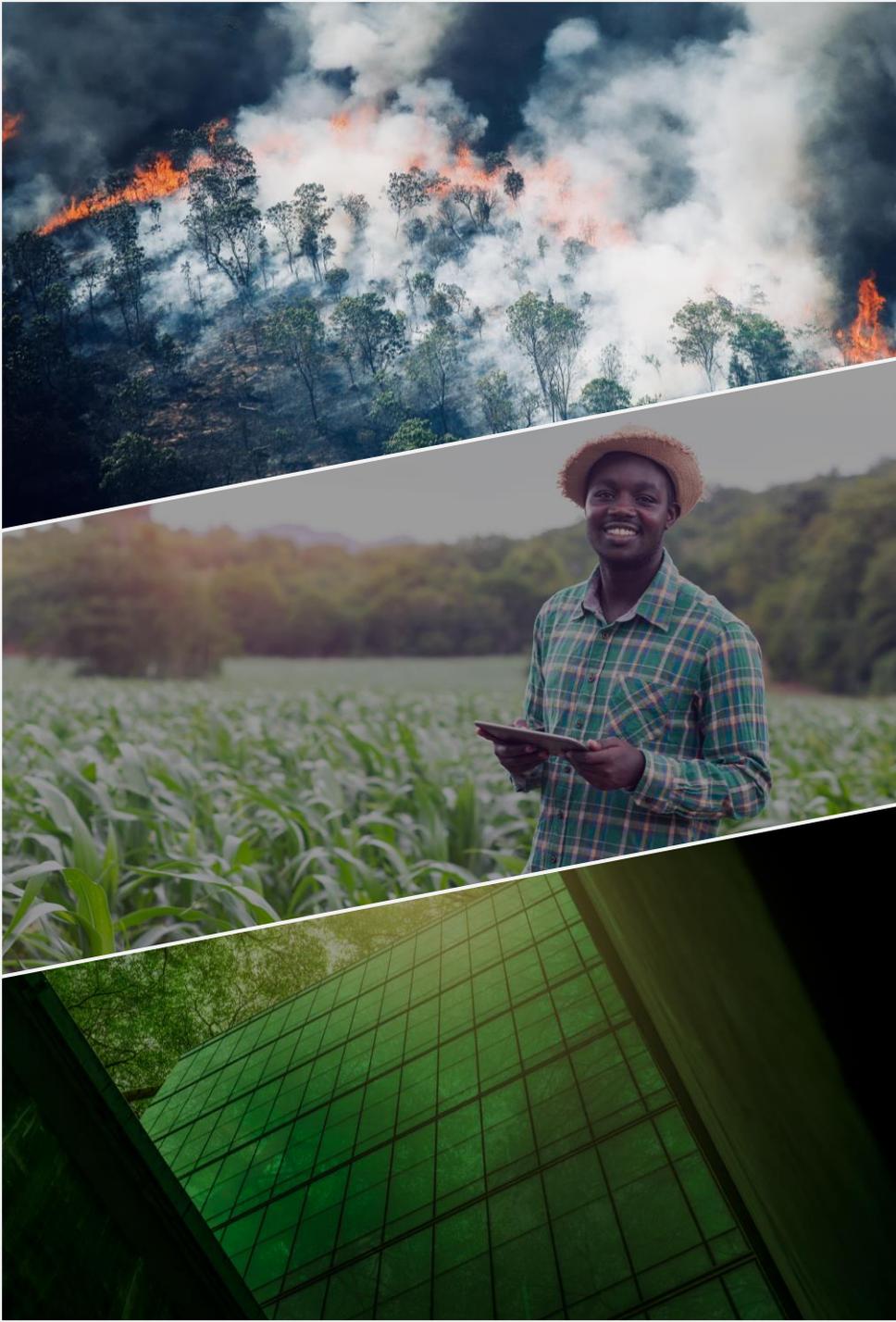




CARBON CREDITS IN VOLUNTARY MARKETS

BENJAMIN MUNZEL | CLIMATEPAL





CONTENT

- 1** *Why* carbon crediting matters – but needs an overhaul
- 2** *Supply side:* carbon credit generation and certification
- 3** *Demand side:* carbon credit claims

WEBINAR: “NET-ZERO EMISSIONS AND CARBON CREDITING”



➤ [Watch the Recording](#)

➤ [Read the Wrap-up](#)

