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Öko-Institut e.V.
Institut für angewandte Ökologie
Institute for Applied Ecology

Application of the Oeko-Institut/WWF-US/ EDF methodology for assessing the quality of carbon credits

This document presents results from the application of version 3.0 of a methodology, developed by Oeko-Institut, World Wildlife Fund (WWF-US) and Environmental Defense Fund (EDF), for assessing the quality of carbon credits. The methodology is applied by Oeko-Institut with support by Carbon Limits, Greenhouse Gas Management Institute (GHGMI), INFRAS, Stockholm Environment Institute, and individual carbon market experts. This document evaluates one specific criterion or sub-criterion with respect to a specific carbon crediting program, project type, quantification methodology and/or host country, as specified in the below table. Please note that the CCQI website Site terms and Privacy Policy apply with respect to any use of the information provided in this document. Further information on the project and the methodology can be found here: www.carboncreditquality.org

Sub-criterion:	2.2.2: Avoiding indirect overlaps between projects
Carbon crediting program:	VCS
Assessment based on carbon crediting program documents valid as of:	30 June 2021
Date of final assessment:	20 May 2022
Score:	Establishment of natural forest: 5 Landfill gas utilization: 3 Efficient cookstoves: 1

Contact
info@oeko.de
www.oeko.de

Head Office Freiburg
P. O. Box 17 71
79017 Freiburg

Street address
Merzhauser Straße 173
79100 Freiburg
Phone +49 761 45295-0

Office Berlin
Borkumstraße 2
13189 Berlin
Phone +49 30 405085-0

Office Darmstadt
Rheinstraße 95
64295 Darmstadt
Phone +49 6151 8191-0

Assessment

Relevant scoring methodology provisions

Double issuance can occur indirectly through overlapping claims by different entities involved in mitigation projects. Indirect overlaps between projects can only occur in cases where projects, in calculating their emission reductions or removals, include emissions sources that occur at other sites than where the project is implemented. This risk is only applicable to some project types. The following table provides examples of project types with or without a risk of indirect overlaps:

Project types with potential indirect overlaps between projects	Project types without potential indirect overlaps between projects
· Landfill gas utilization · Renewable electricity generation · Biomass use · Composting	· Landfill gas flaring · Avoidance of N_2O from nitric or adipic acid production · Energy efficiency improvements in thermal on-site applications

For project types for which this risk is not relevant, the score is 5. For other project types, the scoring depends on the carbon crediting programs' procedures to address this risk. The scoring approach for carbon crediting program procedures to avoid indirect overlaps between projects is as follows:

Program requirements	Score
The program only credits those types of projects for which overlaps between projects are very unlikely to occur	5
The program has robust provisions in place that effectively identify and avoid overlaps between projects registered within the program *and* projects registered under other programs (see principles in the methodology)	5
The program has robust provisions in place that effectively avoid overlaps between projects registered *within* the same program	3
The program does not have robust provisions in place to avoid indirect overlaps between projects	1

Information sources considered

1 VCS Standard v4.1 (April 2021), available at https://verra.org/wp-content/uploads/2021/04/VCS-Standard_v4.1.pdf

2 VCS Methodology for Installation of High Efficiency Firewood Cookstoves Version 1.0 (September 2020), available at https://verra.org/methodology/methodology-for-installation-of-high-efficiency-firewood-cookstoves/

3 VCS Issuance Deed of Representation v4.1, available at https://verra.org/project/vcs-program/rules-and-requirements/.

Relevant carbon crediting program provisions

Provision 1 Source 3, section 2.2.3: “I hold full and exclusive legal and equitable title and rights to all and any Reductions generated by the Project for which I am eligible to request VCU issuance during the Verification Period free and clear of all encumbrances”.

Assessment outcome

Establishment of natural forest: 5

Landfill gas utilization: 3

Efficient cookstoves: 1

Justification of assessment

Among the three project types assessed, efficient cookstoves and landfill gas utilization projects include emissions sources in the calculation of emission reductions that occur at other sites than where the project is implemented. This implies a risk of indirect overlaps with other projects.

In the case of efficient cookstove projects, the owner of a cookstove project receives credits for reducing woody biomass consumption, which results in maintaining or increasing carbon stocks on the relevant land areas. An indirect overlap could, for example, happen if at the same time an owner of an improved forest management project implemented on these land areas receives credits from enhanced forest stocks achieved as a result of the cookstove project. For this reason, the scoring for efficient cookstove projects depends on the carbon crediting program’s provisions to address the risk of indirect overlaps.

In the case of landfill gas utilization projects, the owner of the landfill gas project may receive carbon credits for generating electricity with the captured gas or for selling the gas, thereby displacing the use of fossil fuels at other sites. An indirect overlap could, for example, happen if the user of the electricity or the gas implements another project and claims the emission reductions from using the electricity or gas. For this reason, the scoring for landfill gas utilization projects depends on the carbon crediting program’s provisions to address the risk of indirect overlaps.

In the case of projects to establish natural forest, the risk of indirect overlaps is less relevant. Any extraction of biomass that is extracted from the project area and used under other projects would imply a decline in the amount of biomass stored in the land area, and thus be deducted from future issuances (or accounted for under non-permanence provisions). Moreover, projects to establish natural forest typically do not include any significant emission sources outside the project site in the calculation of emission reductions. Any such emissions, such as from fertilization production or transportation, are relatively small. For this reason, projects establishing natural forest are assigned a score of 5.

The VCS does not have rules in place to avoid overlaps between projects. The VCS Standard, section 3.4, addresses ownership of *projects*, but not claims to emission reductions/removals generated by a project (Source 1). If the reductions are indirect (e.g., efficient cookstoves), establishing “project ownership” itself does not avoid potential overlapping claims.

The VCS *Issuance Deed of Representation* requires project owners to legally stipulate that they hold “full and exclusive legal and equitable title and rights to [ERs] … free and clear of all encumbrances.”

This could open project owners to legal liability of they claim indirect ERs that are also being claimed by another project (under VCS or another program). However, this provision is more of a backstop, rather than a rule preventing this form of double issuance.

The VCS has established own quantification methodologies and allows using quantification methodology approved under the CDM and the CAR.

In the case of landfill gas projects, the VCS does not have own methodologies, and does not allow the use of methodologies by other carbon crediting programs, that would allow the users of electricity or gas from landfill gas utilization projects to claim the same emission reductions. Indirect overlaps are therefore effectively avoided within the program (as well as with the CDM and CAR), but not with regard to projects that may potentially be registered under other carbon crediting programs. Therefore, a score of 3 is assigned for landfill gas utilization projects.

In the case of efficient cookstove projects, the VCS allows claiming carbon credits from both cookstove projects and afforestation projects. Any potential indirect overlaps of cookstove projects with afforestation projects are not addressed. Therefore, a score of 1 is assigned for efficient cookstove projects.