Öko-Institut e.V.
Institut für angewandte Ökologie
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The Carbon Credit Quality Initiate and new research on sustainable development impacts of VCM projects

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What is the Carbon Credit Quality Initiative?

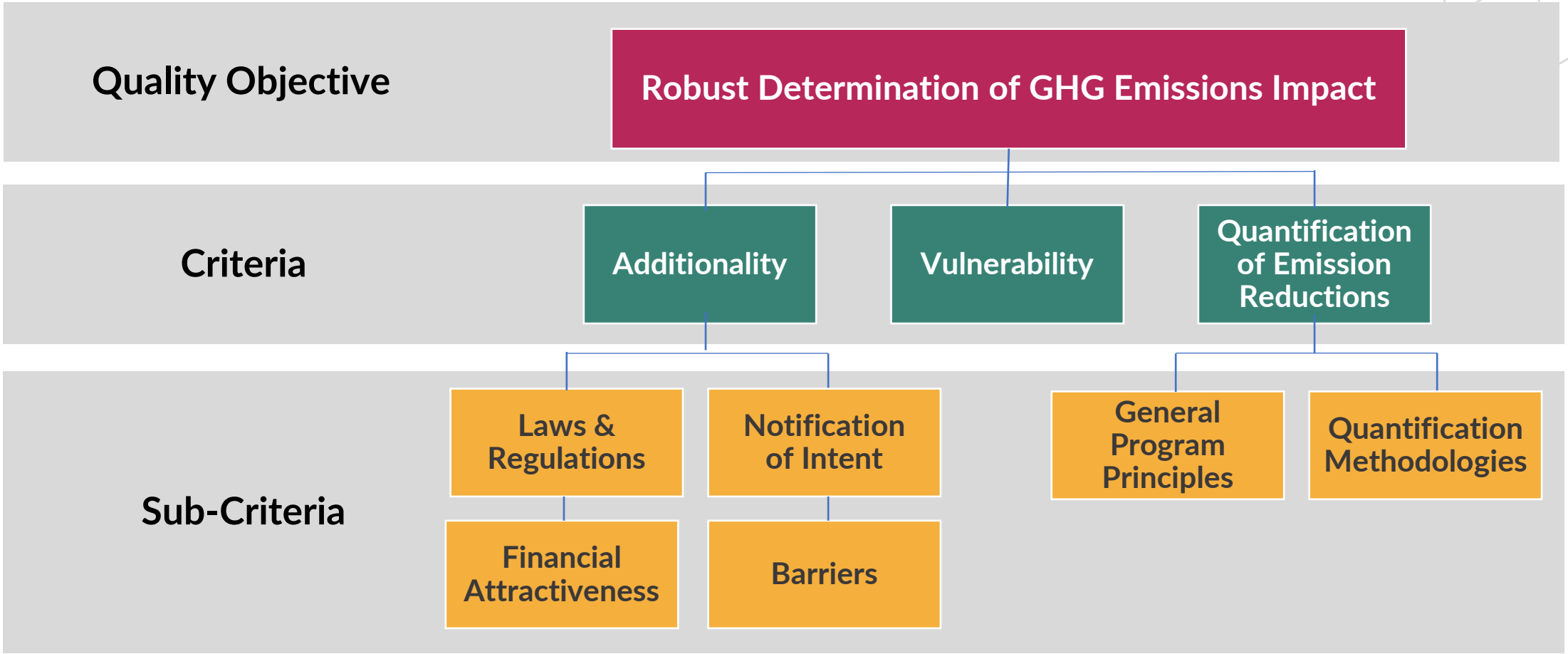
Why?	▶ Carbon markets are facing a resurgence ▶ Mixed quality of carbon credits currently transacted ▶ Buyers face reputational risks if emissions reductions are not credible
What?	▶ Enhance the integrity of carbon credits ▶ Encourage carbon crediting programs, project developers and other market participants to pursue the highest standards
How?	▶ Independent, user-friendly scorings to assess the quality of carbon credits
For whom?	▶ Countries, companies, investors, and individuals

Seven Quality Objectives

Quality Objective

- Robust Determination of GHG Emissions Impact
- Avoiding Double Counting
- Addressing Non-Permanence
- Facilitating Transition towards Net Zero Emissions
- Strong Institutional Arrangements and Processes
- Environmental and Social Impacts
- Host Country Ambition