 9 May 2023

 290 participants

 90 minutes

 6 speakers



Moderation & Introductions

Jan Henke
ISCC



Imperative of Net-Zero and Carbon Credits

Benjamin Munzel
ClimatePal



Integrity of Net-Zero Claims

Scarlett Benson
Science-Based Targets Initiative



State and Trends of the Voluntary Carbon Market

Stephen Donofrio
Ecosystem Marketplace



Basics of Carbon Crediting

Gulnaz Sadykova
Meo Carbon Solutions



Integrity of Carbon Credits

Teresa Hartmann
Integrity Council for the VCM



Introduction to ClimatePal

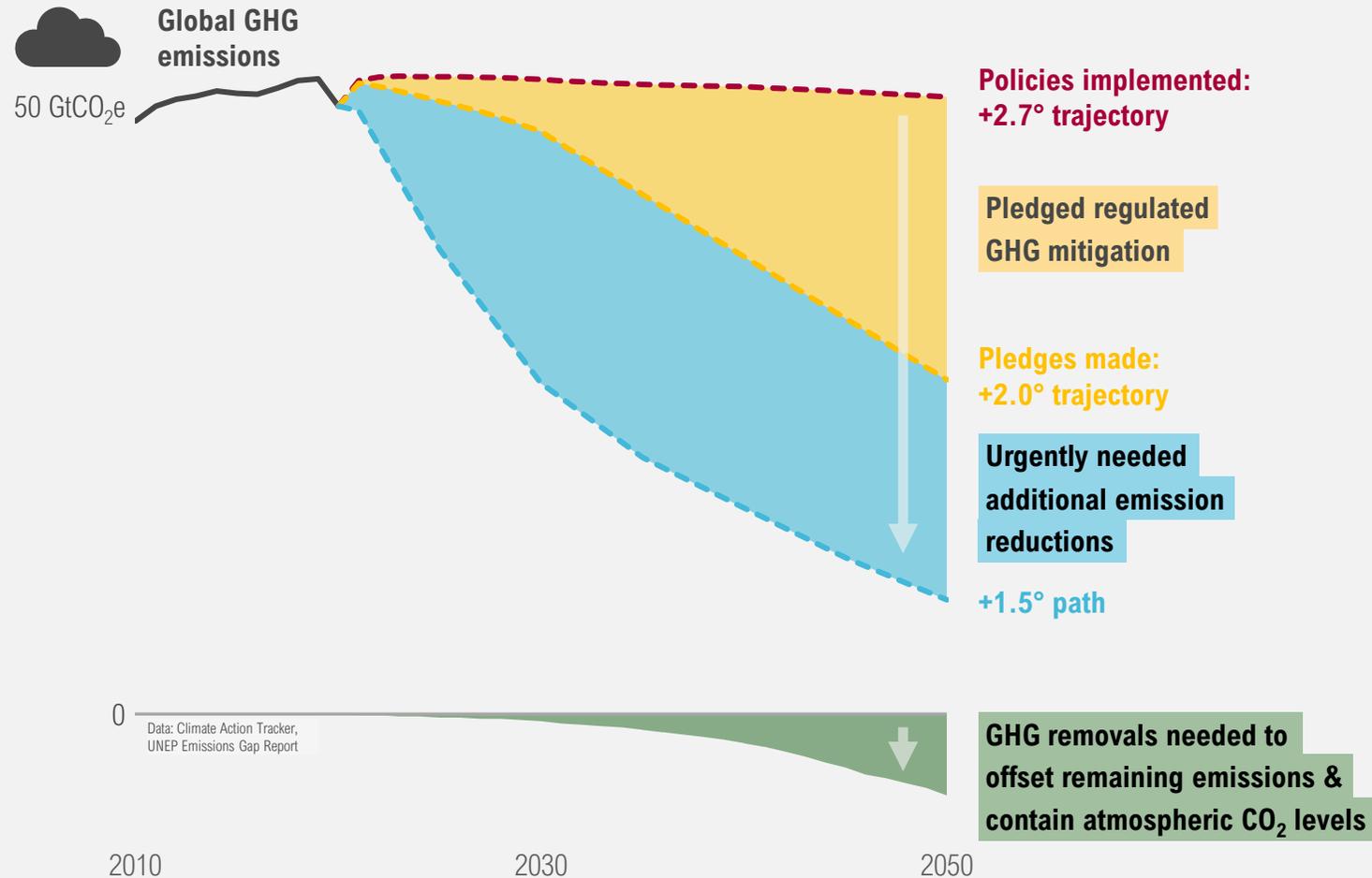
Benjamin Munzel
ClimatePal

A large-scale forest fire is depicted, with bright orange and red flames consuming the trees. Thick, dark grey and black smoke billows upwards, filling the sky and partially obscuring the remaining trees. The scene is dramatic and highlights the environmental impact of deforestation and fires.

