

Score Overview

Project-based Avoided Planned Deforestation

Project-based Avoided Unplanned Deforestation

2 July 2024



CCQI
Carbon Credit
Quality Initiative

Today's Speakers



Pedro Martins Barata

Associate Vice President,
Carbon Pricing

Environmental Defense Fund



Felix Fallasch

Senior researcher,
Energy and Climate

Oeko-Institut



Dr. Lambert Schneider

Research Coordinator for International
Climate Policy

Oeko-Institut

Agenda

1 About CCQI

2 Our Approach

3 Key Findings

4 Next Steps

5 Q&A



The background is an aerial photograph of a lush green forest. Several wind turbines are visible, their towers and blades extending across the landscape. Overlaid on the right side of the image are several white-outlined hexagons. Some of these hexagons have colored triangular sections: one has a yellow triangle at the top, another has a teal triangle on the right side, and a third has a teal triangle on the left side. The overall aesthetic is clean and modern, with a focus on nature and renewable energy.

About the Carbon Credit Quality Initiative

Pedro Martins Barata, Environmental Defense Fund

What is the Carbon Credit Quality Initiative?



Why?

- ▶ Carbon markets are facing a resurgence
- ▶ Mixed quality of carbon credits currently transacted
- ▶ Buyers face reputational risks if emissions reductions are not credible

What?

- ▶ Enhance the integrity of carbon credits
- ▶ Encourage carbon crediting programs, project developers and other market participants to pursue the highest standards

How?

- ▶ Independent, user-friendly scorings to assess the quality of carbon credits

For whom?

- ▶ Countries, companies, investors, and individuals

Founders

- ▶ EDF, WWF-US and Oeko-Institut

Partner technical assessments

- ▶ Carbon Limits, GHGMI, INFRAS, SEI-US, independent carbon markets experts

How does CCQI fit in the carbon credit quality landscape?



