



PROJECT DEVELOPER FORUM

Credible Climate Action.

Corresponding adjustments in the carbon markets

Pro's & Con's

A study report brought to you by [The Project Developer Forum](#)

(Publication date: April, 2022)



TABLE OF CONTENTS

Introduction	3
About the Project Developer Forum	4



Introduction

COP26 in Glasgow introduced the new concept of corresponding adjustments into carbon markets. The Art. 6 rules prescribe that for all authorized carbon credits under the Art 6. Mechanisms corresponding adjustments need to be implemented. This means that – as all countries now have nationally determined commitments for emission reductions and removals – any sales of carbon credits need to be reflected in the national inventory of the host country. It is quite clear that corresponding adjustments (shortcut: CA) are necessary if carbon credits are exchanged between countries for compliance purposes under the Paris Agreement. In this context ICAO and IMO need to be considered as countries with borders above global air space and beyond 200 miles zones before the coasts.

It is less clear if CA are needed for voluntary carbon markets. Principally, non-authorized Art 6 carbon credits don't necessarily need CA and can be used for voluntary mitigation purposes as long as only corporates buy these credits. The same is valid for voluntary standards like Verra and Gold Standard. The Project Developer Forum supports the use of carbon credits with CA as they go in line with higher mitigation ambition as the host country project cannot just sell emission reductions but needs to take care that sooner or later this exported emission reduction needs to be compensated nationally.

Corresponding adjustments and their implications for carbon markets

The introduction of CA has some implications on carbon markets and we should be aware of these as in the end CA can lead to less ambition instead of more mitigation!

- 1) We fear that the host country approval and application of corresponding adjustments will be a newly bureaucratic process. We understand and agree that the corresponding adjustment is absolutely necessary for all compliance purposes such as achieving NDCs, CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), a future IMO (International Maritime Organization) scheme and/or domestic markets connected with national commitments. There were already some discussions if other mitigation purposes include voluntary carbon neutral claims. But we doubt the requirement for corresponding adjustment for projects that passed the additionality test for purposes where only corporates are involved on the buyer side and not two countries exchanging ITMOs. An investor who invests in an additional project in the investor's country, where the resulting emission reduction is automatically counted by the national inventory, should not be treated differently from an investment of the same investor in a host country where the host country automatically will claim the emission reduction. If this purpose is not covered by Art 6.4., carbon neutral claims can be only covered by voluntary credits from additional projects outside the UN scheme and the use of Art6.4 may be limited to unauthorized carbon credits.
- 2) We appeal to the host countries to immediately build up the according designated national authorities for a smooth, quick and responsible authorization process including the application of corresponding adjustment. In addition, we urge the



international community to support capacity building and training efforts for all designated national authorities, learning from the lessons of the CDM and ensuring that all countries are able to access this additional source of finance to reduce emissions. Without this, we are concerned that corporates will have difficulties to get the according carbon credits on the market and the opportunity to access urgently needed carbon finance may be missed by countries that may need it the most. The use of credits with corresponding adjustments for voluntary carbon neutrality claims should be voluntary and corporates may decide what kind of credits they want to use.

- 3) To support host countries understanding, goals and definition of CA options, the UNFCCC should prepare a discussion note for public discussion of the key aspects and possible applications of CA.
- 4) We think it would be helpful if the UNFCCC to set up a helpdesk for expedite clarifications in the transition time as well as a FAQ webpage, both to help countries establish designated national authorities as well as to understand the mechanics of the approval/authorization process and of corresponding adjustments.
- 5) There are concerns that in the light of raising carbon prices the authorization process can lead to intransparency and – worst case -to corruption. Solid authorization processes should be established that make sure that small-scale projects, PoA and community driven projects still have a chance to get authorized.
- 6) We realized that the DNA established for the Kyoto Protocol are partly not working anymore – at least we did not get responses when addressing them. Moreover, the DNA Forum is not responsive as well. In the light of this it is very critical if corresponding adjustments for voluntary purposes are required but there is no authority to issue the same!

About the PD Forum

The Project Developer Forum (PD Forum) is a collaborative association and collective voice of companies and practitioners that are developing and financing greenhouse gas emission reduction projects worldwide. With almost 40 full and affiliate members, we work on a global scale and evaluate opportunities to deploy climate financing and carbon market instruments to accelerate investments for greenhouse gas mitigation and sustainable development, under both compliance and voluntary carbon standards.

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