

## Report on grievances related to the Vestergaard Lifestraw Project

*NB: While this issue predated Gold Standard's official Grievance Policy implementation launched at the end of 2015, the Secretariat followed the same procedure that would be later formalised. This summary is being published as part of an effort to transparently share earlier grievances raised with the Secretariat.*

**GENEVA, Switzerland, June 2016** – In June 2011, Kevin Starr wrote a blog for the Stanford Social Innovation Review criticising Vestergaard Frandsen's approach of using carbon markets to fund the distribution of water filters in the Sustainable Deployment of the Lifestraw Family in Rural Kenya (GS886) project. He claims that many people in Western Kenya don't boil their water, and questioned the mechanism for achieving emission reductions through such a project, which considers the concept of [Suppressed Demand](#) in baseline setting.

In October 2012, Gold Standard was approached by investigative journalist Tom Heinemann who was investigating carbon trading for a documentary, which screen on 09 September 2013. Heinemann was looking into the same Vestergaard Frandsen Lifestraw project. In Q1 2013, based on a recent visit to the project site, Tom Heinemann raised some concerns about the number of people using the Lifestraw product on the ground as well as the concept of suppressed demand<sup>1</sup>. Several members of the Gold Standard NGO Supporter Network also raised similar concerns about the usage rates for the Lifestraw project. Throughout the process, Gold Standard maintained a continuous dialog with both the journalist and our NGO supporters who had raised the issue.

To respond to these issues, Gold Standard hired an independent consultant, Berkeley Air Monitoring Group, to conduct a thorough investigation on the usage rates for this project. Berkeley Air Monitoring Group was selected from a group of experts in this field, based on their expertise and their thorough approach to this investigation. The outputs from the study including its scope, results and the decision process to get to these were discussed and agreed by the Gold Standard Technical Advisory Committee (TAC).

This year in April 2016, atmosfair submitted an official grievance, raising concerns about the usage rates and the plausibility of the emission reductions and baseline scenarios. Atmosfair also claimed that certain revisions made as a result of the investigation weren't transparent or traceable and alleges that Gold Standard didn't respond to their formal objection of the issuance.

### Concerns on usage rates

Below summarises the main concern raised regarding usage rates, the key findings of the report, and the course of action taken by Gold Standard to address any relevant issues confirmed.

Concern raised	Key report findings	Course of action
The usage rate of 92% reported	Two processing issues were	As a precautionary measure and

<sup>1</sup> [http://www.goldstandard.org/sites/default/files/documents/climate\\_policy\\_brief\\_final\\_lo-res.pdf](http://www.goldstandard.org/sites/default/files/documents/climate_policy_brief_final_lo-res.pdf)

<p>by the project owner - based on their own surveying and that of an independent firm hired by them - was disputed by other stakeholders in the region.</p>	<p>identified which effected the usage rates. 1) the method for removing the "outliers" from the process and 2) how the quantity filtered per day was calculated.</p> <p>Usage for this Lifestraw project relied largely on self-reported data. Experts agreed that the most accurate usage rate should include both reported usage and observed usage indicators where possible. Additional questions must be employed in order to obtain a more accurate estimate of usage.</p> <p>Using these recommendations Berkeley Air Monitoring Group found the usage rate to be 74.98%.</p>	<p>based on a number of data sources, the TAC advised Gold Standard to make a partial issuance based on a 55% usage rate (from 2.167 million to 1.310 million) for the monitoring period 01 Dec 2011 – 31 Oct 2012 whilst waiting for the results from the independent investigation. The decision to make a partial issuance (rather than wait for the investigation) was to enable Vestergaard Frandsen to meet its delivery commitments.</p> <p>Based on the outputs from the report the usage rate was found to be just under 75%. Therefore the final amount to be issued for this monitoring period was 1'701'562. This usage rate and final issuance figure were agreed and supported by the TAC.</p> <p>For the monitoring period 01 Nov 2012 – 31 Jan 2014 the project issued 1'419'458. This was based on surveys carried out during the monitoring period following the guidelines provided by the TAC and the Berkeley Air Monitoring Group report.</p> <p>It should be noted that Verstergaard Frandsen invested significant resources in carrying out additional surveys in response to these criticisms.</p> <p>The project will be reviewed again at the next verification – which is not yet scheduled.</p> <p>As an output from the investigation Gold Standard developed and published best practice guidelines for conducting usage surveys for household water filtration technologies<sup>2</sup>.</p>
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<sup>2</sup> <http://www.goldstandard.org/sites/default/files/documents/rule-update-guidelines-for-carrying-out-water-usage-surveys.pdf>

