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:	2.4.3 Avoiding double claiming with mandatory domestic mitigation schemes
Carbon crediting program:	Climate Action Reserve
Assessment based on carbon crediting program documents valid as of:	30 June 2021
Date of final assessment:	20 May 2022
Score:	5

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

This sub-criterion is assessed at the level of the project type, the host country, and the carbon crediting program. If the carbon crediting program's approaches differ between quantification methodologies, then this sub-criterion should be separately assessed for the relevant quantification methodologies.

The methodology first assesses whether there is a material risk that the project type concerned could overlap with mandatory domestic mitigation schemes (see definition in the methodology) in the relevant host country. Table 25 provides examples for which project types this risk is material. The evaluation may also need to consider the context of the relevant host country. For example, in LDCs it is less likely that mandatory domestic mitigation schemes are in place. For project types and host countries for which this risk is deemed immaterial, the score is 5. For other project types, the scoring depends on the carbon crediting programs' procedures to address this risk (see paragraph below the table).

Table 1 Examples of project types with and without risks of overlapping with mandatory domestic mitigation schemes

Project types with material risk of overlap with mandatory domestic mitigation schemes	Project types with low risk of overlap with mandatory domestic mitigation schemes
· Renewable power generation · Energy efficiency improvements in industry (e.g. cement, steel) · Use of energy efficient electric devices (e.g. LEDs)	· Efficient cookstoves · Landfill gas flaring

Carbon crediting programs can avoid this form of double counting in two ways, by:

1. Not registering projects or issuing carbon credits that overlap with mandatory domestic mitigation schemes;

2. Establishing provisions that require that the project's impacts are not counted towards the achievement of the respective mandatory domestic mitigation schemes: Requiring that, if carbon credits are associated with activities or emission reductions/removals that are covered by these schemes, the project's impacts (e.g., the emission reductions achieved or the kilowatthours of renewable electricity produced) are not counted towards the achievement of these targets or obligations (e.g., by cancelling ETS allowances before issuing carbon credits, to the extent that the project reduces emissions from sources and gases covered by the ETS, or by not counting the renewable electricity generated by the project towards a mandatory quota for renewable electricity generation).

The methodology assigns a score of 5 to carbon crediting programs that have any of these two approaches in place. If a carbon crediting program only addresses overlap with ETSs, for example by cancelling ETS allowances before issuing carbon credits, to the extent that the project reduces emissions from sources and gases covered by the ETS, but not with other potential mandatory domestic mitigation schemes (e.g., renewable electricity generation quotas), then a score of 3 is assigned. If a carbon crediting program does not have such procedures in place but nevertheless registers projects for which the emission reductions or removals may overlap with mandatory domestic mitigation schemes, a score of 1 is assigned (Table 26).

Table 2 Scoring approach for avoiding double claiming with mandatory domestic mitigation schemes

Carbon crediting program requirement	Score
The program has established provisions that do not allow registering projects or issuing carbon credits that overlap with mandatory domestic mitigation schemes.	5
The program allows registering projects and issuing carbon credits that could overlap with mandatory domestic mitigation schemes but it has established robust provisions that, if carbon credits are associated with activities or emission reductions/removals that are covered by these schemes, the project's impacts are not counted towards the achievement of these targets or obligations.	5
The program allows registering projects and issuing carbon credits that could overlap with mandatory domestic mitigation schemes. It has established robust provisions that address overlap with ETSs but it has not established provisions to address overlap with other types of mandatory domestic mitigation schemes.	3
The program allows registering projects and issuing carbon credits that could overlap with mandatory domestic mitigation schemes and has not established provisions to address such overlap.	1

Information sources considered

1 Reserve Offset Program Manual, March 2021, available at https://www.climateactionreserve.org/wp-content/uploads/2021/03/Reserve_Offset_Program_Manual_March_2021.pdf

2 CAR's CORSIA application, available at https://www.icao.int/environmental-protection/CORSIA/Pages/TAB2019.aspx

3 CAR' website: criteria for protocol development, available at https://www.climateactionreserve.org/how/future-protocol-development/criteria/

4 Reserve Attestation of Title, available at https://www.climateactionreserve.org/how/program/documents/

Relevant carbon crediting program provisions

Provision 1 Source 1, section 2.4.4: "Notwithstanding any pre-defined crediting period, projects that become required by law will not be eligible to receive CRTs for the reductions they generate, unless otherwise specified in the protocol. Thus, in most cases, **if a project becomes subject to a regulation, ordinance or permitting condition that effectively requires its implementation, the project can no longer be considered additional and its crediting period will be terminated. The crediting period will likewise be terminated if the emission sources affected by a project are included under an emissions cap (e.g., under a state or federal cap-and-trade program) or GHG emissions from the project/project site are directly regulated by a local, state or federal agency**. As specified in each protocol, emission reductions may be reported to the Reserve until the date that a regulation or emissions cap takes effect".

Provision 2 Source 1, section 4.1: “What is the likelihood that the sector where the project activity occurs will be covered under a future cap-and-trade system? Since issuing offset credits for reductions that occur at capped emission sources would result in double counting, **the Reserve prefers to focus on projects affecting GHG emissions that are unlikely to be capped**”.

Provision 3 Source 2: “As detailed in our protocol screening process (http://www.climateactionreserve.org/how/future-protocol-development/criteria/), **we avoid developing and adopting protocols that are likely to present a risk of double counting or ownership issues. One example would be our avoidance of offset crediting for renewable energy generation**, which is well-accounted for by other incentive mechanisms in our target countries. We also avoid project types where it will be difficult to establish clear ownership of the GHG reductions and/or removals. We avoid capped sectors, or sectors potentially subject to a future cap”.

Provision 3 Source 3: “Since issuing offset credits for reductions that occur at capped emission sources would result in double counting, **the Reserve focuses on project types affecting greenhouse gas (GHG) emissions that are unlikely to be capped. In California**, for example, an economy-wide cap-and-trade system is being implemented that will ultimately cover all fossil fuel-derived CO_2 emissions. Projects that would reduce CO_2 emissions from fossil fuel combustion are therefore not being considered for offset protocol development”.

Provision 4 Source 4, paragraph 1: “**The Attestor holds, free of any lien, charge, security interest or other encumbrance, legal title to and all beneficial ownership rights in the following** (the "Project Reductions"): (i) any removal, limitation, reduction, avoidance, sequestration or mitigation of any greenhouse gas associated with the Project and arising during the period beginning on the Project start date (as defined under the protocol developed by the Reserve that applies to the Project) and ending on the date hereof, and (ii) any right, interest, credit, entitlement, benefit or allowance to emit (present or future) arising from or associated with any of the foregoing (except, with respect to both clauses (i) and (ii) above, for any failure to hold such legal title and beneficial ownership rights as may have resulted from one or more Permitted Transfers by the Attestor or any predecessor in interest thereof)”.

Assessment outcome

5 points.

Justification of assessment

The above documentation shows that the program will terminate the crediting period of a project if it overlaps with mandatory domestic mitigation schemes. It thus has measures in place to address double counting with domestic mitigation schemes.