1 *WHY* carbon crediting matters – but needs an overhaul

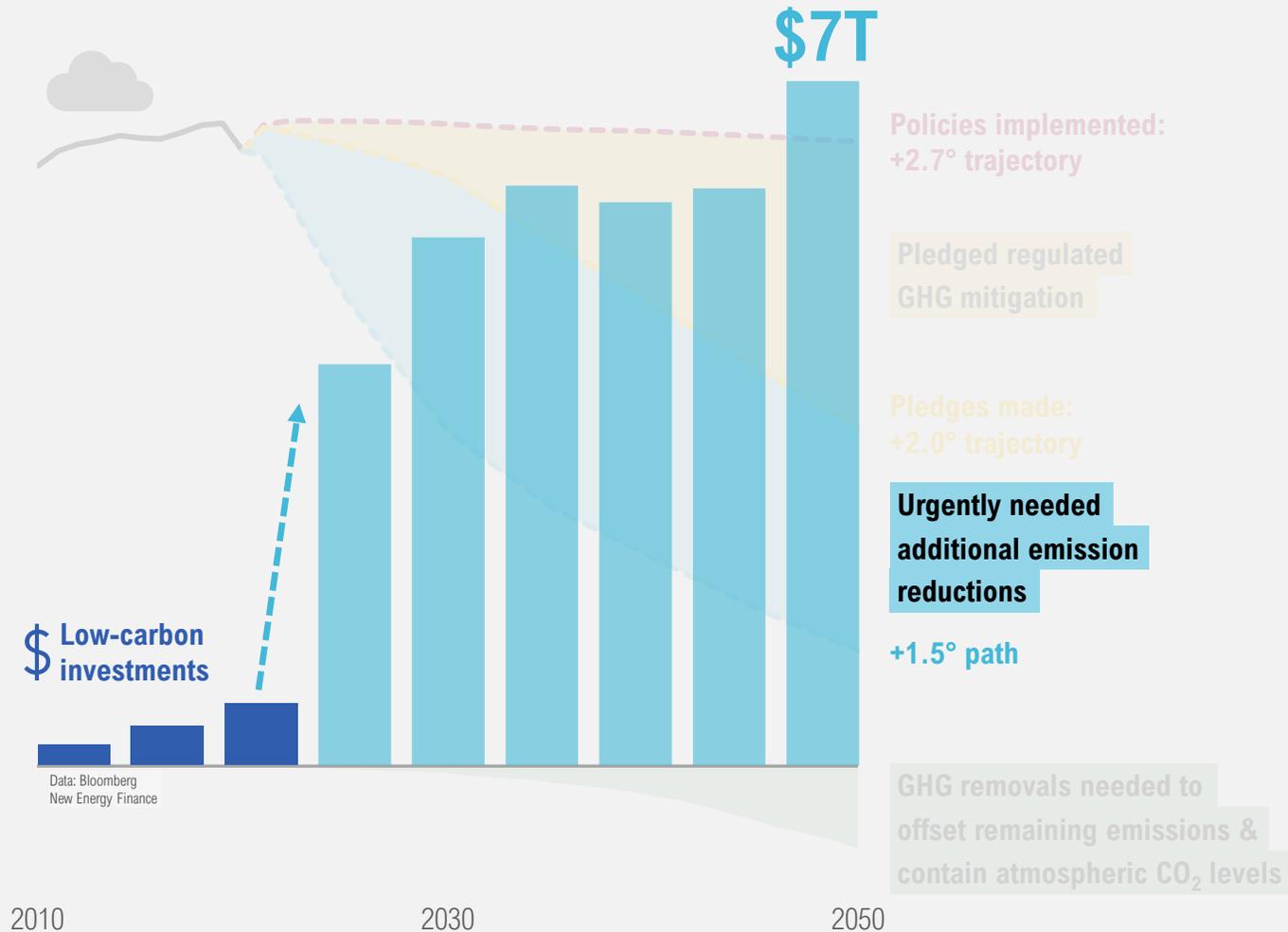
ADDITIONAL CLIMATE ACTION IS NEEDED

because climate policies are way off target



CLIMATE FUNDING MUST INCREASE

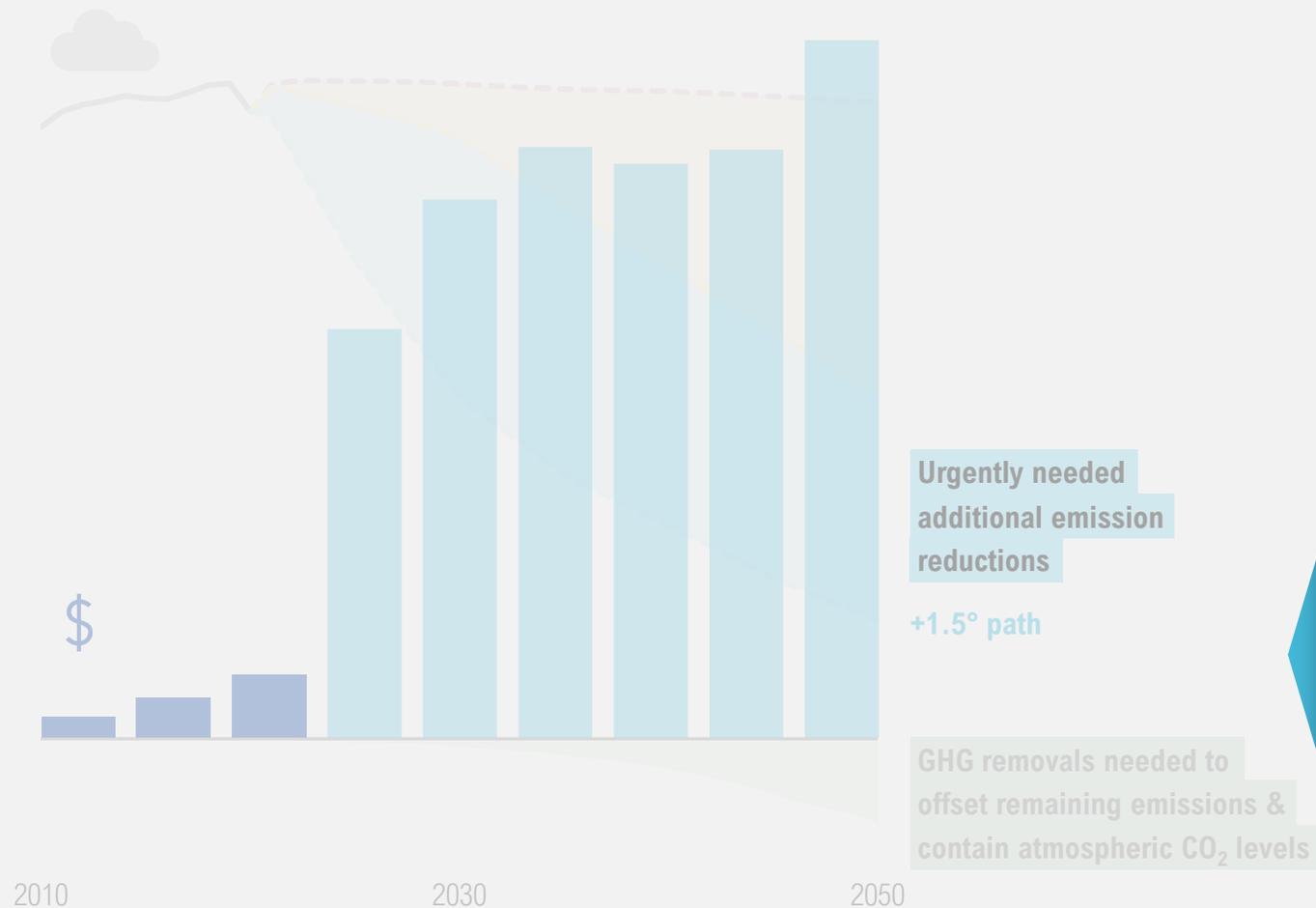
sevenfold to reach net-zero by 2050



We need to channel significantly more investments into GHG mitigation.

PRIVATE SECTOR INVESTMENTS ARE KEY

to unlock potential and bridge the funding gap



CLIMATE ACTION IS ACKNOWLEDGED

but related claims must be credible

- Organizations are experiencing increasing **push and pull factors** demanding them to take climate action beyond regulatory obligations:
 - Market demand for sustainable products and services
 - CSR profile attracts and retains human resources
 - ESG ratings crucial for financing
- **Greenwashing** – making false or exaggerated claims about climate action – undermines the reputation and viability of an organization
- Voluntary **certification standards** issue carbon credits aiming to assure the credibility of climate action, but are not impeccable



