

Date/Version	Version 1 – 06 th July 2020 (For Secretariat/TAC discussion) Version 2 – 14 th July 2020 (Updated following TAC discussion/for outreach to investigation team) Version 3 – 15 th July 2020 (TAC Chair reviewed, circulated to TAC) Version 4 – 20 th July 2020 (TAC, SC and BA comments incorporated) Version 4.1 – 20 th July 2020 (updated to reflect TAC WG Chair review)
Subject	Grievance Investigation Terms of Reference (TORs): Allegations of potential over-estimation in methodology and application of TPDDTEC/SWS

1.0 Introduction & Purpose

Gold Standard responded to a request for an investigation into observations¹ (table below) of potential erroneous estimation and issuances in Safe Water Supply projects (i.e. projects applying the ‘Technologies and Practices for the Displacement of Decentralised Thermal Energy Consumption – TPDDTEC – Methodology’). The concerns were raised to the Gold Standard Technical Advisory Committee (GS-TAC) Working Group (WG) by the Gold Standard Secretariat following analysis of the project pipeline and portfolio. The research and due diligence formed part of regular quality assurance and review conducted by Gold Standard, towards improving the scheme and informing planned updates of the TPDDTEC methodology. The research was not initiated due to any specific issue or concern.

A formal grievance was then submitted by the GS-TAC WG. It is noted that:

- *All grievances are treated seriously and as potentially significant, but veracity, accuracy and responsibility are not presumed.*
- *Grievances may be subject to independent investigation where required.*
- *The issuance appears, in the initial assessment of GS Secretariat and GS-TAC, to be potentially significantly higher than would be typically expected. This, however, is not presumed and must be fairly reviewed and ascertained.*
- *The cause(s) of over-estimation (if proven correct) are not presumed, and the grievance does not represent an allegation of non-conformity against any particular project or project-developer or any stakeholder involved in the processes of standards-setting or certification. In the event a non-conformity is observed, action may be taken under the remit of this investigation.*
- *The grievance should be managed independently of Gold Standard and SustainCERT to ensure impartiality of findings and fairness of any action taken.*

This document represents the output of Step 4 of the published Gold Standard Grievance Process², namely the TORs for the investigation. The TORs represent a framework through which Gold Standard will commission an independent investigation, overseen by a GS-TAC WG for

¹ For details of the grievance, visit GS website: <https://www.goldstandard.org/our-story/grievances-deregistration>

² <https://www.goldstandard.org/our-story/grievances-deregistration>

grievances, and published to the Gold Standard grievance page. In this case the TOR was first presented to the GS-TAC to review and revise as they, independent of the GS Secretariat, see fit. The TORs may further alter at the review of independent investigators later involved, to avoid leading or unduly influencing the investigation.

2.0 Summary of the Allegations

The allegations have been summarised in Table 1. It is reiterated that the Gold Standard nor the GS-TAC or GS-TAC WG have reached a position on either veracity or accuracy of these allegations, pending the independent investigation.

Table 1 – Summary of allegations

Allegations	Summary
1 – Application of the TPDDTEC Methodology for SWS may lead to over-issuance of VERs	<p>A review of the portfolio of projects applying the TPDDTEC (V1.0 to 3.1) SWS approach was produced as part of ongoing QA/QC and for background research to support planned methodological updates. In doing so, Gold Standard Secretariat considered that the projected issuances may exceed what may typically be expected by experts/literature and hence it was self-reported to GS-TAC.</p> <p>GS-TAC considered this concern and issued a grievance allegation to Gold Standard Secretariat. It was noted that the grievance does not assume fault nor responsibility of any particular party and should consider both the potential over-issuance (including verifying that indeed the projections represent a valid concern) as well as its underlying causes and potential rectification.</p>
2 – The GS4GG scheme (and previous versions) may not have, prior to this review, dealt with over-estimation issues at the optimal point in the certification process or in an optimal timeframe.	<p>While it is encouraging that the QA/QC process run by Gold Standard on project design/performance certifications detected a potential issue, it is noted that such matters should ideally be picked up earlier in the certification and regular review processes to ensure fairness, predictability and stability for all parties. Hence it is alleged that within the GS scheme there is a failure to prevent potential over-issuance. It is not pre-identified where this may be absent or how it is best resolved for future projects.</p>

3.0 Grievance process

Step 1 (COMPLETED): Receive and review the grievance: Conduct an initial review assessment of whether the issues raised may lead to over-issuance, noting that amount, cause and rectification are not presumed.

