



OVERVIEW OF CARBON OFFSET PROGRAMS SIMILARITIES AND DIFFERENCES

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Objectives of Technical Report

- Mapping exercise of set of offset programs (existing and in advanced implementation stage)
- Identification of main elements and design features of offset programs
- Initial examination of main differences and similarities
- *Not an evaluation of programs*

Approach

- Development of study framework
 - Desk review of literature and offset program documentation
 - Structured interviews and written input from program administrators
 - Analysis of similarities and differences
 - Feedback from offset programs
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- Next step: Feed back and finalization of Technical Report

Considered Offset Programs

Kyoto Protocol:

- Clean Development Mechanism (CDM)
- Joint Implementation track 1 (JI-T1)

Offset Programs from Governments for domestic climate mitigation:

- Chinese Certified Emission Reduction (CCER) - **new**
- Japanese Joint Crediting Mechanism (JCM) - **new**
- Québec offset program - **new**

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)

Characteristics of Offset Programs

Topics considered for each program :

- Overview of standards
- Principles and goals
- Operationalised Principles
- Governance structure
- Project Registration Procedures
- MRV and Credit Issuance Procedures
- Sustainable Development Aspects

3. FINDINGS

Mapping in Annex of Report

DRAFT PMR Technical Note 6 (May 21, 2013)



Annex 1: Overview Tables of Evaluated Offset Programs

Table 2: Overview of Programs (as of February 2013)

Name of Program	Type of Program	Regional scope	Start of Program	Projects registered	Tradable Unit Name	Units issued	Primary Users of credits
Clean Development Mechanism (CDM)	Offset mechanism under the Kyoto Protocol (Article 12). Primarily project-based. Also recognizes programme-based mitigation.	International	General rules established in 2001, first offset issued in 2005.	6354	Certified Emission Reductions (CERs)	Above 1.2 billion	<ul style="list-style-type: none"> › Annex 1 countries that have a reduction commitment under the Kyoto protocol › Private buyers that are covered under an ETS (e.g. EU-ETS) › Voluntary buyers
Joint Implementation (JI) track 1	Offset mechanism under the Kyoto Protocol (Article 6). Primarily project-based. Also recognizes programme-based mitigation.	International	General rules established in 2001, national rules established individually in each country, first offset issued in 2008	532	Emission reduction units (ERUs)	637 million	<ul style="list-style-type: none"> › Annex 1 countries that have a reduction commitment under the Kyoto protocol › Private buyers that are covered under an ETS (e.g. EU-ETS) › Voluntary buyers
Chinese CER (CCER)	Project-based offset mechanism	China	Expected start in 2013	0	Chinese Certified Emission Reductions (CCERs)	0	Voluntary buyers (both Chinese and international)
Japanese Joint Crediting Mechanism (JCM) or Bilateral Offsets Crediting Mechanism (BOCM) ¹⁵	Bilateral project-based offset mechanism	International	Guidelines to be implemented starting April 2013	0	Units currently not traded ("non-trading-mechanism") May become trading mechanism at a later date.	0	<ul style="list-style-type: none"> › Both government and private sector can be financing entities. › Both government and private sector entities can be allocated units.

¹⁵ The Japanese programme has two names: JCM and BOCM, but is the same programme. Please note that all technical details provided for the JCM are subject to further consideration and discussion with host countries.

