

AIM Platform Draft Criteria for Stakeholder Comment

IETA Response

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ABOUT IETA

IETA welcomes the opportunity to provide feedback on the AIM Platform's [draft Criteria](#) that were released on 22 May 2024. For over 20 years, IETA has been the leading global business voice on robust market solutions to tackle climate change while driving clean finance at scale. IETA represents a broad and diverse group of stakeholders (300+ members worldwide) that includes industry and energy firms, project developers, service providers, standards, investors and financial institutions, law firms and other businesses who are at the forefront of climate action. IETA's expertise is regularly called upon to inform carbon market solutions that deliver measurable climate outcomes, address economic competitiveness and carbon leakage concerns, balance efficiencies with social equity, and support a just transition.

COMMENT ON DRAFT CRITERIA

IETA appreciates the AIM Platform's work on these draft criteria applicable to value chain interventions. These criteria have been written to guide organizations that seek to address emissions in their value chain and will also have implications for value chain intervention hosts. This document summarizes IETA's response.

Q1. Please share any comment on Criterion 1 or the associated questions:

"Value Chain Interventions shall address a component in the organization's Scope 3 Greenhouse Gas inventory, as defined in Appendix A."

Specific to Market Penetration Rate:

- Do you agree with the 5% threshold?

IETA Answer: The three options for association outlined in the Appendix provide good flexibility for companies to establish what is within their value chain, or closely related to it. However, the approach excludes removals such as direct air capture and storage (DACS) that are purely environmental goods and therefore not linked to the supplier's value chain but deemed to be instrumental in decarbonizing hard to abate sectors, such as aviation¹. Due to the urgency of the need for value chain interventions, all decarbonization solutions that are measurable and verifiable by independent third parties should

¹International Air Transport Association, Net Zero Roadmap.



be supported, and therefore we also do not support a minimum threshold. Any intervention is relevant and should be counted against the inventory.

- **Once 5% global penetration has been achieved, would you support maintaining a positive list at the regional or national level such that a technology would still be on the positive list for projects in that country or region if it remained below 5% market penetration rate in that country or region?**

IETA Answer: We do not support the threshold. The ability to monetize a specific reduction within a value chain will be directly related to the penetration of a technology and the magnitude of product CI differentiation. Once a critical threshold of decarbonization has been reached, there will no longer be a willingness to pay for the intervention, from the demand side. From the supply side, increasing competitive forces will drive action as suppliers compete for buyers who increasingly opt for lower carbon versions of products. Therefore, there is no need to place artificial limitations on the penetration rate or the technology types that qualify for claims. The concept of additionality for value chain mitigation should be limited to regulatory additionality.

Specific to Decarbonization Potential:

- **Do you agree with the 60% threshold? Is this percentage appropriate for all sectors or should it be different for different sectors?**

IETA Answer: All value chain interventions are needed and therefore we do not agree with the need for a minimum decarbonization potential. A technology that reduces emissions 50% from a baseline level is still a positive action that the AIM Platform should be encouraging.

- **Should there be any restrictions, e.g. “excluding technologies that lock in fossil fuel use”?
Ex: fly ash in low carbon cement.**

IETA Answer: No, we see no rationale for restrictions as it adds complexity when our priority should be driving all action, urgently. With regards to excluding technologies that “lock in fossil fuel use”, it is nearly impossible to define when considering technology implemented at existing fossil fuel facilities, and counterproductive since fossil fuels are part of virtually every company’s value chain and need any and all incentives to be reduced.

Q2. Please share any comment on Criterion 2

"The impacts of a value chain intervention may only be reported against the quantity of the targeted component in the organization’s inventory and must reflect the decarbonization potential of the technology(ies) or process change(s) implemented through the intervention."

IETA Answer: This is crucial to prevent over-reporting and ensure that claimed reductions are realistic and verifiable. However, the explanation might need simplification or additional examples to ensure that organizations clearly understand how to normalize and report impacts accurately. Criterion 2 is



not easy to understand. Consider rephrasing: "The GHG impact of a value chain intervention may only be reported (i.e. deducted from inventory), against the associated value chain emissions." The bushels of corn example is helpful, and we encourage adding more examples.

It is important to tie this principle back to how supply shed is defined. If defined narrowly (in the GHG Protocol LSRG related to "sourcing regions") the activity and investment in these mitigation measures will be significantly limited. If supply shed is defined more broadly, such as the definition AIM has proposed in Appendix 1, there is greater flexibility, which enables greater financing of mitigation measures.

Q3. Please share any comments on Criterion 3

"Value chain interventions shall not lead to an emissions profile that is less than zero for the value chain component associated with the intervention."

IETA Answer: Restrictions on the transfer of environmental benefit delivered by an intervention will disincentivize investment in them. This in particular hurts the negative emission technologies (as seen through the example), an industry that is at nascent stage of commercial deployment today. We support the inclusion of safeguards to prevent unrealistic or inflated claims of negative emissions, which is important for maintaining credibility. However, this must not be at the expense of interventions that are physically delivered, durable and can be measured and verified.

