INFOSHEET

Corresponding Adjustment and Contribution Claim

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FOUNDATION Development and Climate Alliance

Background

With the Paris Agreement, all 195 Parties have committed to pursuing their own emission reduction targets (*Nationally Determined Contributions, NDCs*), to regularly enhance the ambition of these targets, and to report them to the United Nations. Although reductions may still be transferred between states, there is a risk of double counting. Article 6 of the Paris Agreement allows countries to cooperate and to trade emission reductions among themselves.

Corresponding Adjustment

In order to avoid double counting due to these new framework conditions and to preserve environmental integrity, a so-called ***Corresponding Adjustment (CA)*** is prescribed: a country that acquires a reduction is allowed to credit it against its balance sheet. The host country that approves this transfer is neither allowed to book it under its own emission reduction targets nor to use it to meet its NDC. This measure is intended to exclude double counting.

In the Voluntary Carbon Market, there is so far no agreement on the extent to which these state regulations should also apply to companies and other non-state actors. In order to prevent the double counting of emission reductions here as well, and thus to also counter possible reputational risks, the Foundation Development and Climate Alliance recommends that only emission certificates with a CA for CO_2 offsetting should be used in the future.

Some project developers have already made agreements with host countries on the authorization of projects and issuing of CAs and can therefore already provide a (limited) number of certificates with CAs. The establishment of CAs in the countries of the Global South, and thus the availability of corresponding certificates in large quantities on the voluntary market, will still take some time.

Contribution Claim

With the ***Contribution Claim*** approach, an alternative model is now being developed through which companies can promote global climate change mitigation via private financing contributions. To this end, companies set themselves, for example, an internal CO_2 price for their remaining, unavoidable greenhouse gas emissions and use the resulting financial resources to support climate protection projects in the Global South.

With this financial contribution, companies thus participate in global climate change mitigation without counting the emission reductions towards their own carbon footprint and without calling themselves ‚climate neutral'.

In addition to the option of funding projects without Corresponding Adjustments from the Voluntary Carbon Market, this model in particular also opens up the opportunity to finance projects that do not directly result in a reduction or storage of CO_2, but which, in the medium to long term, have a much larger impact in terms of climate-friendly change and the necessary transformation towards sustainability.

With this commitment, companies can fulfil their climate responsibility and make an effective contribution to achieving the global net zero targets.

Outlook

Together with the Wuppertal Institute for Climate, Environment and Energy, the Foundation Development and Climate Alliance has initiated a transdisciplinary project in which, together with stakeholders from business, politics, civil society and science, the concept of the *Contribution Claim* and its characteristics are examined and elaborated in more detail. You can find the resulting concept paper in German for your consideration by clicking here. We will inform you about further developments!

Foundation Development and Climate Alliance

Chausseestraße 22, 10115 Berlin
Telephone: +49 30 3465573-00
E-Mail: info@allianz-entwicklung-klima.de

www.allianz-entwicklung-klima.de