OPTIONAL REQUIREMENT

POLICY REQUIREMENTS AND PROCEDURES

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RELATED DOCUMENTS
– Tool: Determining additionality of a policy

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SUMMARY

Certification of policy outcomes requires identification and quantification of mitigation action outcome associated with a specific policy. This document provides requirements and procedures for coordinating and managing entities (CMEs) and entities implementing policy-based activities (PBAs) for designing, implementing, monitoring, and seeking issuance of GS4GG Certified Impact Statements, for instance verified emission reductions (VERs) which, meeting the necessary requirements, could be applicable under Article 6.2 of the Paris Agreement.
# TABLE OF CONTENTS

1 | SCOPE, APPLICABILITY AND ENTRY TO FORCE........................................................................4  
   1.1 | Scope..................................................................................................................................4  
   1.2 | Applicability..........................................................................................................................5  
   1.3 | Entry to force..........................................................................................................................5  

2 | TERMS AND DEFINITIONS ........................................................................................................5  

3 | GENERAL REQUIREMENTS........................................................................................................6  
   3.1 | Compliance with applicable requirements and procedures....................................................6  
   3.2 | Use of applicable document templates....................................................................................6  
   3.3 | Use of Impact Registry............................................................................................................6  
   3.4 | Erroneous Inclusion and Liability............................................................................................7  

4 | CATEGORISATION OF POLICY ................................................................................................7  
   4.1 | Policy definition.........................................................................................................................7  
   4.2 | Policy jurisdiction......................................................................................................................8  
   4.3 | Policy type................................................................................................................................8  
   4.4 | Policy instrument.......................................................................................................................9  
   4.5 | Sectoral scope of the policy........................................................................................................9  
   4.6 | Policy status............................................................................................................................9  
   4.7 | Equivalence to Programme of Activities..................................................................................9  

5 | POLICY BASED ACTIVITIES ...................................................................................................10  
   5.1 | General Requirements...............................................................................................................10  
   5.2 | Start date and duration..............................................................................................................10  
   5.3 | Purpose and general description of the PBA.............................................................................10  
   5.4 | PBP Boundary.........................................................................................................................10  
   5.5 | Demonstration of additionality................................................................................................10  
   5.6 | Safeguarding assessment..........................................................................................................11  
   5.7 | Contribution to SDGs...............................................................................................................11  
   5.8 | Stakeholder Consultation..........................................................................................................11  
   5.9 | PBP hierarchy..........................................................................................................................12  
   5.10 | Baseline and Monitoring Methodology..................................................................................12  
   5.11 | Avoidance of leakage..............................................................................................................13  
   5.12 | Cross-effects with other policies............................................................................................13  

6 | CERTIFIED POLICY BASED ACTIVITY .................................................................................14  
   6.1 | General guidance.....................................................................................................................14  
   6.2 | Demonstration of additionality...............................................................................................14  
   6.3 | Start date and duration of PBA..............................................................................................14  
   6.4 | Identification and inclusion of PBAs.....................................................................................15  
   6.5 | Stakeholder Consultation.......................................................................................................15  
   6.6 | Continuous reporting..............................................................................................................15
1| SCOPE, APPLICABILITY AND ENTRY TO FORCE

1.1 | Scope

1.1.1 | This document outlines minimum requirements and procedures to seek certification and issuance of Gold Standard Certified Impact Statements and/or Products for the following:

a. designing, implementing and monitoring of policy-based mitigation and/or adaptation programme, referred as Policy Based Programme (PBP), and

b. coordinating and managing entities (CMEs) for PBP and underlying individual mitigation and or adaptation activities or interventions (PBA), PBA implementor, and

c. Validation and Verification Bodies (VVBs) and other stakeholders.

1.1.2 | The policy must:

a. Be a national, subnational or municipal policy with explicit climate change mitigation and/or adaptation objective\(^1\) that involves actions with direct effect on host country GHG emissions, GHG emissions intensity or carbon stocks.

b. enable implementation of directly or affected specific activities or interventions. These could be for example adopting technologies or measures for renewable energy generation, improving energy

\(^1\) Mitigation: This involves reducing eligible greenhouse gas emissions (CO\(_2\), CH\(_4\), and N\(_2\)O) or increasing carbon stock. It can be done by reducing the sources of these gases or enhancing their absorption and storage.

Adaptation: This refers to adjusting to current or future climate conditions to reduce vulnerability to the effects of climate change.