CARBON CREDITING UNDER SCRUTINY

Making bad headlines

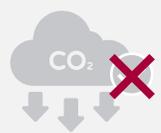
The Guardian | Wed 18 Jan 2023

Revealed: 90% of rainforest carbon offsets by biggest certifier are worthless

Investigation into Verra carbon standard finds most are 'phantom credits' and may worsen global heating.

Certifiers are struggling to keep up with surging market demand and to safeguard integrity.

- Recently, increased corporate climate action (claims) triggered greater scrutiny from journalists and academics
- Analyses and investigations repeatedly reveal critical shortcomings of climate action and certification standards:

 **No real GHG mitigation impact**
(e.g., not additional)

 **Negative impact on nature**
(e.g., monocultures)

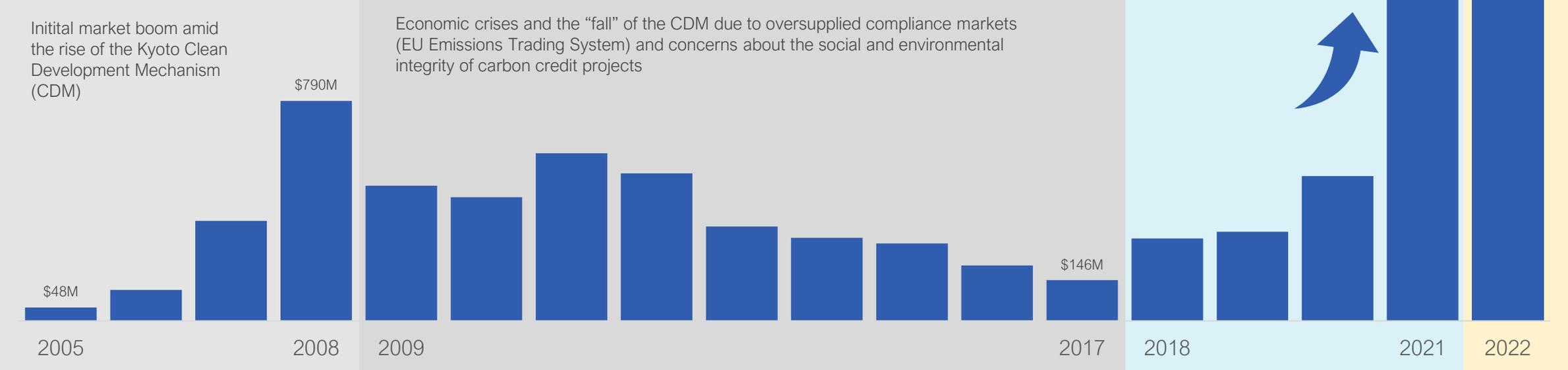
 **Negative impact on communities**
(e.g., displacement)



DEVELOPMENT OF THE CARBON MARKET

The increasing pressure on organizations to take climate action is fueling the demand for carbon credits.

