

Six lessons from ICAO's carbon market expert group report



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In a recent report, the Technical Advisory Body (TAB) outlines restrictions for the types of carbon offsets that can be used by airlines under the new aviation carbon market CORSIA. The report provides valuable lessons for the Article 6 negotiations under the Paris Agreement.

Summary of lessons for the Article 6 negotiations:

1. Old credits should not be used to compensate for new pollution

→ We recommend that only emission reductions from after 2020 should be used under the Paris Agreement

2. Rules should be regularly reviewed

→ We recommend that Article 6 rules, or bilateral agreements under 6.2, be regularly reviewed to ensure that projects financed remain vulnerable and of high-quality

3. A global agreement is necessary to ensure the avoidance of double counting

→ We recommend that corresponding adjustments be applied by countries for all emission reductions transferred

4. The CDM is not fit for purpose

→ We recommend that no CDM units be allowed for use under the Paris Agreement, and that all projects be re-assessed before they are transitioned into any new system

5. The permanence of land-use credits is difficult to ensure

→ We recommend that no land-use credits be allowed under article 6 of the Paris Agreement

6. The promotion of sustainable development and the avoidance of negative local impacts are a key component of carbon markets

→ We recommend that social and environmental safeguards be included under Article 6, that a grievance mechanism be established, and that clear rules for the consultation of local stakeholders be developed.

SUMMARY OF THE TAB'S ASSESSMENT

	ELIGIBLE						CONDITIONALLY ELIGIBLE		INVITED TO REAPPLY		NOT ASSESSED			
	ACR	CCER	CDM	CAR	GS	VCS	FCPF	GCC	BCOP	T-VER	Myclimate	Nori	REDD .plus	State Forest of the Rep. of Poland
ARE ADDITIONAL														
ARE BASED ON A REALISTIC AND CREDIBLE BASELINE														
VALIDATION AND VERIFICATION PROCEDURES														
REPRESENT PERMANENT EMISSIONS REDUCTIONS														
ASSESS AND MITIGATE AGAINST POTENTIAL INCREASE IN EMISSIONS ELSEWHERE														
ARE ONLY COUNTED ONCE TOWARDS A MITIGATION OBLIGATION														
IDENTIFICATION AND TRACKING														
PROGRAMME GOVERNANCE														
SUSTAINABLE DEVELOPMENT CRITERIA														
SAFEGUARDS SYSTEM														
DO NO NET HARM														

Note 1: This table does not include all criteria used by the TAB to assess programmes, it only lists those criteria which at least one programme failed. It includes both the “Carbon Offset Credit Integrity Assessment Criteria” and the “Program Design Elements”, which together form the “Emissions Unit Criteria” used by TAB to assess programmes.

Note 2: When a programme is indicated as failing a criteria, this does not mean that all the units generated under that programme would fail this criteria. In certain cases, only specific methodologies are concerned. For more details, refer to the TAB report.

Note 3: The TAB report indicates that several of the criteria are met by the GCC programme following discussions and exchanges with the TAB. As the information to support this is not yet public, these criteria are still indicated as failed here.

Acronyms: ACR - American carbon registry; CCER - China GHG Voluntary Emission Reduction Program; CDM - Clean Development Mechanism; CAR - Climate Action Reserve; GS - Gold Standard; VCS - Voluntary Carbon Standard; FCPF - Forest Carbon Partnership Facility; GCC - Global Carbon Council; BCOP - British Columbia Offset Program; T-VER - Thailand Voluntary Emission Reduction Program

The TAB consists of a group of experts and is set up by the International Civil Aviation Organisation (ICAO). It assessed [14 applicants](#) which had asked for their carbon credits to be recognised under CORSIA. The ICAO Council adopted the recommendations made by TAB in their entirety.

Specific quality criteria, the Emissions Unit Criteria (EUC) had been adopted by the ICAO Council last year and were used to assess the programmes.

As Carbon Market Watch and others had warned over the past months, none of the programmes assessed can meet all of the quality criteria identified by ICAO. As the table above shows, most of the programmes fail several criteria.

Why do the TAB recommendations matter?

These recommendations constitute a very good example of what experts from around the world can agree on when it comes to assessing the quality of carbon markets.

