

Application of the Oeko-Institut/WWF-US/ EDF methodology for assessing the quality of carbon credits

This document presents results from the application of version 3.0 of a methodology, developed by Oeko-Institut, World Wildlife Fund (WWF-US) and Environmental Defense Fund (EDF), for assessing the quality of carbon credits. The methodology is applied by Oeko-Institut with support by Carbon Limits, Greenhouse Gas Management Institute (GHGMI), INFRAS, Stockholm Environment Institute, and individual carbon market experts. This document evaluates one specific criterion or sub-criterion with respect to a specific carbon crediting program, project type, quantification methodology and/or host country, as specified in the below table. Please note that the CCQI website [Site terms and Privacy Policy](#) apply with respect to any use of the information provided in this document. Further information on the project and the methodology can be found here: www.carboncreditquality.org

Sub-criterion:	3.2.1 Approaches for accounting and compensating for reversals (Approach 1)
Carbon crediting program:	CDM
Project type:	Establishment of natural forest
Assessment based on carbon crediting program documents valid as of:	30 June 2021
Date of final assessment:	20 May 2022
Score:	1

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Assessment

The methodology assesses the robustness of the carbon crediting program's approach to account and compensate for reversals. Carbon crediting programs employ the following three approaches for accounting and compensating for reversals:

- **Temporary carbon credits (Approach 1a):** credits that expire after a certain period and need to be replaced by other carbon market units, irrespective of whether a reversal occurred;
- **Monitoring and compensation for reversals (Approach 1b):** monitoring of any (potential) reversals and the compensation for the reversal through the cancellation of other carbon market units;
- **Discounting (Approach 1c):** discounting of emission reductions or using lower baselines that result in fewer emission reductions or removals that are credited in order to account for possible future reversals.

Usually, a carbon crediting program only pursues *one* of these three approaches for a given project type and geographical area. The assessment is thus applied to the relevant approach only and the scoring result for the relevant approach constitutes the score for sub-criterion 3.2.1. In situations where a program uses another approach than the above three approaches to account and compensate for reversals, the users of the methodology may use expert judgment to assess the robustness of the relevant approach. The CDM applies approach 1a.

Approach 1a

Relevant scoring methodology provisions

Carbon crediting programs can address non-permanence risks by issuing carbon credits that are only valid for a pre-defined period and, following their expiry, must be replaced, regardless of whether a reversal has occurred. This approach effectively addresses non-permanence as long as the necessary procedures and governance arrangements are in place to ensure the replacement of temporary carbon credits following their expiry. Assurance of replacement of credits must be demonstrated, such as in the form of a verified legal documentation that attests to the replacement of these credits. If this is ensured, including in scenarios in which programs are no longer in operation, this approach receives a score of 4, otherwise it receives a score of 1.

Information sources considered

- 1 UNFCCC Decision 5/CMP.1: Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol, <https://unfccc.int/documents/4252>

Relevant carbon crediting program provisions

- Provision 1 Source 1, Annex: "Temporary CER" or "tCER" is a certified emission reduction (CER) issued for an afforestation or reforestation project activity under the CDM which, subject to the provisions of section K below, expires at the end of the commitment period following the one during which it was issued; [...] "Long-term CER" or "ICER"

is a CER issued for an afforestation or reforestation project activity under the CDM which, subject to the provisions in section K below, expires at the end of the crediting period of the afforestation or reforestation project activity under the CDM for which it was issued”.

Assessment outcome

The approach is assigned a score of 1.

Justification of assessment

Temporary carbon credits are used under the CDM to address non-permanence risks of afforestation and reforestation projects. Two types of units are distinguished:

- 1 Temporary certified emission reductions (tCERs)** expire at the end of the subsequent commitment period under the Kyoto Protocol for which they were issued. Project owners can request the issuance of new tCERs for each subsequent commitment period, subject to a verification that the carbon is still stored.
- 2 Long-term certified emission reductions (ICERs)** are valid until the end of the last crediting period of the project (i.e. up to 60 years) but must be replaced by permanent units in the case of reversals or in the case that a monitoring report is not submitted.

In theory, this approach could ensure integrity. In practice, however, it was developed in the specific context of the Kyoto Protocol that is about to run out. As a third commitment period beyond 2020 is not envisaged in UNFCCC negotiations, permanent Kyoto units will no longer be available after the end of the true-up period of the second commitment period after 2023. It may thus become technically impossible to compensate for any reversals after 2023. Under the UNFCCC, no decisions were adopted to make any provisions for the period after 2023 to ensure that Parties will continue to meet their obligations arising from tCERs and ICERs used under the Kyoto Protocol. In practice, the approach therefore no longer ensures environmental integrity, except if rules were put in place under the Paris Agreement to ensure that Parties will continue to meet their obligations arising from tCERs and ICERs used under the Kyoto Protocol. In current negotiations, no such rules are being considered. The CDM also does not have any provisions in place to replace tCERs and ICERs that were voluntarily cancelled in the CDM registry. Because the necessary procedures and governance arrangements are not in place to ensure the replacement of temporary CDM credits, the non-permanence provisions of the CDM receive a score of 1.