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Integrity Council for the Voluntary Carbon Market

Public Consultation Response

CarbonPlan is a nonprofit research organization dedicated to improving the transparency and scientific integrity of carbon removal and climate solutions. We thank the Integrity Council for the Voluntary Carbon Market (IC-VCM) for the opportunity to provide feedback on the draft Core Carbon Principles (CCPs).

Current carbon market standards are at a crossroads. If carbon credits are to play a responsible role in global decarbonization — and therefore one that is appropriately limited — they must deliver robust, rigorously assessed climate benefits. Today they do not.

We were encouraged to see the IC-VCM draft Core Carbon Principles which we believe would push the industry to close the gap between promise and practice. We see the Integrity Council's proposal as a fundamentally modest, incremental approach to improving market outcomes — one that will take significant work to implement fairly and effectively, but work that is needed one way or another.

In preparation for the consultation, we had hoped to discuss how to make the additionality analysis more robust to avoid the mistakes of the earlier CDM offsets program from which it borrows its screening techniques. And we had hoped to emphasize how important it is that offset programs claiming to achieve a minimum durability of 50 or 100 years demonstrate actuarially sound analysis that accounts for physical reversal and bankruptcy risks, rather than the vague hand-waving common in today's markets. On both of these critical issues, the reasonable progress implied by the proposed standards could be achieved or lost depending on nuanced choices made on implementation.

But it is clear to us that the offset industry has no appetite for strengthening the proposed CCPs, which would require incumbents to change their tune. The reaction from some registries could not be more clear: they are fundamentally opposed to making real change. The momentum in favor of the status quo is enormous, as is the pressure on the Integrity Council to weaken the current proposal. We don't think the draft proposal goes far enough along key dimensions of quality, but we also recognize that the foundations of this broader enterprise are being called into question at the last minute — a recognition that has informed our responses in several questions, where the atmosphere demands a higher bar than what has been proposed.

We think the Integrity Council should maintain its independence to focus on new market entrants and others committed to a reform trajectory, but we also recognize that this could mean losing the support and potentially participation of the dominant registries today. Keeping that support likely requires watering down standards to superficial improvements to the status quo. While that would surely please incumbents, it will do nothing to address the quality problems in today's carbon credits markets. Such a move will also visibly undermine any case the offset industry has made worldwide that it can self-organize in support of better quality through the Integrity Council — including before regulators considering legally binding requirements at the US Commodity Futures Trading Commission.

So we appreciate that the Integrity Council faces a much more difficult challenge than we do in responding to this consultation. Either hold the line and tolerate the outcome of working to grow a minority of today's market, or capitulate and undermine the business case for confidence promised at the outset of this effort. We remain willing to support constructive efforts to recognize quality outcomes in the carbon markets, but worry that the politics supporting that possibility here are coming undone.

Answers submitted to the Integrity Council's consultation can be found below:

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

At a high level, the draft CCPs and the draft Assessment Framework cover the key principles, criteria, and requirements that are relevant to carbon market integrity. We are glad to see the IC-VCM include governance provisions, such as requirements for public availability of program documents, conflict of interest procedures, and grievance mechanisms, in its criterion for assessment. These provisions are urgently needed, and will contribute to overall market trust and transparency.

We also commend the decision to disallow tonne-year accounting schemes, and ex-ante crediting, from receiving an IC-VCM accreditation. These approaches undermine integrity, and do not contribute to achieving net-zero targets or goals.

While the scope of the draft CCPs and Assessment Framework is comprehensive, there are several areas where improving the content of the Assessment Framework and application of the CCPs themselves is needed.

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

We feel the draft CCPs and draft Assessment Framework are comprehensive with respect to the principles, criteria, and requirements covered.