Threshold benchmark

Differentiated scores

Carbon credit types

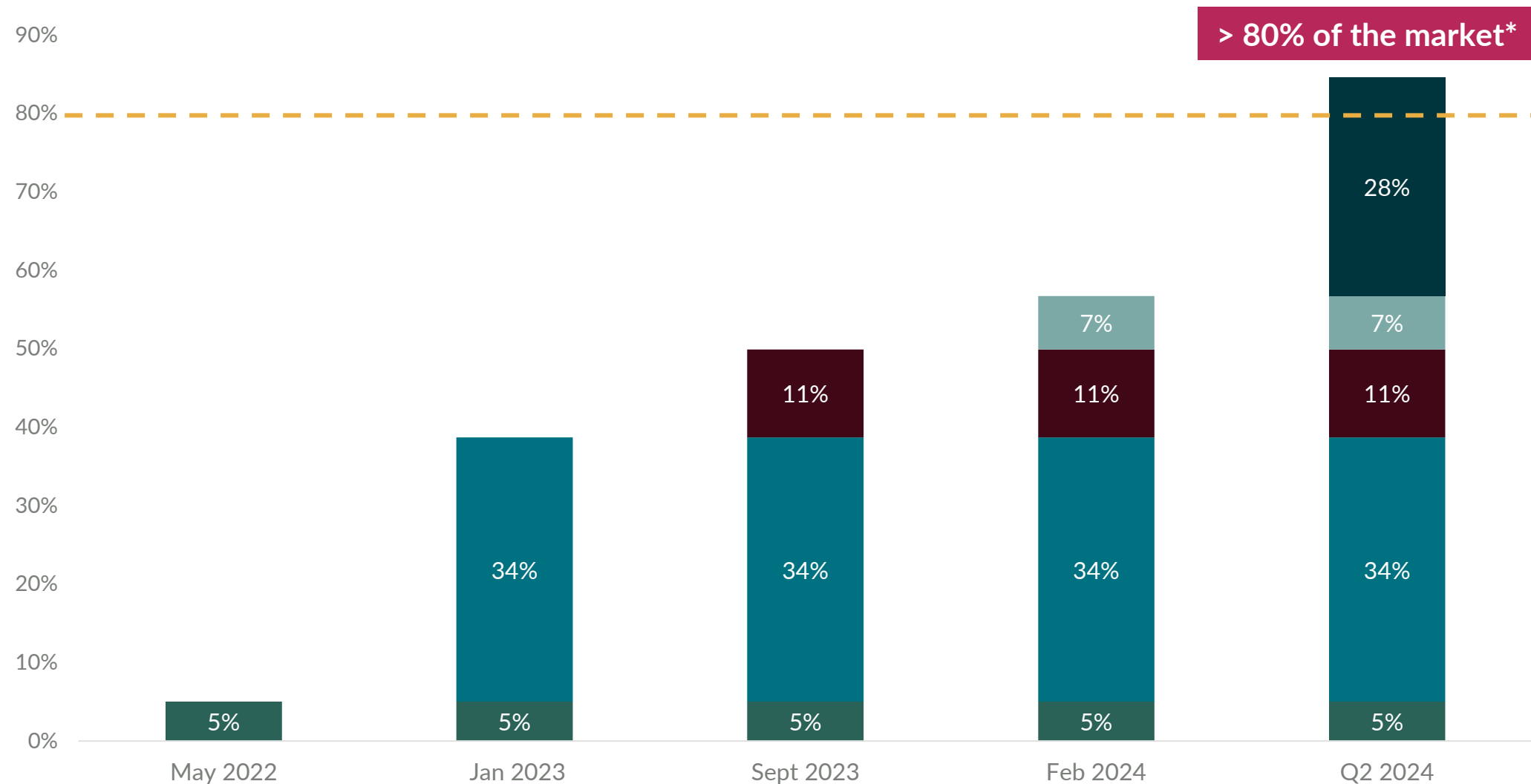
Individual projects

Information publicly available

Fee-based rating service



Our Assessments

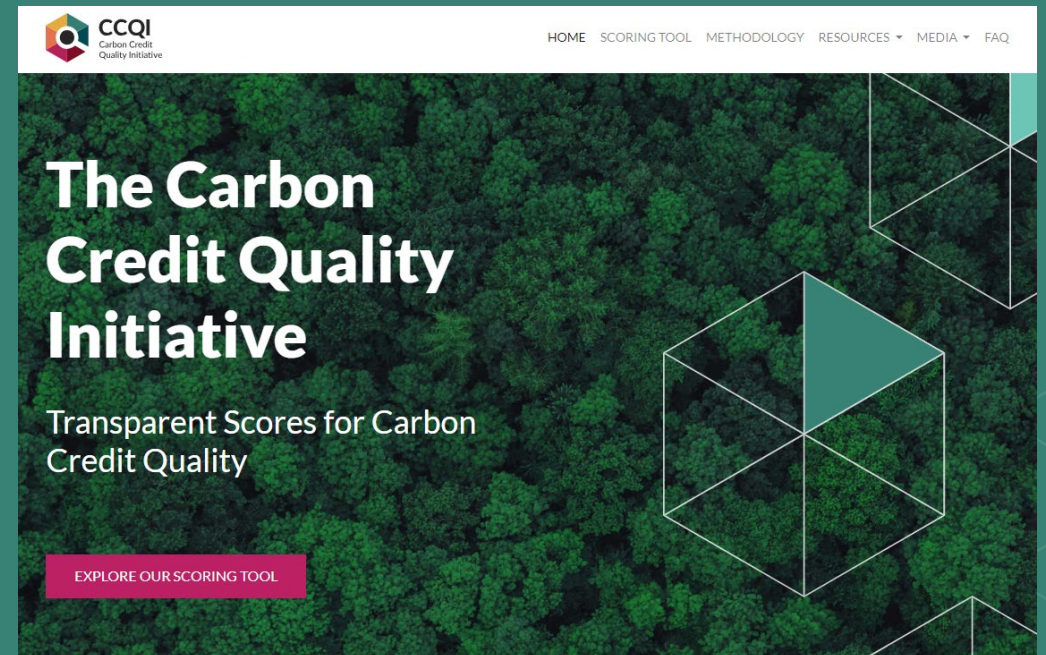


Tools & Resources

- ▶ Full methodology
- ▶ Interactive scoring tool
- ▶ Detailed evaluations underlying our scores
- ▶ Factsheets

Visit us at

www.carboncreditquality.org



The background is an aerial photograph of a lush green forest. Several wind turbines are visible, their towers and blades extending across the landscape. Overlaid on the right side of the image are several white-outlined hexagons. Some of these hexagons are partially filled with solid colors: one with a teal color, one with a yellow color, and one with a darker teal color. The overall aesthetic is clean and modern, with a focus on nature and renewable energy.

CCQI's Approach to Scoring Carbon Credit Quality

Felix Fallasch, Oeko-Institut

What does CCQI assess?

CCQI publishes scores for *carbon credit types*, as defined by their underlying features:

- Type of project (e.g., landfill gas utilization)
- Carbon crediting program (e.g., Verified Carbon Standard)
- Quantification methodology (e.g., CDM ACM0001)
- Host country...and more

