccc.int/EB/016/eb16repan3.pdf>

As Gold Standard proposes to not require corresponding adjustments in LDCs – which host the vast majority of suppressed demand projects - until 2025 at the earliest (unless the host country requires otherwise), there is time to consider this issue further. We will therefore continue to operate a suppressed demand approach until further notice, but highlight that changes may need to be made to the way it is applied in the future, or alternative approaches developed. Gold Standard remains firmly in support of ensuring carbon finance continues to flow to projects that deliver services to communities benefitting from suppressed demand baselines and that would otherwise be left behind by the impending market evolution.

Removals: With regards to removals projects, particularly in our land-use and forests scope, we note that approaches to safeguard against impermanence due to loss and reversal are likely to evolve over the next five years to support different market applications. Gold Standard will monitor Article 6 negotiations and bring forward rule updates that are in step with market developments and ensure our projects are able to access the widest range of market applications possible.

Finally, we would like to emphasise that the accuracy of emission reduction estimates is ultimately underpinned by robust monitoring, reporting and verification. This remains a keystone for our work. Any methodological changes to monitoring requirements and verification processes will be addressed separately.

FEEDBACK SOUGHT:

- 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?*
- 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?*
- 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?*

Issue 2 – Contribution to Sustainable Development.

Global ambition for climate change and sustainable development (SD) was cemented in two historical agreements in 2015: the Paris Agreement to limit global warming to well below 2°C and the United Nations 2030 Agenda to achieve 17 Sustainable Development Goals (SDGs).

The preamble to the Paris Agreement recognises the intrinsic relationship between climate change actions and impacts as well as equitable access to sustainable development and the eradication of poverty. Both Articles 6.2 and 6.4 of the Paris Agreement recognise that market-based cooperation and activities must promote and foster sustainable development.

While it is still unclear how the requirement to promote and foster sustainable development will be reflected in Article 6 guidance, Gold Standard has advocated for strong provisions through the [Sustainable Development Initiative](#) and will continue to do so.

For Gold Standard, sustainable development has always gone hand in hand with climate mitigation and been a core requirement for all projects. This will remain the case in the future, and we expect our existing requirements will already go beyond what will be required under Article 6.

In parallel, new carbon market developments also underscore the importance of sustainable development, from CORSIA requirements to the Taskforce on Scaling Voluntary Carbon Markets calling for safeguarding and inclusivity and recognising the need to create further development benefits. At the same time, market proponents increasingly promote the contribution of carbon credits to the Sustainable Development Goals, [sometimes overclaiming](#).

Therefore, Gold Standard intend to focus our efforts on making it simpler for projects to deliver more impact in a streamlined way. Gold Standard is rolling out [SDG Impact Tools](#) to strengthen, streamline and simplify the monitoring, quantification and reporting of SDG impacts, while ensuring credible claims.

FEEDBACK SOUGHT:

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?

Issue 3 – Effective Contribution to ‘Overall Mitigation in Global Emissions’ (OMGE)

Currently, international carbon market mechanisms are in principle a zero-sum game for the atmosphere – meaning that no net reduction of global emissions occurs as a result of transfers between parties. In practice, an amount of greenhouse gas emissions (for instance one tonne) is reduced in one place, and the transfer of these reductions allows emissions to increase by the same amount in another place. This flexibility does not directly lead to a net reduction of emissions, though does help to reduce the cost of mitigating climate change.

Under the new mechanism of the Paris Agreement, established by Article 6.4, public and private entities can implement emission reductions activities and be issued offset

credits that they can sell to different buyers. A specific requirement of the Article 6.4 mechanism is that it “shall aim (...) to deliver an overall mitigation in global emissions”, known as ‘OMGE’.

The implementation of this concept - how it is operationalised in practice - is part of ongoing negotiations between UNFCCC Parties. Some Parties wish to see OMGE operationalised through a discounting or cancellation of a percentage of credits at the point of issuance. The most recent [draft Article 6.4 guidance](#) included a provision for a cancellation of no less than 2% of credits at issuance, though this is still part of negotiations. The discounted or cancelled amount would be used by neither the buyer nor seller, and so would be additional to NDCs or other targets. This would be a way to move offsetting beyond a zero-sum game. Other Parties have advocated for other ways to ensure OMGE, for instance the setting of conservative baselines.

It is still unclear how the goal of achieving an overall mitigation in global emissions will be reflected in Article 6 guidance, nor whether or how this will be adopted within the voluntary market. Gold Standard will wait for the Article 6.4 decision, and further voluntary market discourse on this topic, and consider aligning with provisions agreed at the international level.

As above, these provisions could include a partial cancellation or discounting of a proportion of credits at the point of issuance or other provisions such as conservative baselines. We therefore feel it is important to take this opportunity to highlight the emerging topic to our stakeholders.

FEEDBACK SOUGHT:

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?

SUMMARY OF FEEDBACK SOUGHT

Here is the full list of questions to prompt the feedback sought, but all feedback is welcome. Please provide comments and suggestions via this [online form](#) or directly to standards@goldstandard.org by 15 April 2021.

TRANSITION AND RENEWAL OF EXISTING PROJECTS

Determining the vulnerability of projects

FEEDBACK SOUGHT:

- *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.*
- *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?*
- *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?*

USING VOLUNTARY CARBON CREDITS IN THE POST-2020 PERIOD

Preserving the promise of carbon offsetting

FEEDBACK SOUGHT:

- *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?*
- *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?*

- *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?*
- *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?*

ALIGNING WITH THE PARIS AGREEMENT – INTEGRITY OF OTHER PROVISIONS

Issue 1 - Emission reductions/removals are real

FEEDBACK SOUGHT:

- *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?*
- *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?*
- *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?*

Issue 2 – Contribution to Sustainable Development.

FEEDBACK SOUGHT:

- *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?*

Issue 3 – Effective Contribution to 'Overall Mitigation in Global Emissions' (OMGE)

FEEDBACK SOUGHT:

- *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?*