## Concerns with the baseline situation and the concept of suppressed demand

The table below outlines a concern raised by Kevin Starr and Tom Heinemann on the concept of suppressed demand. It also includes our response and how we plan to move forward.

Concern raised	Response from Gold Standard	Course of action
Atmosfair and Kevin Starr raised concerns around the baseline situation (i.e. that people in Western Kenya don't boil water/there are more preferable technologies for this) and how this could generate emission reductions.	<p>The baseline is based on the principle of Suppressed Demand. <i>(see further rationale for the concept below)</i>. This allows the baseline scenario to be created on the assumption that people would meet the minimum service level for water sanitation if resource was available. It is predicated on the principle that the next logical technological step would be taken which in typical circumstances would be water boiling. Nearly all water sanitation technology is theoretically preferable to wood-use water boiling but these would not form a representative baseline (i.e. they do not occur in reality) or be in line with the principles of Suppressed Demand.</p> <p>Of note, it important not to confuse the theoretical Suppressed Demand baseline scenario with what is physically observable on the ground. Observations that people in Western Kenya do not boil water due to wood shortage is in fact a vindication of this principle rather than a critique.</p> <p>Gold Standard also responded (as a comment) in the Kevin Starr blog article<sup>3</sup></p>	As part of our ongoing work with Gold Standard 3.0, we will review the role of suppressed demand in context of the Paris Agreement and evolving financial mechanisms. This work is likely to happen in 2017 following COP22.
Tom Heinemann suggests that suppressed demand methodology seems to be controversial. Why is Gold Standard confident in the	Suppressed demand in the carbon market is meant to ensure that climate finance reaches areas where energy services provided are insufficient – due to	As per the course of action above

<sup>3</sup> [http://ssir.org/articles/entry/thirty\\_million\\_dollars\\_a\\_little\\_bit\\_of\\_carbon\\_and\\_a\\_lot\\_of\\_hot\\_air](http://ssir.org/articles/entry/thirty_million_dollars_a_little_bit_of_carbon_and_a_lot_of_hot_air)

<p>methodology used for this project?</p>	<p>poverty or lack of access to modern energy infrastructure. Without suppressed demand, poorer regions, which have historically emitted less GHG from burning fossil fuels, would have to increase their emissions before they could benefit from the revenues and clean technologies delivered by climate finance—a perverse incentive and an undesirable development pathway. Gold Standard’s work on Suppressed Demand was funded by the German Federal Ministry for the Environment, Nature, Conservation, Building and Nuclear Safety (BMUB) to help alleviate the barriers enabling poorer nations to access the benefits from climate finance<sup>4</sup>.</p> <p>In the context of this project, the use of suppressed demand recognises the right for people to have access to safe water as identified under the World Health Organisation guidelines. This includes those who, through lack of education, physical capability or financial means, do not yet sterilise their water by boiling it but would choose to do so if they could.</p> <p>Rather than calculating the emissions based on the number of families that have stopped using fires to boil their water, this suppressed demand methodology bases its calculations on all those that are actively using the water filter, irrespective of class, wealth or capabilities.</p>	
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<sup>4</sup> <http://www.goldstandard.org/sites/default/files/documents/bmu-handbook-april2014.pdf>

## Concerns about on-going monitoring

Atmosfair raised a concern about the third verification period for the Lifestraw project.