3. FINDINGS

Size of Programs

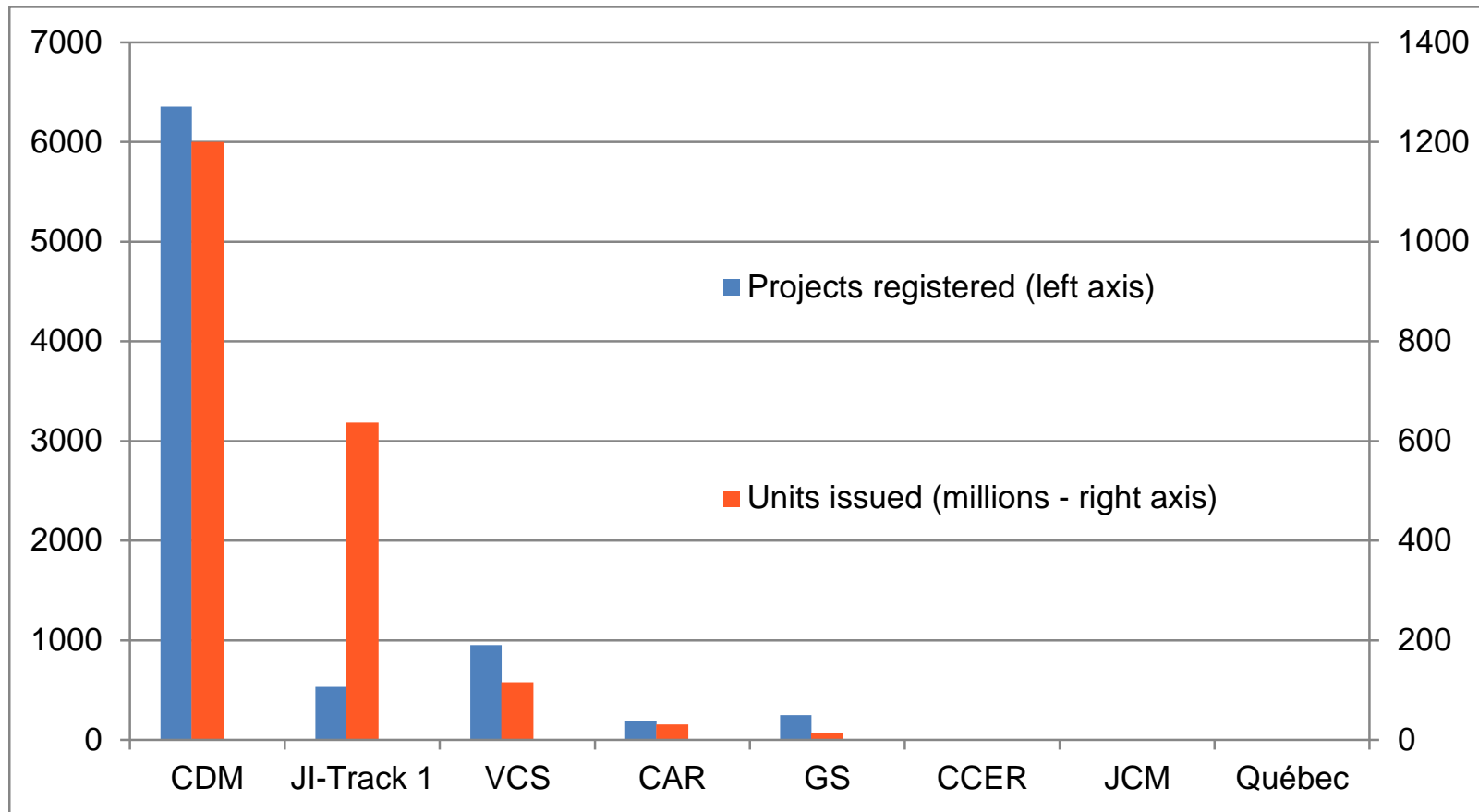


Figure Number of registered projects (orange – right axis) and units issued (blue – left axis) as of February 2013. Please note that the CCER, JCM and the Québec program are in their start-up phase and have no registered projects yet.

3. FINDINGS - APPROACHES TO PROGRAM DESIGN

Scope (Project Types)

(Simplified)



	Renewables and energy efficiency	Coal mine methane	Waste management	Agricultural manure	N2O abatement	Other industrial gases	Agricultural practice	ODS destruction	Afforestation and reforestation	Protection of existing forests	International scope
CDM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes
JI track 1	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
CAR	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No
CCER	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No
GS	Yes	No	Yes	No	No	No	No	No	Yes	No	Yes
JCM/BOCM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes
Québec	No	No	Yes	Yes	No	No	No	Yes	No	No	No
VCS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Broad vs. Selective Scope

Broad scope of eligibility of project types in offset program



Selective scope of eligibility of project types in offset program

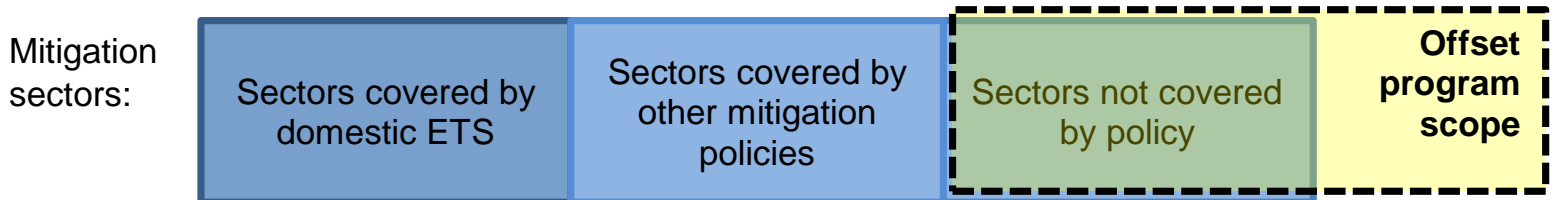


Figure Offset programs with a *broad scope* that cover all sectors in a host country versus programs with a *selective scope* that cover only sectors that are not included in a domestic Emission Trading Scheme or by mitigation policies.

