

# EUROPEAN CARBON INVESTOR SERVICES

## VOLUNTARY OFFSET STANDARD

European Carbon Investor Services (ECIS) has established the Voluntary Offset Standard, as detailed below. The Voluntary Offset Standard is intended to support the development of emerging carbon markets around the world, particularly those of a 'pre-compliance' nature, and support international policy convergence with a view to long term carbon market integration.

### **Rationale**

In 2003, private banks agreed to adopt environmental and social standards for project financing that were equivalent to those applied by multilateral development banks. The objective of the Equator Principles was to avoid what civil society would characterise as a 'race to the bottom' in standards, in which private banks would undercut the lending criteria of multilateral institutions by disregarding procedures designed to deliver socially responsible investment and sound environmental management practices.

The aim of the Voluntary Offset Standard is to fulfil the same objective for the carbon market. Currently, project-based carbon credits are generally created in one of two ways – either using regulated and standardised procedures or on a more ad-hoc basis. Credits created through Joint Implementation and the Clean Development Mechanism under the Kyoto Protocol fall into the first category and are eligible for use by organisations needing to comply with mandatory climate policies such as the EU Emissions Trading Scheme for greenhouse gases. Credits created through companies establishing their own ad-hoc procedures fall into the second category. This latter category of credits can vary substantially in quality and are purchased by organisations or individuals wishing to voluntarily offset their greenhouse gas emissions. Consequently, the risk is that credits of a lower quality in the voluntary market as compared to the compliance market will discredit the carbon market in general, and will affect efforts to reduce emissions in an environmentally credible manner.

However, there is increasing recognition that a standard is needed in the voluntary market. This recognition is welcome and will promote convergence between the compliance and voluntary markets over time. To this end, ECIS has proposed the Voluntary Offset Standard. This Standard brings the voluntary market up to the level of the regulated and standardised procedures of the compliance market, but extends the eligible geographical area beyond those countries that have ratified the Kyoto Protocol. This measure will therefore support innovation in, and extension of the carbon price to, those sectors that are currently unregulated, particularly in the United States and Australia. It will also support companies' early action in anticipation of legislation being enacted, known as "pre-compliance", since it will give them greater confidence in the value of their purchases. Finally, it will reassure those buying on a purely voluntary basis. Here, the Standard gives a signal that their purchases represent real emission reductions.

## Proposition

This standard can be used as a minimum standard when purchasing verified emission reduction (VER) credits on behalf of organisations or individuals offsetting their greenhouse gas emissions.

ECIS endorses the following as a minimum standard:

1. The verified emission reduction credits shall be one of the following:
  - (a) Certified emission reductions generated through the Clean Development Mechanism Gold Standard ([www.cdmgoldstandard.org](http://www.cdmgoldstandard.org)).
  - (b) Emission reduction units or certified emission reductions generated respectively through Joint Implementation or the Clean Development Mechanism, as established pursuant to the Kyoto Protocol to the United Nations Framework Convention on Climate Change ([www.unfccc.int](http://www.unfccc.int)).
  - (c) Verified emission reduction credits generated through project activities employing either of the standards listed in paragraphs (a) and (b).
  - (d) Verified emission reduction credits generated through pilot project activities covering a sector of a developing country economy. Such projects shall be consistent with the standards listed in paragraphs (a) and (b), or those agreed upon and defined pursuant to the United Nations Framework Convention on Climate Change in the context of a post-2012 framework.
2. In addition to being generated in accordance with paragraph 1, the verified emission reduction credits shall be:
  - (a) Real: all greenhouse gas emission reductions or removals shall have actually occurred.
  - (b) Measurable: all greenhouse gas emission reductions or removals shall be quantifiable using approved project activity methodologies as developed under the relevant standard.
  - (c) Permanent: all greenhouse gas emission reductions or removals shall be permanent. Where removals are at risk of being reversed, adequate safeguards shall be in place to ensure that the risk of reversal is minimised and that, should any reversal occur, a mechanism is in place that guarantees that such reversed removals be replaced or compensated.
  - (d) Additional: all greenhouse gas emission reductions or removals shall be additional to what would have happened if the project activity had not occurred following the guidelines established under the relevant standard.

- (e) Independently verified: all greenhouse gas emission reductions or removals shall be verified by a certified independent third party verifier as required under the relevant standard.
  - (f) Unique: for each tonne of greenhouse gas emissions reduced or removed, no more than one verified emission reduction credit shall be created.
3. Verified emission reduction credits shall not be generated from the following activities:
- (a) Nuclear power production.
  - (b) New hydroelectric dams with a generating capacity exceeding 20 MW from the utilisation of water storage facilities, unless such project activities adhere to relevant international criteria and guidelines including those contained in the World Commission on Dams November 2000 Report "Dams and Development - A New Framework for Decision-Making".
  - (c) Substitution or destruction of hydrofluorocarbons (HFCs) where the production or use of ozone depleting substances may be incentivised.
  - (d) Activities geographically based in the European Union which are covered by its scheme for greenhouse gas emission allowance trading as listed in Annex I to Directive 2003/87/EC, with the exception of emission reduction units or certified emission reductions complying with Commission Decision 2006/780/EC on the avoidance of double counting of greenhouse gas emission reductions.
  - (e) Activities geographically based in any other country which are covered by a scheme for greenhouse gas emission allowance trading.
4. Upon a verified emission reduction credit generated in accordance with paragraph 1 being used to offset a tonne of greenhouse gas emissions, that credit shall be cancelled in order to prevent it being used to offset any other tonne of greenhouse gas emissions.
- (a) If a verified emission reduction credit is a Certified Emission Reduction generated under the Clean Development Mechanism or an Emission Reduction Unit generated under Joint Implementation, that credit shall be irrevocably cancelled through being transferred to the national cancellation account contained within the national registry of a ratifying Party to the Kyoto Protocol as established pursuant to paragraph 12(f) of Decision 13/CMP.1 of the Protocol.
  - (b) Any other verified emission reduction credit shall be irrevocably cancelled through being transferred to the cancellation account of a registry demonstrating this capability and therefore approved by ECIS under the Voluntary Offset Standard.
5. This Voluntary Offset Standard shall be subject to review over time. This shall take place through the submission of new standards for generating emission

reductions through project activities to the President of the Board of ECIS. Upon receipt by the President, the submission shall be considered by ECIS for inclusion to the Standard within 90 days.