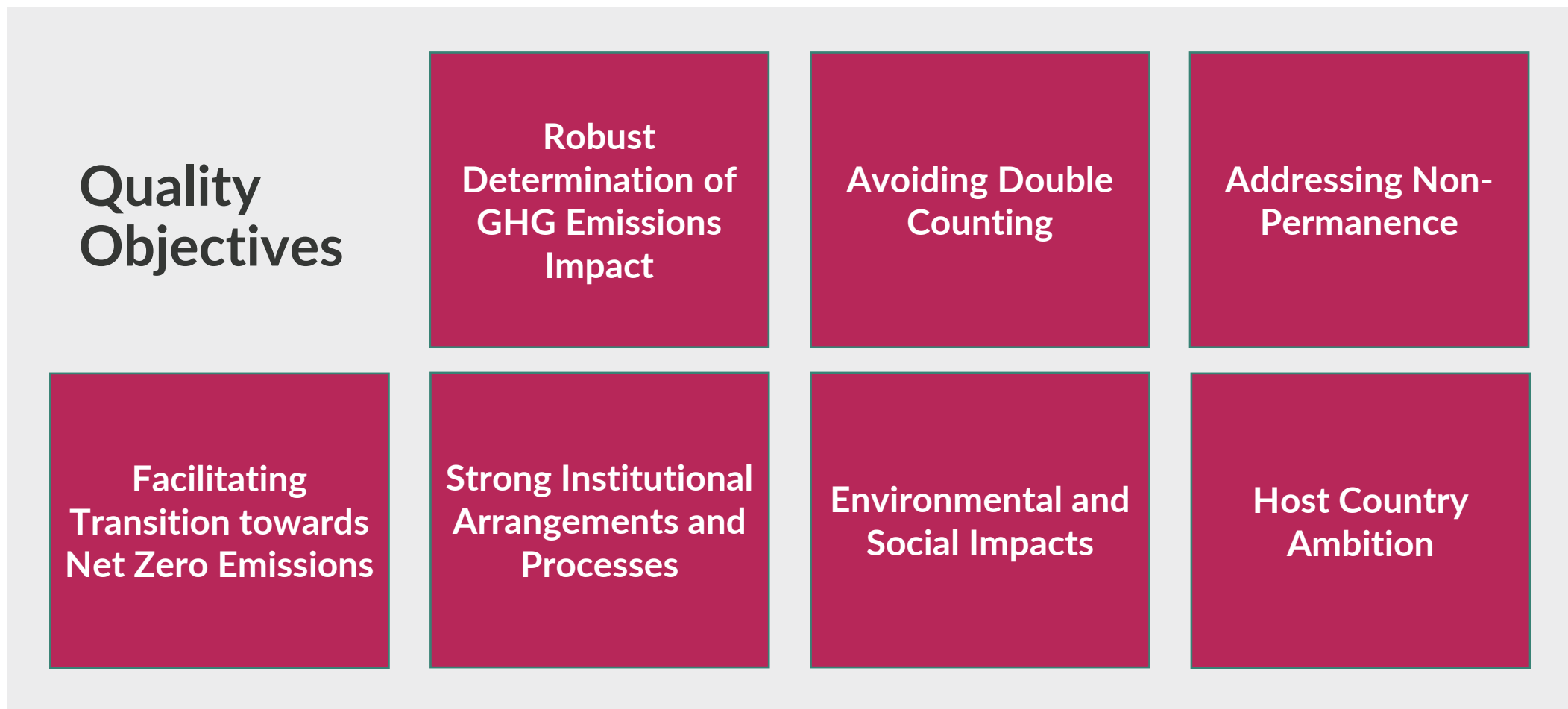
Some components are assessed at program/project type level (e.g., Additionality / Sustainable Development), others at methodology level (Robust Quantification)

CCQI does not release or endorse scores for individual projects, but...

- Our assessment method is public and can be applied to individual projects



Seven Quality Objectives



Example of How Scores Are Built

Quality Objective	Criteria	Sub-Criteria		
<p data-bbox="377 719 499 839">3</p> <p data-bbox="180 919 690 1011">Robust Determination of the GHG Emissions Impact</p>	<p data-bbox="886 551 1156 748">4 Additionality</p> <p data-bbox="886 785 1156 982">N/A Vulnerability</p> <p data-bbox="886 1025 1156 1222">3 Robust Quantification</p>	<p data-bbox="1452 551 1702 748">5 Legal requirements</p> <p data-bbox="1452 785 1702 982">N/A Barriers</p> <p data-bbox="1452 1025 1702 1222">3 Robust methodology</p>	<p data-bbox="1742 551 1992 748">4 Financial attractiveness</p> <p data-bbox="1742 785 1992 982">N/A Vulnerability</p> <p data-bbox="1742 1025 1992 1222">3 Program principles</p>	<p data-bbox="2033 551 2283 748">2 Prior consideration</p>

Our Scoring Approach





















Confidence or likelihood that the assessment subject meets the criterion or quality objective:

Very High	5
High	4
Moderate	3
Low	2
Very Low	1





Completed Assessments

5 Carbon Crediting Programs		14 Project Types				
   		 Efficient Cookstoves	 Establishment of Natural Forests	 Gas pipeline leak repair	 Household Biodigesters	 Hydropower
2 Complementary Standards	33 Quantification Methodologies	 Industrial Biodigesters	 Landfill Gas Utilization	 Recovery of Oil Field Gas	 Solar Photovoltaic	 Wind Power (onshore)
 Climate, Community & Biodiversity Standards	10 Host Country NDCs	 Commercial Afforestation	 Improved Forest Management	 Avoided Planned Deforestation	 Avoided Unplanned Deforestation	
 SD VISTA	Pre + Post Paris Vintages					