OUTPUT: An initial review conducted by GS-TAC lead to the conclusion that:

1. *An initial freezing of issuances followed by a period of partial issuance (decided by and determined in discussion with GS-TAC) should be initiated until an independent investigation is conducted and recommendations implemented.*
2. *An independent investigation should be conducted and recommendations implemented.*

Steps 2-4:

Step 2 – Notify parties, publish grievance on website and flag in the registry – Grievance is published on Gold Standard website. This investigation was not raised against any specific project and hence a flag will be added to all SWS projects linking to the grievance page if feasible, or alternatively if this is not possible then no registry account will be flagged. Instead the investigation TORs and briefing will be published to the Gold Standard grievances page and issuance will be limited to a partial amount (determined in discussion with GS-TAC) until the investigation is complete.

Step 3 (appoint grievance team) – this TOR will provide the briefing to appoint an independent investigation team.

Step 4 (draft TORs for the investigation) – COMPLETED with this document.

OUTPUT: An appointed grievance team and completed TOR.

Step 5 (Solicit additional feedback and desk review):

These steps will run concurrently, allowing the investigation team to review and conclude any issues that are dealt with in certified documentation and focusing the gathering of further evidence on remaining open items. This will therefore involve as follows and will inform both Parts A and B of the investigation:

- *Shortlisting the key issues which will be further investigated due to potential risk of non-conformity against the Standard or breach of any associated documents such as the Terms and Conditions.*
- *Reviewing standards, certification and project documents including internal reviews, validation reports, monitoring reports and verification reports completed by auditors. GS-TAC WG Members may elect to join any such interviews at their discretion.*
- *Interviewing relevant stakeholders as identified by the investigation team, including but not limited to Gold Standard Secretariat, SustainCERT, project developers, auditors, TAC members, experts and other stakeholders as required. In addition, an open opportunity to comment/make representation is to be added to the grievance page.*
- ***If required***, *a field study including but not limited to fact gathering, assessing legal findings, interviewing affected stakeholders and others to support the review work. This will be at the discretion of the independent investigator and GS-TAC WG who should assess based on whether a field visit(s) is the only viable option to determine the issues under investigation. It is acknowledged that potential for field visits may be impacted by COVID19 and hence other options should be explored as priority. This decision should be taken as early as possible within the investigation to mitigate delay.*

- *Within the above analysis, to what extent the information is sufficiently complete in order to make recommendation(s). Previous steps may be revisited as needed. If appropriate, any findings regarding over-estimation &/or over-issuance may be implemented sooner than wider changes to the scheme to allow issuances to proceed unimpeded.*

OUTPUT: A Draft Preliminary Report providing an analysis of desk-based information and fact gathered from field study (if required), making recommendations. To expedite the review findings, the first Draft Preliminary Report should respond to investigation Part A and so far as feasible Part B 4 and 5 (see below).

From the Preliminary Report, steps 6-8 will be progressed³, including documenting findings of fact, recommendations and the reasoning underlying those recommendations in a report for review by the Technical Advisory Committee, External Expert, Project Owners/Developers (where relevant), SustainCERT and an executive committee of the Gold Standard Foundation Board of Directors.

The GS-TAC WG (or a nominated member) will support the executive committee if and as required by attending discussions.

4.0 Investigation overview, Scope, TORs and workplan:

Overview:

The investigation will be briefed by the GS-TAC WG (through these TORs, initially developed by the GS Secretariat and reviewed, amended and approved by GS-TAC and investigators) and then conducted by an independent investigator. The process of investigation and decision making will be overseen by the GS-TAC WG but the investigation will be fully independent. This is to avoid any conflict of interest (perceived or real) as the investigation allegation includes the Gold Standard.

Scope:

The investigation will seek to answer the following questions, based upon the principles of prevention of over-issuance, fair rectification and prevention of future occurrence.

The questions are in two parts:

Part A:

Analyse the technical aspects of the allegation to assess its veracity.

If the investigation finds no material basis in the allegation, the investigation will not proceed further.

³ See: <https://www.goldstandard.org/our-story/grievances-deregistration>

If the investigation finds basis in the allegation, that is, that material⁴ over-estimation has occurred, Part B will be pursued.

Part B:

Assess and provide analysis and recommendations on response(s) to the findings of part A.