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

We recognize that the purpose of the IC-VCM is to establish standards for the ‘supply’ side of the market, and that the use of credits by buyers is not within the scope of the draft CCPs and Assessment Framework. Even so, we believe it’s important that IC-VCM acknowledge that credit quality is contextual to credit use. For example, IC-VCM appropriately proposes that credits be tagged as either carbon removal or emissions reductions, in recognition of the fact that these are distinct climate benefits that support distinct climate claims. However, using avoided emissions credits that meet the IC-VCM standard to claim a buyer has hit an interim net-zero target would *not* constitute a high-quality outcome, since rigorous net-zero standards do not allow for the use of carbon offsets to substitute for internal mitigation. Just as the Voluntary Carbon Market Integrity Initiative (VCMI, a buy-side standard) points toward IC-VCM as a guarantee of credit quality, we suggest IC-VCM should acknowledge that buying quality credits produces quality outcomes only if they are used correctly.

We also suggest the IC-VCM take a clear stance throughout its guidance on the need to respect the mitigation hierarchy, where near-term emissions cuts are followed by a scale-up of permanent carbon removal. To the extent that non-removal credits are applied in support of a “carbon-neutral” or “compensation” claim, these credits should function as beyond value chain mitigation, and not be substituted for internal mitigation.

4. 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?

We think the Integrity Council should set robust, objective quality standards. If the gap between current market practice and reasonable standards is too large to close overnight, then pragmatism counsels adopting interim targets to push the industry forward (as the draft CCPs provide).

The core challenge we see in this approach is that making initial standards workable for the majority of the market is in direct tension with IC-VCM’s goal of clearly identifying quality credits. It is not possible to achieve both goals at the same time, and it will be important to be clear about which direction is being prioritized.

We are concerned that early feedback from large stakeholders is putting pressure on the Integrity Council to set a single threshold, rather than a graduated pair of initial and full thresholds, in the face of a significant gap between current market practices and objective quality standards. This direction would presumably put pressure on the Integrity Council to lower the standards, further emphasizing the feasibility of compliance over the achievement of meaningful improvements in market quality.

5. 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.?

We are open to this being a flexible design parameter if it enables the codification of high-quality standards in the long run. Nevertheless, we think it would be problematic if large segments of the current market qualify for artificially low and/or extended initial standards, which would tend to indicate that the Integrity Council's process is not adequate to address current market challenges.

6. Is this different for different areas of the draft Assessment Framework?

Although we have expressed a willingness to see compromise on the sequencing of initial and full standards, we think there should be an accelerated timeline for the imposition of full standards for program governance requirements. We think the governance standards should emphasize transparency, accountability, auditability, and grievance resolution processes.

To the extent there is an argument that market activity can only adapt to higher standards over a period of years, there should be no comparable barrier to the practical adoption of governance requirements — other than a reasonable timeframe for non-compliant registries to develop such processes, which should not take more than two years.

7. Are there other key considerations that should be explored?

Implementing the CCPs through the Assessment Framework and Assessment Procedure as the IC-VCM lays out in its consultation — and as will be necessary to meaningfully screen the market for quality — will require substantial administrative effort. We urge the IC-VCM to identify and secure the appropriately robust level of capacity support, including personnel and funding, that will be required to implement the CCPs in a timely and effective manner.

8. 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?

We strongly urge the Integrity Council to *not* draw on the Technical Advisory Body under CORSIA or a comparable body. To our knowledge, no existing screening criteria to date have resulted in a substantial improvement in market integrity. This reality motivated the formation of the Integrity Council in the first place. CORSIA, in particular, has failed to ensure quality and allows the continued use of low-quality, obviously non-additional renewable energy offset projects.

- 9. 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.**

We do not have an informed opinion on this question.

- 10. 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 believe that free, prior, and informed consent is critically important and that carbon credit projects should be subject to meaningful safeguards, but do not have an informed opinion about how to achieve that outcome.

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

The IC-VCM proposes to screen for additionality with an assessment of the likelihood of additionality at the credit-type level (see Figure 3, Step 1). Projects that receive a “very high” likelihood score are checked for legal requirements (Criterion 8.4) and evidence showing the expectation of carbon credit revenues (Criterion 8.5). Projects that receive a “medium” likelihood of additionality are subject to an additional set of ex-ante screening techniques (Criterion 8.6). These techniques include investment analysis and barrier analysis, both of which have been shown by independent studies to be highly subjective and subject to manipulation, as well as market penetration assessments and positive lists.

Notably, all of the approaches for implementing Criterion 8.6 are forward-looking. We strongly urge the Integrity Council to include a review of actual experience with credit types and methodologies in Criterion 8.6, including evidence documented by journalists and independent researchers.