CCQI Forestry Project Type Classification



Establishment of natural forests



Commercial afforestation



Improved forest management



Avoided planned deforestation



Avoided unplanned deforestation

- Legally authorized and planned
- Driven by commercial agents

- Driven by multiple, mostly local agents
- Often combine different activities

The background is an aerial photograph of a wind farm situated in a lush, green forested area. Several wind turbines are visible, with their blades extending across the landscape. Overlaid on the right side of the image are several white-outlined hexagons. Some of these hexagons are partially filled with solid colors: one is filled with a dark teal color, another with a lighter teal, and a third with a bright orange. The overall aesthetic is clean and modern, suggesting a focus on environmental or energy-related data.

Key Findings

Felix Fallasch, Oeko-Institut

Lambert Schneider, Oeko-Institut

Additionality

Project type risks mostly low

Program rules would benefit from further strengthening

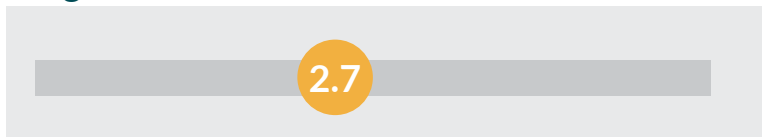
Financial attractiveness

Project type level assessment



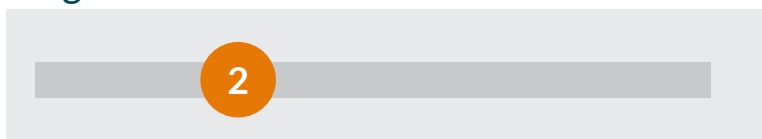
Legal requirements

Program level assessment



Prior consideration

Program level assessment



- ▶ **High likelihood that activities need revenues from carbon credits, with exceptions:**
 - APD: Project areas without access to infrastructure → opportunity cost likely low
 - AUD: Projects implemented by commercial actors
- ▶ **Non-additionality risks due to program rules**
 - Activities mandated by legal requirements are eligible if requirements are not systematically enforced
 - Projects eligible for listing up to 3 years after start of emission reduction activity

High potential – fragile ecosystems require careful project design

Project type level assessment



Avoided Planned Deforestation



Avoided Unplanned Deforestation



► High potential for strong contributions to sustainable development

- Zero hunger, clean water and sanitation, life on land, creation of jobs, biodiversity
- For APD especially strong if forests are transferred to protected status

► Projects take place in fragile ecosystems and socio-economic contexts

- Important to clarify land rights and introduce alternative income sources or benefit sharing
- Good design important to avoid negative impacts on inequality, peace, justice and gender equality

Quantification methodologies assessed



Avoided Planned Deforestation

VM0007	Version 1.7
	Active from 11/2023 – 06/2024

VM0009	Version 3.0
	Active from 06/2014 – 11/2023



Avoided Unplanned Deforestation

VM0006	Version 2.2
	Active since 03/2017

VM0007	Version 1.7
	Active from 11/2023 – 06/2024

VM0009	Version 3.0
	Active from 06/2014 – 11/2023

VM0015	Version 1.2
	Active since 12/2023

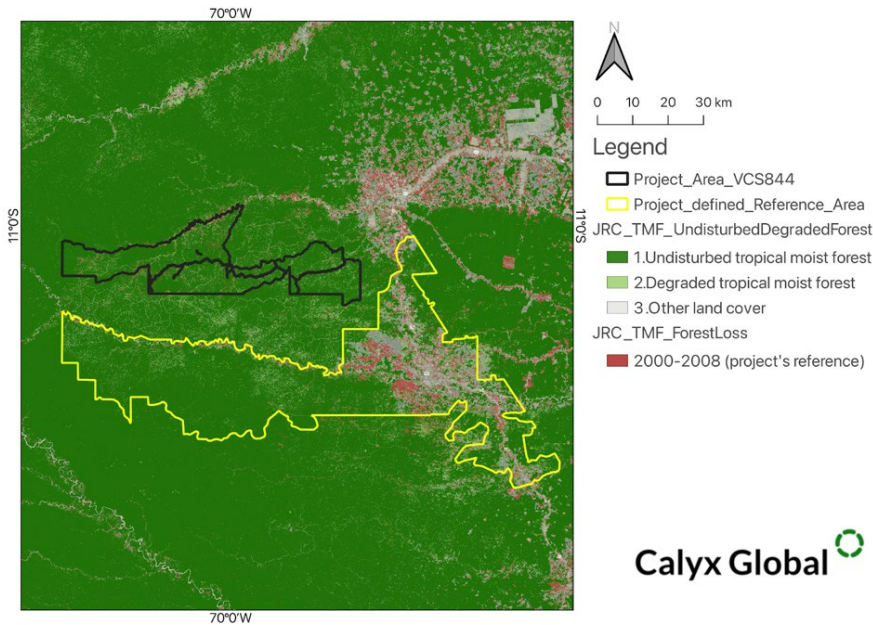
New Verra methodology released in November 2023 →