Bottom-up versus Top-down Approach

- **Bottom-up:** PP proposes methodologies, program body approves (Ex.: CDM, JI, VCS, GS)
- **Top-down:** program body develops methodologies (Ex.: CAR and Québec)

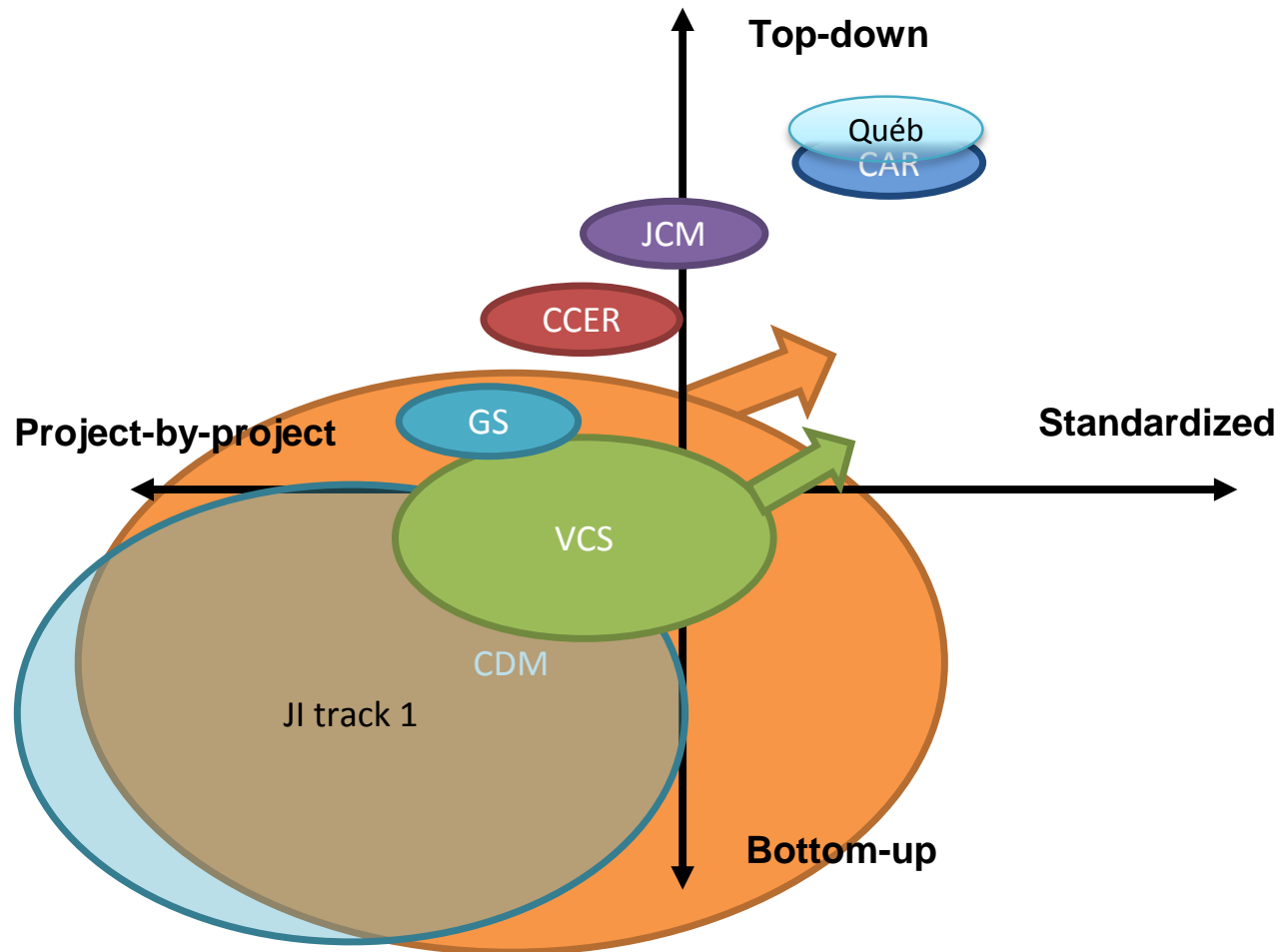
Standardization of Approaches

Standardization by using:

- default parameters instead of monitoring
- sector wide performance standards to assess additionality and baseline setting
- Positive lists/ automatic additionality
- Programmatic approaches

