

Response to GS Public Consultation on ‘Integrity for Scale: Aligning Gold Standard-certified projects with the Paris Agreement’

Chapter 2 - TRANSITION AND RENEWAL OF EXISTING PROJECTS

Determining the vulnerability of projects

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.

- Projects double-registered under Gold Standard and CDM should be treated like Gold Standard VER projects, as they have undergone the same thorough examination by Gold Standard in the registration process as Gold Standard VER projects. Gold Standard CDM Projects should thus be exempt from vulnerability assessment.
- CDM projects and projects from other schemes with a start date of the first crediting period before 1st January 2016 from LDCs/LLDCs/SIDS/Conflict Zones should be exempt from vulnerability assessment.

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?

- Buyers have become more aware of quality differences in carbon credits, in particular with regard to additionality of projects. So far however, assessing ongoing financial need of a project which has already been running for some years is difficult for buyers. Assessing ongoing financial need at every renewal of crediting period and having transparent criteria for this assessment would therefore be very useful. Part of these criteria might be minimum thresholds/quota for the share of project costs which is covered by carbon finance.

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?

- The OFN requirement is reasonable, as there are projects in the market selling credits for below 2 Euros which are very likely not in need of ongoing financial support. If robust and transparent criteria are defined and applied, OFN assessment is also manageable.
- There should be no general exemption from OFN assessment for projects in LDCs/LLDCs/SIDS/Conflict Zones, but those projects could be granted some flexibility in the assessment in justified cases.

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

Preserving the promise of carbon offsetting

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?*

- The proposed staggered approach is more pragmatic, as it needs to be accounted for that developing countries and LDCs/LLDCs/SIDS and conflict zones in particular may need more time for the implementation of corresponding adjustments (CA) compared to developed countries, due to limited institutional and financial capacities. However, to preserve environmental integrity, we strongly recommend to turn the recommendation to project developers to begin a dialogue with host countries on corresponding adjustments right away into a mandatory requirement, and to request a prove from project developers that the host country does not object to corresponding adjustments.

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?*

- There should be no general exemption from corresponding adjustments for micro-scale projects. This might provide false incentives for project developers. An exemption for areas of extreme poverty might be decided on a case-by-case basis.

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?*

- Under the Paris Agreement, there is no distinction anymore between developed and developing countries with respect to emission reduction targets. All countries define targets in their Nationally Determined Contributions (NDCs), account for emissions and emission reductions within their territory and report to UNFCCC. Therefore, domestic offsetting should adhere to the same rules as offsetting abroad, and should be treated in the same way.

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

- Yes, corresponding adjustments have to be applied to projects outside and inside the scope of the host country's NDC and for projects under the conditional and unconditional part, also in developing countries. An exemption from corresponding adjustments for projects outside the scope of the NDC would be counterproductive for the goal that NDCs should be economy-wide and cover all emission sources. Host countries might have an incentive to deliberately leave sectors out of their NDCs or not tighten their emission reduction targets in certain sectors in order to attract carbon market projects. This would undermine ambition raising. Also, it is often very difficult to decide which activities are within the scope of an NDC and which are not, so that eligibility for an exemption from corresponding adjustments for projects outside the scope of an NDC would be difficult to determine in practice.

Chapter 4 - ALIGNING WITH THE PARIS AGREEMENT – INTEGRITY OF OTHER PROVISIONS

Issue 1 Emission reductions/removals are real

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?

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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?

