



# PROJECT-BASED CARBON OFFSET PROGRAM

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# Summary

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**Summary of the carbon offset programs**

**Lessons learned**

**How would it be considered in Vietnam?**

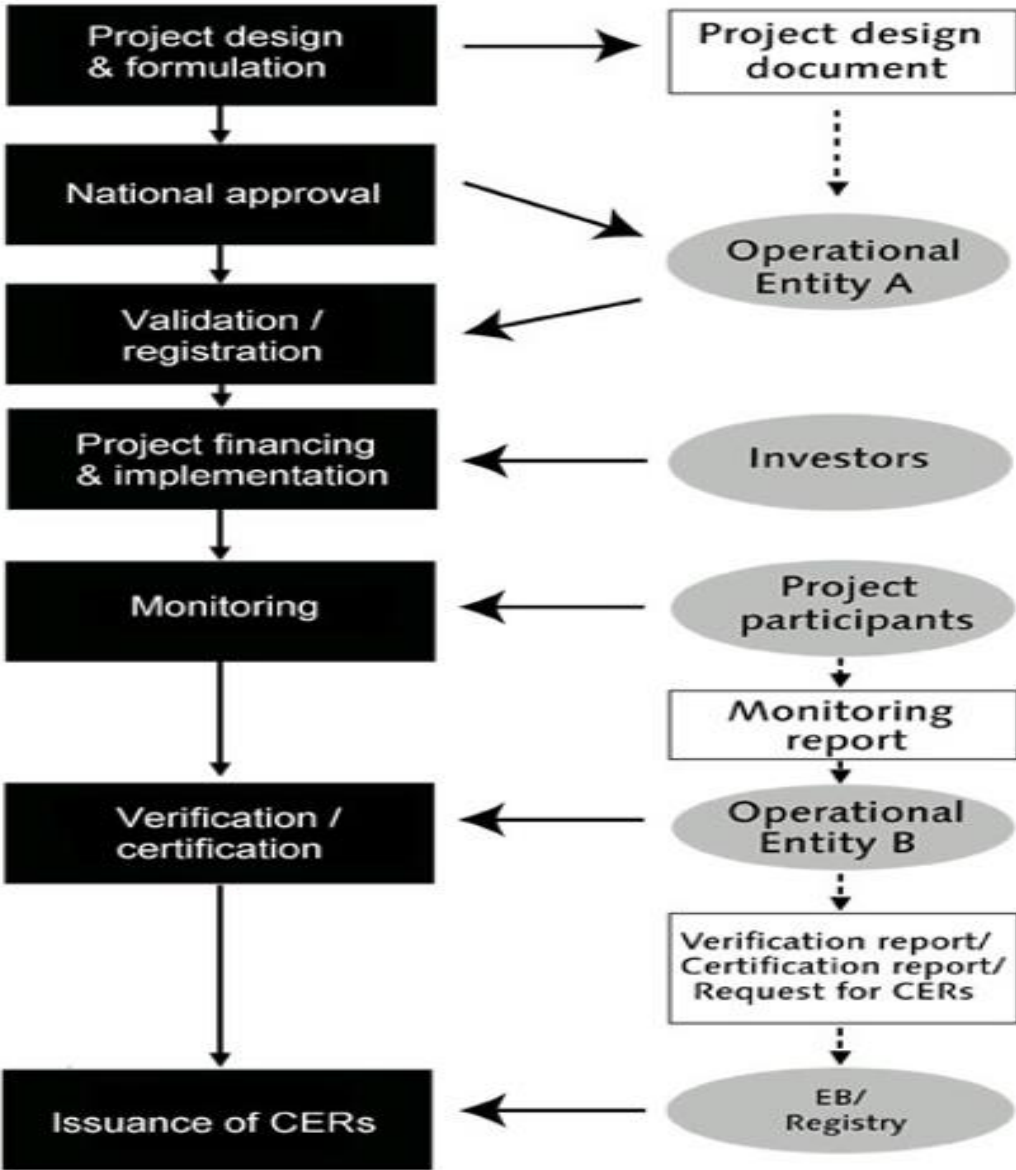
# Key Features of the Carbon Offset Program

