
Draft Technical Note on Offset Standards

Project Approach and Preliminary Results

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Outline of Presentation

1. Approach to Offset Standards Project
2. Considered Program Standards and Characteristics
3. Preliminary Results and Insights
4. Next steps

1. Approach to Offset Standards Project

Objectives of Technical Report

- Discusses essential differences and similarities of the considered offset program standards
- Identifies main elements and design features of standards that have been chosen by different programs in order to address issues such as efficiency, environmental integrity, applicability, transaction costs, and fungibility

-> Mapping exercise

- *Not a rating of program standards*

1. Approach to Offset Standards Project

Approach

- Development of study framework
- Desk review of literature and standards documentation
- Structured interviews and written input from program administrators
- Analysis of similarities and differences
- Draft report, first results
- Presentation at PMR PA5 – Feedback from participants
- Finalization of Technical Report on Standards

2. Considered Elements of Offset Standards

Program Standards

Program standards examined:	
Clean Development Mechanism	CDM
Joint Implementation Track 1	JI-T1
Gold Standard	GS
Voluntary Carbon Standard	VCS
Climate Action Reserve	CAR
Chinese Certified Emission Reduction	CCER

2. Considered Elements of Offset Standards

Characteristics of Program Standards

Topics considered for each program standard:

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

3. Preliminary Results and Insights

Study Process – Interviews with Standards

- Offset standard representatives are interested and engage in fruitful knowledge sharing process
- Each standard has its own history and context which also influenced standard design (e.g. top-down vs. bottom-up development)

3. Preliminary Results and Insights

Differences in Scope of Program Standards

Eligible project types:

- **Broad applicability:** E.g. CDM, JI, VCS – Almost any project type except nuclear
- **Restricted applicability:** E.g. Climate Action Reserve – restricted to activities not covered in California cap & trade (Methane & N₂O, agriculture, forestry, waste – essentially non-CO₂) and geographical restriction to California for compliance buyers

3. Preliminary Results and Insights

Governance structure

- All program standards have defined governance structures that oversee the regulation and operation of the program standards
- Most program standards include some sort of quality assurance and outside independent checks into governance structure by
 - involving panels of independent experts into standards design,
 - carry out stakeholder consultations and
 - seek high levels of transparency in their executive body by e.g. publishing relevant project documentation and board meeting reports, inviting public to board meetings or streaming meetings on internet.
- Governance structures impact staffing and costs for program standards

3. Preliminary Results and Insights

Design of project cycle

- The project cycles include similar elements, but vary from program to program
- Good program design balances the goal of quality assurance with the need to keep costs and risks for programs and project developers minimal
- No one-size-fits-all: Standards' design depends on many factors including
 - targeted market segment (characteristics of credits, fungibility of units, compliance in buyer's emission trading system),
 - regulatory framework,
 - overall approach to standard design (top-down vs. bottom-up) and
 - availability of technical and institutional capacities

3. Preliminary Results and Insights

Approaches to program standard design

Historically, program standards chose different approaches to the design of rules (methodologies, protocols) :

- **Bottom-up approach:** Project participants propose approach, program standard approves approaches
Examples: CDM, VCS
 - **Top-down approach:** program standard defines approach
Example: CAR
- > This difference in approach explains many differences in standards
- > Recently, standards increasingly move to top-down design (e.g. CDM)

3. Preliminary Results and Insights

Approaches to baseline setting and additionality 1

Project-by-project approaches

- Until recently, CDM, JI, VCS and Gold Standard only used a project-specific evaluation of additionality and baselines.
- Many use the CDM's additionality tool (investment analysis and/or barrier analysis, common practice test)

3. Preliminary Results and Insights

Approaches to baseline setting and additionality 2

Standardized approaches

Standardized approaches, such as the use of performance standard to assess additionality and baseline setting, can reduce cost and risks for project developers, but at higher costs for program standards.

3. Preliminary Results and Insights

Monitoring, Reporting and Verification 1

- Independent third party verification is emerging as a common element
- For credit issuance, a range of approaches can be identified:
 - From the Example of the CDM, where emission reductions are verified by third-party auditors and the verification report is submitted to the program administrator where it is evaluated and if approved, credits are issued.
 - To the Example of the VCS, where final review by the program administrator has been eliminated, vesting auditors with all project review functions.
- Program standards seek to balance the need for conservative and accurate accounting with transaction costs.

3. Preliminary Results and Insights

Monitoring, Reporting and Verification 2

There is an important role of technical skills and capacity inside and outside standards bodies:

- Representatives of program standards stressed the importance of training of staff in the standard's board and administration, and also the training of project participants
- Training has also been mentioned to be important for validators and verifiers and all program standards require some sort of accreditation

3. Preliminary Results and Insights

First Insights

- Learning by doing – standards developed over time and learn from each other
- The program standards seem to converge in a number of ways towards a middle ground (hands-off vs. hands-on approach, top-down vs. bottom-up, project by project vs. standardized, etc.)
- Program standards are still evolving (additionality, standardization, scaling-up)
- Demand is crucial for program standards

4. Next steps

- Feedback from PA 5 participants
- Draft Technical Report on Standards until Mid of April
- Final Technical Report on Standards for the End of May meeting of the PMR