Part A:

1. *Within the assumptions of suppressed demand within the methodology(ies), is the perceived over-estimation (and thus over-issuance) within the SWS portfolio correctly identified (that is, is the perceived issue 'real' – has over-estimation &/or over-issuance occurred), noting that over-estimation and over-issuance are related but not the same topics (for example the potential resolution for over-issuance may not also resolve over-estimate, which may require other standards, methodological and procedural change)?*
 - a. *If not, investigation ends with recommendations on analysis approaches and QA/QC process.*
2. *If so, to what degree? That is, what is the likely amount of over-issuance per credit issued? Ideally this can be quantified (as 'x%'), but may require approximations (eg: quantitative ranges 'up to x%' or 'between y and x%') and/or qualitative assessments (eg: 'insignificantly, somewhat, significant, substantially' etc).*
3. *Does the degree of difference represent a material over-estimation &/or over-issuance?*
 - a. *If not, investigation ends with recommendations on analysis approaches and QA/QC process.*

Part B:

4. *If material difference is identified, where in the GS process of standards-setting, methodology development and updating, project documentation establishment, project monitoring and/or validation/verification/certification or any other external, internal or combination of factors do the cause(s) of over-estimation &/or over-issuance lie?*
5. *Where cause(s) can be identified, what degree of responsibility (if any) can be ascribed to the various parties and stakeholders associated with over-estimation &/or over-issuance? Note that any ascribed responsibility does not imply culpability or intent, rather it aims to identify where error(s) may have occurred &/or how they interact &/or how they are propagated. It may also identify where processes could be adjusted to prevent similar results in the future.*
6. *In light of the above, how should this be remedied, for example should:*
 - a. *any action be taken on credits already issued (including those transferred, sold or retired)?*
 - b. *issuances from projects already in pipeline (Listed, Under Validation, Under Design Certification, Design Certified (registered) or Issued) be limited or amended in some way to ensure credibility?*
 - c. *Alternative suggested remedies as put forward by the independent investigator/TAC?*

⁴ Material defined as: sufficiently different from the stated value that it would likely effect the decision making of the information-user. It is suggested that the independent investigator recommend a fairly stated value with rationale for context/basis of decision making.

If so, what actions, degree of limitation or any other proposed interventions would ensure credible issuances?

7. *How, where, and in what ways can Gold Standard improve its processes and products to prevent recurrence of such issues?*
 - a. *What are high priority actions (that is, those that are necessary and near-term) to ensure credibility?*
 - b. *What are other actions that will contribute to ongoing improvements?*

Neither the veracity of the claim, nor identification of possible areas of responsibility for the potential over-issuance has not been determined. To ensure expedience of questions 1-6, question 7 which relates to the second allegation, may take place over a longer timeframe, though aspects of Part B may be required and naturally be investigated in parallel to Part A.

It is intended that, in order to expedite the review to minimize delay for projects awaiting issuance, that the independent investigator should focus on Part A and make initial recommendations for Part B4/5 as part of Draft Preliminary Report (see timeline below)

Terms of Reference:

The investigation will focus on the grievances raised and assessed against the relevant and applicable standards requirements for the project. The applicable requirements are as follows:

- *Standard version: Dependent on project Registration/Transition dates - [Gold Standard for the Global Goals](#) and previous versions of the standard**
- *Methodology/version: [Technologies and Practices for the Displacement of Decentralised Thermal Energy Consumption \(TPDDTEC\) Version 1, 2, 3 and 3.1](#)*
- *Terms and Conditions and Terms of Use*
- *Gold Standard core principles of fairness, reliability, conservativeness and pragmatism*
- *[Gold Standard for the Global Goals Principles & requirements](#)*
- *[GS4GG GHG emissions reductions & sequestration product requirements](#)*
- *Gold Standard Principles (available [here](#))*
- *[The Gold Standard Requirements](#)*
- *Requirements as per relevant project documents including but not limited to project design documents, monitoring reports, validation & verification reports, internal reviews and analysis, recognizing that a representative sample can be selected to inform analysis.*

**Note that previous versions of Standard are now superseded by Gold Standard for the Global Goals (GS4GG).*

The GS-TAC WG will provide oversight and peer review to the investigation and infer and recommend decisions for the correct courses of action where required.

The GS-Secretariat will independently administer the process, overseen by the GS-TAC WG. GS-Secretariat will remain neutral in its administration role, limiting any views or considerations to where formally requested by either GS-TAC WG and/or the independent investigator to make formal representation. The GS-Secretariat will pro-actively support both GS-TAC WG and independent investigator in collating information as required.

The investigator(s) will first conduct a desk-based review of the summary produced by Gold Standard (noting that this should disaggregate where necessary by version of methodology applied as these may have different relevant clauses). The investigator will further review all relevant documentation, including but not limited to the Gold Standard Requirements and Toolkits, overview of project portfolio and issuance projections, project design documents, passports, monitoring reports, validation and verification reports, along with interviews with stakeholders. This will be supplemented, if necessary, by further field study to complete the investigation. This will include any agreed changes, exceptions, deviations or approaches approved by Gold Standard during certification

The proposed investigation plan will be subject to change as investigation progresses and new information emerges. Changes to the plan presented above will be documented and public updates provided.