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- ✓ **Objective : aim to ensure efficient reduction of GHG emissions through carbon pricing mechanism and offsets and facilitate future linkage through trading**
  - Principles - Be real, additional, based on a realistic baseline, measurable, independently verified, Have unambiguous ownership, Address leakage, Do not harm, Address permanence**
  - Scope**
  - Governance**
  - Methodologies -**
  - MRV -**

# Key Features of the Carbon Offset Program

## CDM PROJECT CYCLE



Legends:  Activity     Report     Institution

(Source: UNEP RISO Centre)

# Outlook of the Existing Carbon Offset Programs

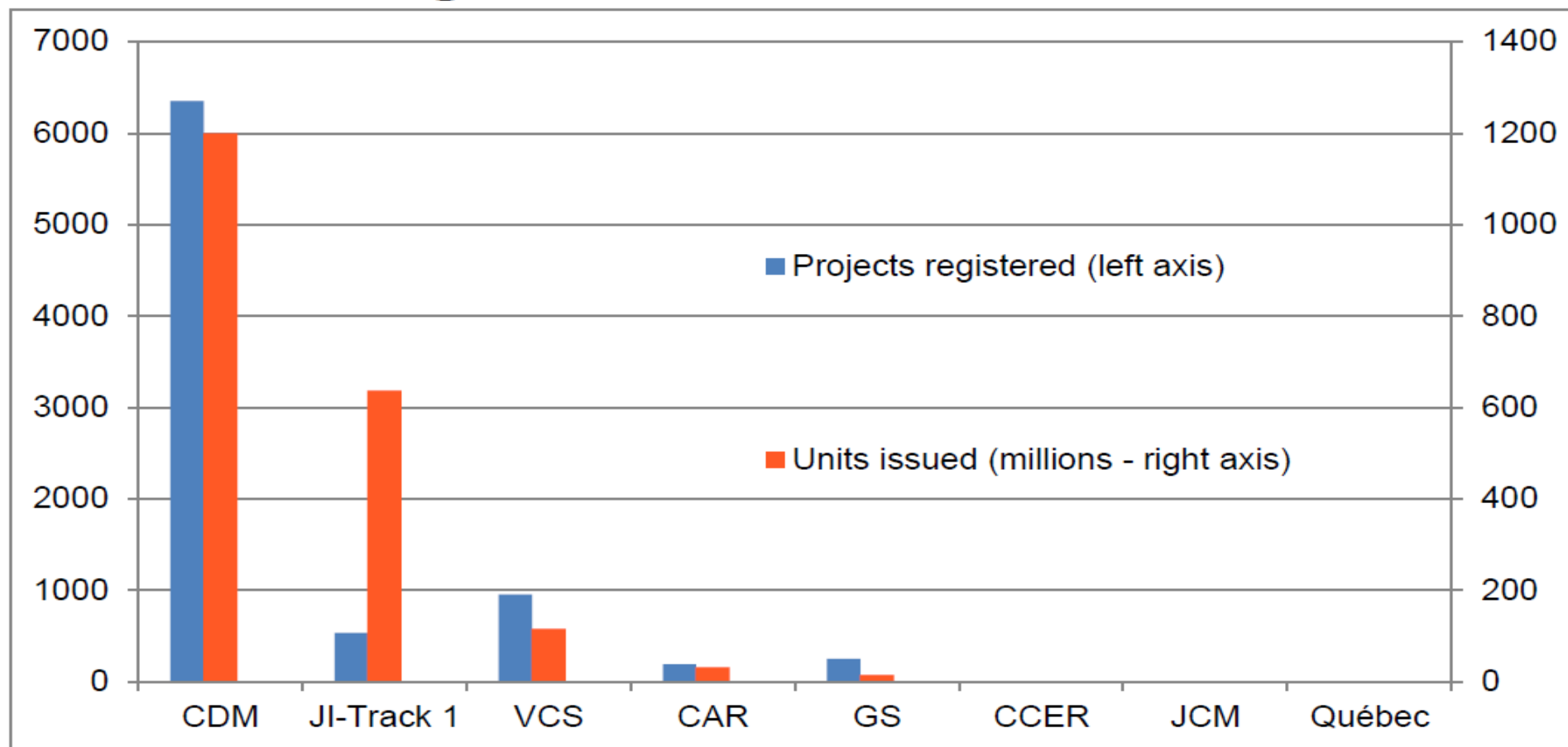
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- ✓ **Kyoto Protocol:**
  - Clean Development Mechanism (CDM)
  - Joint Implementation (JI)
- ✓ **Offset Programs from Governments for domestic climate mitigation:**
  - Chinese Certified Emission Reduction (CCER)
  - Japanese Joint Crediting Mechanism (JCM)
  - Québec offset program
- ✓ **Voluntary programs for voluntary markets as well as for compliance in governmental compliance schemes:**
  - Climate Action Reserve (CAR)
- ✓ **Voluntary programs for voluntary market (private or governmental):**
  - Gold Standard (GS)
  - Verified Carbon Standard (VCS)

