Brussels, 17 October 2020

Public Consultation Response to a Proposal for Scaling Voluntary Carbon Markets and Avoiding Double Counting Post-2020

Negative Emissions Platform is a forum in which diverse like-minded organisations actively collaborate to improve political and public recognition of carbon dioxide removals (CDRs). We represent technology developers, providers and sponsors, research centers, academia, think-tanks and civil society. Our main focus is on engineered and hybrid approaches - direct air capture and bio-energy with carbon capture and storage, enhanced weathering on land and in the oceans, biochar, as well as soil carbon sequestration, wood in products and the use of atmospheric carbon mineralization processes in building materials.

We welcome the opportunity to provide comments to the consultation on the Proposal for Scaling Voluntary Carbon Markets and Avoiding Double Counting Post-2020, and Verra's efforts to ensure credibility and transparency of voluntary carbon markets.

Climate science, a key guidance for the Verra Standard, urges the need for large-scale CDR as a complementary tool to large-scale emission reductions required to balance residual emissions and avoid the overshoot of the global Greenhouse Gas (GHG) emissions budget. While the UNFCCC guidelines exist to account for the LULUCF sector removals, BECCS and to some extent for biochar, and could be easily developed for direct air capture as a technology-based option, there are no well developed accounting guidelines for less mature CDR options like enhanced weathering, mineral carbonation, or carbon farming practices. The EU is planning to develop a certification method for all these solutions by 2023 which will be preceded by an assessment of risk of double counting or inaccurate accounting, and suitability of their integration into national GHG inventories. We believe that the absence of UNFCCC guidelines should not stall the progress in launching voluntary carbon removal projects by private developers. The ability of corporate actors to claim credits from carbon removal projects to fulfill voluntary commitments will remain an important factor in scaling of technologically

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info@negative-emissions.org

mature but high-cost CDRs while driving wider demonstration of less mature CDR methods.

Achieving the CDRs scales needed to meet our climate targets requires creation and growth of carbon removal markets in a manner that reflects the difference between CDRs and conventional offsetting, as outlined in the recently published Oxford Principles for Net Zero Aligned Offsetting.[1] In the absence of separate targets for carbon removals in national jurisdictions, voluntary carbon markets will remain a key driver for climate action in this area, and they can only grow and remain relevant if the credits sold are credible, additional, privilege long-lived CO2 storage over short-lived one and consider all associated cradle-to-grave emissions. Credible labels that take into account these requirements and are issued by trustworthy standards like Verra will have an important role to play in scaling voluntary carbon markets.

Regarding the requested input laid out in the proposal by Verra, we would like to submit the following responses:

1. Do the label titles "Article 6-Compliant" and "Pending Article 6" make sense? Or, should these labels have different names?

These labels are appropriate and reflect well the pending status of the negotiations around the mechanism in question.

2. Do you think carbon credits (VCUs) being used to meet corporate voluntary GHG commitments (e.g. "net-zero" or "carbon neutrality") should require a corresponding adjustment to be made by the project's host country?

Negative Emissions Platform welcomes transparent and stringent accounting methodologies that ensure that VCUs are only counted once. In general, we support the requirement that corporate voluntary GHG commitments fulfilled by VCUs should also be accompanied by a corresponding adjustment (CA) by the project host country. In the experience of our members (CDR project developers) the buyers of carbon removal certificates wish to be the sole owner of said certificate. Diluting the ownership might disincentivize buyers in the long-term from investing in climate-relevant technologies.

[1] The Oxford Principles for Net Zero Aligned Carbon Offsetting, September 2020 <https://www.smithschool.ox.ac.uk/publications/reports/Oxford-Offsetting-Principles-2020.pdf>

3. If countries may be unwilling or unable to make such adjustments, at least in the near term, would you support allowing corporates to continue to use such (non-adjusted) credits for a period of time if that is needed to maintain and grow voluntary climate action and finance? How could that be designed in a way that also incentivizes and supports country readiness to provide adjustments?

Negative Emission Platform members are committed to the avoidance of double-counting of carbon removal certificates as stated in the response to Question 2). However, we also understand that the introduction of stringent accounting methods and the provision of adjustments can present the host countries with additional challenges that may delay or complicate the implementation of carbon removal projects in the host countries in the short term. Transparent, efficient, and effective implementation of a comprehensive regime for CAs will require additional resources and administrative capabilities that will take time to build up and that not all countries have readily available. Mandating CAs for all VCUs sold on the voluntary carbon markets may thus lead to unintended negative consequences, inhibiting the growth of voluntary carbon markets and limiting the availability of voluntary finance which our leading members, such as Climeworks, rely on for the development of its technology to climate-relevant scales. Balancing these aspects requires careful consideration.

Therefore, we propose a transitional period of several years that would allow the buyers of removal certificates to use non-adjusted credits. What this allows for is a period of deep learning and improvement, similar to how the EU ETS was implemented, that could result in more stringent and effective anti double-counting rules once the transitional period is over. This transitional period should be accompanied by a set of measures aimed at incentivizing and preparing countries to provide CAs for VCUs with the goal of avoiding double counting across the whole range of VCUs at a target date. Measures could include:

- A registry operated by Verra that clearly tracks which VCUs have not been adjusted for and which both the host country and VCU buyer are currently "co-claiming"
- Written commitments by the project host countries to match the emissions associated with non-adjusted VCUs with increased emissions reductions/removal efforts at target date

- Provision of technical assistance
- A specified percentage of price of non-adjusted VCUs dedicated to fund technical assistance activities

5. Do you feel requiring corresponding adjustments for such voluntary commitments will help or hinder climate change mitigation efforts and why?

As outlined above, requiring corresponding adjustments for voluntary commitments should be phased-in gradually taking into account national administrative capacities. The Negative Emissions Platform takes note of the fact that a growing number of actors from voluntary markets admit that double-claiming is not a threat to environmental integrity and that certain projects could just as well help contribute to national targets without the need for CAs. Relevant organisations increasingly take a stance to acknowledge that voluntary action from private sectors do not have to overlap with NDC's commitment within Paris agreement, if additionality and reporting are correctly addressed by carbon standards. This shift from an objective of going beyond countries' targets to contributing to them is especially relevant with respect to carbon removal offsets which accelerate the transition towards a low-carbon economy by compensating for unavoidable residual emissions. While we support mandatory CAs as a long-term objective underpinning the credibility of voluntary carbon markets, we would privilege a two-staged approach, as outlined above, with a transitional period that would allow the host countries to develop capacities for integration of certification methods for less mature carbon removal methods into national GHG inventories to operationalise corresponding adjustments. In the case of mature and MRV-aligned technology-based methods like DACCS or BECCS the transition period would additionally aim at recognition of financial and technical efforts made by the host country (its national geological services or operators) required for the assessment of storage sites, and the timeframes involved in ensuring their readiness and integrity ahead of the launch of a CO_2 removal facility. In this way the high-value permanent carbon removal offsets would be promoted increasing the overall climate mitigation ambition of voluntary markets.