CRS center for resource solutions

July 3, 2019

Mr. Owen Hewlett, Chief Technical Officer
The Gold Standard Foundation
Chemin de Balexert 7-9
1219 Châtelaine
International Environment House 2
Geneva, Switzerland

RE: Comments of Center for Resource Solutions (CRS) on the Working Group Statement, *Envisioning the Voluntary Carbon Market Post-2020*.

Dear Mr. Hewlett,

CRS appreciates this opportunity to comment on the Working Group Statement on the future role and design of the voluntary market, *Envisioning the Voluntary Carbon Market Post-2020*.

Background on CRS and Green-e®

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS has broad expertise in renewable energy and carbon policy design and implementation, electricity product disclosures and consumer protection, and greenhouse gas (GHG) reporting and accounting. Among others, CRS administers the Green-e programs. Green-e is the leading certification program for voluntary renewable electricity products in North America, and a global retail standard and certification for carbon offsets. More information regarding Green-e can be found at green-e.org, including the annual Green-e Verification Report.

General Comments and Recommendations

We understand this statement to propose a redefining of voluntary action—from actions that are above and beyond what is required to actions that contribute to and hasten compliance. Importantly, this would mean that so-called "regulatory additionality" is no longer an assurance or benefit that can be delivered by the VCM. This would represent a fundamental change to the concept and implementation of additionality.

As a result, we recommend removing the term "additional" from both the description of actions beyond organizational boundaries post-2020 (pg. 3) and the sample foundational, best practice claims about carbon credits post-2020. Projects cannot be additional if they are not surplus to compliance. Also, as the statement points out, purchases and retirements of post-2020 carbon credits will "not necessarily imply the ownership of the emissions reductions" (pg. 4) and additionality in general speaks to ownership. If the purchaser cannot claim that their purchase or participation in the market caused new reductions to occur, or that the project represents a change in behavior, then those reductions or that change cannot be said to be theirs.

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We also understand this statement to effectively remove any option to go above and beyond international commitments or compliance by removing the option to seek letters of approval or corresponding adjustments. Therefore, if this approach is adopted, there will simply be no new supply of verified emissions reductions post-2020. If it is possible to demonstrate that emissions reductions are not counted towards compliance or international targets and there is demand for these emissions reductions, we are not sure that there shouldn't continue to be standards for issuing these credits, even if this market is very small. Additionally, how will emissions reductions generated from projects located in countries that haven't signed onto the Paris Agreement (i.e. the United States) be accounted for under this statement? Will buyers still be able to claim emissions reductions generated from US-based projects against their scope 1-3 emissions?

It is also possible that preventing organizations from claiming emissions reductions against their own inventories will de-incentivize voluntary purchases of carbon offsets, resulting in an overall reduction in demand within the voluntary market. This could ultimately work against the goals of the Paris Agreement, resulting in net fewer offsets "financed" than would have been otherwise purchased and claimed by voluntary buyers. While meeting NDCs is certainly important, if the goal of this working group is to shift the VCM to better address the emissions and time gaps, it seems the best approach may be to address claims and ownership in such a way that will most effectively incentivize voluntary purchases of carbon credits. This might mean maintaining the current structure of the VCM, allowing purchasers to claim purchased emissions reductions against their organizational Scope 1-3 emissions.

Finally, we have a question regarding the accounting for a new instrument that simply finances the acceleration of the global transition to net zero rather than reducing emissions beyond compliance commitments. With the shift to this new instrument, should there be a concurrent shift in the way these units can be used in organizational GHG inventories and accounting? For example, should they no longer be used as an all-scopes reduction to reduce the voluntary buyer's net footprint? If so, then this would mean that the only way for an organization to reduce its footprint, for example, to meet science-based targets (SBTs), would be to internally reduce Scope 1-3 emissions. In that case, can SBTs actually be achieved by large companies without offsets? Is it even possible? This statement provides some clarification around claims, but it does not directly address these accounting questions.

Responses to Selected Consultation Questions

Question 1. Do you agree that the introduction of the Paris Agreement and global net zero goals changes the role of the VCM?