New frameworks in limbo and reputational risk are creating uncertainty.



Source: Ecosystem Marketplace (2023) [All in One Climate: The Role of Carbon Credits in Corporate Climate Strategies](#)

A smiling man wearing a straw hat and a green and blue plaid shirt is holding a tablet. He is standing in a field of tall green plants, possibly corn. The background shows a blurred landscape with trees and hills under a soft sky.

2 *Supply side: carbon credit generation and certification*

BASIC PRINCIPLES TO SAFEGUARD ENVIRONMENTAL INTEGRITY



Additionality:

Without the incentive from the carbon credit revenue, the GHG mitigation would not occur



Verifiability:

Robust quantification of (net) GHG mitigation and independent third-party verification



Permanence:

GHG mitigations are irreversible, or any reversal risks are accounted for



No double-counting:

GHG mitigations are counted and claimed only once

SIMULTANEOUS CERTIFICATION: CARBON CREDITS + ISCC PLUS?

when GHG mitigation involves the production and marketing of a sustainable feedstock



Additionality

Does the market provide an insufficient incentive to produce the sustainable feedstock?

Verifiability

Is a carbon crediting methodology available and applicable to the GHG mitigation activity (e.g., “CDM booklet”)? Or can a methodology be developed to quantify and verify the GHG mitigation?



ISCC PLUS basics

Do production and supply chain meet all certification criteria regarding sustainability, traceability and chain of custody?

GHG calculations

Are any GHG savings calculations (e.g., versus fossil fuels¹) only used to demonstrate *sustainability* and compliance with certain thresholds?



Bio / Circular / Renewable origin

The certification may enable the consumer of the feedstock to claim it as bio, circular or renewable (not carbon neutral).

Carbon footprint

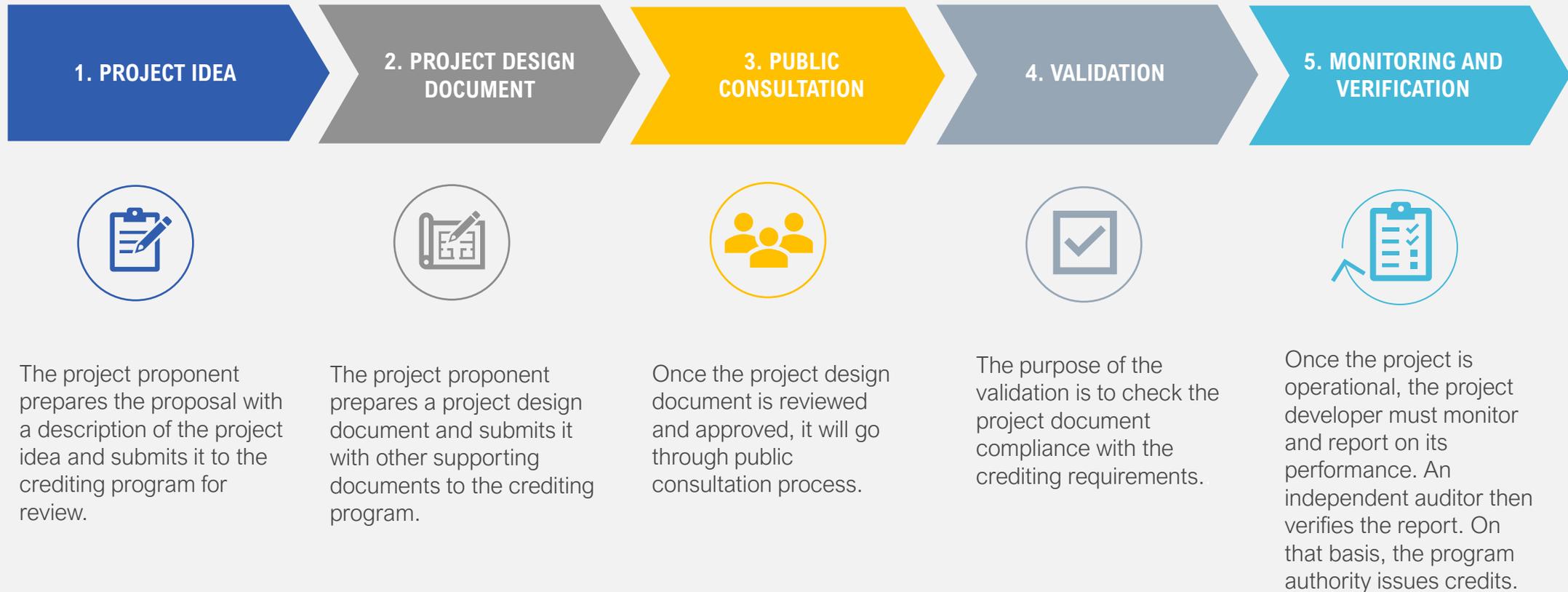
If a carbon footprint² is determined and certified (GHG add-on), the consumer of the feedstock may report the corresponding emissions in their voluntary disclosure. The GHG mitigation – e.g., CCS – itself must not be included in the footprint calculation.