- Will replace older methodologies
- Currently only applicable to AUD

VM0048	Version 1.0
	Active since 11/2023

Approaches for determining baseline deforestation

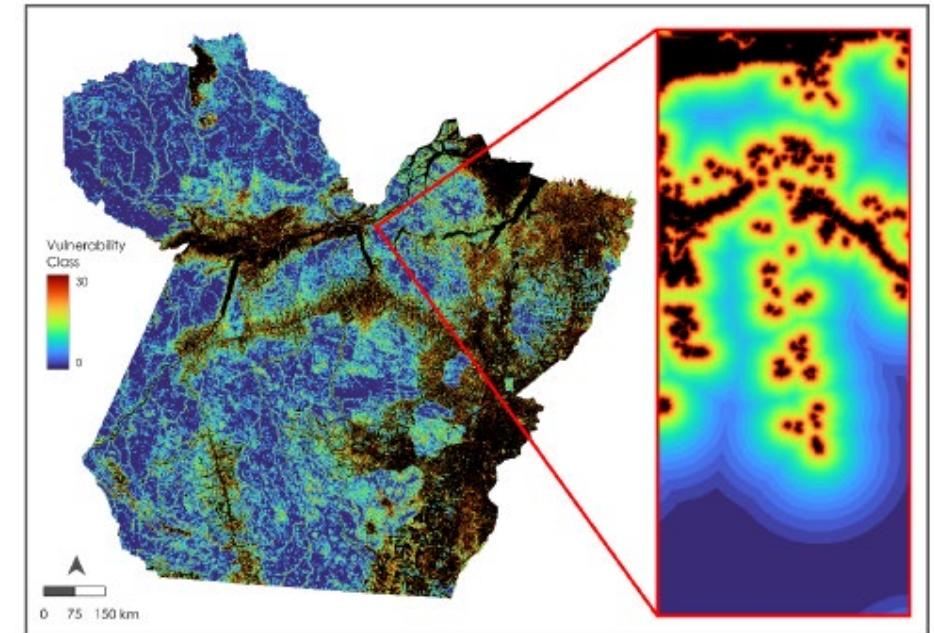
VM0006, VM0007, VM0009, VM0015



- ▶ Reference regions
- ▶ Flexibility to select favorable reference regions likely leads to very large overestimation



VM0048



- ▶ Jurisdictional baseline
- ▶ Allocation of deforestation risk to pixels across the jurisdiction
- ▶ Baseline deforestation data provided by Verra

VM0048: How is the jurisdictional baseline determined?

▶ Jurisdictional baseline

- Corresponds to the average annual deforestation in the last 10 years
- Updated every 6 years