Examples of policy objectives include:

- Energy access: Policies to improve energy access can include rural electrification programs or changes in electricity market regulations to reach those in need. These policies may also involve expanding renewable energy generation.

- Economic development: These are policies aimed at growing the economy or specific industries while considering mitigation or adaptation aspects.

- Food security: Ensuring access to sufficient, safe, and nutritious food for all people at all times. Policies aimed at guaranteeing food security can be related to adaptation strategies in climate policy.

- Land use: Policies that affect land use and planning processes, with impacts on mitigation, adaptation, and biodiversity.

- Sustainable land management policies maximize economic and social benefits while maintaining ecological support functions.

Adapted – Climate Policy Database Codebook, 2023
https://climatepolicydatabase.org/methodology
efficiency, electrification, fuel switching to zero carbon fuels, or initiatives in non-energy sectors such as agriculture and land use. An indicative list of eligible policy instruments within the current scope of this standard can be found in Annex 1.

c. result in activities that involve physical action or implementation on the ground and are pre-defined eligible project types, as per the Principles and Requirements, unless otherwise stated in the standard documents.

1.1.3 | The application of this standard document in the future may be extended to

a. policy that have a broad impact on various activities and actors, without practical means of singling out such effects. Examples of such policies include fuel excise taxes, performance standards, congestion charges. An indicative list of policy instruments that are not currently included in the standard can be found in Annex 1.

b. Activities not included in the Principles and Requirements.

1.2 | Applicability

1.2.1 | Unless otherwise stated the requirements outlined in the below sections applies to all scale/activity types. Any deviations from Activity Requirements or Principle and Requirements, e.g., for agriculture and forestry, are clearly highlighted in this document.

1.3 | Entry to force

1.3.1 | The date of entry into force of this document is dd/mm/yyyy.

2 | TERMS AND DEFINITIONS

2.1.1 | In addition to the definition contained in the GS4GG Glossary, the following terms apply in this document:

- **Policy-based activity (PBA)**: An activity implemented under a PBP and associated with the identified policy.
- **GS4GG requirements and procedures**: The requirements and procedures include the applicable rules and modalities of the GS4GG, standards, activity and product requirements, eligible/approved methodologies, procedures, rule updates, and rule clarifications.
- **Nationally Determined Contribution (NDC)**: Nationally Determined Contribution under the UNFCCC.
- **Policy**: A policy is a law, regulation, mechanism, or instrument
  a. issued by an entity designated and/or allowed to do so by applicable local law, and
b. in case of mandates or corrective legislation, with enforceable consequences, e.g., is mandatory
c. in case of incentives with reliable positive effect on the implementation of associated activities

Further defined in section Error! Reference source not found.

**Policy Based Programme (PBP)**

- PBP is a linked series of activities or interventions associated with a specific policy

**Coordinating and Managing Entity (CME)**

- An entity that communicates with the Gold Standard on all matters related to a PBP and associated activities, as nominated in the cover letters to be submitted for each one of the activities. The CME may be constituted of several cooperating entities whose division of responsibilities are clearly defined.

3 | GENERAL REQUIREMENTS

3.1 | Compliance with applicable requirements and procedures

3.1.1 | CMEs, when implementing and monitoring PBP and underlying activities, shall adhere to Principles & Requirements, applicable Activity Requirements, methodology(ies) and methodological tools, guidelines and other regulatory documents developed and/or recognised under GS4GG in accordance with this document.

3.2 | Use of applicable document templates

3.2.1 | CMEs seeking Design or Performance Certification of proposed PBP and PBAs shall prepare and submit to the VVB using the latest version of the applicable template and provide all necessary information and documentation to demonstrate compliance with all applicable rules and requirements in this document and other applicable standard documents.

3.3 | Use of Impact Registry

3.3.1 | The CME shall have an account in the Gold Standard Impact Registry to manage the PBP and their PBAs.

3.3.2 | The CME shall follow the below steps:
a. Open an account in the Impact Registry\textsuperscript{2}.

b. Create PBP account using a unique GS ID.

c. Create PBA account for each real case and regular PBA in the CME account.
   
   i. Prefix each real case PBA title with PBP GS ID that PBA is linked to.
   
   ii. Prefix each regular PBA title with the corresponding real case PBA GS ID followed by PBP GS ID that PBA is linked to.

