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Integrity Council for the Voluntary Carbon Market.

Via BSI interface

### **Responses to IC VCM consultation**

Dear Members of the Integrity Council for the Voluntary Carbon Market.

The Project Developer Forum (PD Forum) acknowledges the huge amount of work, discussion and engagement undertaken by the IC VCM over the past months. The PD Forum shares the IC VCM's goal of delivering "high-quality carbon credits that create real, additional and verifiable climate impact with high environmental and social integrity".

We note with some concern that the IC VCM contains limited representation from the market, and carbon credit project developers in particular. The PD Forum seeks to attempt to address this gap in our comments below – we offer a 'from the coal face' perspective based on collectively decades of experience in developing carbon offset projects and delivering carbon credits representing real and additional emission reductions/ removals; alongside, in many cases, additional co-benefits to some of the most vulnerable communities in the world.

To start, we have some general remarks on the IC VCM:

- First, we see a potential conflict of interest if not all existing VCM Standards / carbon registries have the chance to be represented on the Council and are concerned that this may result in CCPs that may be biased towards one existing Standard. We are also concerned by the lack of project developer / proponent representation in the decision-making processes
- Second, we see potential contradictions of the evolving principles and the assessment framework with domestic and sectoral GHG programmes using voluntary carbon credits. Many of these programmes have spent valuable years and resources addressing some of the concerns raised now by the IC VCM. Many specific and targeted measures have been developed to address these concerns. We recognise the requirement for continuous improvement however we believe the IC VCM's proposed position – as a global authority on what constitutes a quality carbon credit/ GHG programme – will undermine market confidence. Reduced investor and stakeholder confidence will create barriers to the development of the climate projects that are required to mitigate global climate change. This will result in increased climate impacts, likely to disproportionately affect developing communities compared to more developed communities that have arguably contributed the most to global GHG emissions.

- Thirdly, we are concerned that a new costly overhead may be created that in the end has to be paid by those who do the work on the ground – the project developers. The carbon market is identified as one of the key mechanisms by which the private sector will deliver climate finance to emerging markets, in particular. And the gap in climate finance needed for many countries to meet Paris Alignment goals is substantial – in Africa alone USD 2.8 trillion is needed between 2020 and 2030, compared to just USD 30 billion received annually currently<sup>1</sup>. Raising barriers to entry to the carbon markets and increasing transaction costs will, we believe, make it more difficult for projects in some of the most impoverished and climate vulnerable countries in the world to be implemented, thereby potentially reducing access to finance through the global carbon markets for these countries and communities.

We also want to highlight that currently there is an ISO standard on climate neutrality under development where global experts, authorized by their national ISO committees, are clarifying in a well-defined process what appropriate carbon credits might be. The ISO process makes sure that all relevant stakeholders are represented such as business, environmental NGOs, science and governments. The new ISO14068 is in a committee draft stage, and we recommend not to re-invent the wheel but wait for the finalisation of this piece of work which is planned for next year. We expect a well-balanced international standard that defines what climate neutrality means and which criteria carbon credits should fulfil. This would avoid a lot of duplication of work that is currently under way.

***Are the most important principles, criteria and requirements included in the draft CCPs and the draft Assessment Framework?***

***Are there principles, criteria and requirements that are not relevant or should not be included in the draft CCPs and draft Assessment Framework?***

***Are there principles, criteria and requirements that are not included and should be added?***

The principle of “Do no harm / avoiding adverse impacts” is missing.

***Are the requirements appropriately balanced between the initial and full stringency thresholds to address outstanding integrity concerns affecting the trust in the voluntary carbon market?***

***What timeframe would you recommend for the duration of the initial threshold, taking into account the time needed for carbon-crediting programs to revise standards, processes and procedures; carbon-crediting periods; issues related to legal contracts etc.?***

***Is this different for different areas of the draft Assessment Framework? Are there other key considerations that should be explored?***

<sup>1</sup> <https://www.climatepolicyinitiative.org/publication/landscape-of-climate-finance-in-africa/>



We are unable to respond to these questions as we do not agree with the premise that GHG programmes should revise their standards, processes and procedures based on the recommendations of a council that is not authorized by such programmes.

For example, there are growing numbers of domestic programmes that are developed and implemented at a national level to suit the requirements of the respective host countries. The CCPs may conflict with national programmes as the CCPs cannot make provision for the country or context specific details required by such national programmes. The same principle would apply to sectoral or even jurisdictional GHG programmes. The CCPs are broad principles aiming to apply a 'one-size-fits-all' approach to a diverse range of GHG programmes. Such an approach undermines the integrity of well established and recognised standards, which may scale down market initiatives as opposed to scaling up these much-needed market initiatives.