The TAB is a group of [19 experts](#) from around the world, including representatives from main regions and countries involved in the Article 6 negotiations (China, Brazil, India, EU, Saudi Arabia, USA, ...). Most of these experts hold or have held important roles under UNFCCC carbon markets (e.g. article 6 co-chairs, CDM board members/chairs, national carbon market negotiators, ...) and the recommendations were adopted by unanimity.

Despite its name, and the fact that experts were named in their personal capacity, this group was not a purely technical body, and was certainly also influenced by countries' long-standing positions in the climate negotiations.

Lesson 1: Old credits have no place in the future

The most significant recommendation by the TAB was to only allow offsets from projects which started generating credits after January 1st, 2016. This measure will significantly reduce the

supply of carbon offsets because a large majority of them, in particular under the Clean Development Mechanism (CDM), are generated by projects which started before 2016. With this recommendation, the TAB sends a strong message that excessively old carbon offsets should not be used to compensate for new pollution. This has been a topic of contention under the Article 6 negotiations, and negotiators should heed this call. Carbon Market Watch recommends that only credits generated from post-2020 emission reductions be allowed under the Paris Agreement.

Lesson 2: What is “good enough” today, might not be in a few years

Carbon markets can change fast. Today’s high quality project could be non-additional (or non-vulnerable) in a few years, meaning that it no longer needs the revenues from the sale of offsets to continue operating. The TAB recommended that the eligibility of programmes (and by extension their projects) be limited to CORSIA’s pilot phase, i.e. until 2023. Programmes will then have to be re-assessed. Under Article 6, this should translate into regular revisions of the rules or, in the absence of rules, of the agreements entered by countries under article 6.2.

Lesson 3: Only governments can fully prevent double counting

The criteria “emission reductions must only be counted once” was failed by every single programme assessed. This is not surprising given that avoiding such a problem requires action by States. The avoidance of double counting has profiled itself as one of the most contentious issues under the negotiations at the UNFCCC. Countries like Brazil would like to be allowed to count an emission reduction while selling it to another country at the same time, which would be nothing short of cheating. The TAB report therefore confirms that double counting cannot be avoided unless countries agree to apply the necessary accounting measures.

The report also helps to clarify some countries’ positions. For example, China’s position on this topic has until now been somewhat unclear to many, but the report includes a specific mention that, as part of its support for the Chinese CCER program’s application, the Chinese Ministry of

Ecology and Environment “*indicated its willingness to put in place the measures to ensure that the emissions reductions resulting from its activities are consistent with the [Emissions Unit Criteria] contents and guidelines pertaining to the avoidance of double claiming, in the context of the Paris Agreement and decisions taken under the UNFCCC*”. While this is not a formal commitment, it does somewhat clarify China’s position, in support of the application of corresponding adjustments. A similar statement is also included in relation to the Thai government, which supported the application of the Thai T-VER program.

For now, the problem of double counting will largely be avoided under CORSIA until 2023, because the TAB recommended that only emission reductions taking place before 2021, i.e. the start of the Paris Agreement period, be used by airlines. While this means that airlines will *only* use past emission reductions to compensate for new pollution, at least it avoids that emission reductions end up being counted both by a country towards its nationally determined contribution (NDC) *and* by an airline. The 2016 vintage (see lesson 1) also limits how old credits can be. Some double counting could however remain, e.g. if emission reductions used by airlines were generated in countries with a target under the Kyoto Protocol. But this is estimated to be rather limited.

Lesson 4: The CDM is technically fatally flawed, but it is politically protected

Careful reading of the TAB recommendations shows very clearly that the CDM benefitted from privileged treatment. As can be seen from the table at the top of this briefing, it is the programme which failed the most criteria (six) and yet it was still recommended for eligibility.

The only restriction placed on the CDM was to reject the use of temporary credits (tCERs), which are issued for forestry projects and must be replaced after a few years, which would have been incompatible with their use under CORSIA. As discussed in section 5, this relates to the ongoing problems of land-use credits which are not suitable for use as carbon offsets.

The TAB report states that it is “common for programmes modelled after the CDM” to have insufficient additionality rules, for example because they allow the issuance of offset credits to projects which are legally required, but where laws are not necessarily respected.