Example: A Renewable energy generation PBP in Indonesia comprised of two real case PBAs, each with one regular PBA shall reflect in Impact Registry as follows:

<table>
<thead>
<tr>
<th>PB</th>
<th>GS ID</th>
<th>Real case/regular PBA</th>
<th>PBP/PBA Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBP</td>
<td>GS0001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBA -1</td>
<td>GS0025</td>
<td>Real case</td>
<td>GS001 PBP-Renewable energy generation subsidisation programme</td>
</tr>
<tr>
<td>PBA -2</td>
<td>GS0029</td>
<td>Real case</td>
<td>GS001 PBP-GS0029-RPBA-1 B wind-battery power in Indonesia</td>
</tr>
<tr>
<td>PBA -3</td>
<td>GS0045</td>
<td>Regular</td>
<td>GS001 PBP-GS0025-RPBA-1 C run-of-river power in Indonesia</td>
</tr>
<tr>
<td>PBA -4</td>
<td>GS0046</td>
<td>Regular</td>
<td>GS001 PBP-GS0025-RPBA-1 D wind-battery power in Indonesia</td>
</tr>
</tbody>
</table>

3.4 | Erroneous Inclusion and Liability

3.4.1 The provisions in the Programme of Activity Requirements and Procedures regarding erroneous inclusion and liability (Section 3.5) are applicable, with the CME assuming the responsibilities laid out to the CME in these requirements.

\textsuperscript{2} Information how to open an account can be obtained by email to registry@goldstandard.org.
4 | CATEGORISATION OF POLICY

4.1 | Policy definition

4.1.1 | A policy is defined as a law, regulation, mechanism or instrument a) issued by an entity designated to do so by applicable local law, and b) in case of mandates or corrective legislation, with enforceable consequences, and c) in case of incentives with reliable positive effect on the implementation of associated activities.

4.1.2 | A policy may refer to several associated laws, regulations, mechanisms and/or instruments which have a common purpose, and these evaluated together as a single policy. In such case, CME shall:
   a. demonstrate that implementation has not begun in the period between the earliest and latest laws, regulations, mechanisms and/or instruments, and
   b. explain why the implementation of the encompassed laws, regulations, mechanisms and/or instruments took as long to be implemented and why no implementation action occurred in the said period.

4.1.3 | The policy may refer to a clearly defined part of a law, regulation, mechanism and/or instrument.

4.1.4 | The goal of the policy itself does not need to explicitly be the certification of GS4GG outcomes, e.g., climate change mitigation and/or adaptation.

4.1.5 | Designing policies is the prerogative of the entity designated to issue such policies. The GS certification is therefore not of the policy itself, but of its associated PBP, PBAs and Gold Standard Certified Impact Statements or Products.

4.2 | Policy jurisdiction

4.2.1 | The CME shall clearly define the jurisdiction to which the policy applies. This includes specifying the country and the geographical area, such as national, subnational, or municipal areas covered. If the policy jurisdiction is limited to a subnational or municipal area, the CME should explicitly state the location where it applies.

4.3 | Policy type

4.3.1 | The CME shall categorise the type of the policy:
   a. Mandates: mandate the deployment of low-carbon technologies/measures, a specific technology or the exclusion of carbon-intensive technologies/measures. This includes technology standards, performance standards and quotas,
   b. Incentives: provide financial incentives to deploy low-carbon technologies/measures or financial disincentives to carbon-intensive technologies/measures. This includes tradable permits, subsidies and incentives,
c. **Corrective legislation**: Policies that eliminate prohibitions/prohibitive obstacles to mitigation activities. This includes legislation that allows the use of previously prohibited technology that mitigates GHG emissions. For example, it includes policies that allow renewable electricity producers to dispatch power through the electricity grid,

d. **Other**: Information instruments, R&D and other instruments not covered by the previously identified types.

4.3.2 | If the policy includes element of several categories, it shall be considered as a corrective legislation, implying the most stringent scrutiny e.g., with respects to additionality demonstration.

4.4 | **Policy instrument**

4.4.1 | The CME shall specify the category of the policy instrument, such as Economic, Regulatory, or other instruments, in accordance with the guidelines provided in Annex 1.

4.5 | **Sectoral scope of the policy**

4.5.1 | The CME shall confirm the sectoral scope of the policy by following the guidelines outlined in Annex 2.