In order to assure widespread adoption, it is essential - besides acceptance by the market participants - that the initial criteria are achievable within a reasonable timeframe. A grace period needs to be set to allow the standards to come in line with the CCPs and then an additional grace period to allow for project developers to adopt them.

A mechanism to ratchet up the requirements over time backed by science and experience is appropriate, possibly more appropriate than a second predefined threshold as it will allow for flexibility.

***Should the Integrity Council draw on assessments by the Technical Advisory Body under CORSIA or any other comparable body? If so, for which criteria and requirements would previous assessments of carbon-crediting programs and carbon credits be most relevant?***

To reduce duplication, the IC should consider the input of all relevant GHG programmes with comparable high requirements to gain the necessary acceptance, not only CORSIA. A good source is the above-mentioned ISO standard under development, ISO14068. The main added value of the ICVCM is to regulate carbon registries ("carbon crediting programmes"), rather than re-assess every credit type!



***The Expert Panel of the Integrity Council considered alternative approaches to assess alignment with Environmental and Social Safeguards requirements for carbon-crediting programs during the initial phase. The options include: Option 1): a risk-based approach to mitigation activity types building on IFC risk categorisation; 1) Option 2): evidence of alignment with national regulatory framework; Or Option 3): a joint approach using option 1 and 2. The Integrity Council seeks views from the public on this question to inform whether and how IFC risk categorization can help ensure a consistent approach by carbon-crediting programs to address safeguards in the draft Assessment Framework in different jurisdictions and activity types. Your views will inform the design of the assessment process with the view to attest that mitigation activity proponents effectively implemented safeguards while providing the opportunity for current market infrastructure to update assurance systems' capacities and processes. Do you anticipate that there will be challenges in meeting the Sustainable Development requirements in the draft Assessment Framework under the initial threshold? If you do, could you provide information on those challenges. Should mitigation activities created and managed by IPLCs be subject to differentiated safeguards requirements? If so, how would you recommend that the application of free, prior and informed consent (FPIC) is addressed in carbon-crediting program guidance and mechanisms to ensure that relationships with IPLCs are based on informed consultation?***

We feel like the crediting standards already address these questions and their responses are at the core of why they are different. SDG attainment is very difficult to measure and assess objectively and we don't see a necessity to add additional requirements that are not covered by the existing standards yet. We are convinced that market participants can decide what kind of contributions to the SDG they want to support. What is needed is transparency, so the clients know what they are getting.

**Additionality for project-level mitigation activities:**

**Are there alternative approaches to additionality that should be considered and that are not covered under the current draft Assessment Framework?**

**Are there any specific criteria which the draft Assessment Framework should take into account in its guidance on additionality?**

**The Integrity Council proposes in its draft Assessment Framework a risk-based assessment of additionality, to be conducted by the Expert Panel by project type, as a first step in the overall assessment of additionality for CCP.**

**a) Please provide comment as to the feasibility and desirability of this additional level of risk-based analysis by project type.**

**b) In this assessment, the Integrity Council proposes to use as one data point analysis of carbon prices. Please provide comments as to the feasibility of use of this indicator, and on the alternative use of marginal abatement costs for this purpose.**

**c) Please provide recommendations on additional means of assessing the additionality tests carbon crediting Standards currently employ.**

**Additionality for jurisdictional REDD+ activities:**

**How should crediting under project-based REDD+ mitigation activities be considered within the scope of jurisdictional REDD+ programs?**

**Should there be a requirement to nest baselines of REDD+ projects on avoided deforestation?**

**Should credit issuance by REDD+ projects be limited by the performance of the jurisdiction?**

Additionality is a very broad and contentious concept. In our opinion, it will be extremely difficult to re-assess the additionality tools that have been developed over long periods of time under the CDM and widely used by the most recognised voluntary standards. The assessment of the additionality assessment seems to be a duplication of work that will not lead to an acceptance of the principles. Rather than attempt to re-assess additionality, perhaps better guidance would help to tidy up the communication of methodologies and additionality tests - i.e., keep the formal definitions but add 'layperson' definition of a methodology and its application of additionality.

We are also concerned about the loose definition of “credit type” in the Assessment Framework. For accreditation to be meaningful, the ICVCM will need to create multiple subdivisions. For example, in cookstoves, additionality varies by distribution method, fuel type, stove efficiency, household income, and project location (urban vs peri-urban vs rural). In addition, the inclusion of legal requirements in 8.4 means that there may be need for differentiation of credit type by nation and region.