All programs apply some degree of standardization

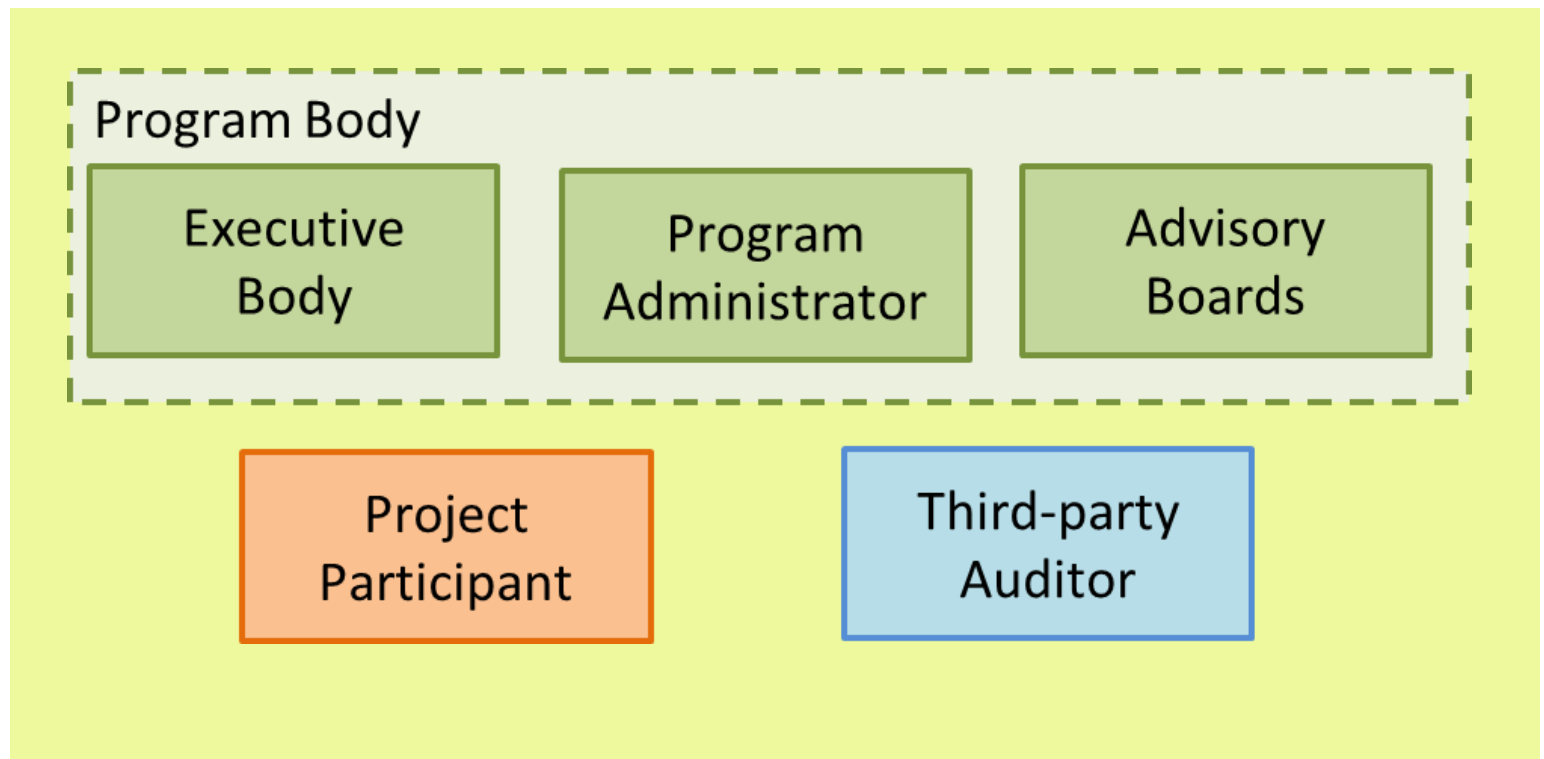
Characteristics of Offset Programs



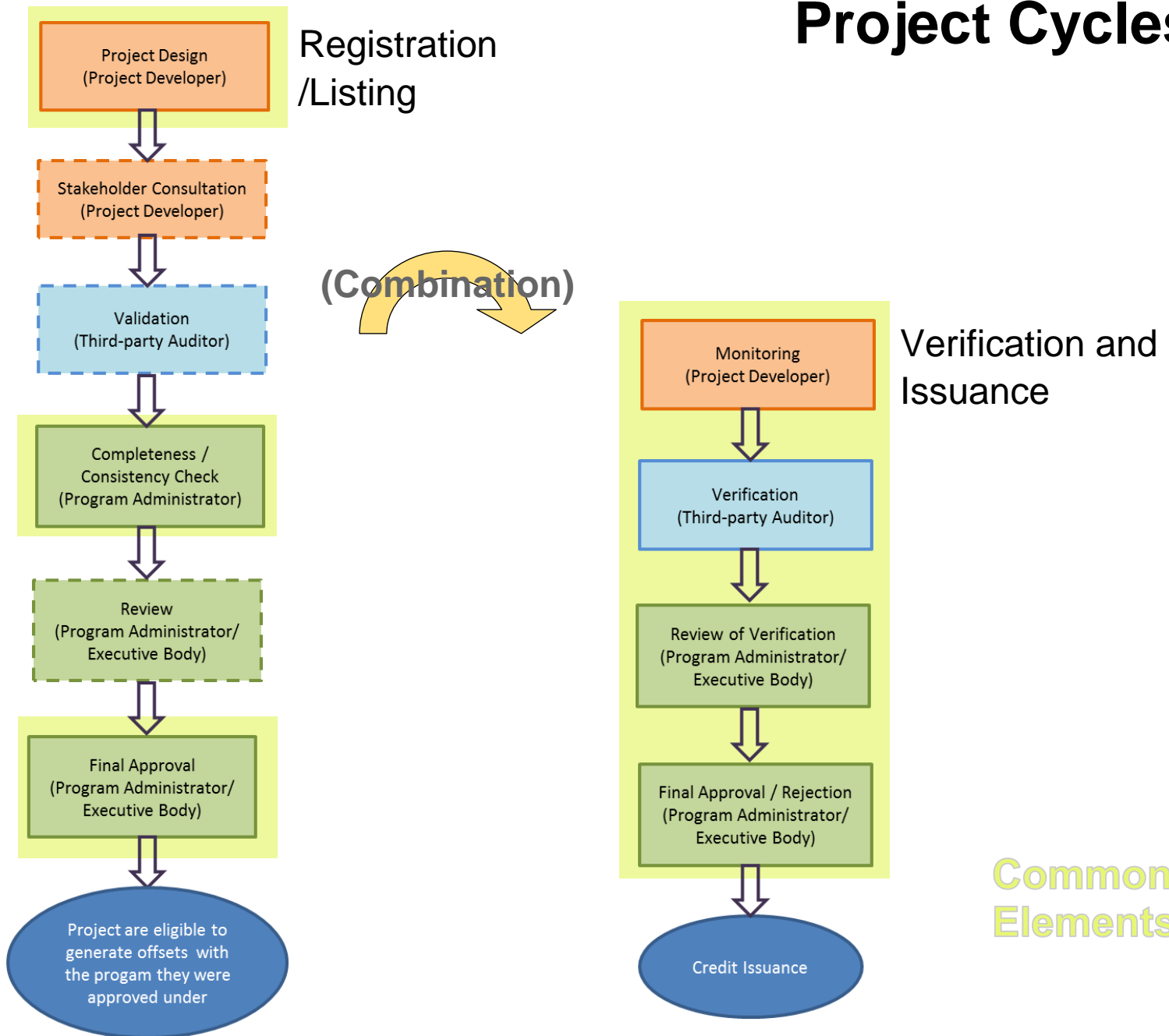
3. FINDINGS

Governance Structure

Considered offset programs have similar governance structures with similar entities – some important differences in roles and responsibilities



Project Cycles



3. FINDINGS

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)
- Emerging voluntary reporting (e.g. CDM SD benefits tool)
- Add-on standards to cover SD aspects (e.g. CCB, Social Carbon)

Draft Conclusions Offset Programs

- Many **common elements** and procedures among standards – differences in steps and roles
- In general two groups in terms of program design:
 - **Broad scope**: Bottom-up, limited standardization (E.g. CDM, JI-Track 1, CCER, JCM, GS, VCS)
 - **Selective scope**: Top-down, increased standardization (E.g. CAR, Québec)
- But programs are evolving over time:
 - Rather than reinvent the wheel, they **learn from each other** (in particular from CDM), adapt tools, methodologies, standardization, streamlining
 - Many **innovations**: methodologies and processes, new project types (sectors, high GWP, AFOLU), standardized , streamlining

Draft Conclusions Offset Programs (cont.)

- Aim to **balance** quality assurance with transaction costs
- No one-size-fits-all design of offset programs: depends on **targeted market**
- Common elements, consistency & comparability may foster **fungibility** and enable potential future linking



Thank you.

***For more information & clarifications, please contact the
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