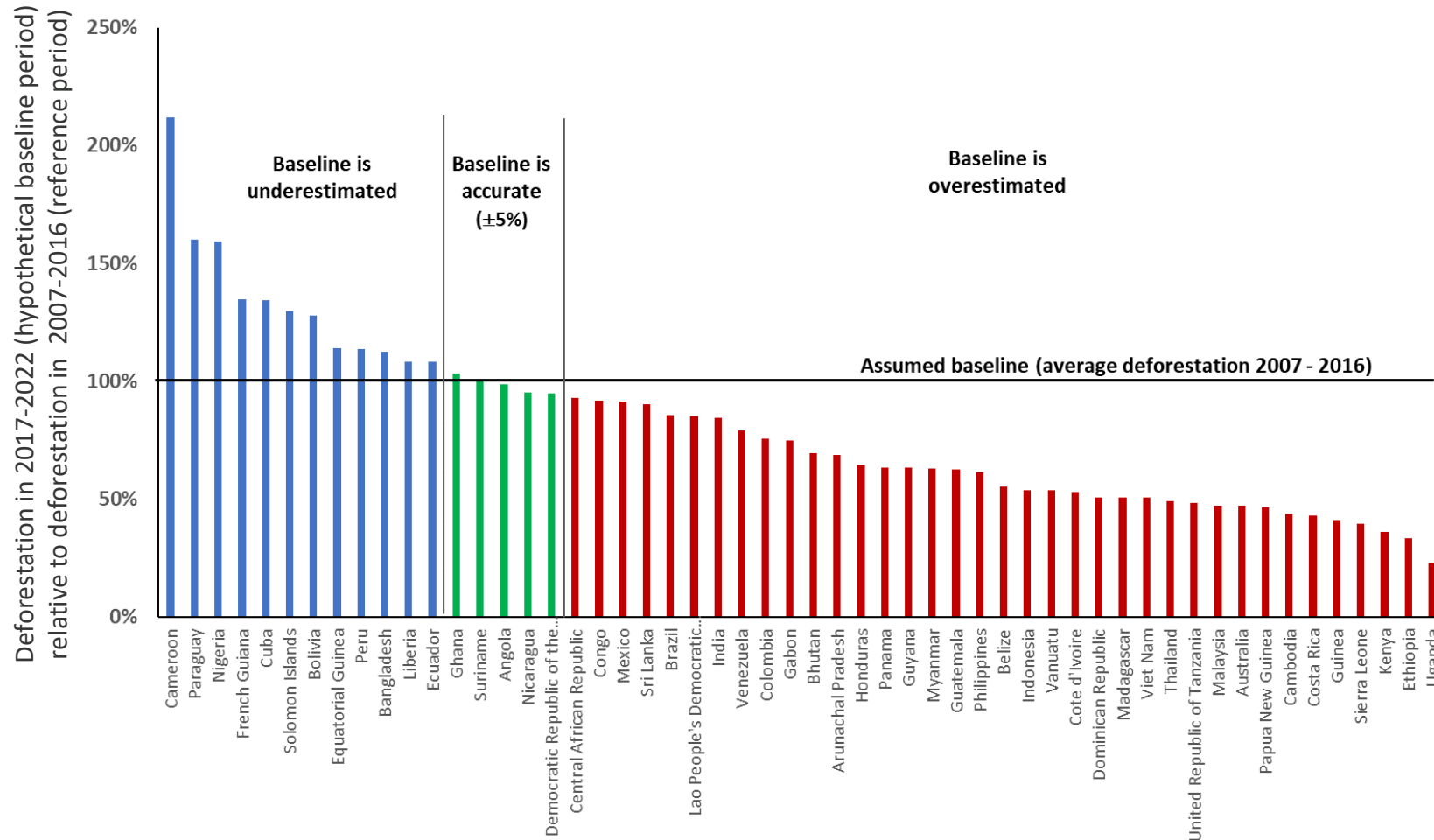
=> **Common practice in jurisdictional (carbon crediting) standards**

▶ For any baseline validity period, this approach could lead to...

- Underestimation if deforestation increases over time
- Overestimation if deforestation decreases over time

VM0048: Uncertainty in the jurisdictional baseline

Simplified application of the baseline approach to 54 jurisdictions



► Deforestation increases in some countries, and decreases in others

► Jurisdictional baseline may be significantly under- or overestimated

VM0048: Is the jurisdictional baseline conservative?

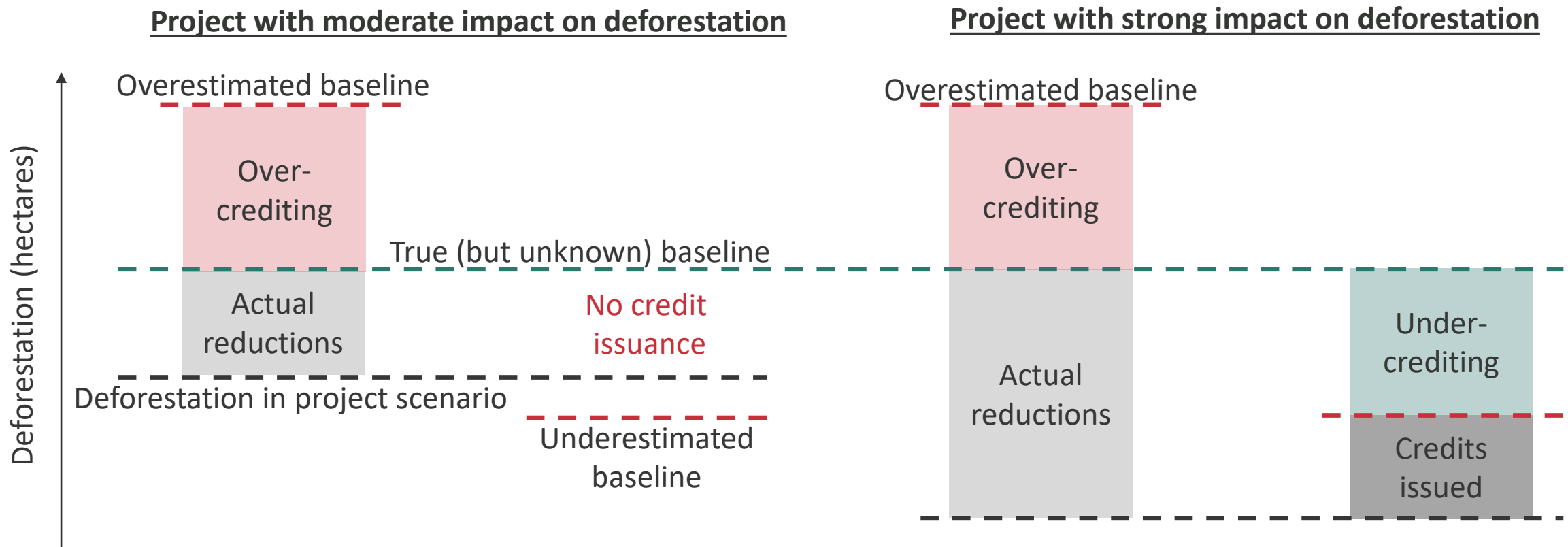
Key questions

- ▶ Does baseline uncertainty impact integrity?
- ▶ What are the implications if there are any longer-term deforestation trends?



