



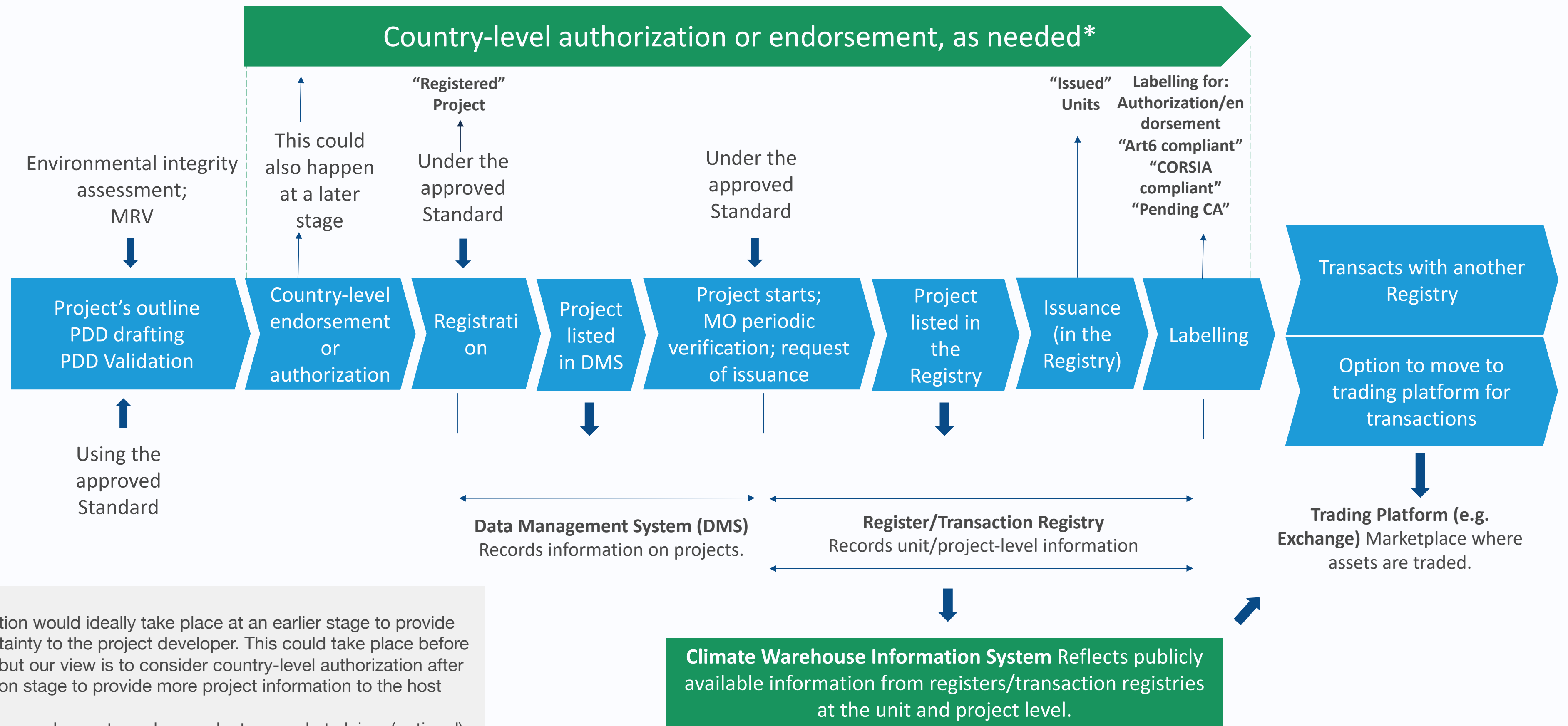
**Update from discussion with  
Informal Carbon Assets  
Working Group**

# Background



- The Informal Working Group on Carbon Assets (WG) include the American Carbon Registry/Architecture for REDD+ Transactions; Climate Action Reserve; Gold Standard; and Verra. The WG is convened by IETA and the World Bank.
- Independent standards will be at the forefront of implementation activities under Article 6.2 and of the generation of Carbon Assets under the Paris Agreement in the coming years.
- Some aspects of this process benefit from decades of experience others will be developed for the first time.
- The WG was convened to take stock of existing practices of independent standards and discuss new requirements under the Paris Agreement, with the objective to:
  - Standardize the definition of the processes (validation to issuance and authorization)
  - Identify how process flows can be harmonized to ensure that country governments have greater clarity on the process for engaging in climate markets.
- The Approach Paper on carbon asset development has also taken into account comments from the Article 6 Advisory Group and the Climate Market Club.
- The WG has identified areas of alignment as well as areas and topics for further work – which will be the subject of today’s discussion