I'm not sure that the Paris Agreement itself represents a global compliance program that would have this effect, though it may include such programs in different countries, e.g. emissions trading systems (ETS). Historically, we have only considered governmental targets or limits associated with a specific policy or program or set of policies/programs, or legally-binding mandates, to affect "voluntariness" or "regulatory surplus," not national, regional, or local goals, for example. But perhaps this statement takes a more conservative approach. To that extent, we generally agree that the Paris Agreement changes the role of the VCM and may obviate voluntary emissions reductions that are both surplus to international commitments and that can be exclusively owned, as we know them today.

Question 2. Does the description of 'financing beyond' boundaries to accelerate the transition to net zero emissions as opposed to going beyond compliance adequately deal with this shift?

Yes.

Question 3. Do you agree with how this statement addresses double counting issues? What other issues do you foresee with this approach?

Yes, except for the use of the term "additionality." There are also accounting questions associated with the approach that should be addressed. See above.

Question 4. Do you agree that organisations should focus on reductions within boundaries and financing beyond boundaries to accelerate the global transition to net zero emissions? Does having two separate targets make sense (reducing within boundaries / financing beyond boundaries)?

It is unclear whether organizations should finance beyond boundaries where that does not result in an emissions reduction that is surplus to compliance and that they can exclusively own and claim to offset their emissions. If these are reductions that are otherwise required, indeed why should voluntary buyers pay for them instead of emitter and compliance entities? Depending on how the compliance programs are structured, these voluntary buyers may already be paying for them as consumers. In this case, why should they pay twice? If everything is going to be compliance, notwithstanding the urgency of the climate imperative, shouldn't the focus in this case be on accelerating the compliance timeframes?

The question regarding separate targets may go to the accounting questions we raise above. How does one account for these voluntary reductions, and can internal SBTs even be met without external reductions? Perhaps there should still be an option for going above and beyond compliance, either with a letter of approval or something else.

Question 5(b). Are there other ways to design the new guidance/framework to ensure that organisations follow a "mitigation hierarchy"—i.e. are appropriately prioritising internal reductions first?

In the context of a global compliance regime that counts all emissions reductions, we are not sure that a mitigation hierarchy is important. We see no reason why the cheapest reductions should not happen first.

Additionally, for organizations more interested in making claims about their own carbon footprint (i.e. "carbon neutrality" or "net zero"), internal reductions will be their only avenue towards such claims, likely making internal reductions more appealing than financing compliance with NDCs. Given that internal reductions will still be expensive, however, removing the ability for organizations to claim the emissions reductions associated with their carbon credit purchase may simply result in fewer carbon credits purchased and less action taken to reduce internal emissions. This raises the question: will buyers see the same value in a financing claim as they would in an ownership claim? And if not, how is demand for carbon credits maintained in the VCM?

Question 5(d). What claims are appropriate for when the target is achieved – for example "carbon neutrality," or "net zero"? Or is it better to simply demonstrate clear accounting for emissions vs financed emission reductions/removals and to avoid a high-level claim?

It is unclear whether a “carbon neutrality” or “net zero” claim can be made using this new definition of voluntary reductions, i.e. without additional and exclusively owned offsets. This gets at the accounting questions that we raise above.

Question 5(e). What instruments (for example VCM) should be used and what types of actions should be encouraged and targeted (i.e., additionality, targeting ‘high hanging fruit’ project-types)?

There should be a clear distinction between existing and 2019-20 verified emissions reductions and the post-2020 new instruments issued with the limited claims described in this statement. This distinction should be clear to buyers, perhaps with a different name. See our comments above on use of the term “additionality” under this approach post 2020.

Question 5(f). How should non-organisational use of the VCM be dealt with? For example, events, one person’s climate footprint, etc.?

Disclosure to individual buyers, regarding both claims and accounting associated with the new instruments, will be paramount to avoid confusion and sustain demand. Since these buyers can no longer claim an emissions reduction as we now know it, purchases of these new instruments may have to be framed as more of a donation and less of a purchase of a commodity. Communicating the value and meaning of financing emissions reductions to a non-sophisticated purchaser (like a small event or an individual) will be difficult and could also result in double claims, decreased voluntary demand and inaccurate or confusing marketing. It may be helpful to provide guidance to retail carbon credit sellers on how to accurately convey the benefits of financing emissions reductions to customers with little knowledge of the VCM.

Thank you for your consideration of our comments. Please contact us with any questions.

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