

Allianz für
Entwicklung
und Klima



Development and Climate Alliance Approved Standards and Processes

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Inhalt

1. Preamble	3
2. Introduction	3
3. Requirements	4
3.1 General	4
3.2 Approved standards	4
3.3 Handling of ex-post and ex-ante certificates	4
3.4 Certification processes and transactions	5
3.5 Approved project types and certificates	5
3.6 Marketing of projects and certificates	6
3.7 Requirements for the phase after 2020	6
3.8 Mechanisms for providing suggestions and criticism	6



1. Preamble

The standards and processes approved by the Development and Climate Alliance are highly significant. The present document contains the agreed specifications in this area, which were developed collaboratively by the steering committee of the Alliance and interested supporters in the course of 2019. The specifications currently concern two pillars, namely ex-post and ex-ante certificates in the climate sector.

Specifications have not yet been agreed for the third pillar, strengthening nature-based solutions, which the Alliance also considers extremely relevant. This concerns approaches to biological sequestration and, in particular, reforestation projects, rainforest protection and humification in agriculture. Projects in this area are very important for sustainable development and climate change mitigation. The Alliance will determine how such projects can be better promoted and taken into account. The aim is to identify new ways of assessing and accounting for climate impacts for the Development and Climate Alliance, making it possible to significantly scale up nature-based solutions.

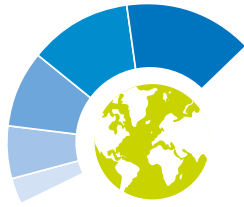
2. Introduction

The Development and Climate Alliance is committed to supporting voluntary contributions by companies, organisations, local authorities and individuals to promote sustainable development and climate protection. On the one hand, this involves development contributions in line with the SDGs (sometimes referred to as co-benefits), and on the other hand, this relates to positive impacts in mitigating climate change (often referred to as CO₂ offsetting). The Alliance wants to contribute to a substantial increase in the scope of such activities, which all fall within the core responsibilities of BMZ. To this end, it is important that the approaches pursued can be scaled up. The voluntary CO₂ offsetting market will experience considerable changes over the coming years. To achieve the required scalability, the criteria that must be met to obtain approval from the Alliance must not be perceived as a barrier to participation. However, quality, reputation and honesty are also equally important. Established standards serve as an anchor, along with the providers of carbon credits operating in the sector, many of whom are already members of the Alliance. Their input, as well as the recommendations of the German Environment Agency, provide the basis for defining the Alliance's standards.

To ensure clarity in communication, differentiation is important. For the time being, most of the Alliance's activities consist of classic carbon offsetting projects. Here, the Alliance only reports on retirements of carbon credits and positive impacts on development¹. These are ex-post certificates (i.e. for climate change mitigation impacts that have already been achieved). This is the first pillar of the Alliance. Retired certificates are used as the basis for statements on the progress Alliance members are making towards climate neutrality or climate positivity.

The second pillar relates to ex-ante certificates. They serve, among other things, to pre-finance forest projects and are therefore important from the Alliance's point of view. For that reason, they are accepted by the Alliance as a suitable project type. Such projects have an immediate impact on development, but their climate change mitigation benefits are only felt later. Here the Alliance's reporting covers both the impact on development and the amount of CO₂ emissions that will be reduced in the future. However, ex-ante certificates cannot be used in the context of carbon offsetting or as proof of progress towards climate neutrality/positivity.

¹ To ensure better differentiation in this document, development impacts always refer to all SDGs apart from SDG 13 (Climate action), as the latter is always treated separately. It is of course clear that development and climate are not separate issues and go hand in hand.



Below is a catalogue of mandatory requirements for the Alliance and its supporters. It is based on the ICROA Code of Best Practice².

3. Requirements

3.1 General

1. The quality of projects and processes must be demonstrated with reference to a standard. In the future, standards should be oriented toward the ICROA Code of Best Practice.
2. Standards must certify the impact of projects on development (based on the SDGs, also called co-benefits)³ and the CO₂ emission reductions. This can also be achieved by combining several standards if each covers only part of what is required but together they cover all aspects.
3. Each standard must have an “owner” who is responsible for it and can undertake further developments. The owner must be independent and not have a conflict of interest with other market participants – in particular, certifiers, project developers or traders.

3.2 Approved standards⁴

4. In accordance with items 1 to 3, the following standards are currently accepted: CDM, Gold Standard (various versions, e.g. GS4GG, Fairtrade Gold Standard), Plan Vivo, SD VISTa, Verified Carbon Standard (VCS), CCBS and Social Carbon. The American Carbon Registry (ACR) standard is also accepted but does not play a significant role in Germany.
5. Approved standards for co-benefits must make a verifiably positive, measurable contribution to at least one SDG in addition to SDG 13 (Climate action).
6. The list of standards can be extended. New standards can be included if they meet the jointly agreed requirements of the Alliance.

