The Gold Standard

**Double Counting Guideline**
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**Scopes Land Use & Forests, Energy & Waste
Version XX** [for TAC and Alignment Group to discuss and vote] **Valid since XX 2015**

This document lays out the Gold Standard rules in relation to potential Double Counting of GHG emissions reductions. It is intended to provide Technical Advisory Committee (TAC) and Stakeholders with background information to the issue and to present the proposed rule change.

This paper applies to all Gold Standard scopes that involve the issuance of Voluntary Emissions Reductions (VERs) and is therefore an Alignment topic requiring the approval of Energy & Waste (E&W) and Land Use & Forests (LU&F) Subcommittees. As an Alignment topic it will also be presented to the Water Subcommittee for information and comment prior to approval. Alongside TAC review a public comment period will also be convened and feedback received shall contribute to the overall conclusion of the rule changes.

It is intended that the following issues will be addressed in introducing this guideline:

* Improve the practicality and flexibility of the existing E&W rules while protecting the overall integrity of GS VERs.
* Formalise the rule to LU&F Scope in order to protect the integrity of GS VERs in this sector.

**EXECUTIVE SUMMARY**

Prior to 2013 the Kyoto Protocol provided for the management, accounting and reporting of greenhouse gases across the international community. While the EU continues to base it’s accounting on Kyoto generally the international approach and the markets that serve them have become increasingly fragmented and unregulated. It appears very likely that for the period until 2020 and potentially beyond, this state of uncertainty will remain.

In the absence of a robust global architecture the possibility for double counting of emissions reductions exists. It is therefore critical to the authority and reputation of the Gold Standard that a rule/process is provided to guard against this. In line with the principles and spirit of the Gold Standard the new approach must be of the highest rigour and transparency and remove any doubt as to the possibility of double counting where Gold Standard VERs/CO2-certificates are involved.

It remains uncertain how this situation will change but wherever VERs are issued by a project within an affected host country or region this will remain an issue. This guideline does not affect other Gold Standard products such as labelling of CERs or Water Benefit Certificates.

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1. **INTRODUCTION**

The rule change is intended to apply where the potential exists for Double Counting due to issuance of Gold Standard VERs/CO2-certificates. It is intended to protect the transparency, credibility and robustness of all Gold Standard VERs. At the same time there are increasing market demands for Gold Standard VERs generated within countries that have cap on GHG emissions.

Typically the potential for Double Clouting arises where there is a government-regulated system/programme for the constraint and monetisation of GHG emissions (such as cap and trade or carbon tax mechanisms). Examples may include national/international schemes such as the EU ETS or sub-national, various regional schemes such as the Chinese, Canadian and American provincial/state-based schemes. Under these systems/programmes the potential exists for the Gold Standard VERs/CO2-certificates to be inadvertently or intentionally captured and monetised outside of the Gold Standard issuance-transfer-retirement practice.

The above scenario is typified (though not exclusively) by a cap and trade system whose accounting is managed via AAUs or scheme-based compliance credits. Such accounting mechanisms vary widely in quality, rigour and content with differing examples of sector and scope inclusion. The scenario may also occur where a carbon tax exists.

While a rule exists under the Gold Standard E&W Scope (allowing the cancellation of AAUs in lieu of GS VERs issued) frequent feedback indicates that this is neither practical or in many cases feasible. This guideline therefore addresses this and provides a greater flexibility to Project Developers operating in affected countries. There is currently no such rule in place for LU&F and therefore is required to improve the overall integrity of that standard.

This guideline provides a robust response to resolve this issue across the relevant Gold Standard scopes.

1. **DEFINITIONS**

**Double Counting** l The scenario wherein the environmental benefit of a single GHG emission reduction is claimed, monetized or sold separately by multiple different parties, defined further as follows:

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| --- | --- | --- | --- |
| **Type of Double Counting** | **Definition** | **Example** | **Mitigation** |
| Double Claiming[[1]](#footnote-1) | Wherein the GHG benefits are claimed by multiple parties | Where a Gold Standard VER is issued and used to demonstrate carbon neutrality of a manufacturer and also its product. The carbon neutrality of the product may also be claimed by the product purchaser. | Not considered ‘double counting’, as long as not double monetized, no rule change proposed. |
| Double Selling | Wherein the GHG benefit is sold multiple times by the same entity. | Where the owner of a Gold Standard VER trades the same asset multiple times. Alternatively where a Gold Standard VER is also sold separately as a REC. | Existing Gold Standard Registry procedures and rules to track ownership and retirement provide for transparency in this respect. GS does not police the activity of retailers beyond the GS Registry. No change proposed within this guideline.  |
| Double Accounting  | Wherein the GHG benefits are accounted for on multiple occasions. | Where a Gold Standard VER is issued in a country or region where an accounting/reporting procedure exists for GHG emissions (for example a carbon tax, national account or in the future INDCs). The GHG benefit is accounted under Gold Standard and within the country or regional accounting system. | Unless formalised within a cap and trade style system (see Double Monetisation) then this ‘double accounting’ is not considered possible to police at this time due to the fragmentation/lack of transparency in these mechanisms. Gold Standard will monitor developments closely and instigate further rule changes as needed. |
| DoubleMonetization  | Wherein the GHG ER benefit is unitised and made available for accounting or trade under multiple mechanisms/products. | Where a Gold Standard VER is issued in a country or region that operates a GHG Emissions Trading Scheme or carbon tax that thereby accounts for and monetises the same GHG ER. | Proposed rule change for Double Counting outlined in this document. |

