Application of the CCQI 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

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Sub-criterion:	**3.2.2 Approaches for avoiding or reducing non-permanence risks**
Carbon crediting program:	**ACR**
Project type:	**Commercial afforestation** **Establishment of natural forest** **Improved forest management**
Assessment based on carbon crediting program documents valid as of:	**15 May 2022**
Date of final assessment:	**21 February 2024**
Score:	**3.08**

Assessment

Indicator 3.2.2.1

Relevant scoring methodology provisions

"The program requires a risk assessment of the specific project."

Information sources considered

1 The American Carbon Registry Standard (Version 7.0), https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard

2 ACR Tool for Risk Analysis and Buffer Determination (Version 1.0), https://americancarbonregistry.org/carbon-accounting/guidance-tools-templates/acr-risk-tool-v1-0.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, Section E: Reversal: "Project Proponents of terrestrial sequestration and avoided conversion projects with a risk of reversal must conduct a reversal risk assessment using an ACR-approved tool that addresses both general and project-specific risk factors. General risk factors include financial failure, technical failure, management failure, rising land opportunity costs, regulatory and social instability, and natural disturbances. Project-specific risk factors vary by project type."

Provision 2 Source 2: "The ACR Tool for Risk Analysis and Buffer Determination provides quantification guidelines for GHG sequestration reversal risk associated with specific project types in the U.S. and abroad."

Assessment outcome

Yes (5 Points).

Justification of assessment

The above documentation shows that a risk assessment needs to be carried out.

Indicator 3.2.2.2

Relevant scoring methodology provisions

"The risk assessment follows a pre-defined and thorough methodology, taking into account the likelihood and significance of non-permanence risks, the measures taken by project owners to manage these risks and their capacity to do so."

Information sources considered

1 The American Carbon Registry Standard (Version 7.0), https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard

2 ACR Tool for Risk Analysis and Buffer Determination (Version 1.0), https://americancarbonregistry.org/carbon-accounting/guidance-tools-templates/acr-risk-tool-v1-0.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, Section E: "AFOLU Project Proponents shall conduct their risk assessment using the ACR Tool for Risk Analysis and Buffer Determination. The output of the tool is an overall risk-rating percentage for the project, translating into a number of offsets that must be deposited in the ACR Buffer Pool Account to mitigate the risk of reversal, the Minimum Buffer Percentage."

Provision 2 Source 2, Page 1: "The ACR Tool for Risk Analysis and Buffer Determination provides quantification guidelines for GHG sequestration reversal risk associated with specific project types in the U.S. and abroad. All projects that include carbon sequestration have the potential for GHG removals to be reversed (i.e., released back into the atmosphere) and must use this risk analysis tool to assess the risk of reversal due to both general and project-specific risk factors."

Assessment outcome

Yes (4 Points).

Justification of assessment

The above documentation shows that the indicator is fulfilled. The ACR Risk Management Tool (provisions 1 and 2, source 2) specifies several risk categories (financial risk, project management risk, social and political risk, natural disaster risk) and procedures to calculate a risk score for each of these categories. Across different risk categories, the Risk Management Tool predefines a percentage that is needed to account for reversal. The risk score is used to derive the amount of credits that projects need to deposit in the ACR buffer pool to account for reversals. When calculating the risk score, the tool accounts for measures taken by project owners to manage such risks.

Indicator 3.2.2.3

Relevant scoring methodology provisions

"The application of the risk assessment is validated by validation and verification entities."

Information sources considered

1 ACR Validation and Verification Standard, Version 1.1, May 2018, https://americancarbonregistry.org/carbon-accounting/standards-methodologies/acr-validation-and-verification-standard-1/acr-vv-standard_v1-1_may-31-2018.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, Chapter 6: "For projects with a risk of reversal of GHG emission reductions/removals, Project Proponents must assess risk using an ACR-approved risk assessment tool and enter into a legally binding Reversal Risk Mitigation Agreement with ACR. Project Proponents must then mitigate reversal risk by contributing offsets to the ACR Buffer Pool (either from the project itself, or ERTs of any other type and vintage); by providing evidence of sufficient insurance coverage with an ACR-approved insurance product to recover any future reversal; or by using another ACR-approved risk management mechanism.

The VVB shall review the Project Proponent's project-specific risk assessment, which must be conducted using the ACR Tool for Risk Analysis and Buffer Determination, and its chosen risk mitigation mechanism, supporting documentation, and analytics. The VVB shall also review the risk reversal mitigation measures implemented to ensure they are consistent with the terms set forth in the ACR AFOLU Carbon Project Reversal Risk Mitigation Agreement.

Note that ACR requires that the risk analysis and corresponding buffer contribution (if applicable) be evaluated in the GHG Project Plan. This will be included in ACR's eligibility screening report. The VVB shall independently evaluate whether the risk assessment has been conducted correctly."