4.6 | **Policy status**

4.6.1 | The CME shall confirm the status, start date, end date (if available), and update frequency (if available) of the policy.

The policy status should be defined following these guidelines.

- **Planned**: The policy has been discussed and designed and its implementation start date is set in the future. The policy can still be modified before final adoption.
- **Adopted**: The policy has been adopted, and its implementation will start in the future. No modifications or revisions are expected before the implementation date.
- **In force**: The policy was enforced on a previous date. If the policy is updated or changes are made, those changes may be included, but the status of the policy will still be "in force."
- **Under review**: The policy is currently active but requires modifications to remain in effect.

The start date of implementation refers to the date when a policy officially begins to be put into practice. It is the date when the policy measures, actions, or initiatives outlined in the policy document are actively implemented and enforced.
4.7 | **Equivalence to Programme of Activities**

4.7.1 | The requirements outlined in sections 4 through 7 of the *Programme of Activity Requirements and Procedures*, unless stated otherwise in this document, are applicable to PBP and PBAs. For these sections, PBP should be treated as equivalent to Programme of Activity (PoA), while PBA represents VPA.

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5 | **POLICY BASED ACTIVITIES**

5.1 | **General Requirements**

5.1.1 | Only one PBP associated with a specific policy may be submitted for GS4GG certification.

5.1.2 | The policy shall be unambiguously identified by the PBP. If there are multiple relevant policies that enable the design and implementation of the PBP and associated PBAs, all of them shall be listed.

5.1.3 | Unless otherwise regulated, e.g., by host country regulations or legal or contractual provisions in place, the CME holds ownership of the Gold Standard Certified Impact Statements and or products associated with the policy implementation.

5.1.4 | The CME shall be nominated by the entity issuing the policy by signed cover letter and shall serve as the focal point for matters related to GS4GG certification associated with the PBP and PBAs.

5.2 | **Start date and duration**

5.2.1 | The PBP crediting cycle start date is crediting period start date of 1st PBA, as determined in section 6.3 below.

5.2.2 | The duration of PBP is maximum up to 20 year for non-forestry or agriculture activities and 50 years for forestry activities, unless limited by the host country.

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5.3 | **Purpose and general description of the PBA**

5.3.1 | In order to comply with GS4GG requirements, a PBP may introduce requirements and information beyond these strictly detailed in mitigation/sequestration aspects of the policy, but not alter or expand the policy’s means and goals.

5.3.2 | The path which leads from the policy making to implementation of associated action/components needs to be laid out, including the involved regulatory entities and independent parties as well as financial streams associated with the policy.

5.4 | **PBP Boundary**

5.4.1 | The physical/geographical boundary of a PBP is limited to geographical boundary of the policy and may not include several countries.
5.4.2 | The boundary of the PBP may be delineated to specific geographic regions, in which case it has to be explained and justified how such delineation is aligned with the policy goals.

5.5 | Demonstration of additionality
5.5.1 | Additionality shall be demonstrated in accordance with the Tool to demonstrate additionality of a policy.

5.6 | Safeguarding assessment
5.6.1 | Demonstration of fulfilment of the safeguarding principles shall encompass the whole policy and include all relevant component of the policy (i.e., including any activities which may not be certified by GS4GG). This shall be demonstrated in the context of PBP, and
a. shall be demonstrated for potential PBAs at PBP level in which case PBAs shall confirm compliance with conclusions drawn at PBP level during their inclusion, or
b. shall be conducted for individual PBA level during their inclusion.
5.6.2 | For policies regarding forestry and land-use in which the rights for sequestered CO₂ is reassigned from landowners to the entity issuing the policy, compensation of the landowners for this reassignment of their sequestered CO₂ rights is required. Furthermore, their prior, free, informed consent is required.

5.7 | Contribution to SDGs
5.7.1 | Demonstration of contribution to SDGs shall be demonstrated in the PBP document, with any associated action and monitoring reflected at PBA level.
5.7.2 | In accordance with the GS4GG Principles and Requirements, The policy shall demonstrate its proposed contribution to the Sustainable Development Goals, meaning at least an impact on SDG 13 plus two other SDGs.