Defining Criteria and Sub-Criteria



Our Scoring Approach

Confidence or likelihood that the assessment subject meets the criterion or quality objective:

Very High	5
High	4
Moderate	3
Low	2
Very Low	1

Current Scope of Assessments

Carbon Crediting Programs

Gold Standard

Verified Carbon Standard
A VERRA STANDARD

CLIMATE ACTION RESERVE
2001-2021

Host Countries

Brazil	South Africa
Mexico	Indonesia
China	United States
Nepal	Kenya
India	Vietnam

Authorization for use under Article 6

YES / NO

Quantification Methodologies

Project Types	Afforestation	Landfill gas utilization	Efficient cookstoves
CDM AR-ACM0003	✓		
CAR U.S. Forest Protocol v4.0	✓		
CDM ACM0001		✓	
CDM AMS-III.G		✓	
CAR U.S. Landfill		✓	
CDM AMS-II.G			✓
GS "Technologies and Practices to Displace Decentralized Thermal Energy Consumption", ver3.1			✓

Summary of Key Findings

Overall mixed quality of carbon credits

Carbon credits often perform well in some areas but poorly in others

Different carbon crediting programs score well or poorly in different areas

Programs can improve by:

- Examining areas of improvement based on the CCQI scores
- Benchmarking against their peers

If carbon crediting programs adopt the best practice approaches from their peers, it would be an important step forward

Key Findings

Considerable Differences among Carbon Crediting Programs

Consideration of legal requirements

- No check
- Check at project start and renewal of crediting period
- Check at each issuance

Addressing non-permanence

Wide range of time period to monitor reversals

Notification of intent

Some programs allow retroactive crediting – others require early notification that credits are sought

