4th ICROA workshop on increased voluntary action under the Paris Agreement

Katowice, Poland
7th December 2018
Moderator

Ana Aires Carpinteiro

Business Development Director, Nexus for Development
# Agenda

1. **Welcome and introductions**  
   - Time: 10.00 – 10.05

2. **Opening remarks from ICROA**  
   - Time: 10.05 – 10.30

3. **Updates from voluntary market Standards**  
   - Time: 10.30 – 10.50

4. **Updates from C2ES and Wuppertal Institute**  
   - Time: 10.50 – 11.10

5. **General discussion and closing remarks**  
   - Time: 11.10 – 11.30
What is ICROA?

The International Carbon Reduction and Offset Alliance (ICROA) is an international industry association housed within IETA.

- ICROA's primary aim is to deliver quality assurance in carbon management and offsetting, through adherence to the ICROA Code of Best Practice.
- ICROA ensures **credibility and quality** for corporates using voluntary carbon credits to reduce their greenhouse gas emissions.
- ICROA provides a **unified voice for the voluntary carbon market**.
Our Members are leading global service providers
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Speakers

Jonathan Shopley
Managing Director, Natural Capital Partners

Jeff Swartz
Director for Climate Policy & Carbon Markets, South Pole
Accounting treatment for voluntary action by non-state actors to avoid double counting

• **Non-state actors accelerate climate ambition under the Paris Agreement when:**
  - They fund additional emission reductions that are not required by regulation, and
  - The country in which the emission reductions are generated benefits from the emission reductions funded by the non-state actors.

• **This is the case in all instances where:**
  - Action by non-state actors is voluntary and free of any regulatory requirement.
  - Emission reductions are accounted for only once, in the host country.
  - Credible standards establish the emission reductions using accurate baselines that reflect changing regulatory requirements in the host country.

• **These conditions remain true until** mitigation instruments for voluntary action by non-state actors are sourced from an ETS or from regulated sectors inside an NDC or from outside an NDC.
ICROA’s thinking is evolving

**FROM…**

0  CORSIA

**…TO**

1  NON-NDC CREDITING MODEL

2  FINANCING EMISSION REDUCTIONS MODEL

3  NDC CREDITING MODEL

A  CONTRIBUTION CLAIM

B  NET-ZERO CLAIM IN REGULATED SECTORS

C  NET-ZERO CLAIM IN UNREGULATED SECTORS
Voluntary action post 2020: spectrum of options

### Contribution Claim
- Emission reductions financed by non-state actors contribute to the host country’s NDC.
- End-buyers claim a contribution toward the host country’s climate goals. Change from ownership of an emission reduction to the attribution of an emission reduction.
- Gold Standard’s Alternative VER Claims solution / Verra’s DCC unit.

### Net-Zero Claim in Regulated Sectors
- Emission reductions financed by non-state actors in regulated sectors inside an NDC can be used for net-zero claims if an adjustment is applied to the host country’s NDC to avoid ‘hot air’.*
- If reductions originate from regulated sectors outside the NDC, appropriate baseline adjustments are required.*

* Subject to requirements in the Paris Rulebook.

### Net-Zero Claim in Unregulated Sectors
- Emission reductions financed by non-state actors can be used for net-zero claims when they are additional, i.e. go beyond a credible baseline.
- These emissions reductions may originate from sectors inside or outside the NDC.
Key considerations in ICROA’s evolving position

- The IPCC SR15 brings new emphasis to the goal of net-zero, and we must ensure that alternatives do not undermine or detract from maintaining that option for non-state entities.

- Until the NDC accounting processes under the Paris Agreement are clarified and implemented, alternative claims may not always result in raised ambition in host countries.

- Breaking the link between a non-state actor’s carbon footprint and its compensating actions may not lead to raised ambition across the private sector.
Further work is needed to...

- Unpack each of the 3 options
- Simulate how each option would work in host countries with different types of inventories
- Understand how a (bottom-up) transition would look like
- Understand how to design and implement GHG registries than can account for both compliance and voluntary action
- Explore how a voluntary market account could work in the broader Article 6 framework
- Credible standards need to establish emission reductions using baselines that reflect changing regulatory requirements in the host countries
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Updates from voluntary market Standards

Interventions

• **Owen Hewlett**, Chief Technical Officer, Gold Standard
• **David Antonioli**, CEO, Verra
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Updates from C2ES and Wuppertal Institute

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<tr>
<td><strong>Nancy Meyer</strong>, Director of Corporate Engagement, C2ES</td>
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<td><strong>Wolfgang Obergassel</strong>, Project Coordinator, Wuppertal Institute</td>
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Discussion
Thank you

International Carbon Reduction and Offset Alliance (ICROA)

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# Option 1: Contribution Claim

## DESCRIPTION

- Emission reductions financed by non-state actors contribute to the host country’s NDC.
- End-buyers claim a contribution toward the host country’s climate goals. Change from ownership of an emission reduction to the attribution of an emission reduction.
- Gold Standard’s Alternative VER Claims solution / Verra’s DCC unit.

## CHARACTERISTICS

- Use of credible standards to determine mitigation impacts.
- Not dependent on markets unless claims are transacted.
- Voluntary action is not directly tied to non-state actor footprint, so does not support claims of net-zero.
**Option 2: Net-zero claim in regulated sectors**

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| • Emission reductions financed by non-state actors in regulated sectors inside an NDC can be used for net-zero claims if a corresponding adjustment (CA) is applied to the host country’s NDC to avoid ‘hot air’.*  
• If reductions originate from regulated sectors outside the NDC, appropriate baseline adjustments are required.* |

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| ✓ Use of credible standards to determine mitigation impacts.  
✓ Creates instruments that can be traded and retired to support claims of net zero.  
✓ Requires voluntary action to be tied to a non-state actor’s footprint.  
✓ Dependent on markets.  
✓ Regulatory requirements taken into account through adjustments that protect the integrity of the claim by ensuring raised ambition (avoid hot air). |

* Subject to requirements in the Paris Rulebook.
**Option 3: Net-zero claim in unregulated sectors**

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<td>• Emission reductions financed by non-state actors can be used for net-zero claims when they are additional, i.e. go beyond a credible baseline.</td>
<td>✓ Use of credible standards to determine mitigation impacts.</td>
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<td>• These emissions reductions may originate from sectors inside or outside the NDC.</td>
<td>✓ Creates instruments that can be traded and retired to support claims of net zero.</td>
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<td>✓ Requires voluntary action to be tied to a non-state actor’s footprint.</td>
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<td>✓ Dependent on markets.</td>
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<td>✓ Applies where regulatory requirements do not need to be taken into consideration because there are none, or they are already factored into baselines.</td>
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