# Outlook of the Existing Carbon Offset Programs

## Size of Programs

(Source: INFRAS presentation at the PMR Technical Workshop in Spain, May 2013)



**Figure** Number of registered projects (orange – right axis) and units issued (blue – left axis) as of February 2013. Please note that the CCER, JCM and the Québec program are in their start-up phase and have no registered projects yet.

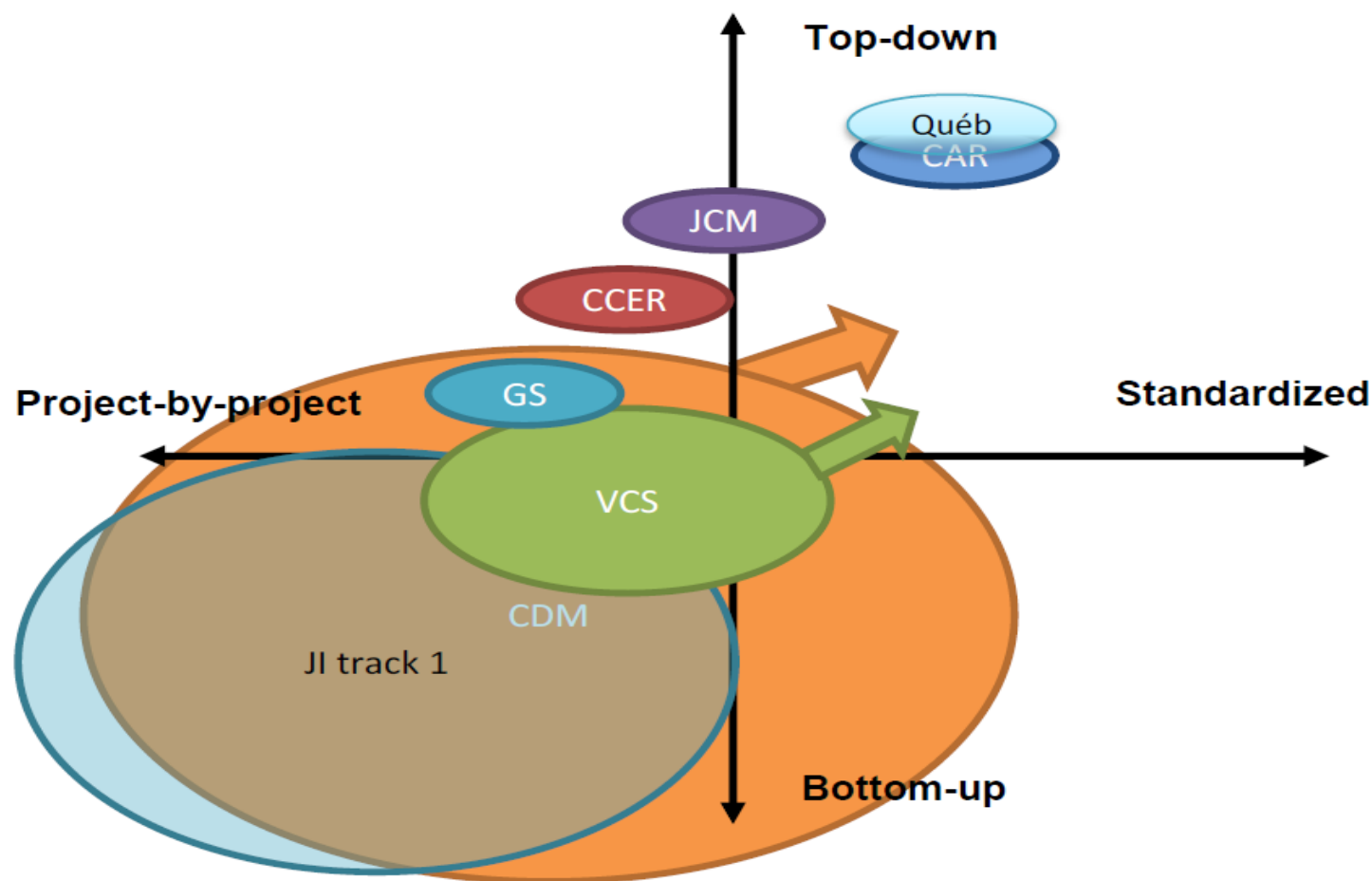
# Outlook of the Existing Carbon Offset Programs