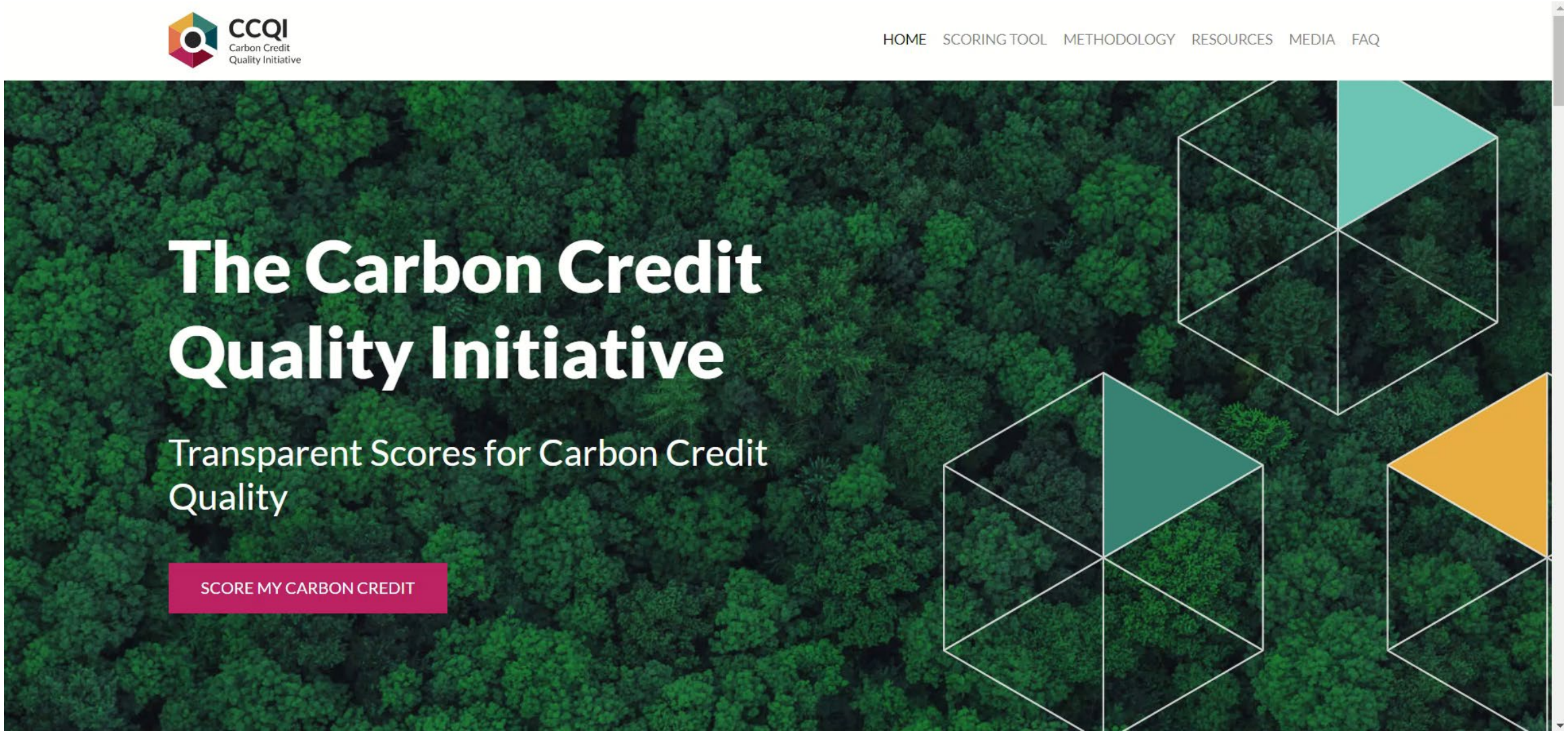
Avoiding double counting

- Double use and overlapping claims partially addressed
- Article 6 readiness differs

Environmental & social safeguards

Thorough safeguards by some programs – no rules by others

Demo of Online Scoring Tool



Next Steps

- **Assess at least 5 more project types:**
  1. Large-scale grid-connected solar power,
  2. Large-scale grid-connected wind power,
  3. Avoidance of methane emissions from oil and gas flaring,
  4. Avoidance of methane emissions from leaks in natural gas pipelines, and
  5. Avoidance of methane emissions from livestock manure management

- **Assess one additional crediting program** (American Carbon Registry) **and two complementary standards** (Verra's Sustainable Development Verified Impact Standard and Verra's Climate, Community & Biodiversity Standards)

- **Present CCQI insights and resources to interested buyers and partner with stakeholders to ensure greater scale of CCQI's impact**

New research for the Foundation Development and Climate Alliance: What matters for the environmental and social impacts of projects?

Provisions of carbon crediting programs (Part I)

- Ensuring safeguards and assessing sustainable development impacts in the VCM
- Evaluation of five standards/programs in the VCM based on a selection of criteria
  - Robustness of environmental and social safeguards
  - How sustainable development impacts are assessed

Typical impacts of VCM project types (Part II)

- Sustainable development impacts of selected project types in the VCM
  - Collaboration with Stockholm Environment Institute
- SDG framework to assess sustainable development impacts
- Selected project types

Example: Evaluation of environmental and social safeguards

No.	Criterion	CDM	GS	VCS	SD VISta	CCBS
1	**Identification and mitigation of negative impacts:** Does the program or standard require project owners to identify potential negative environmental and social impacts, including any likely risks to local and affected stakeholders, and to mitigate them?	● except for A/R projects	●	●	●	●
2	**Monitoring impacts:** Does the program or standard require the monitoring of potential negative environmental and social impacts on an ongoing basis?	●	●	●	●	●
3	**Third party validation:** Does the program or standard require that the evaluation of environmental and social impacts by the project owners is validated by a third party prior to project registration?	●	●	●	●	●
4	**Grievance:** Does the program or standard have a grievance mechanism in place?	●	●	●	●	●
5	**Timing of stakeholder consultations:** Does the program or standard require that global and local stakeholder consultations are conducted prior to project implementation?	● depends[11]	● global & local	● global & local	● global & local	●

Provisions of programs in the VCM (2)

Safeguard provisions

- GS fulfills most criteria
- VCS only performs well in combination with CCBS or SDVISta
- CDM only fulfills a few criteria

Sound assessment of sustainable development impacts

- GS and SD VISta fulfill most criteria
- CDM SD Tool provides only for limited assessment of SDG impacts

Improvements

- Assessment of potential **negative** impacts on sustainable development
- Conducting **consultations** of local stakeholders before project implementation
- Continuous **monitoring** of negative and positive impacts
- Development of **specific safeguards** (e.g., indigenous groups, gender policy)

Sustainable development impacts of VCM project types (1)

- Analysis of typical impact of four project types on 36 selected SDG targets
- Selected project types:
  - Afforestation
  - Improved cookstoves
  - Off-grid PV
  - Water filters
- Literature review and independent assessment of co-authors