Despite this acknowledgement that the CDM has shortcomings related to additionality - something which has been demonstrated clearly in [past literature](#) - the TAB decided that the programmes modelled after the CDM would benefit from “time to familiarise themselves with the criterion and its implications”. This is despite the fact that additionality is one of the most basic and essential characteristics which projects must demonstrate in order to have a functioning carbon market. This principle has existed from the very beginning of the CDM, over 20 years ago.

In addition, the CDM unsurprisingly fails on all three criteria related to the avoidance of negative local impacts: projects must generate no net harm, safeguards must be in place, and projects must report against a clear set of sustainable development criteria. This last criteria is a particularly striking example of how the CDM was unfairly favoured compared to other programmes. The TAB report states that reporting of sustainable development benefits under the CDM is purely voluntary, and that the tool designed to do so has been used by only 68 out of 7817 projects. For programmes other than the CDM, TAB excluded all projects which did not report their sustainable development impacts.

Finally, the CDM did not even submit an application to CORSIA. While some of the other programmes’ applications ran close to 100 pages, the CDM board simply sent a letter to inform the TAB that they could answer specific questions on a needs basis.

All these elements clearly show that despite the evidence of the failures of the CDM, which the TAB report clearly notes, experts were unable to agree to take the logical decision to exclude the CDM from eligibility under CORSIA.

Lesson 5: Land-use credits remain highly controversial, and permanence issues have not been solved

Using offsets from the land-use sector has been the subject of intense controversy over the years, and the TAB report makes clear that the issues related to such credits have not been fully resolved. One of the problems associated with these units is the question of permanence. While a tonne of fossil carbon emitted from the combustion of fuel will stay in the atmosphere for at least a century, a tonne of CO₂ stored in a tree will only stay there for as long as the tree lives. In order to have any chance of compensating for an emission from a fossil source through storing carbon in trees, one would need to ensure that the tree will stay there for at the very least a hundred years (as well as solve various other issues such as displaced deforestation).

In the TAB report, the question of permanence is the only section where experts acknowledge some disagreement within the group. The final conclusion is that emissions stored through land-use (or other forms of storage) should be safely stored until the end of CORSIA's reporting, i.e. 2037. This means that CO₂ emitted by an airline, which will stay in the atmosphere for 100+ years, could be compensated by storing CO₂ for roughly 20 years, or less. This is completely inadequate, and this is where some disagreement between the experts emerged: *“A few experts expressed the view that [...] CO₂ generally stays in the atmosphere for more than 100 years, most of it much longer, and noted that only one programme assessed requires measures that provide for permanence over such a timeframe. They identified that timelines utilized by some of the programmes assessed fall short of this and are in some cases too short to provide equivalence to the CO₂ emissions that are offset and to avert the risk of reversal of removals, and are of the view that such programmes should not be considered eligible at this stage.”*

Despite the low bar set to meet permanence requirements, some programmes such as the VCS and FCPF did not fully meet the requirement. The former because it allows some projects to only monitor storage for 10 years (although this can be renewed twice - but does not have to be), and the latter because it cannot guarantee that it will be operational after 2025, and hence cannot guarantee any monitoring of the storage sites, e.g. forests, after this date.

Lesson 6: Local impacts and the promotion of sustainable development are key components of a carbon market

One of the most important calls from the TAB report which Article 6 negotiators should listen to is the clear position on the importance of avoiding negative local impacts and promoting sustainable development. Instead of just a “nice to have” element, experts consider these to be a key component of carbon markets. They further conclude that it is fully legitimate to exclude projects and programmes on the grounds that they do not have sufficient systems in place to safeguard against harm and promote sustainable development.

As noted above, two programmes, CAR and VCS, have seen their supply of credits significantly limited because most of their projects do not report on their sustainable development benefits. The TAB recommended, and the Council decided, that only those projects which did report how they contribute to sustainable development should be eligible. This measure will have a significant impact on these programmes, which will most likely develop provisions for their projects to report on these aspects in the future.

The TAB report can be found [here](#). All public comments submitted at the time of the TAB's assessment can be found [here](#). The programme applications can be found [here](#). A new call for applications from programmes is now open until April 20th, 2020 and is available [here](#).

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