The investigator(s) will review the following project documents, or a sufficiently representative sample, (not exhaustive):

- *Standards and methodological requirements*
- *Registry information*
- *Certification processes*
- *Project documentation*
- *Validation/verification and certification documentation*
- *Relevant literature related to impact of SWS projects*
- *Field reports*

Based on the above desk-based assessment the investigation team will further:

- *Interview the Gold Standard, SustainCERT, Validating and Verifying DOEs, Project Developers, stakeholders and experts (as well as any other pertinent stakeholders) to establish any discrepancies/gaps and any conflicts of interest that may have arisen within any aspect of the project monitoring and reporting, standard or methodology, assurance process and certification review and decision making.*
- *GS-TAC WG Members may be requested or themselves request to be involved in any interview.*
- *Consider comparative literature, studies and experiences relating to the reasonableness of estimations.*
- *Conduct an on-site assessment via a third-party expert(s), if/as required.*
- *Review findings and decisions.*

The investigation will follow the approximate timeline shown below. This timeline is subject to availability of independent investigators and the findings of the investigation and may change. Changes will be documented and made publicly available. Urgent elements of investigation (i.e. those that affect the potential issuance of existing projects) are anticipated to be completed within 8 weeks from commencement.

All dates below are target/indicative and may change during the course of the investigation.

Activity	Timeline – to be completed with independent expert.
Initial Review/non-Conformity Assessment	Completed
Grievance Investigation Terms of Reference (TORs) (This document)	14th July 2020
Appointment of investigation team	20th July 2020
Appointment of independent local expert(s)*	W/c 20th July 2020
Evidence collection, desk review and stakeholder interviews (records of any sampled documents, interviews etc should be declared)	by 14th August 2020
Draft report by independent investigator	By 21st August 2020
Preliminary Review/ Peer Review (TAC, External expert)	w/c 24th August 2020
Review by project developer(s) (an opportunity for comment only, it is at Gold Standard TAC's discretion to adjust the report)	w/c 31st August 2020
Review by GS Board	w/c 31st August 2002
Final report and publication on GS website	w/c 07th September

* Local expertise may be required, potentially provided by more than one individual.

5.0 Transparency and declaration of conflict of interest

Gold Standard, as part of its commitment to transparency and good governance will publish all documentation to the Gold Standard website. In addition, Gold Standard will specifically notify these key stakeholders and refer them to the publication page and investigation team as necessary:

- *ISEAL*
- *WWF (Switzerland)*
- *ICROA*
- *Carbon Market Watch*
- *All affected project developers*

In addition, TAC will review/monitor any Conflicts of Interest arising amongst GS Secretariat, SustainCERT and investigation team.

The GS-TAC WG was recommended for appointment by Scott Harder, an independent advisor to the Gold Standard Board (who has no connection or conflict to/with the TPDDTEC methodology, SWS projects or the GS-TAC). The members of the group are below, recommended based on whether they have relevant expertise and do not have any conflicts of interest. These members were informed to all GS-TAC members (Energy Sub-Committee) to raise any concerns prior to confirming, none was raised. The GS-TAC group will subsequently be chaired by Scott Harder.

The Members appointed are:

- *Scott Harder (Chair)*
- *Steve Thorne*
- *Jessica Wade-Murphy*
- *Liza Murphy*

6.0 Investigation Team

As noted above, the investigation will be overseen by the GS-TAC WG who are:

- *Expert in the TPPDTEC methodology and SWS projects*
- *Have no conflict of interest*

The investigation will be carried out by an independent expert appointed directly by Gold Standard via a GS-TAC WG approved scope and workplan based on this TOR (which the investigator will also confirm). The contract between GS and the investigator will be purely for the carrying out the investigation under the TOR and the contracting shall be observed by GS-TAC WG Members to ensure impartiality of terms.

The expert(s) shall:

- *Be fully independent of GS, SC and all project developers currently applying the TPPDTEC methodology and shall have no other conflict of interest*
- *Be preferably either an independent operator or employed at a public or non-profit institution. Private company employment will be considered only if necessary.*
- *Be an expert in the application of SWS projects and the calculation of emissions reductions from them, including the individual parameters applied*
- *Have a minimum of 7 years senior experience at a public institution or similar*
- *Have relevant post-graduate qualifications.*