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

See our answer to Question 11.

- 13. 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.

For obviously non-additional credit types like grid-connected renewable energy and obviously additional credit types like permanent carbon removal from direct air capture, the exercise should be straightforward.

For more complicated areas, such as REDD and Improved Forest Management, it is not clear to us that a reasonable answer can be given at the credit-type level. The answers could depend on individual methodologies and protocols, or even on individual projects. Addressing forest-sector credit integrity issues requires significant capacity and engagement that is not fully specified in the draft documents.

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.

This is a useful approach. Very low carbon prices tend to indicate non-additional outcomes, as the claim that a very low price signal can robustly indicate a marginal shift in outcomes is relatively suspect. Similarly, reasonably high carbon prices that exceed the comparable shift in profit margins experienced by projects operating in their legacy business sectors are consistent with a finding of additionality. Price data should not be difficult for the Integrity Council to obtain, so this approach should provide useful information without requiring significant effort.

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

Please see our response to Question 11.

- 14. 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?**

We believe it is important to address double-counting when a REDD project is contained in a jurisdiction that is also pursuing jurisdiction-level credits. We do not have an opinion about how best to accomplish that end.

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

We do not have an opinion on this question.

- 16. 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?**

We support the initial durability requirement of 50 years and a full durability requirement of 100 years. However, we reject the notion that either duration achieves “permanence” that is physically equivalent to fossil CO₂ emissions. We strongly encourage the Integrity Council to adopt “durability” rather than “permanence” language in the context of temporary carbon storage that is subject to reversal risk. Credits should be labeled according to the durability of the contractual structure under which they are issued, with judgments about the adequacy of their use in different contexts left to buyers and buyer-side credit use standards.

When it comes to demonstrating a system capable of achieving 50 or 100 years of durability, we believe that any approaches should be subject to the kinds of rigor applied in other commercial contexts like insurance. Risk ratings and financial contributions should be based on explicit evidence. They should also be constructed to address and price the possibility that individual financial actors (including market participants) could strategically or unintentionally go bankrupt and discharge any durability-related liabilities.

17. 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 support the establishment of attributes to differentiate credits according to underlying mitigation activity (reductions and removals). This distinction is key to supporting the transition to net zero emissions, as achieving net zero requires balancing anthropogenic carbon emissions with long-duration carbon removal.

We do not support establishing attributes according to “tech-based” vs. “nature-based” categories. Whereas the distinction between reductions and removals has a basis in the physical climate science, the distinction between technology- and nature-based credits is often arbitrary and confusing. Many carbon removal approaches, such as enhanced rock weathering and biomass carbon removal and storage (BiRCS), often combine elements of both. The arbitrary nature of these distinctions could evolve over time, necessitating time and effort to convene stakeholders and update tags.

18. 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?

The presence or absence of a corresponding adjustment should be factually specified in an attribute tag. If the Integrity Council takes a position on whether corresponding adjustments should be used, it should also adopt a statement in support of the general mitigation hierarchy (in which internal emission reductions are prioritized over carbon credit use).

19. **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?**

We think this is a good proposal.

20. **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?**

The best way to support a contribution to overall mitigation is to reduce the reliance on the use of carbon credits to compensate for greenhouse gas emissions in the first place.

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

Yes, we support the IC-VCM reserving the right to assess programs unsolicited. While we hope that programs are interested in participating in efforts to steer financial flows towards quality, programs may opt to not participate in the assessment process. Should a program of significant size and importance to the market not opt in, the IC-VCM should reserve the right to independently engage in evaluation to support firms and investors in identifying quality. This consideration is particularly important if large market segments decline to participate due to their perception that the proposal is too stringent.

22. **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?**

We strongly urge the IC-VCM to not use conditional approval to expedite initial threshold uptake. Conditional approval adds an additional layer of administrative complexity, and undermines the effort's goal of bringing clarity to the market. The IC-VCM already takes a graduated threshold approach, which implies that the needed bar for quality is unable to be immediately obtained. Standards should be earned, not promised, and compromises in setting relatively low-ambition standards should be transparent.