Concern raised	Response from Gold Standard	Course of action
How can the auditor give a positive/conservative verification when the monitoring parameters are theoretical/subjective?	This is a wider methodological or even carbon market issue, rather than being specifically relevant to the Vestergaard Frandsen Life Straw project, again relevant to the concept of Suppressed Demand.	The monitoring parameters for usage and other elements reflected the advice of the Berkley Air Monitoring Group and Gold Standard TAC as being best practice for these circumstances.

## Responding to formal grievances

In the formal grievance submitted by atmosfair in April 2016, they claim that certain revisions made as a result of the investigation weren't transparent or tracable, and alleges that Gold Standard didn't respond to their formal objection of the issuance.

There have been three Verifications/Issuances for this project. The below provides a timeline of this process and includes dates of the key communications:

Project Registration (V2.1, 10 year fixed crediting period) – 01<sup>st</sup> June 2011

- **Monitoring Period 1** (Issuance 1,355,185) – 01<sup>st</sup> June 2011 to 30<sup>th</sup> November 2011
- **Monitoring Period 2** (Issuance 1,701,562 – based on usage rates put forward by Berkeley Air Monitoring) – 01<sup>st</sup> December 2011 to 31<sup>st</sup> October 2012
  - atmosfair submitted comments to the Issuance Review – 01<sup>st</sup> February 2013
  - Gold Standard initial response (post-TAC discussion) to atmosfair et al – 20<sup>th</sup> March 2013
  - atmosfair further comments received – 26<sup>th</sup> March 2013
  - Final Gold Standard responses to atmosfair et al - 12<sup>th</sup> April 2013
  - TAC decision to issue limited amount of VERs pending further investigation (based on 55% conservative usage rate) – 16<sup>th</sup> May 2013
  - Berkeley Air Monitoring Group report – November 2013
  - TAC approval of Berkeley Air Monitoring Group usage rates (ultimately leading to final issuance for this period) – 09<sup>th</sup> December 2013
  - TAC approval of guideline concerning [usage surveys](#) for water filters – January 2014
  - Final monitoring and verification report in track change mode made available on the Gold Standard registry – 5<sup>th</sup> February 2014. This report included all the details as to why the expert study was commissioned, the methodology and the outcomes and recommendations.
  - Issuance of balance credits – February 2014
- **Monitoring Period 3** (Issuance 1,419,458 – based on survey information under new guidance) – 01<sup>st</sup> November 2012 to 31<sup>st</sup> January 2014

In response to atmosfair's specific grievance about Gold Standard not responding to the further

requests to withhold issuance: The staff that would have been in a position to respond have since left the Gold Standard organisation and we therefore cannot confirm whether a formal response was made or not. Gold Standard officially acknowledges the gap in our governance process that seems to have led to this lack of formal resolution. To ensure that we respond to such grievances raised in a formalised and transparent manner, we launched a new grievance policy<sup>5</sup> at the end of 2015. This policy enables stakeholders to raise concerns against the projects we certify or the organisation itself and commits Gold Standard to investigating these allegations and transparently communicating the responses and results to all relevant stakeholders.

## **Next steps**

The next iteration of our standard, Gold Standard 3.0 seeks to address the important issues raised here to ensure that climate finance flows most effectively to the people and places most in need, which will include a review of the concept of suppressed demand. More information about our water programmes and this evolving standard can be found on our website:

[www.goldstandard.org](http://www.goldstandard.org)

For any further questions, please contact Claire Willers at [claire.willers@goldstandard.org](mailto:claire.willers@goldstandard.org)

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<sup>5</sup> [http://www.goldstandard.org/sites/default/files/documents/grievance\\_policy\\_2015.pdf](http://www.goldstandard.org/sites/default/files/documents/grievance_policy_2015.pdf)