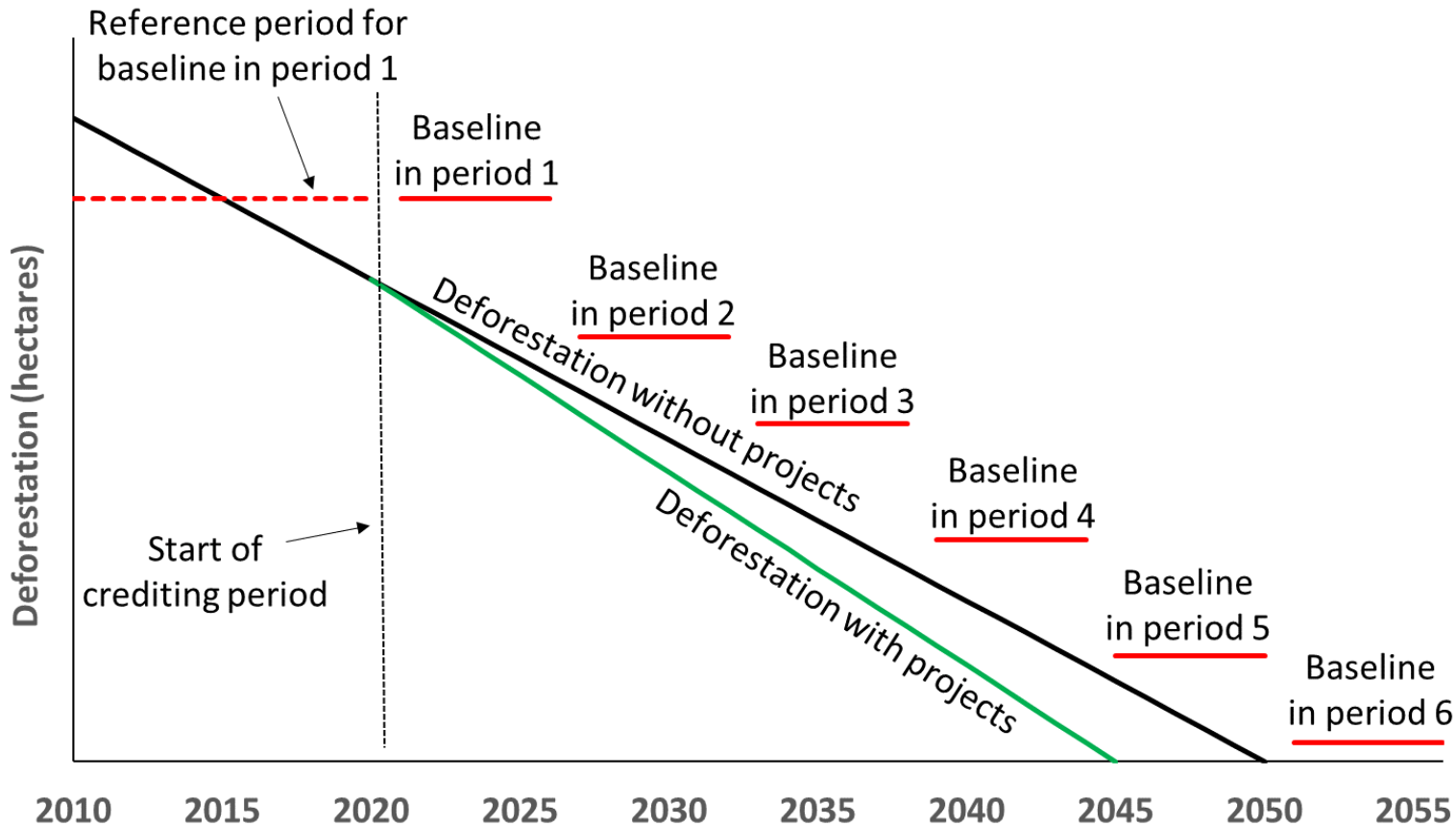
VM0048: Potential implications of large baseline uncertainty

VM0048 accounts comprehensively for data uncertainty – but does not adjust for baseline scenario uncertainty



- ▶ Large baseline uncertainty could undermine the integrity of a portfolio of projects
- ▶ Risks are lower if projects have large impacts and baselines are conservative