5.8 | Stakeholder Consultation
5.8.1 | Stakeholder consultation shall be conducted at both PBP and PBA level.
5.8.2 | Consultation conducted during the policy design phase, as part of the policy-making process and not necessarily as part of the GS4GG process, may be considered in lieu of consultation at the PBP level, for compliance with the GS4GG Stakeholder Consultation Requirements, if the following requirements are met:
   a. The participation and inputs from marginalised groups, including but not limited to women and indigenous groups, was sought in compliance with chapter 3.3 of the stakeholder consultation and engagement guidelines,
   b. Stakeholders were provided with sufficient information to understand the policy and its impacts and sufficient time to provide feedback in
compliance with chapter 3.5 of the stakeholder consultation and engagement guidelines,

c. The stakeholder consultation process was documented in compliance with chapter 3.9 of the stakeholder consultation and engagement guidelines.

5.8.3 | If the actions listed below were not conducted during the policy design phase, these shall be subsequently provided through complementary actions of the CME:

a. An anonymous means to provide stakeholder feedback shall be provided, to be treated as stakeholder feedback additional to any feedback previously provided,

b. A grievances mechanism shall be established in compliance with chapter 3.8 of the stakeholder consultation and engagement guidelines,

c. Ongoing reporting shall be ensured in compliance with chapter 3.9 of the stakeholder consultation and engagement guidelines.

5.8.4 | Stakeholder consultation at PBA level shall be conducted in compliance with chapter 4.3 of the stakeholder consultation and engagement guidelines.

5.9 | PBP hierarchy

5.10 | Baseline and Monitoring Methodology

5.10.1 | General requirements

a. Methodologies applied in PBP/PBA must adhere to procedures, modalities and requirements of the Paris Agreement’s Articles 6.4 and 6.2

5.10 | Baseline and Monitoring Methodology

5.10.1 | General requirements

a. Methodologies applied in PBP/PBA must adhere to procedures, modalities and requirements of the Paris Agreement’s Articles 6.4 and 6.2
b. PBP/PBA may apply either an existing approved GS4GG methodology(ies) or apply for a policy-specific methodology. Such policy-specific methodology can be proposed as a new methodology, tailored to align the PBP/PBAs with any policy-specific structures (e.g., means of monitoring and quantifying impacts). Such proposed methodology must comply with GS4GG requirements and be approved as a normal methodology.

c. Baseline can be set at either a. PBP level for the entire policy or delineated geographical subsections thereof, or b. for individual real-case PBP level when these are included. Baseline set at the PBP level may be context and area specific, to recognise different financial and technological scenarios.

5.10.2 | NDC alignment

a. Obligations made in the relevant NDC are considered a viable baseline scenario. Therefore, as part of the baseline setting process, it shall be reviewed whether the NDC and/or its associated documents contain provisions allowing determining an associated baseline scenario. Contributions considered obligatory in the NDC shall be translated to units and context to make them consistent with baselines used in GS4GG and thus comparable to the methodology baseline. If such translation is not possible, for instance if the NDC is vague or its goals cannot be readily translated to quantified GHG impact, the comparison as described here is not required.

b. The baseline scenario set by the NDC, if any, shall be compared to the baseline scenario set by the applied methodology, and the conservative of the two shall be applied.

5.10.3 | Baseline scenario

a. For a policy which facilitates the implementation of and/or builds up on an existing endeavour – an existing policy, an ongoing project/PoA etc. – the current status of implementation shall be considered when determining the baseline.

5.11 | Avoidance of leakage

5.11.1 | The CME shall identify whether the measures implemented may lead to leakage through sourcing the product/service provided from outside the project boundary, e.g., internationally or to activities outside the scope/boundary of the policy. This could be demonstrated for instance through associated legislation preventing such shift of products/services internationally or tracking provision of the products/services nationally. Where such leakage does occur, is expected to occur or its occurrence cannot be reasonably ruled out, CME shall propose and implement means of monitoring and accounting for said leakage.
5.12 | Cross-effects with other policies

5.12.1 | The CME shall demonstrate whether there are cross-effects with other policies, as follows:
   a. The direct and indirect outcomes of the policy shall be identified.
   b. The identified outcomes shall be evaluated for all laws, regulations, mechanisms and instruments which positively and negatively affect them.

5.12.2 | The policy will be considered to have cross effects with any law, regulation, mechanism, or instrument thus identified and not included in the policy.

5.12.3 | Only the certified aspects of a policy shall be considered for cross-effects. Uncertified aspects, such as SDG benefits, shall not be considered.

5.12.4 | A cross-effect may be avoided by including the identified law, regulation, mechanism, or instrument as part of the policy, either at the PBP design phase or as revision of an already certified PBP.