1. **APPLICABILITY / SCOPE**

Currently there are rules under the scope ‘Energy & Waste’ requiring the cancellation of AAUs in lieu of issuance of VERs and preventing the issuance of RECs under renewable energy projects. There is currently no rule under the ‘Land Use & Forest’ scope to address this topic.

This guideline replaces the current rules and requirements within the Gold Standard scope ‘Energy & Waste’.

**Type of Double Counting**

This guideline addresses the specific Double Counting issues caused by ‘Double Monetization’ and their subsequent action.

**Scopes**

This guideline addresses the topic of Double Counting within the Gold Standard scopes Energy & Waste and Land-Use & Forest. Here, it affects the issuance of all Gold Standard VERs/CO2-certificates (validated and verified).

When the Gold Standard issues labels for CDM credits (CERs) it does not create a separate asset or replicate the UN’s accounting and registry systems. Therefore, this guideline does not apply to Gold Standard labelled CERs.

The guideline does also not affect the Gold Standard Water scope. In the water sector there are no equivalent offsetting or trading schemes and there is no international regime for national or regional accounting and target setting. This will be monitored by Gold Standard and addressed under a separate rule as required in due course/if required.

This guideline does not address stacking of assets e.g. the issuance of VERs and Water Benefit Certificates for example.

**Time**

Applicability of these guidelines shall be determined at the point of project ‘Listing’ as per Gold Standard Requirements. At that time the position is fixed for that project as follows:

* For ‘Energy & Waste’ projects - fixed until conclusion of first crediting period (at which point applicability shall be assessed again)
* For ‘Land Use & Forest’ projects - for entirety of crediting period

Gold Standard justifies this process on the basis that should a GHG Emissions Trading Scheme (for example) commence in a given country during the crediting period then the Gold Standard project would have notified the Designated National Authority already during stakeholder consultation process. It would be for the new regulatory scheme at that point to take account of any Gold Standard projects currently in operation.

1. **REQUIREMENTS**

Prior to the ‘Listing’ of Gold Standard project the project owner shall demonstrate with documentary evidence that no Double Counting can occur. This can be demonstrated by fulfilling one of the following options under scenario 1:

**Scenario 1**

The project owner shall demonstrate that:

1. The project is not within a country/region with an active GHG Emissions Trading Scheme, OR
2. The GHG emissions reductions/removals are not accounted within the accounting system of the host country/regional regulator, OR
3. The GHG emission reduction are accounted within a scope of the accounting system of the host country/regional regulator, but *not* monetized by the host country/regional regulator, OR
4. The host country/regional regulator decides to not account for voluntary GHG emissions reduction/removal contributions (for e.g till a cap is reached), OR
5. The host country/regional regulator commits to cancelling or assigning an equivalent number of AAUs from its account in lieu of the voluntary GHG emissions reductions/removals, OR
6. The host country regulator commits to extract the project’s GHG emissions reductions/removals from its accounting.
7. The GHG emission reduction from voluntary activities do not exceed 5 per cent of the host country’s domestic GHG emissions as is communicated in the most recent National Inventory Report[[2]](#footnote-2) from Annex I Parties or National Communications from non-Annex I Parties[[3]](#footnote-3).

**Scenario 2**

If none of the above options under scenario 1 can be demonstrated then the project owner shall demonstrate that:

(a) AAUs/appropriate mechanism based units are cancelled by or on behalf of the project, OR

(b) Other *Eligible Cancellation Unite* (see list below) are cancelled by or on behalf of the project.

*Eligible Cancellation Units* include:

* AAUs (any kind of AAUs/vintage/origination)
* Units eligible within the respective GHG Emissions Trading Scheme
* CERs with further eligibility as follows:
	+ Must be from scopes/sectors eligible for Gold Standard labelling
	+ Must have completed the UNFCCC SD Tool [[4]](#footnote-4)
* Gold Standard VERs (validated credits are not eligible)

The units may come from any vintage so long as they have been issued and can be demonstrated via attestation from the relevant registry to have been cancelled for the purposes of the respective Gold Standard project to address the topic of Double Counting.

tCER and lCERs from CDM A/R are not eligible.