# Process of developing a carbon asset

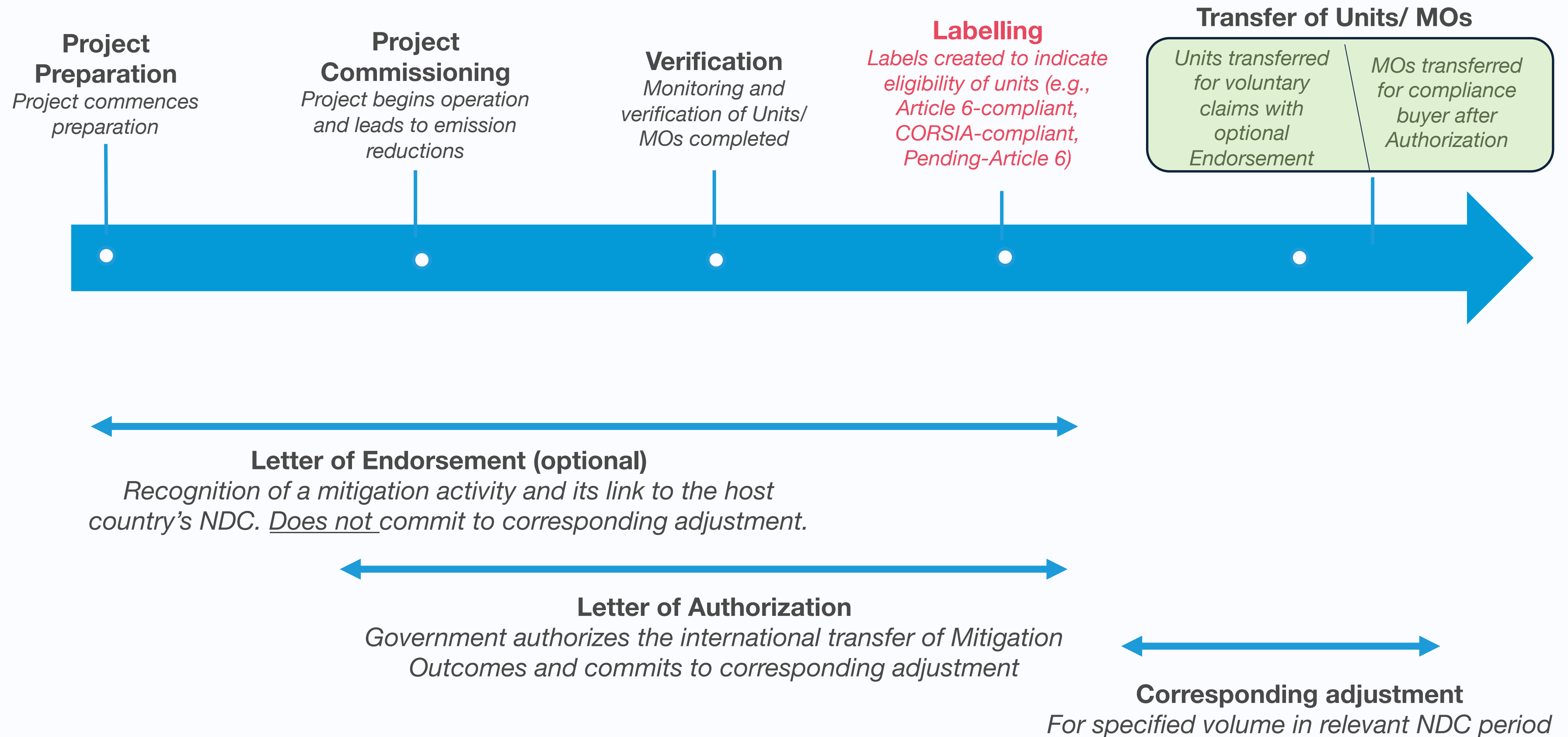


## NOTES

\* Authorization would ideally take place at an earlier stage to provide greater certainty to the project developer. This could take place before validation, but our view is to consider country-level authorization after the validation stage to provide more project information to the host country.

\* Countries may choose to endorse voluntary market claims (optional)

# Linkage between endorsement, authorization and the project cycle



# Key areas of focus going forward

## ➤ Use cases, claims and links to authorization/endorsement

- Goal is identification, definition, mapping and alignment on the categories below
- Use cases:
  - Voluntary corporate commitment (Scope 1, 2 and 3), carbon neutral product, country commitment, domestic and international compliance obligation, etc
- Claims associated with use cases:
  - Increase in the host country's NDC ambition, NDC achievement, carbon neutrality, fulfillment of domestic and international compliance obligation, contributing to the Paris Agreement goals, contribution to a host country's NDC, no claims about host country, etc
- Implications of use cases and claims:
  - Authorization and CA commitment, acknowledgement of activity, None
- Process:
  - Authorization, Endorsement, None
- Carbon Asset:
  - ITMO, carbon credit, mitigation outcome, allowance, other type of credits, etc

# Examples of authorization and endorsement processes

	Authorization	Endorsement
<b>Purpose</b>	Required for participation in international compliance climate markets by the country.	<i>Optional</i> – countries may choose to endorse voluntary market claims.
<b>Function</b>	Commits the host country to <u>Corresponding Adjustment</u> . May contain period of validity or specified volumes.	Host country acknowledges/endorsed the activity but <u>does not commit to Corresponding Adjustment</u> .
<b>Implications</b>	The transferred MO is inside the scope of the host country's NDC and <u>shall not be used for the host country's own NDC</u> .	Activity is consistent with/ inside the scope of the host country's NDC.
<b>Use</b>	The MO can be used for <u>compliance or voluntary markets</u> , i.e. Paris Agreement (as ITMO) or CORSIA compliance or to offset GHG footprint.	<u>Voluntary markets</u> , i.e. the MO can be used by the buyer to claim contribution to a host country's NDC and/or the overall goals of the Paris Agreement.

# Key messages & proposed next steps

- The Approach Paper describes our common understanding of the Carbon Asset generation process
- Letter of Endorsement (investor support, host country awareness of activity, etc.) vs. Letter of Authorization (commitment not to use for host country NDC and for Corresponding Adjustment).
  - Letter of Endorsement could be a long-term solution, or a temporary solution until there is clarity from the host country's policy framework – this would be optional.
  - Authorization is a new process, is necessary for some use cases and needs to be better understood by host countries.
  - Details on the Letter of Endorsement and Letter of Authorization have to be explored
- "Labels" may be required to describe the eligibility of units for particular "use-cases". How labels are defined depend on the independent standards' requirements, use-cases and claims that are made.
- **Proposed next step:** Discussion will continue on use cases and links with endorsement/authorization.



# Questions and discussion