5.12.5 | Identified cross-effects shall be considered when determining the baseline and outcomes of the PBP, the procedure to do so shall be laid out in the PBP. The procedure shall identify what part of the outcomes are associated with the policy, and only this part may be certified. A procedure to identify the part of the outcome associated with the policy shall be clearly defined and reflected in the monitoring plan of the associated PBA.

5.12.6 | CME may argue that cross-effects are not substantial by demonstrating that at least 95% of the quantifiable outcomes are due to the policy, in which case a procedure to demonstrate this shall be introduced. In such case, the complete outcome may be certified.

6 | CERTIFIED POLICY BASED ACTIVITY

6.1 | General guidance

6.1.1 | PBAs can be included in PBP in a similar manner and framework as real-case VPAs and regular VPAs can be included in a PoA. The guidance applicable can be found in the Programme of Activity Requirements and Procedures.

6.2 | Demonstration of additionality

6.2.1 | Additionality shall be demonstrated in accordance with the Tool to demonstrate additionality of a policy.

6.3 | Start date and duration of PBA

6.3.1 | The duration of the crediting period of a PBA shall be determined similarly to the length of VPAs in the Programme of Activity Requirements and Procedures.

6.3.2 | Start date of any PBA may not pre-date the start date of the PBA.

6.3.3 | PBA crediting period start is determined as follows
a. If a policy is already in force at the time of the first submission, the PBA crediting period will start from the later of the PBA start date or up to two years earlier than the design certification date of PBA. However, the PBA crediting period start date cannot be prior to the policy implementation start date.
b. If a policy will come in force in future, the PBA crediting period will start from the policy implementation start date.

6.3.4 In this context,
a. First submission date refers to the date when a PBP is submitted to Gold Standard for listing.
b. PBA start date refers to the definition of the project start date as outlined in GS4GG principles and requirements.

6.4 Identification and inclusion of PBAs

6.4.1 In addition to the applicability and inclusion criteria identified according to the relevant provisions in the PoA requirements, CME shall set applicability and inclusion criteria to demonstrate that the PBA is a direct outcome of the policy, applying a causal chain analysis.

6.4.2 PBAs may not be included in periods in which the policy is not in force, e.g., after the conclusion/withdrawal of the policy.

6.5 Stakeholder Consultation

6.5.1 Stakeholder consultation of several PBAs may be conducted together, similarly to grouping such consultations of VPAs in accordance with the Programme of Activity Requirements and Procedures.

6.5.2 To ensure stakeholders can provide input without fear of retribution or disadvantage to themselves, the stakeholder consultation shall be managed by an entity/person not in a position of hierarchical advantage, e.g., policy-makers or representatives of the national/regional governance themselves. An independent third party should manage the consultations. Furthermore, a means for providing anonymous stakeholder feedback shall be made available.

6.5.3 The established grievances mechanism shall be designed to allow impartial, transparent feedback as well as allow for anonymous feedback.

6.6 Continuous reporting

6.6.1 PBA in its monitoring reports and annual reports shall:

a. Review and report any changes to the policy and demonstrating the policy is still in force.
b. Changes which affect the baseline as determined or the certified policy outcomes shall be reflected in the renewal of crediting period of the PBA.
c. Assess whether the policy enactment is achieving the goals set out in the PBP and PBA, or whether the policy does not perform as intended. In the latter case, corrective action is needed, as detailed below.
d. Assess whether there are unintended consequences with negative impacts shall be identified, and what corrective action is needed, as detailed below.

e. Assess any new cross-effects with other policies occur due to changes in the policy, new policies enacted or changes to other policies, and corrective action needed, as detailed below.

6.6.2 | In identifying mitigation, CME shall identify action what actions are needed to mitigate the above detailed instances. This shall be treated as design change of the policy, thus the monitoring plan would need to be amended, following the regular procedures for such amendment, to implement the identified mitigation actions whilst arguing for the appropriateness and adequacy of the proposed corrective actions.

7 | POLICY CERTIFICATION PROCEDURE

7.1 | Certification process overview

![Diagram of the certification process](image-url)
7.2 | Renewal of design certification

7.2.1 | Evaluation of NDC impact on baseline set at PBP level shall be conducted upon Design Certification Renewal. Evaluation of NDC impact on baseline set at PBA level upon renewal of the crediting period. The latest NDC available at the time renewal process begins and at most 6 months before the last day of current crediting period shall be used. This evaluation shall include all documents associated with and referred to in the NDC (e.g., implementation plan) which lay out the contributions details.

