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Addressing double claiming for the voluntary carbon market

Webinar "Stronger voluntary market - New rules to raise the bar post-2020"

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What is double claiming and is it a problem?

Double claiming: Same emission reductions is claimed by

- The **buyer** of the carbon credit
- The **host country** of the climate mitigation project, by reporting lower emissions when demonstrating NDC achievement

But is this a problem?

What is the impact on aggregated global GHG emissions?

It depends…

Source: NewClimate Institute / Lambert Schneider (unpublished)

Unpacking the implications of double claiming from voluntary market emission reductions (1)

Host country	• **Response of the host country to the lowering of emissions from the project:** Will the host country reduce its level of climate action because less action is needed to achieve its NDC, or not alter its action?
Carbon credit buyer	• **Response of the buyer:** Will the buyer increase its emissions as a result of purchasing carbon credits, or not alter them?
Country where the buyer's activity causes emissions	• **Response of the country to the (possible) increase in emissions from the buyer:** Will the country increase its level of climate action because more action is needed to achieve its NDC, or not alter its action?

Source: NewClimate Institute / Lambert Schneider (unpublished)

Unpacking the implications of double claiming from voluntary market emission reductions (2)

Multiple scenarios possible!

Scenario	Project host country	Impact in project host country	Carbon credit buyer	Buyer activity country	Impact in buyer activity country	Net global GHG impact
1	No change to climate action 0	Decrease in emissions -1	Increases its emissions +1	No change to climate action 0	Increase in emissions +1	**No change** **0**
2	No change to climate action 0	Decrease in emissions -1	Increases its emissions +1	Increases its climate action -1	No change 0	**Decrease in emissions** **-1**
3	No change to climate action 0	Decrease in emissions -1	Emissions unaffected 0	No change to climate action 0	No change 0	**Decrease in emissions** **-1**
4	Reduces its climate action +1	No change 0	Increases its emissions +1	No change to climate action 0	Increase in emissions +1	**Increase in emissions** **+1**
5	Reduces its climate action +1	No change 0	Increases its emissions +1	Increases its climate action -1	No change 0	**No change** **0**
6	Reduces its climate action +1	No change 0	Emissions unaffected 0	No change to climate action 0	No change 0	**No change** **0**

Source: NewClimate Institute / Lambert Schneider (unpublished)
Assumptions: GHG inventory visibility is given, credits have quality (i.e. are additional and emission reductions are not over-estimated), non-permanence is ensured.

Unpacking the implications of double claiming from voluntary market emission reductions (3)

Two important conclusions:

1. **Double claiming in the voluntary market can undermine integrity but may not do so in all cases**
2. **Whether double claiming undermines integrity is beyond the control of project developers and carbon crediting standards**

Source: NewClimate Institute / Lambert Schneider (unpublished)

Draft Article 6 negotiation text opens door for voluntary carbon market accounting under the PA

- Countries **may authorize** mitigation outcomes to be used for **purposes other than NDC achievement**
  - CORSIA
  - Voluntary market
- Authorization by countries is **voluntary**
- If countries grant authorization, then they **must** apply "**corresponding adjustments**" (additions) to their emissions to account for voluntary carbon market projects
- A separate market segment for host country authorized credits that could be used for multiple purpose (NDCs, CORSIA, VCM)?

Models for claims by carbon credit users

Offsetting emissions	**Contributing** to climate mitigation
• Implies a “**balancing out**” or “neutralisation” of emissions	• Implies **support** without a balancing out of climate impacts
• Can support claims of carbon / climate **neutrality**	• Does not allow for carbon / climate neutrality claims
• Signals that the outcome for the climate is **as if** there were **no physical emissions** released	• Parallels to claims to support **sustainable development “co-benefits**”
• Presents a **double claiming risk** as customers may justify higher emissions with credit purchase	• Presents **less of a double counting risk** as long as customers are aware that the climate impact of their purchase decision is not offset
• Host country authorization may be difficult to obtain or subject to risks • Integrates voluntary climate action into Paris Agreement accounting	• May require time to attract buyers • Supports countries in achieving their NDCs

Source: NewClimate Institute / Lambert Schneider (unpublished)

Conclusions

- **Double claiming** with host country NDCs is a risk that **cannot be ruled out** if emission reductions are covered by NDCs
- **Claim** made in association with carbon credits is **essential for** providing **clarity** and **transparency** to consumers what is achieved
- **Both models** considered by Gold Standard Foundation feasible but several **practical implementation challenges** to be addressed
  - **Market uptake** of new models
  - **Authorization** of projects and implementation of **corresponding adjustments**
  - **Policies on claims** and communication by carbon credit users

Thank you for your attention!

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Article 6 negotiations

Article 6.2 negotiation text from COP25 at Madrid enables countries to account for carbon credits used in the voluntary market when accounting for their NDCs

Para 1f: "Internationally transferred mitigation outcomes (ITMOs) from a cooperative approach are (…) mitigation outcomes authorized by a participating Party for use for international mitigation purposes other than achievement of its NDC or **for other purposes, including as determined by the first transferring participating Party** (hereinafter referred to as **other international mitigation purposes**);

Para 34: "Where a Party expressly authorizes the use of mitigation outcomes, for a purpose other than towards an NDC, this guidance shall apply to such mitigation outcomes, whether or not they have been internationally transferred."

GHG inventory visibility

Important considerations

- “IPCC Tiers”
  - Most emission reductions are „automatically“ visible with simple Tier 1 methods (e.g. CO_2 emissions from fossil fuels)
  - Higher tiers necessary in some cases
  - About 78% of CDM emission reductions visible with Tier 1 methods
- Recalculations of GHG inventories
  - Countries can retroactively move to higher Tiers and re-calculate their inventories
  - Reductions that are not visible today can still be claimed in the future

Preliminary conclusion: Reductions are likely to be visible

Response of countries to emission changes from the voluntary market

Issue	Possible arguments against relevance	Possible arguments in favour of relevance
Nature of NDCs	• Achievement of NDCs is not mandatory	• Countries may still intend to ensure achievement
NDC planning	• Countries plan climate policies to achieve NDCs early on and do not rely on voluntary carbon market	• Countries may adopt further policies if they realize that they are not track, or soften existing policies if they over-achieve
Materiality	• Emission reductions achieved through voluntary market are small	• Situation could change
Interaction with other carbon markets		• Countries may be able to sell more (or need to buy less) if the voluntary market helps them to achieve their NDCs

Preliminary conclusion: Voluntary market can impact country action

Practical unresolved implementation questions (1)

Authorizations (NDC crediting model)

- **Timing and readiness**: When will countries be ready to issue letters?
- **Purpose**: Can **authorizations** be issued for any purpose or only for a single purpose (e.g. intl transfer, CORSIA, voluntary cancellation)?

Adjustments (NDC crediting model)

- **Trigger**: What should **trigger** the application of adjustments?
  - "Transfer" not workable
  - Authorization? Issuance? Cancellation?
- **Reporting in structured summaries:** To which calendar years and how should adjustments for voluntary cancellation be reported?

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Practical unresolved implementation questions (2)

Global warming potentials (NDC crediting model)

- **Consistency**: how can consistency in GWP between countries and carbon market programs be ensured?

Determining what is inside or outside of NDCs (Non-NDC crediting model)

- Lack of clarity in NDCs in terms of coverage
- NDCs with non-quantified actions or targets in non-GHG terms
- First BTRs may provide clarity on NDCs, but only by 2024 or later
- Update of crediting programs necessary to differentiate inside / outside