Q4. Please share any comments on Criterion 4

"The organization reporting the intervention results shall own the emissions profile or emissions reductions associated with the intervention or must have been allocated the emissions profile or emissions reductions associated with the intervention, in accordance with criterion 5 below."

IETA Answer: We agree with clarity on ownership of the emissions profile and the intervention to ensure the intervention remains 'attached' to the relevant emissions profile.

Q5. Please share any comments on Criterion 5

"Multiple organizations may claim the same emissions profile and/or emission reductions resulting from a value chain intervention provided that an equivalent quantity of an overlapping value chain component would have been included in each organization's emission report. In order to report the results of an intervention, however, the organization shall own the emissions profile or emissions reductions as stipulated in criterion 4 above or shall have been allocated the right to claim and report it by the organization who owns the emissions profile or emissions reductions."

IETA Answer: As scope 3/value chain emissions are double counted (or more), it is entirely appropriate that multiple organizations can claim the impact of interventions. However, this requires control to ensure unrelated/unassociated emissions are not reduced due to the intervention. Criterion 5 allows for co-claiming in complex supply chains, reflecting the reality of shared responsibilities. However, the



guidance on tracking claims and preventing double-counting needs to be further elaborated and will need to be robust and easy to manage.

Q6. Please share any comments on Criterion 6 or the associated questions:

"Value chain interventions shall lead to emissions mitigation beyond that required by law."

- **Would you support adjusting this criterion such that an intervention would still be considered to have met this criterion in cases of nonenforcement of regulations, or in the case where regulated entities are likely to choose strategic non-compliance due to cost differentials between complying and associated fees of noncompliance? In either/both cases, please explain the rationale.**

IETA Answer: Yes, we would adjust this criterion. In the carbon market, there is a lot of evidence of the lack of implementation of regulations. Therefore, carbon credit projects can be considered 'additional' where there is evidence that laws are not implemented effectively. IETA recommends changing this criterion to "Value chain interventions shall lead to emissions mitigation beyond that required by law unless evidence can be provided that laws are not implemented effectively². Evidence needs to come from a public and credible source."

- **What tools or frameworks might ease the process of identifying compatible or incompatible regulations for agriculture?**

IETA Answer: The AIM Draft for Criterion 6 stipulates that "the AIM Platform and sector specific programs will establish tools or frameworks to ease the process of determining which laws are implicated by this criterion" hence it is clear that sectoral guidance is forthcoming. 'Regulatory surplus' assessment in agriculture must reflect on the (in)direct impact of subsidies that are defining common practices, including GHG-intensive activities. So in addition to the 'regulatory assessment' locality / supply-shed specific, dynamic assessment of subsidies is needed to assess what is 'beyond the law and being subsidized level.

- **Would it be appropriate to apply any other additionality criteria under the AIM Platform Standard and Guidance?**

IETA Answer: No - since these are reductions within a supply chain and not carbon credits, there should not be the same requirements for additionality. Rather, IF additionality criteria can be met (i.e., the

² E.g.: Low Compliance Rates: High levels of non-compliance among those subject to the law. Weak Enforcement: Infrequent or inconsistent enforcement actions and penalties. Resource Shortages: Persistent lack of resources and capacity in implementing agencies. Stakeholder Resistance: Significant opposition or lack of support from key stakeholders. Conflicting Regulations: Regular conflicts or inconsistencies with other laws and policies. Poor Outcomes: The intended outcomes or objectives of the law are not being achieved, as indicated by monitoring and evaluation data.



intervention also qualifies under an offset protocol) – maybe there would be an additional green premium associated with the reductions to reflect the additionality of the intervention.

- **Should regulations with broad coverage, such as emissions trading systems, be exempt from this criterion? Alternatively, if a sector is covered by the EU-ETS, should any intervention in that sector, which contributes towards reducing a compliance obligation under the EU-ETS, be disallowed from sale to a particular Scope 3 emitting company (vs shared by all the company's customers proportionally)?**

IETA Answer: If the intervention takes the entity beyond compliance – rather than only reduces their compliance obligation, there could be an opportunity to monetize those reductions in a voluntary scheme. However, if there are emissions performance credits (or similar compliance instrument) awarded that can be sold/traded for performance better than compliance, there should not be stacking allowed of the compliance and voluntary attributes.

With an ETS system, the emissions cap(s) define the legal obligation and going beyond the obligated level by an obligated entity is incentivized by the generation, ownership and sale of allowances. Hence the obligated installations will have a known/verified emissions profile with a corresponding, built-in incentivization. The environmental attributes therefore can be shared, but not sold within the value chain without the risk of double-counting. This aspect of how compliance emissions schemes are reflected in Criterion 6 must be included in the Sector Specific Programs consistently (between sectors and regions by providing unambiguous guidance on how to treat ETS, carbon taxes and subsidies among other contextual/regulatory factors).

Q7. Please share any comments on Criterion 7 or the associated questions.

"Emissions profiles or emission reductions shall either be registered in a third-party registry or otherwise transparently allocated/recorded as soon as possible and no later than 24 months of mitigation occurring (e.g., good production or service provision). The emissions profile or emission reductions shall then also be claimed and reported against emissions in an inventory year that is within 24 months of the date of registration or allocation/recording. If these deadlines cannot be met, the circumstances that prevent adherence to this criterion shall be transparently disclosed in an emissions report."