The many sub-divisions of credit type will extend the length of time it takes to approve every credit type. What happens to credit types which are pending approval, while other types have been approved? To us it is unacceptable, that some credits will be potentially able to command higher prices in the market while others are awaiting approval.

a) We are concerned about the inclusion of grant financing in the barriers risk assessment. In theory, grant funding could be used for ALL types of carbon project, from mangrove conservation to solar farm development. In practice, grants are hard to secure, and insufficient to meet the global demand.

b) The use of carbon prices (question b) is not feasible at all as the prices are not available in a broad and transparent manner and are highly volatile

Moreover, it is essential that small scale projects and projects managed by IPLCs are not hindered by criteria of the CCPs. Positive lists and simplified criteria may be suitable methods to assure strict project requirements that at the same time do not hinder the implementation of such projects.



**The Integrity Council is open to views on the appropriate balance of requirements between the criteria applied to assess permanence, as well as alternative approaches. Are there alternative approaches to permanence that should be considered and that are not covered under the draft Assessment Framework?**

It should be assured that permanence criteria only apply to projects with a risk of reversal. The table at 9.1 should clarify that cookstoves and other emissions reduction projects are classed as “zero risk” of non-permanence.

**Should the Integrity Council consider the establishment of an attribute to differentiate credits according to the type of underlying mitigation activity? If so, at what level should types be differentiated (e.g., reductions vs removals, tech-based vs nature-based)?**

We see that labels are appreciated from a client perspective. However, labels should be chosen with care as too many may create additional confusion. Hence, we have doubts that too much of an artificial differentiation of credits brings a benefit to the market. Many carbon registries already differentiate projects along these lines.

**a) Should the voluntary use of carbon credits require host country authorisation to ensure association with corresponding adjustments? Should this be conditional on specific circumstances or use cases? b) Should the voluntary carbon market levy a share of proceeds to assist developing countries most vulnerable to climate change to meet the costs of adaptation? c) Should the voluntary carbon market provide a contribution to overall mitigation of global emissions, through the cancellation of carbon credits at issuance or other similar provisions?**

a) The voluntary market is by definition independent from the compliance market and both markets should not be mixed (despite meanwhile voluntary credits may be used for compliance purposes – nevertheless the voluntary market serves organisational needs like carbon neutrality or carbon finance while the compliance market is governed by the territorial principle were a sharp allocation of carbon credits to a territory is key to avoid double counting). The host country authorisation (under CDM called “letter of approval”) can be an informative attribute as well as corresponding adjustments, but should not be mandatory. The voluntary buyers will decide if they want to pay for this attribute. We see doors open for corruption and bribery if this



becomes a requirement. For all kind of compliance purposes like CORSIA etc. corresponding adjustments are a “must”.

- b) No, this should remain at the discretion of the project developers. We are concerned that already now -- in the draft version – we talk about share of proceeds, and voluntary cancellation for adaptation. These are concepts developed under the CDM, for good but different reasons, and we don’t see the need for the same bureaucracy in the voluntary market. We also question which institution will distribute the money, and who will pay for this service – we are afraid, it will be the project developers.
- c) No, the conservative approach in all methodologies already guarantees a contribution to OMGE. Further contributions that go beyond should remain at the sole discretion of the project developer or the final buyer.

**Should the Integrity Council reserve the right by exception to assess programs unsolicited, at its own discretion, based on publicly available information?**

**The Integrity Council is considering the use of conditional approval to expedite initial threshold uptake, where a program can commit within a precise timeframe to fully implement initial threshold requirements. During such timeframe, carbon-crediting programs will be granted CCP-approved status. When and how should pledges or commitments be presented, monitored and what sanctions should apply in case of non-fulfilment?**

No, the IC should only assess crediting programmes with the full consent of the programme.

In general, we are concerned about the process for ICVCM approval of carbon crediting programmes (registries), and fear that the two tier “threshold” vs “full” approach introduces additional and unnecessary uncertainty. Is it helpful to throw doubt on the rigor of Gold Standard and Verra? What would happen to the market if one but not the other is certified by the IC, if one is certified first, or if one is only certified as meeting “threshold” requirements?

Instead, ICVCM should assess all existing carbon crediting programmes at the same time (there aren’t very many!). They should then give registries time to make necessary improvements (e.g. 12 months), and then synchronise the publishing of CCP approval, so that all registries get their status at the same time.

Sanctions should be applied with caution. If a registry is punished for non-compliance then all the projects registered with it will lose their status, which creates unfair uncertainty for project developers and buyers.

Sincerely yours,



Dr. Sven Kolmetz





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