7.2.2 | Upon renewal of crediting period, it shall be evaluated whether the policy has been updated, and whether other policies have been enacted/changed whose impacts would have cross-effects with the policy. The baseline set shall be adjusted accordingly.

7.2.3 | Any changes or amendments to the policy shall be presented, taking these into account when determining the baseline, parameters, compliance with safeguarding principles, SDG impacts etc.

7.2.4 | The baseline determined at renewal of the crediting period may not be less stringent than the baseline prior to renewal. If this is determined to be the case, the baseline prior to renewal shall be used.

7.2.5 | For policies regarding carbon sequestration in the forestry, agriculture and blue carbon sectors, no reassessment of additionality or baseline is needed at renewal of design certification.
ANNEX 1: INDICATIVE LIST OF POLICIES

Table 2 – Indicative list of policies and their applicability

<table>
<thead>
<tr>
<th>Policy</th>
<th>Expected eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emission trading scheme / carbon tax / fossil fuel tax</td>
<td>No</td>
</tr>
<tr>
<td>Fuel blending mandate / vehicle emissions standard</td>
<td>No</td>
</tr>
<tr>
<td>Risk sharing instrument</td>
<td>Yes</td>
</tr>
<tr>
<td>Removal of a policy posing a technological restriction</td>
<td>Yes</td>
</tr>
<tr>
<td>Removal of planned financial subsidies</td>
<td>Yes</td>
</tr>
<tr>
<td>Research and development funding</td>
<td>No</td>
</tr>
<tr>
<td>Public awareness campaign</td>
<td>No</td>
</tr>
<tr>
<td>Subsidy / incentive (incl. taxation related) / loan guarantee</td>
<td>Yes</td>
</tr>
<tr>
<td>Technology standard / performance standard / energy efficiency standard / construction code</td>
<td>No</td>
</tr>
</tbody>
</table>

ANNEX 2: CATEGORISATION OF POLICY

Policy instruments

A policy may include various measures or instruments that create enabling conditions\(^5\) for the implementation of mitigation and/or adaptation actions. These measures include regulations and standards, taxes and charges, tradable permits, voluntary agreements (VAs), informational instruments, subsidies and incentives, research and development, and trade and development assistance. The table below provides a broad categorization of policy instruments that should be used to classify the policy.

Table 3 – Categorisation of policy instruments

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples of common types of mitigation policy instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic instruments</td>
<td>Direct investment: Funds to subnational governments, infrastructure investments, procurement rules, R&amp;D funding</td>
</tr>
<tr>
<td></td>
<td>Fiscal or financial incentives: Carbon taxes, fossil fuel taxes, tax credits, grants, renewable energy subsidies, fossil fuel subsidy reductions, R&amp;D subsidies, loan guarantees, net metering</td>
</tr>
<tr>
<td></td>
<td>Market based instruments: GHG emissions allowances, GHG emission reduction crediting and offsetting mechanism, Green or White certificates</td>
</tr>
</tbody>
</table>

\(^5\) Enabling conditions refer to the conditions that enhance the potential for the implementation of a mitigation or adaptation option. These conditions include finance, technological innovation, strengthening policy instruments, institutional capacity, multi-level governance, and changes in human behaviour and lifestyles. [IPCC, 2022](https://www.ipcc.ch/)
The policy instruments are categorized and defined in a manner that allows for organizing the policies consistently with the organization of information on policies and measures under the UNFCCC, IPCC policy framework, and policy databases such as IEA, OECD, and the Climate policy database.

**Sectoral scope of policy**

The policies are generally organized based on climate actions and measures that target specific sectors or cross-sectoral areas.

a. Sectoral policies are designed to apply to a particular source or economic sector. To ensure consistency with the common reporting frameworks, the IPCC source sectors (i.e., Electricity, Industry, Transport, Building, Agriculture, Land use, Land use change and forestry (LULUCF), and Waste) should be used to define the sectoral scope of the policy.

b. Cross-Sectoral policies are policies that apply to multiple sources of emissions or sectors. These policies address broader areas to reduce or remove greenhouse gas (GHG) emissions within a country and cannot be directly linked to specific sectors. Such policies should be classified as General.