- **What is a reasonable vintage restriction and why? Should vintage restrictions vary by sector?**

IETA Answer: We agree that 24 months is a reasonable time period from the achievement of emission reductions (not from the start of the intervention activity as it may take some time from set-up to emission reductions occurring), to the claiming and reporting of that intervention. We propose changing the wording of Criterion 7 as follows:

"Emissions profiles or emission reductions shall be registered in a third-party registry AND ALLOCATED no later than 24 months of THE mitigation occurring (e.g., good production or service provision). If



these deadlines cannot be met, the circumstances that prevent adherence to this criterion shall be transparently disclosed in an emissions report AND REQUIRE A THIRD-PARTY ASSESSMENT TO OPINE ON THEIR RIGHTFUL INCLUSION. SUCH THIRD PARTY RECOMMENDATION MUST BE PUBLICLY REPORTED."

Q8. Please share any comments on Criterion 8.

"The mitigation related to a Value Chain Intervention shall have occurred prior to registration or allocation/recording of an emissions profile or emissions reductions."

IETA Answer: IETA supports this criterion in that it ensures that reported reductions are based on actual, implemented, ex-post interventions.

Q9. Please share any comments on Criterion 9.

"Value Chain Interventions shall apply sound stakeholder engagement practices and social and environmental safeguards to mitigate harmful effects and maximize intervention outcomes."

IETA Answer: This is important to ensure that interventions do not cause unintended harm and maintain the broader sustainability of interventions. The criterion aligns with IETA's commitment to responsible climate action. However, clear examples and guidelines on applying these safeguards in different contexts will be essential for effective implementation. It would have clarity on who the stakeholder is, in these cases. Are the other brands who use a facility also considered stakeholders?

Further, we propose that companies publicly report a check list of the stakeholder engagement undertaken and the social and environmental safeguards implemented. We do not believe the nature of these interventions needs to be dictated/stipulated but that public disclosure will ensure companies (or the intervention owner), acts responsibly.

Q10. Please share any comments on Criterion 10 or the associated questions:

"Value Chain Interventions shall result in GHG emission reductions or removals such that a reasonable link between specific technology and/or process changes and the GHG emission reductions or removals can be established."

- **Is this criterion necessary? In other words, do the other criteria already make clear that an intervention may not be limited to a change in accounting approach or use of default emission factor?**

IETA Answer: It is good to include this Criterion, however we believe it could be clearer. We suggest using language from the explanation paragraph and re-phrasing Criterion 10 as: "Organizations must demonstrate and provide evidence, that the intervention activities they supported resulted in reductions or removals from a specific technology and/or process change. Changes in an accounting approach are insufficient to result in a real emissions profile or emissions reduction or removal."



The concept of intervention activities is mentioned, but a typology of activities included is not specified. What if a company chooses a supplier for their reduction plan compared to another supplier? Pressure can lead to behavior change, and it is unclear whether this would be covered.

Q11. Please share any comments on Criteria 11 or the associated questions:

"Appropriate accounting and reporting best practices shall be applied in calculating GHG emission reductions or removals estimates, including third party verification according to publicly available, broadly accepted GHG accounting standards. Standard(s) used must be transparently reported."

- **If an organization supports an intervention, what is a reasonable timeline or an approach for how long it may be allocated all of the related reductions from its support? For example, if an organization funds the retrofit of a manufacturing plant, what factors determine for how long it may claim the resulting emissions reductions vs when they must be passed down to all customers of that facility?**

IETA Answer: This consultation question does not appear to relate to Criteria 11. IETA response to Criteria 11: We agree with Criteria 11 but would add that the inventory GHG accounting and the interventions GHG accounting must follow the same guidelines. For example, it should not be permitted to use different emission factors for the inventory vs the intervention. Emission factors do differ across jurisdictions, so this is an important consideration.

IETA response to consultation questions: This question appears to be covered by existing criteria. The timeline for allocating intervention against inventory should be 24 months (from recording the intervention in the registry) – Criteria 7. The intervention can then be co-claimed (Criteria 5) but we suggest adding “with immediate effect with permission of the owner of the intervention”.

Q12. Do you have any other feedback for the AIM Platform Criteria draft?

IETA Answer: The document is well-considered and clearly written, articulating the use of “emissions profile” to indicate use of inventory accounting and “emissions reductions” to indicate the use of project-based accounting. IETA commends AIM on the broad definition of supply shed (included in Appendix 1); as mentioned above this definition is broader than in the GHG Protocol, and will likely be more practical and flexible, particularly for manufactured goods, which may be produced in totally different regions, yet produced with similar processes/tech and are functionally equivalent.

The AIM Criteria consider value chain intervention and claims mainly from the demand side (i.e. buyer/customer end-use). There also needs to be criteria for what the supply side (emitter) can claim, and how emissions can be monetized in a supply chain if the emitter self-finances an intervention rather than having a buyer finance it. How can emission reductions be allocated to a product or particular buyer etc. and how should that be communicated in company reporting?