- A host country might be more willing to approve CAs for a project with suppressed demand if it uses more conservative baselines. We think though, that because of environmental integrity reasons, Gold Standard should not continue to issue suppressed demand credits even though they may be appealing from a development perspective: For suppressed demand credits, it is not verifiable if credits are indeed linked to actual emission reductions. This is because suppressed demand credits are issued under the assumption that continuation of a baseline situation would have led to emissions if people would have had the means to actually use the baseline technologies. But this assumption is subject to considerable uncertainty and emission reductions may be substantially overestimated with a suppressed demand scenario.
- However, it is important to make sure that vulnerable communities can benefit from carbon credit projects. Vulnerable communities are especially exposed to climate change. Carbon credit projects can be designed in a way that they increase the resilience of vulnerable communities. For project developers this project design is attractive in 2 ways: 1. It increases the likelihood that the host country will authorize corresponding adjustments because it benefits from the increase in resilience. 2. Buyers generally consider projects with multiple benefits as more attractive and are willing to pay more. There are design thinking methodologies to plan projects towards these resilience improvements for vulnerable communities (see e.g. <https://www.adaptationcommunity.net/wp-content/uploads/2020/01/A-New-Narrativ-for-Resilient-and-Climate-Smart-Societies.pdf>). The energy transition must be a just transition going hand in with sustainable development planning and the adaptation to climate change. Those objectives are different sides of the same coin and can be planned and implemented synergistically. Gold Standard can support this innovative project design which accounts for the necessities of vulnerable communities without the need to compromise on environmental integrity.

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?

- We think that Gold Standard should not continue to use suppressed demand credits. If Gold Standard does continue to use them, corresponding adjustments should be required. This is important to avoid false incentives for project developers to use suppressed demand scenarios.

- A host country might tend to approve CAs for a project with more conservative baselines. Requiring CAs for projects using the suppressed demand concept might therefore increase the likelihood that the project developer is choosing a convincing, conservative baseline. However, the environmental integrity risk of such a project is higher than for projects with a normal baseline setting without suppressed demand.

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?

- In the context of already ongoing climate change and the pandemic, the multiple benefits GS Projects can deliver are of increasing importance. Monitoring, reporting and monetization has to be improved and facilitated through user friendly (for project developers) and attractive (for investors) tools.

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?

- Yes, we do think Gold Standard should adopt OMGE. As to the two approaches suggested in the paper, we suggest to discount a share of credits at issuance. For both approaches, it is crucial that corresponding adjustments are carried out by the host country for the full amount of emission reductions achieved. Discounting a share of credits at issuance therefore seems more practicable, transparent and effective than using conservative baselines. This is because in the latter approach, emission reductions achieved would have to be calculated for both the conservative and the non-conservative baseline to ensure corresponding adjustments will be carried out for the full amount of emission reductions achieved under the non-conservative baseline. Also, if a share of credits is discounted at issuance regardless of the baseline, there are no false incentives to overestimate baselines. Regarding the share of credits to be discounted, we suggest to introduce a staggered approach, and to gradually increase the share over time. The rate should be higher than the minimum of 2% suggested in the draft Article 6.4 guidance, but not exceed 50%.

More input on the topic:

- https://epub.wupperinst.org/frontdoor/deliver/index/docId/7394/file/7394_Overall_Mitigation.pdf
- <https://newclimate.org/wp-content/uploads/2019/06/FAQs-on-OMGE.pdf>
- <https://newclimate.org/wp-content/uploads/2018/11/Operationalising-OMGE-in->

General Comments:

1. Wording: Gold Standard suggests in several places in the document to wait with some exact definition of rules until the next COP. We do therefore suggest to also keep the wording open and not rely too much on terms from the draft Article 6 documents, e.g. when discussing ways to avoid double claiming:
We don't know yet if there will be an agreement on a "LOAA" as the document to confirm double claiming will be avoided. This confirmation might be named differently in the end. What matters now is "a confirmation that corresponding adjustments will be carried out" or even better: "an assurance of the host country that double counting/claiming will be avoided". We would strongly advocate to leave the abbreviation LOAA out in future communication and rule changes, e.g. also in the information on 'Treatment of Double Counting and Corresponding Adjustments' published with this consultation, or mention it only as an envisaged way of how avoidance of double counting might be achieved in the future under Article 6.
2. Regarding document 'TREATMENT OF DOUBLE COUNTING AND CORRESPONDING ADJUSTMENTS IN VOLUNTARY CARBON MARKETS', chapter 2.1, the Gold Standard Registry should also be updated to include information on whether projects are still registered under other standards, e.g. the CDM.