An equivalent number of *Eligible Cancellation Units* shall be cancelled prior to each issuance of an affected project. The Gold Standard VER/CO2-certificates issuance process will occur in line with the timescales as appropriate under the Gold Standard Rules and Requirements, but Gold Standard VER/CO2-certificates issuance will not be completed until the cancellation of an equivalent number of *Eligible Cancellation Units* has been confirmed/attested.

Gold Standard justifies the selection of *Eligible Cancellation Units* as follows:

* To avoid any built-in discrepant accounting, the units must be from an accounting mechanism that is either:
	+ Equivalent to the one implemented by host regulatory bodies (e.g. AAUs) to mitigate any risk of discrepant accounting
	+ Equivalent to the GS VER issued (e.g. another GS VER)
	+ One that Gold Standard has assessed and accepts as robust (e.g. CDM)
* Must be issued in a transparent registry that allows for clear serial numbering and unequivocal attestation as to purpose. For example at the point of a cancellation some registries (for example UNFCCC Voluntary Cancellation Platform) allow for the attestation of purpose to be stated in the receipting. This attestation is required to demonstrate to GS that the purpose of cancellation was explicitly for the mitigation of double counting risks. The attestation should therefore include the GS Project number (if known) and clear reference to name, location and methodology.
* Must not inadvertently interfere with host regulatory scheme accounting.
1. **PROCEDURES**

While submitting documents for “Listing’ process the project owner shall fill-in the template “Double Counting Check” and submit it to the Gold Standard secretariat. The Gold Standard secretariat will review the project information and provide Clarification / Corrective Action Requests or approval for the project ‘Listing’.

For retroactive projects the regulatory body/DNA shall be notified of the voluntary project prior to commencement of Registration Review. For regular cycle projects the regulatory body/DNA shall be notified during the LSC process.

Any comments raised by such bodies in response to notifications shall be fully and satisfactorily addressed prior to Listing/Registration. Gold Standard reserves the right to reject project Listing or Registration should the host/DNA/Regulatory body object to project on the basis of potential Double Counting risks.

Should a regulatory scheme be proposed/commence development during the project crediting period the Project Owner/Developer shall notify the host/DNA or any newly formed regulatory body of the presence of their voluntary project in the jurisdiction and that steps should be taken to avoid Double Counting on the regulatory side.

Note, that in case the project owner has to follow Scenario 2, the Gold Standard does NOT require the project owner to cancel the respective amount of *Eligible Cancellation Units* at the beginning of Gold Standard application process. It is recommended to wait until the final amount of Gold Standard VER/CO2-certificates has been confirmed by the audit report. Before issuance of Gold Standard VER/CO2-certificates takes place evidence on the cancellation shall be provided.

1. **IMPLICATIONS**

**Implications for Project Owners**

The implication for project owners is, if they are at all affected by the topic of ‘Double Counting’, there could be additional cost to purchase and retire *Eligible Cancellation Units* as part of the Gold Standard VERs/CO2-certificates issuance process (Scenario 2). Conversely this mechanism protects the credibility of Gold Standard VERs/CO2-certificates to the benefit of all project owners.

**Implications for Auditors**

Increased Gold Standard project activities in countries and regions with GHG Emissions Trading Scheme will increase commercial opportunities for Gold Standard auditors outside of the traditional Gold Standard domain.

**Implications for Stakeholders**

It is vitally important that Gold Standard maintains and defends its reputation for rigour, transparency and integrity. While there is no direct impact on stakeholders it is clear that the absence of this rule would adversely affect the standing and market position of the Gold Standard Foundation.

**Implications for the Gold Standard**

The current international position and subsequent potential for ‘Double Counting’ of Gold Standard VERs/CO2-certificates requires that Gold Standard implement this guideline. Without the guideline Gold Standard VERs/CO2-certificates within the market would be subject to increased scrutiny and doubts as to the veracity of the claims made. Accordingly it is considered that the guideline will be of benefit to the reputation and integrity of the Gold Standard.

1. Note – this guideline is not intended to address issues of ‘stacking’ of assets – either as multiple assets from the same project activity or multiple activities within the same project. [↑](#footnote-ref-1)
2. National Inventory Report Submissions tot he UNFCCC <http://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/8812.php> [↑](#footnote-ref-2)
3. Submitted National Communications from non-Annex I Parties

<http://unfccc.int/national_reports/non-annex_i_natcom/submitted_natcom/items/653.php> [↑](#footnote-ref-3)
4. The CERs are cancelled for the sole purpose of backing-up the Emissions Reduction. To provide some safeguard as to the quality of the credits cancelled these additional criteria are provided however the Gold Standard does not endorse any Sustainable Development contribution beyond that assured by a GS label. [↑](#footnote-ref-4)