Mirova Natural Capital response to Gold Standard's consultation on "Aligning GS-Certified Projects with the Paris Agreement"

Mirova Natural Capital (MNC) has been a key stakeholder for promoting and scaling the voluntary carbon markets and the development of Nature-based Solutions (NbS) as an important strategy for reducing GHG emissions and contributing to achieving the Paris Agreement goals.

MNC welcomes the opportunity to contribute to the GS public consultation about "Treatment Double counting and Corresponding Adjustments (CA) in voluntary carbon markets". MNC understands that voluntary transactions can play a major role in mitigating climate change, but it is not going to be incentivized if barriers are put in place and discourage private investments to be channeled to high-quality and additional NbS.

Historically, the voluntary carbon markets have operated by additional efforts to reduce GHG emissions, led by voluntary private commitments - as carbon-neutral pledges established by companies.

The Paris Agreement aims, through its Article 6, to establish the grounds for a new international carbon market. However, some of the rules stipulated in Article 6, as the corresponding adjustments, may not be compatible when applied to the voluntary carbon markets.

To start with, as companies do not need voluntary carbon credits for domestic or international compliance, there is no need to discount it from host countries' NDCs. The net effect is that emission reductions created by the voluntary carbon markets contribute to the host country's NDC. In other words, where an emission reduction is additional to national regulation or binding targets, it does not need a Corresponding Adjustment.

Moreover, some NDCs may not be compatible with the country's capacities for implementing robust public policies, lacking specific budgetary planning and internal strategies for achieving the NDC targets. Therefore, a more comprehensive "quality analysis" of countries' capacities to meet its NDC targets should be required, before asking for CAs for voluntary transactions.

This is applicable for developing countries (as Brazil), or LDCs, that have established their NDC (sectorial or economy-wide) but still lack the technical and financial planning, or the political support needed to achieve those targets. In these situations, the requirement for LDCs or developing countries to proceed with CA under the voluntary carbon markets – where the country still lacks political and financial means to achieve its NDC – may lead to a critical decrease in much-needed private investment for developing and scaling mitigation strategies, as NbS.

Additionally, there is still not a clear understanding or guidance of how to account for a CA in a voluntary transaction. As a practical example, if a French company supports a local reforestation project in Brazil under the voluntary carbon markets, the CA procedure will require a discount of the GHG removals from Brazilian NDC and an equivalent account for the French NDC? To date countries do not recognize the purchase of these credits by companies and therefore this would result in only half of the corresponding adjustment which is problematic. If CA is required, we would encourage the creation of a meta registry that would hold all voluntary market (corporate level) CA so that there is transparency where the + has been done, not just the -.

This situation will lead towards a decrease in voluntary investments to support positive and additional efforts for reducing GHG emissions globally, and will drastically reduce developing countries and LDC's capacities to generate additional emission reductions - that wouldn't be achieved by governmental efforts or by the countries' NDC targets.

As the Article 6 rules are yet to be established, there is not yet clear guidance on how to proceed with the CA. The development of robust infrastructures to support CA in developing countries and LDC will take time (years, at least). That said, CA will not realistically be available in LDC in the short term (neither technically nor politically) and will not lead to more ambitious targets, nor allow channeling private investments to high-quality and additional emission reductions in developing countries and LDCs. On the contrary requiring CA without the clarity of its implementation and host countries technical capacity will lead towards a decrease in voluntary investments to support positive and additional efforts for reducing GHG emissions globally, and will drastically reduce developing countries and LDC's capacities to generate additional emission reductions - that wouldn't be achieved by governmental efforts or by the countries' NDC targets. This in turn will put in jeopardy the chance of achieving the 1.5-degree targets as it is increasingly clear that without the voluntary market efforts the world is heading to at least 3 degree warming.

Therefore as an alternative to the current proposed approach we recommend a phased approach that could support filling this gap:

Phase 1 (2021-2025): LDCs and developing countries can still count on recognized international registry systems to track and register emission reductions under the voluntary carbon markets - from both project-based and jurisdictional programs. These results should be fully available and disclosed in countries' GHG inventories, bi-annual communications to UNFCCC (as an Annex), and in GS Annual Reporting.

Thus, during phase 1, the main goal of international standards under the voluntary carbon markets should be on ensuring full transparency, additionality, integrity, credible baselines, and political support for more ambitious targets, rather than pushing for early-stage CA under the voluntary carbon markets.

And finally we also believe that carbon credits used by corporate for their domestic footprint as part of their net zero strategy should in no case have a CA (e.g. a company purchasing a credit from Peru for its local footprint in Peru should not have a deduction from the Peruvian NDC and the corporate should be able to claim carbon neutrality as there is no transfer out of the country). However, countries should be encouraged to maintain a transparent registry and report on the use of voluntary carbon market action that contributed achieving their NDC.