3.3 Handling of ex-post and ex-ante certificates

7. In its reporting, the Alliance makes a distinction between ex-post certificates, which apply to reductions in CO₂ emissions that have already been achieved, and ex-ante certificates, which apply to CO₂ reductions that are yet to come. The second pillar covers the latter type. Although both types of certificates are equally important to the Alliance, they are different in character. They can be considered together as far as their impact on development is concerned, but not in terms of their significance for climate change mitigation. For ex-ante certificates, the emission reductions have not yet occurred. Their purpose is to pre-finance intended impacts in the future. For this reason, they cannot be used in statements on the extent of carbon offsetting (in tonnes of CO₂) achieved up to now or statements on current progress toward climate neutrality/positivity.

² <https://www.icroa.org/The-ICROA-Code-of-Best-Practice>

³ As explained above, to simplify communication here, development impacts refer to everything apart from climate action, even though climate aspects are of central importance for development. Instead, climate is dealt with separately in each case.

⁴ For an overview of the various standards see Freiwillige CO₂-Kompensationen durch Klimaschutzprojekte, pp. 32-40 (Dessau-Roßlau: German Environment Agency, 2018).



3.4 Certification processes and transactions

8. The extent to which projects conform with the requirements of the relevant standards must be confirmed by independent accredited auditors of the standards.
9. Emission reductions that have been achieved through registered projects must be verified ex-post by independent auditors.
10. There must be one or more registers in which the emission reduction projects are clearly registered.
11. Emission reduction certificates must be clearly assigned to registered projects in registers. Each reduction in CO₂ emissions can be confirmed by a certificate once only. A reduction must not be counted more than once. Certificates must be acquired and retired through transparent processes.
12. Retirements of certificates must be documented in an unambiguous manner. Each CO₂ offset ends with the documented retirement of the respective certificates.

3.5 Approved project types and certificates

13. Projects must be additional, i.e. they would not be implemented without financing from CO₂ certificates. All activities are voluntary and go beyond government requirements.
14. The projects must be carried out in developing and emerging-market countries only. No individual country from these two categories can be excluded per se.
15. The Alliance is cautious about excluding project types. The approved standards already contain substantial provisions in this respect, and the participating project developers take adequate precautions. However, the following types of projects are explicitly excluded in accordance with the slightly modified requirements of the German Environment Agency for emissions offsetting measures undertaken by the German government:
 - a. Energy- efficiency projects in lighting programmes involving lamps that contain mercury
 - b. Projects in the palm oil sector, unless the palm oil comes from certified sustainable producers
 - c. Projects for geological CO₂ sequestration
 - d. Projects for the destruction of trifluoromethane (HFC-23) and nitrous oxide (N₂O) from adipic acid production
 - e. Projects relating to the extraction and processing of fossil fuels or in which mainly fossil fuels are used. This does not apply to carbon capture and usage (CCU), for example involving synthetic fuels (e-fuels) or energy-efficiency measures in households.
16. The Alliance adheres to the same general principles as ICROA: real, measurable, permanent, additional, independently verified and unique.
17. Projects must make a positive, measurable contribution to development in accordance with the SDGs (co-benefits such as health, education, biodiversity, etc.). Individual projects must demonstrate positive effects for at least one SDG in addition to SDG 13 (Climate action).
18. Projects must not restrict the fundamental rights of people in the project area (such as human rights or the rights of indigenous peoples) or cause environmental degradation (do-no-harm principle).⁵
19. Projects must have an impact on both development and climate change mitigation. The effects must be related in terms of their geographical, thematic or institutional context. Different components cannot be combined to form one project if they are not already related in such a way.

5 Each standard approved by the Alliance satisfies this requirement through specific safeguarding principles.



3.6 Marketing of projects and certificates

20. Supporters often combine a large number of emissions offsetting projects (portfolios). However, in its reporting the Alliance always focuses on the projects individually, as well as the certificates that are retired in each case.
21. Emissions offsetting providers can bundle certificates from different projects for marketing and sales purposes. Here too, however, reporting by the Alliance is based on individual projects and the certificates that are retired from such projects.

3.7 Requirements for the phase after 2020

22. The key issue here is interactions between NDCs and voluntary measures. Double counting of emission reductions (by the project country and by purchasers of certificates) must be prevented. The standards must contain provisions on this point and prove their effectiveness.
23. The additionality criterion for projects must also be met even if circumstances change in the future. The standards must continue to verify this.
24. The Alliance welcomes the establishment of a new post-Paris market mechanism. It will provide a framework for future opportunities in the voluntary market. The Alliance will contribute to the debate on the design of this mechanism.
25. The Alliance will continue to monitor developments in this area and will discuss and evaluate them internally depending on the situation. The Alliance considers the prevention of double counting to be an important issue and wants to ensure that the available mechanisms are properly integrated into the official “NDC world”.

3.8 Mechanisms for providing suggestions and criticism

26. To ensure compliance with all provisions on standards within the Alliance, the aim is to establish a permanent, transparent mechanism for providing suggestions and criticism. Third parties will be able to intervene through these mechanisms if the activities of the Alliance or its supporters do not adhere to the rules or are suspected of not doing so. A transparent process will be used to investigate all information provided.