Simultaneous certification of carbon credits + feedstock may be feasible



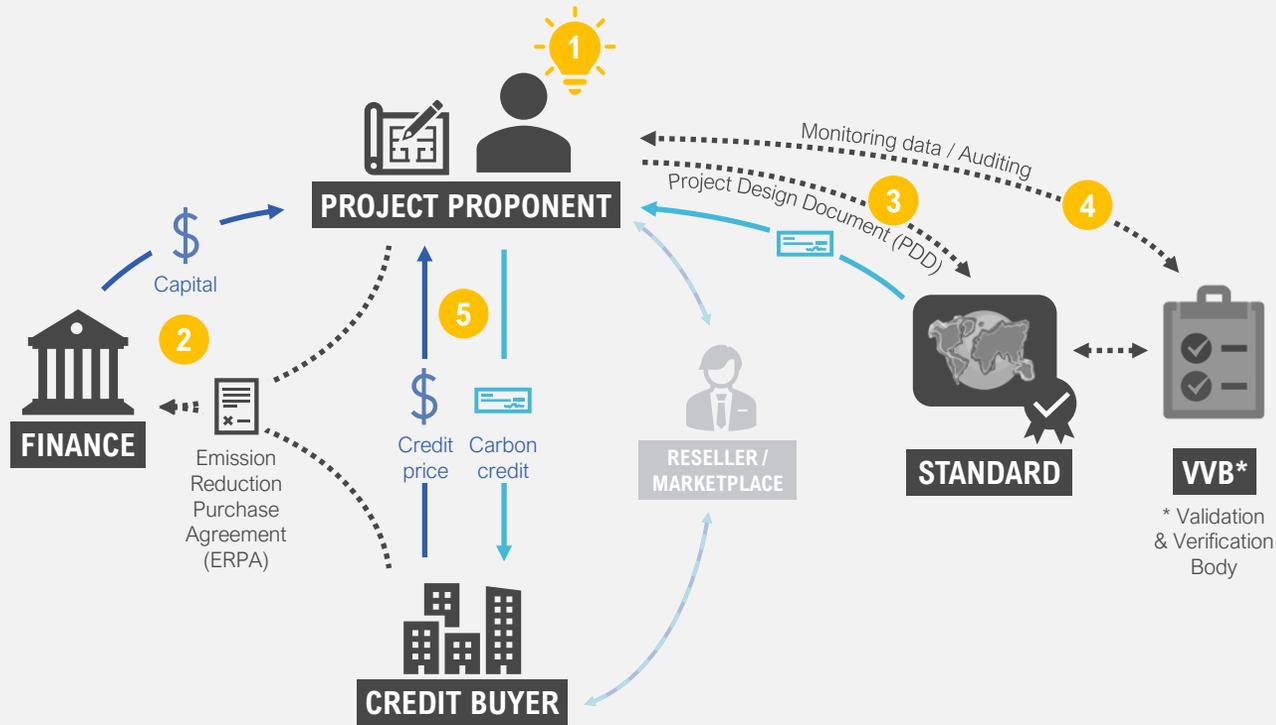
¹ in carbon crediting terminology referred to as *baseline emissions* ² in carbon crediting terminology referred to as *project emissions*

CERTIFICATION PROCESS



Visit climatepal.org/resource-hub for more information

CARBON MARKET MECHANICS



1

Project proponent with concept for a GHG mitigation activity signs ERPA with credit buyer (volume and price of carbon credits over contract period)

2

Bank approves financing of the GHG mitigation project based on project concept and ERPA(s). Project proponent pays debt service over term.

3

Project proponent submits PDD in line with the requirements of the certification standard. A VVB verifies and the standard registers the project.

4

After project implementation, VVB validates and verifies monitoring data regularly. Based on audits, standard issues carbon credits to project proponent.

5

Credit buyer pays price and receives carbon credits. Alternatively, project proponents markets credits via reseller or marketplace.



SUSTAINABLE CARBON CREDITING

Our mission and approach

ClimatePal is providing certification systems and standards for environmental credits in voluntary markets



to unlock potentials for GHG mitigation and sustainable development while safeguarding environmental and social integrity.

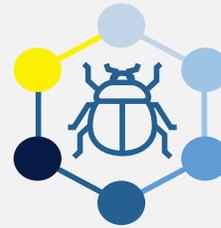


WE PROMOTE SUSTAINABLE DEVELOPMENT

ClimatePal Carbon Principles

Provision of Ecosystem Services:

Nature-based projects shall protect, restore and/or conserve ecosystem services – regulating, provisioning, cultural, or supporting



Biodiversity Enhancement:

Nature-based projects shall have a positive effect on biodiversity – e.g., conservation or enhancement of wildlife and habitats



Positive Social Impact:

All projects shall create positive social impact for communities – e.g., improvement of living conditions, provision of gender equality.