Assessment outcome

Yes (3 Points).

Justification of assessment

The above documentation specifies that the indicator is fulfilled. Validation and verification bodies evaluate whether the risk assessment has been conducted correctly according to the standards and requirements of the ACR.

Indicator 3.2.2.4

Relevant scoring methodology provisions

"The risk assessment is used to exclude from eligibility projects with a significant unaddressed reversal risk."

Information sources considered

1 The American Carbon Registry Standard (Version 7.0), https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard

2 ACR Tool for Risk Analysis and Buffer Determination (Version 1.0), https://americancarbonregistry.org/carbon-accounting/guidance-tools-templates/acr-risk-tool-v1-0.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, Appendix A: "Table 4 details unique eligibility criteria for AFOLU carbon projects, provides a definition of each criterion, and articulates ACR requirements specific to AFOLU project types."

Provision 2 Source 2: "The output from the risk analysis tool will be a percentage that must be applied to gross ERTs at each issuance, and then deposited into the ACR buffer pool to mitigate the risk of unintentional reversals (unless the Proponent elects another ACR-approved risk mitigation mechanism)."

Assessment outcome

No (0 Points).

Justification of assessment

The above documentation specifies that the indicator is not fulfilled. The ACR specifies a number of eligibility criteria for AFOLU projects (e.g., minimum project term, crediting period, land eligibility, reversal). The risk assessment required for each project is used to calculate a required contribution to the buffer pool, however, no indication is available that the risk assessment is used to exclude projects with a significant unaddressed reversal risk.

Indicator 3.2.2.5

Relevant scoring methodology provisions

"The program requires project owners to update the risk assessment in case of reversals."

Information sources considered

1 The American Carbon Registry Standard (Version 7.0), https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard

2 ACR Validation and Verification Standard, Version 1.1, May 2018, https://americancarbonregistry.org/carbon-accounting/standards-methodologies/acr-validation-and-verification-standard-1/acr-vv-standard_v1-1_may-31-2018.pdf

3 The American Carbon Registry Standard Buffer Pool Terms and Conditions (February 2021), https://americancarbonregistry.org/carbon-accounting/guidance-tools-templates/published-acr-buffer-pool-terms-and-conditions_February-2021.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, Chapter 5: "If no reversals occur, the project's risk category and Minimum Buffer Percentage may remain unchanged for 5 years. The risk analysis must be re-evaluated at least every 5 years, or coincident with site visit verification. An exception is in the event of a reversal, in which case the risk category and Minimum Buffer Contribution shall be immediately re-assessed and re-verified."

Provision 2 Source 2, Chapter 8: "The ACR Standard generally requires:

- A desk-based verification audit at each request for issuance of new ERTs. This is usually conducted annually, but may be more or less frequent at the discretion of the Project Proponent.
- A full verification including a field visit at the first verification and again at least every 5 years. Field verifications may be conducted more frequently (e.g., in the case of changes in monitoring and data management practices, or for particular project types with material parameters that can only be verified on site). Generally, for most project types, field verification is required at minimum every 5 years."

Provision 3 Source 3: "The risk analysis must be re-evaluated at least every five years, or coincident with the interval of required site visit verification except in the event of a Reversal, in which case the risk category and Minimum Buffer Contribution shall be re-assessed and re-verified immediately.

Assessment outcome

Yes (4 Points).

Justification of assessment

In the event of a reversal (unintentional or intentional), ACR requires that the risk category and Minimum Buffer Contribution be immediately re-assessed and re-verified (Provision 1, Provision 3). Otherwise, a full verification, including an update of the risk assessment, is required every five years (Provision 2).

Indicator 3.2.2.6

Relevant scoring methodology provisions

"The program requires project owners to have legal titles to the land and/or relevant carbon reservoirs on the land (e.g., timber rights), or legally binding agreements require the project owner's consent to undertake any measures that may lead to intentional reversals."

Information sources considered

1 The American Carbon Registry Standard (Version 7.0), https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard

Relevant carbon crediting program provisions

Provision 1 Source 1, Appendix A: "ACR accepts projects on all land ownership types—private, public (municipal, county, state, federal, or other), and tribal—provided the Project Proponent demonstrates that the land is eligible, documents clear land title and offsets title, the offsets contract is enforceable, and the Project Activity is additional and meets all other requirements of the ACR Standard. Projects on public lands, like any

other project, shall demonstrate that the activity is not required by regulations and meets other additionality criteria. Agriculture and land use projects that generate ERTs with no risk of reversal need not demonstrate land title."

Provision 2 Source 1, Appendix A: "For U.S. projects with GHG emissions reductions resulting from terrestrial sequestration, Project Proponents (and/or associated land-owners for aggregated or PDA projects) shall provide documentation of clear, unique, and uncontested land title. For international projects, Project Proponents shall provide documentation and/or attestation of land title; ACR may require a legal review by an expert in local law. