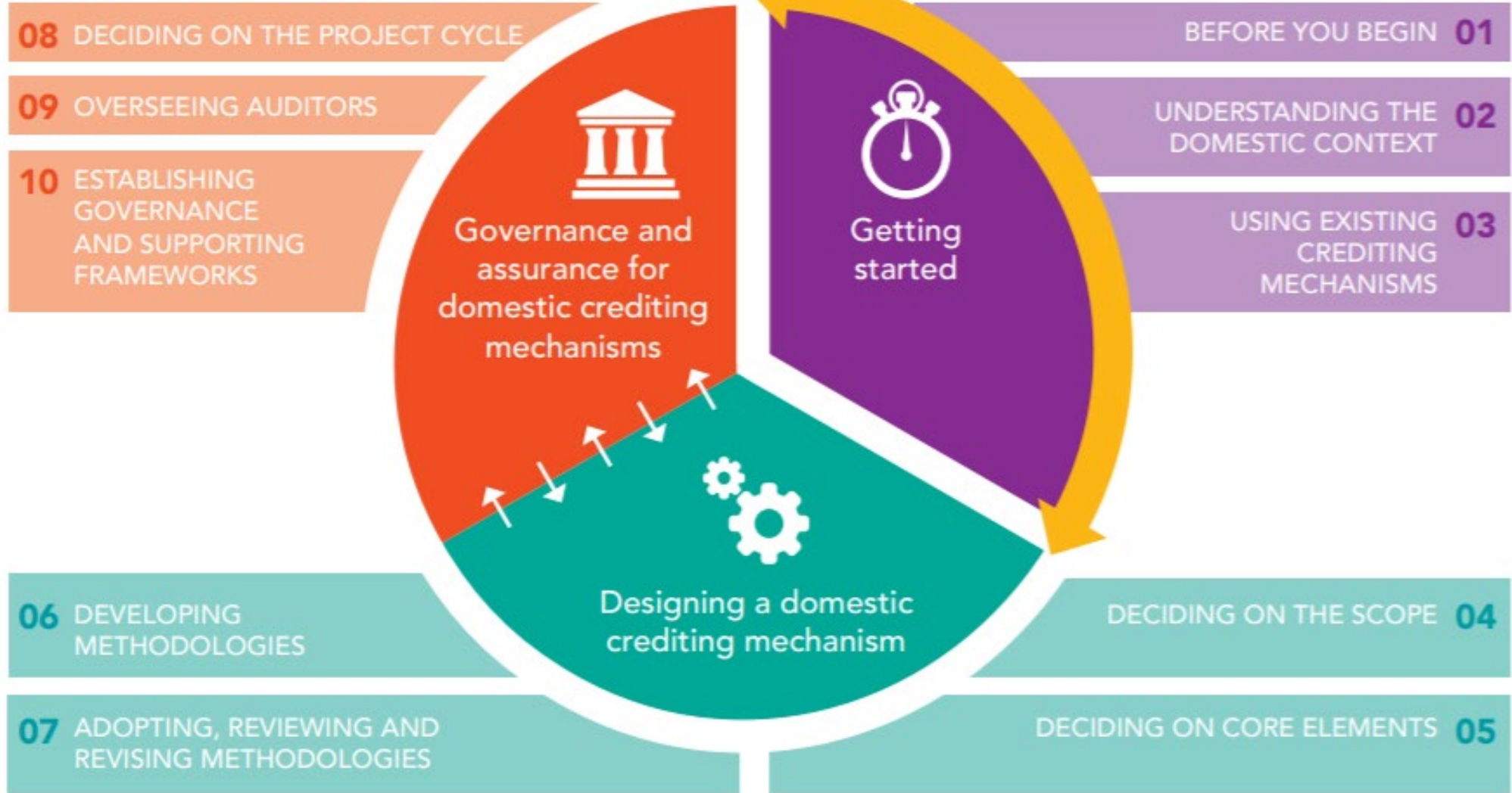


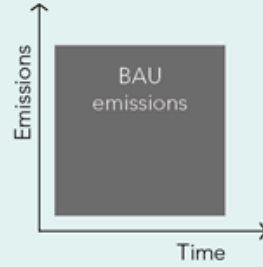
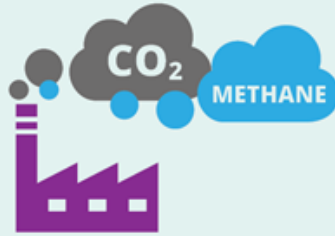
CREDITING GUIDE

Designing and Implementing Domestic
Carbon Crediting Mechanisms



Business as usual (BAU)

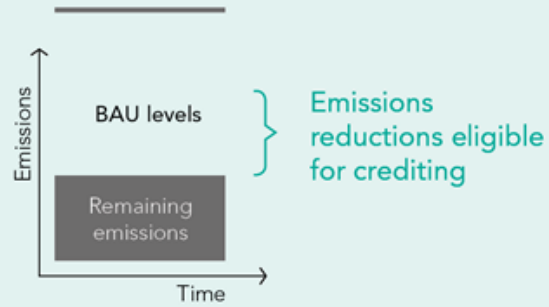
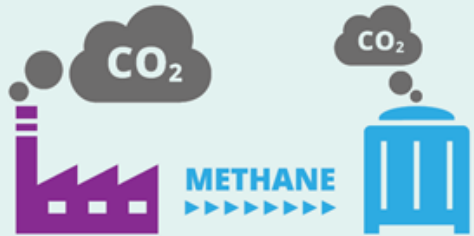
Wastewater plant; methane is being vented



Implementation of emission reduction project

Emission reduction project

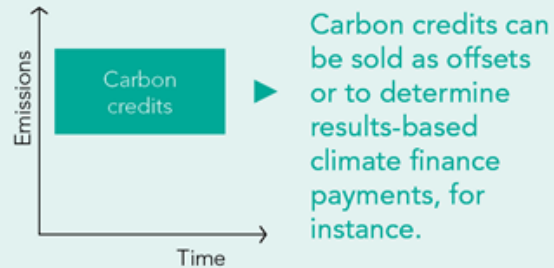
Methane captured and combusted to generate electricity



Issuance of carbon credits

Carbon credits generation

Creation of carbon credits equal to the emissions reduced in metric tons of CO₂



What is Crediting?

What would occur absent this project?



Policy objectives

- Reduce emissions / help achieve climate targets
- Reduce compliance costs (eg in ETS/tax)
- Mobilize carbon finance
- Development benefits (eg helping indigenous communities, improve biodiversity. Eligibility rules or methodologies can help achieve specific benefits

Extends the carbon price incentive to uncovered sectors or gives flexibility to companies under an ETS or carbon tax



Crediting in the policy mix



Increase mitigation in activities and sectors not covered

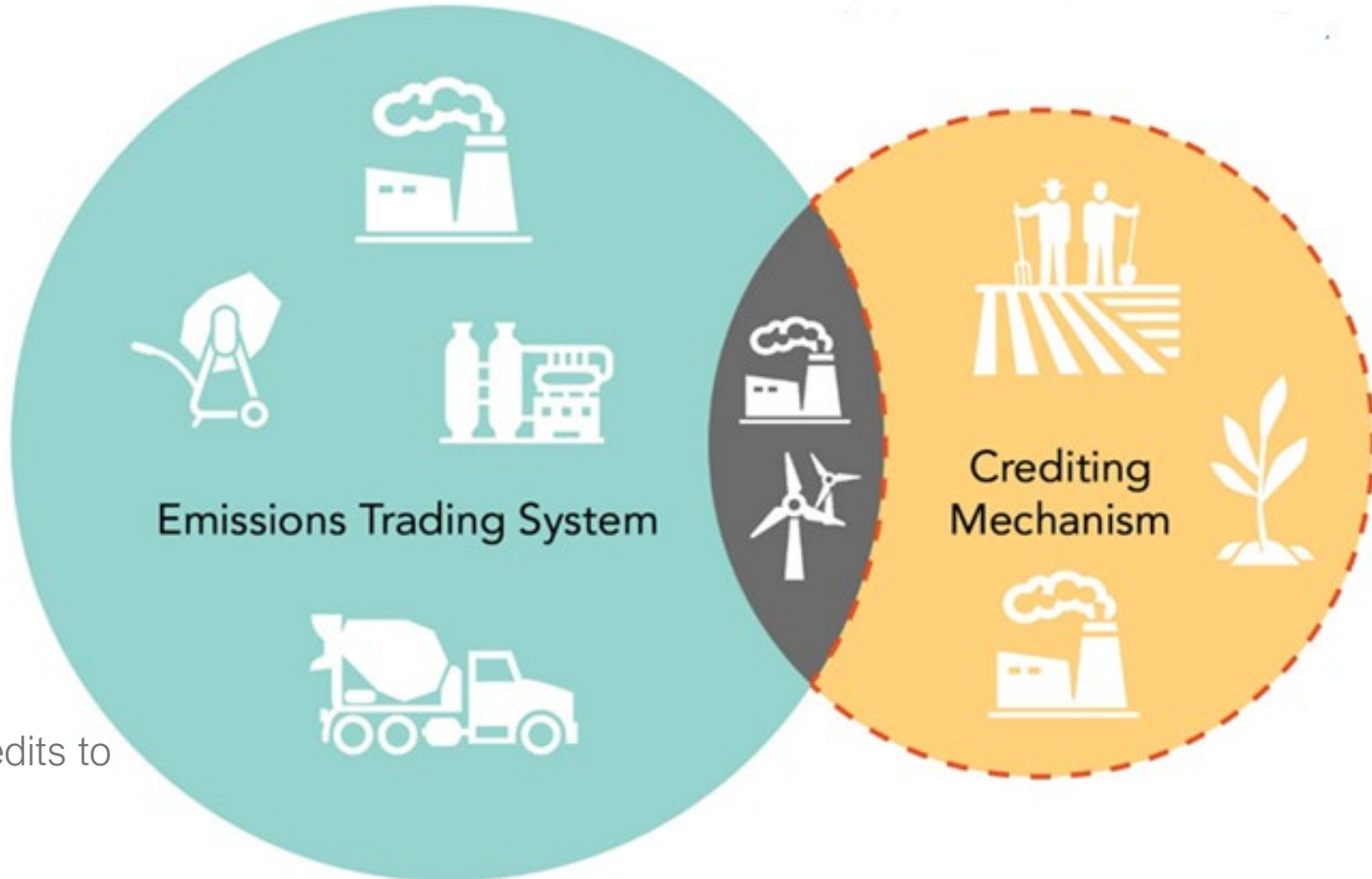
Reduce cost of compliance

Avoid coverage overlap

Needs external source of demand

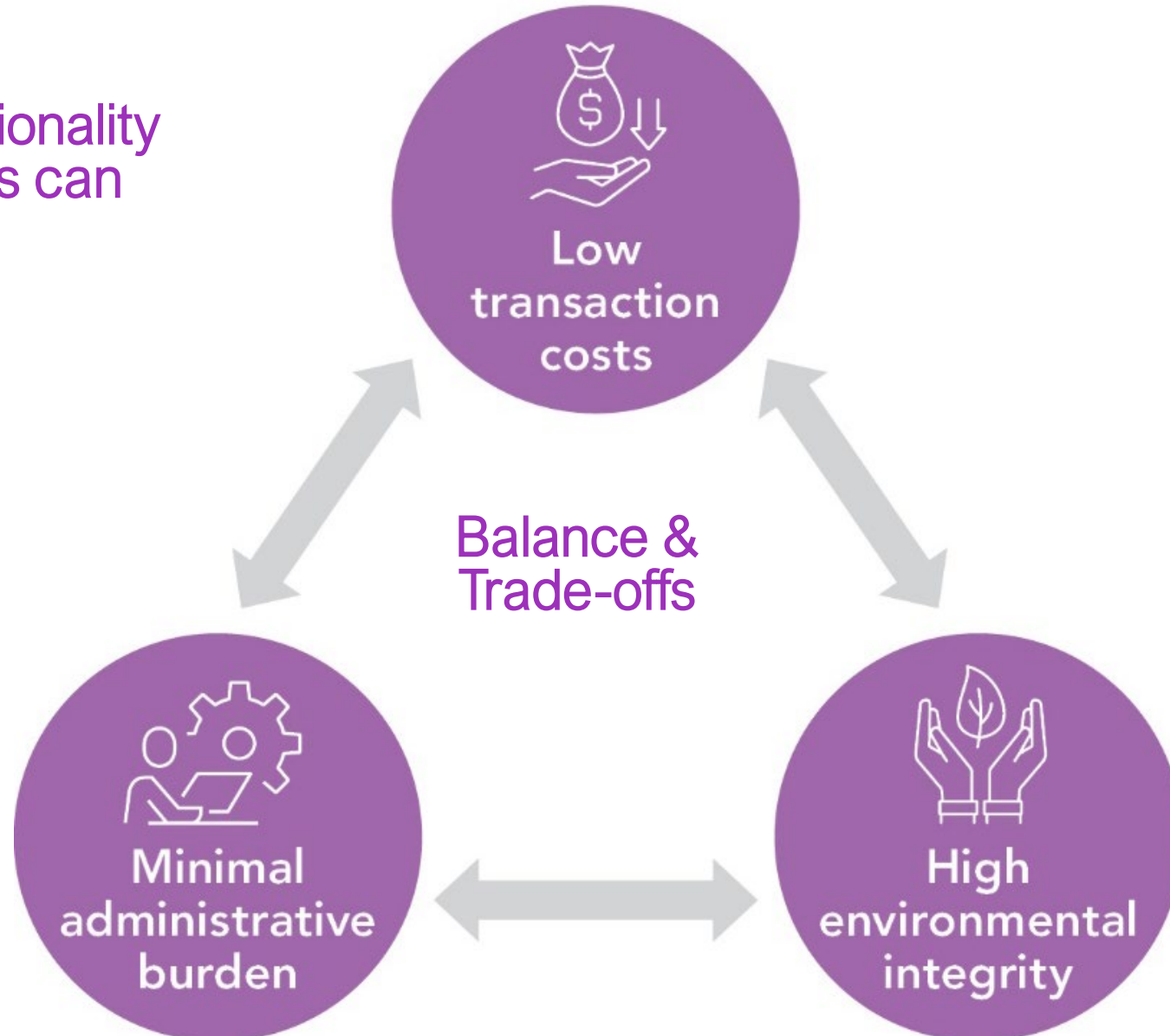
South Africa and Colombia companies use credits to satisfy carbon tax obligations

Only a few ETSs do not allow for offsets



Balancing priorities

E.g. Establishing additionality and baseline emissions can potentially add costs



Carbon credit quality



- **Additionality**
 - Eligibility criteria (baseline technologies or project scale), positive/negative lists or other tests: regulatory surplus, financial viability, is it common practice?
- **Baseline setting**
 - Conservative BAU baselines,
- **Double counting**
 - Robust monitoring and accounting provisions within crediting registries can play an important role
- **Permanence: buffer pools, discounting**

To be *effective*,
crediting
mechanisms
should only credit
projects that are
additional

Governance



**Validation and verification,
including independent third-
party auditors**



Registries

- **Stakeholder engagement on program design and methodologies**
- **Knowledge or technical gaps in government and private sector that need to be addressed**



Using elements of existing crediting mechanisms



FULL RELIANCE

Use credits from existing crediting mechanisms

GATEKEEPING

Conditionally use credits from existing crediting mechanisms

OUTSOURCING

Issue own credits but outsource certain functions

INDIRECT RELIANCE

Issue own credits and replicate design elements/functions

Korea Offset Program

CDM credits for meeting ETS compliance if from domestic projects (*gatekeeping*); their crediting mechanism is also based on the CDM, allowing CDM methodologies (a combination of *indirect reliance* and *outsourcing*).

California outsources administrative registry functions to certain approved independent crediting mechanisms.

THANK YOU