BRINGING MUCH NEEDED SOLUTIONS TO THE MARKET

CHALLENGES

EXISTING CARBON CREDITING PROGRAMS



Significant **backlog** of projects and credits with **low confidence in environmental integrity** (old vintage, outdated methodologies)



Significant **backlog** of (innovative) GHG mitigation **projects waiting** for consideration, registration and credit issuance



Social and environmental integrity of offsetting under **extreme scrutiny** amid media revelations and a desperate need for global GHG mitigation

SOLUTIONS

CLIMATEPAL



Carbon credits **exclusively** certified based on the most sophisticated and most widely **recognized** set of **quality criteria and protocols** (Integrity Council)



Registration and certification processes that are **agile, digital, efficient**, and reliable to meet market demand and provide responsive support to project developers



Additional **integrity measures** to safeguard the integrity of carbon credit projects; promotion of **'within value chain mitigation'** to support the integrity of offsetting

CLIMATEPAL IS BUILT ON INDUSTRY LEADING EXPERTISE

Embedded in a group of organizations specialized in driving and safeguarding sustainability



3 *Demand side:* **carbon credit claims**

TRENDS TOWARDS MORE TRANSPARENCY AND HIGHER AMBITION

- Traditionally, organizations purchase (predominantly cheap) carbon credits for offsetting purposes and claim **carbon neutrality** for their products, services, travels, entire operations etc.
- The lack of action and ambition regarding internal decarbonization – together with carbon credit integrity concerns – often led to **greenwashing** accusations and litigations

- Today, the industry is moving towards more **transparency** and higher ambition
 - Compliance frameworks (Green Claims)
 - Voluntary frameworks (SBTi, VCMI, ...)
- Organizations are expected or obligated to transparently disclose information about their climate action and justification of environmental claims
- Organizations are also expected to commit to and implement decarbonization within their value chains

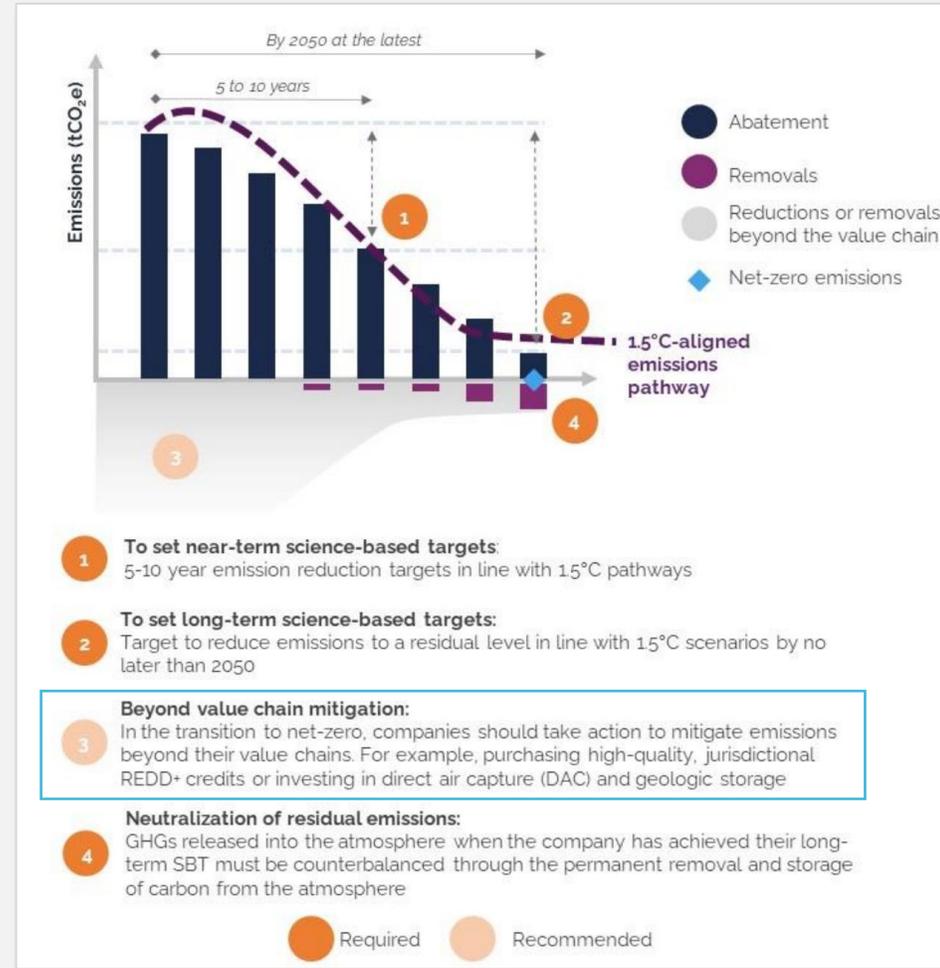
CARBON CREDITS: BEYOND VALUE CHAIN MITIGATION