VM0048: Implications if deforestation rates decline



- ▶ **Baseline reflects trends only with a delay**
- ▶ **Jurisdictional baseline is**
 - Conservative if deforestation increases and is never halted
 - Not conservative if deforestation declines
- ▶ **It seems plausible that deforestation may halt at some point in time**

VM0048: Other important methodological elements

Baselines

- Uncertainty in allocating deforestation risk across the jurisdiction
- Limited consideration of degradation in emission factors
- Uncertainty discounts

Project boundary

- Possible exclusion of various carbon pools / emission sources
- Adverse selection of favorable project areas
- Ex-post changes to project area

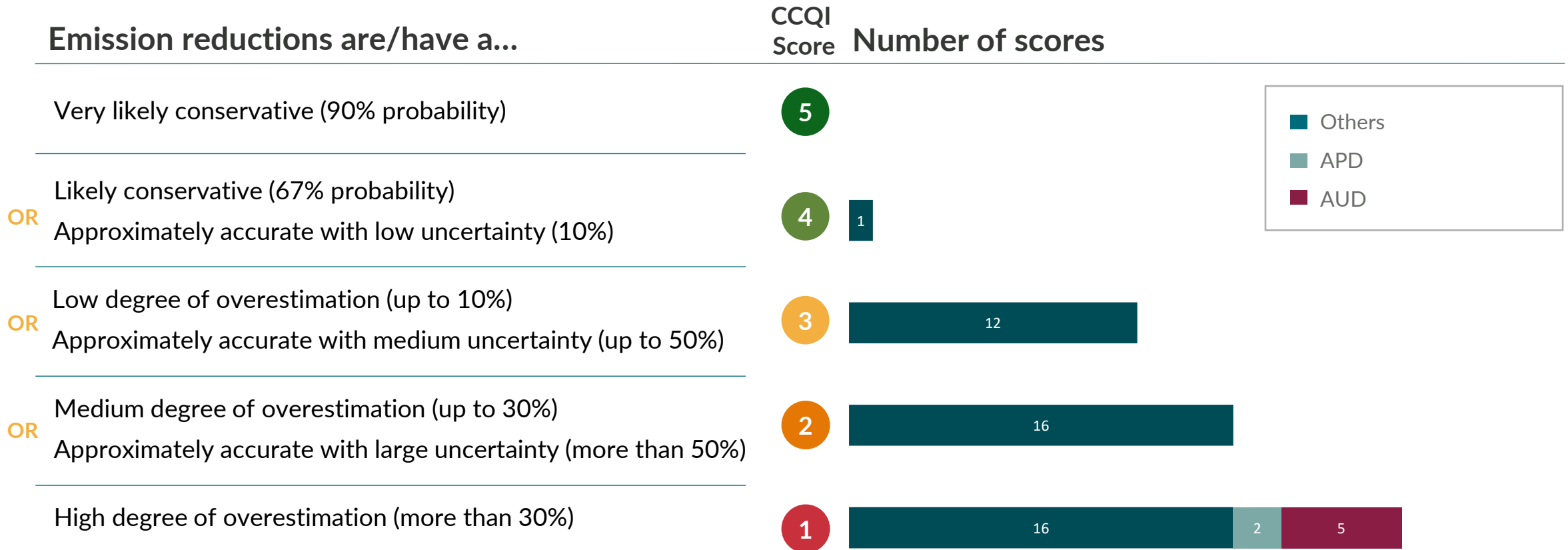
Carbon quantification

- Flexibility in determining various parameters (e.g. allometry)
- Uncertainty discounts

Leakage

- Flexibility in choosing historical records and other key data
- No accounting for international leakage
- No accounting of any negative leakage

Methodologies across project types must improve



Many methodologies either overestimate emissions reductions, or there is large uncertainty
 There is large divergence within the score 1 category

Summary of main findings

- | | |
|-----------------------|--|
| Additionality | <ul style="list-style-type: none">▶ Projects likely need revenues from carbon credits to be financially attractive▶ VCS rules allow listings with start dates up to 3 years in the past |
| SDG impacts | <ul style="list-style-type: none">▶ SDG impacts highly contextual▶ Good project design critical for positive impacts and avoiding harm |
| Quantification | <ul style="list-style-type: none">▶ Old methodologies likely to vastly overestimate emission reductions▶ VM0048 is a significant improvement but needs further strengthening |
| Non-permanence | <ul style="list-style-type: none">▶ Minimum period to address reversals increased from 20 to 40 years▶ Ongoing work on longer-term monitoring |
| Governance | <ul style="list-style-type: none">▶ VCS program rules on double counting, overall governance and environmental and social safeguards largely solid, with exceptions |

What's next for CCQI?

- ▶ Jurisdictional REDD+
- ▶ Scoring tool enhancement
- ▶ More project types
- ▶ Blog articles
- ▶ More factsheets

Thank you!



Website:

www.carboncreditquality.org



Contact:

carboncreditqualityinitiative@gmail.com



Connect with us on LinkedIn