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- ✓ **Broad vs Selective Scope**
- ✓ **Bottom-up vs Top-down Approach**
  - ❑ Bottom-up: CDM, JI, VCS, GS
  - ❑ Top-down: CAR and Quebec
- ✓ **Standardization of Approaches**
  - ❑ Default parameters
  - ❑ Sector-wide performance standards to assess additionality and baseline setting
  - ❑ Positive lists/automatic additionality
  - ❑ Programmatic approaches

# Outlook of the Existing Carbon Offset Programs

## Characteristics of Offset Programs



(Source: INFRAS presentation at the PMR Technical Workshop in Spain, May 2013)



# Outlook of the Existing Carbon Offset Programs

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- ✓ Most GHG cap-and-trade and some carbon tax systems allows the use of carbon offsets by regulated entities to lower the cost of compliance > Demand for carbon credits are created by political decisions
- ✓ Incentives:
  - ❑ Regulated entities (lower the cost of compliance)
  - ❑ carbon offset project proponents (obtain additional finance for the project)
- ✓ International (e.g. CDM, JI) vs domestic (California's Compliance Offset Program, China CER)

# Outlook of the Existing Carbon Offset Programs

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## Sustainable Development Aspects

- ✓ A positive contribution to sustainable development is part of most programs' principles and goals
- ✓ Varying importance/recognition offset programs give to sustainable development aspects
  - ❑ CDM and JI: host country approval may include checking of SD benefits
  - ❑ Gold Standard: full MRV of SD benefits (higher costs versus SD market premium)
  - ❑ California, Quebec, and Switzerland: specific sustainability criteria are not included.

# Outlook of the Existing Carbon Offset Programs

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- ✓ **Offset Programs are evolving over time**
- ✓ **New Programs tend to learn from existing ones (in particular from CDM)**
- ✓ **Building on established international standards and infrastructure vs. local innovation in offset programs**
- ✓ **No absolute one-size-fits-all. Program design depends on**
  - Targeted market segment
  - Regulatory Framework
  - Targeted scope
  - Technical and Institutional Capacities and Resources
- ✓ **Balance between the goal of environmental integrity and cost/risk mitigation**

# Summary

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## Summary of the carbon offset programs

### Lessons learned

### How would it be applied in Vietnam?

# Lessons learned

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- ✓ **Credibility could cover the UNFCCC and additionality**
- ✓ **Market Pricing fluctuations – how to ensure stable price and regulatory stability**
- ✓ **Project management – how to streamline the process while keeping the environmental integrity?**
- ✓ **Need for scaled-up emission reductions to achieve national objectives.**

# Moving beyond Kyoto

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- ✓ **Different appetite for global governance**
- ✓ **Regional/domestic market-based approaches to climate change mitigation**
- ✓ **Linking of carbon markets**
- ✓ **Programmatic, sectoral, and scaled-up**

# Summary

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**Summary of the carbon offset programs**

**Lessons learned**

**How would it be considered in Vietnam?**

# How would it be considered in Vietnam?

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- ✓ **What role are the carbon pricing approach(es) expected to take in order to achieve objectives of National Climate Change Strategy, National Green Strategy, and INDC?**
- ✓ **What would be carbon pricing approach(es) for Vietnam and how to use carbon offset program in such approach(es) in the long run?**
- ✓ **How to reach such carbon pricing approaches from the ongoing or planning initiatives, such as (crediting) NAMA programs?**