Carbon credit purchases should complement efforts towards within value chain mitigation



SCIENCE
BASED
TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

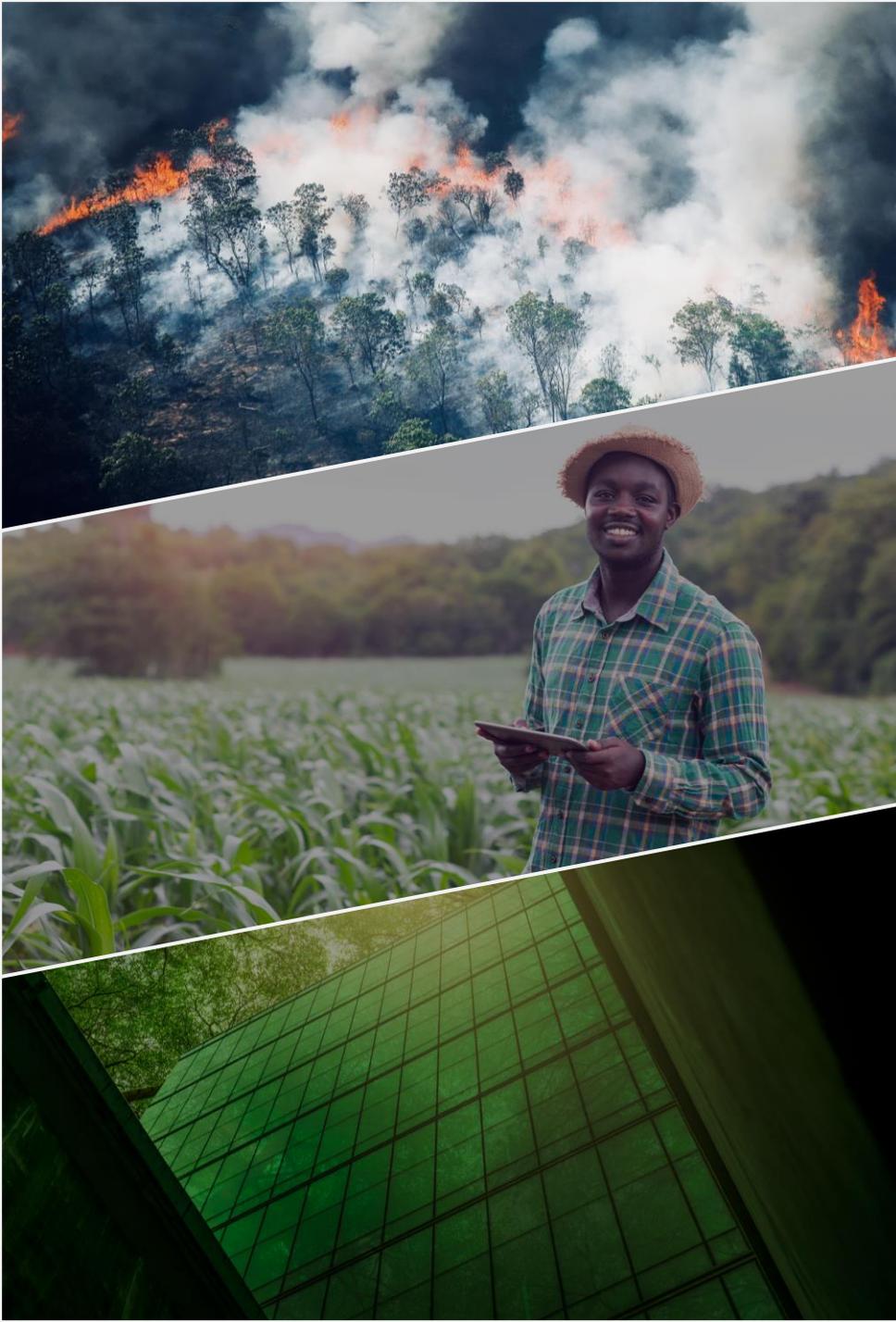
SBTi CORPORATE NET-ZERO STANDARD



CARBON CREDITS DEMONSTRATE CLIMATE ACTION LEADERSHIP

Compared to non-buyers, voluntary carbon buyers are:

- **1.2x** more likely to disclose GHG emissions
- spending **3x** more on within-value chain emissions reduction
- **1.2x** more likely to have board oversight over climate transition plans
- **3.0x** more likely to include Scope 3 emission in climate targets
- **3.4x** more likely to have an approved science-based climate target
- **1.3x** more likely to engage with their value chain on emission reduction opportunities
- **1.8x** more likely to be decarbonizing year-over-year



SUMMING UP ...

- 1** **Net-zero:** Carbon crediting is one crucial financing mechanism to achieve net-zero
- 2** **Generate carbon credits:** Provided an additional incentive, what additional GHG mitigation could you implement and monetize on the voluntary carbon market?
- 3** **Voluntary carbon buyer:** Are you contributing to beyond value chain mitigation?

THANK YOU

PLEASE DON'T HESITATE TO CONTACT US



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