Sustainable development impacts of VCM project types (2)

Identified impacts

- Positive impacts on 1/3 to about half of 36 targets
- Highest number of positive impacts for efficient cookstoves projects
- Considerable uncertainty on impacts for afforestation projects
- Few negative impacts => only in certain contexts

Cross-cutting findings

- Generalized project types -> only indication of number and kind of impacts
- Context dependency
- Time horizon affects impact

Recommendation

- Selecting a program with robust safeguards and sound assessment of SDG impacts

Example: Improved cookstoves

Impacts	Number of targets
Positive	20
Varying (range, incl. negative)	3
No interaction	13

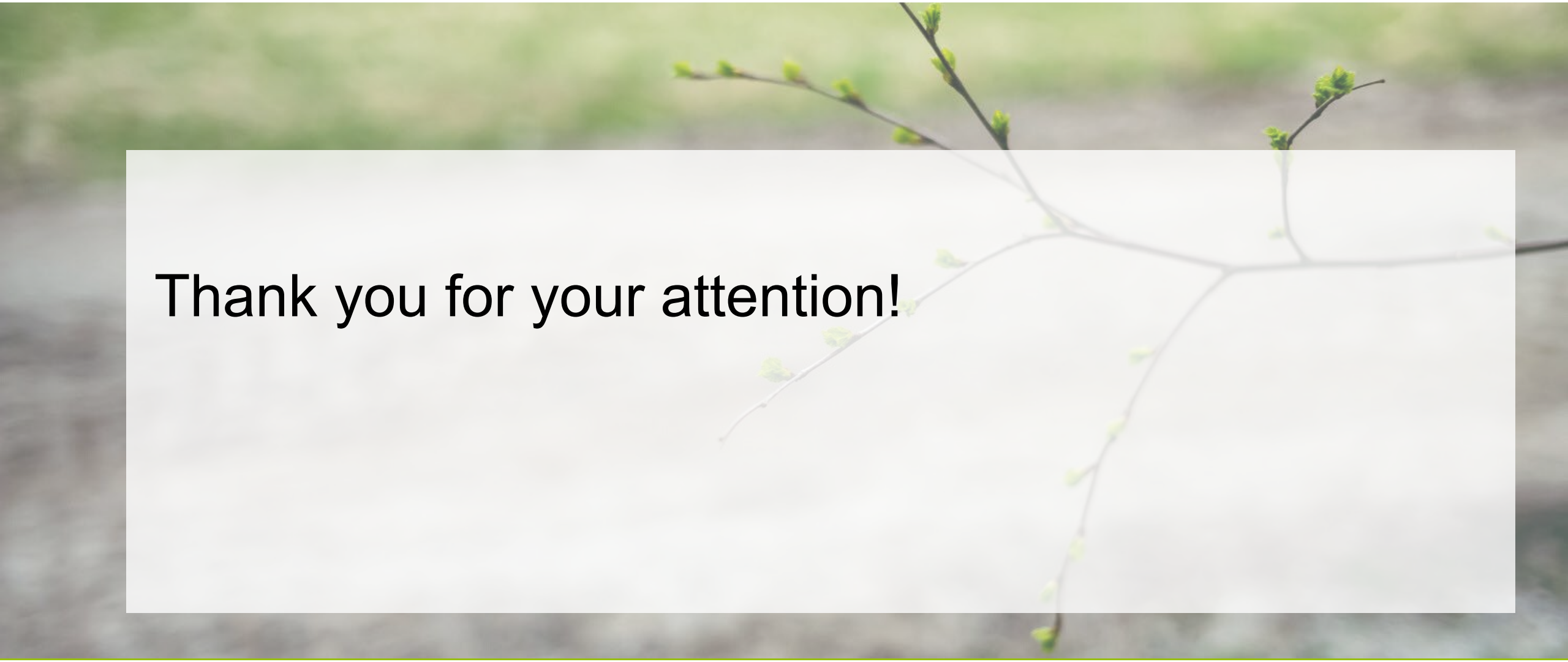
Selected impacts

- Improving health
- Poverty reduction
- Benefits for women
- Reduction of deforestation and forest degradation
- Improvement in energy efficiency

Other findings

- Uncertainty due to fuel/stove stacking over time

Photo: pixabay



Thank you for your attention!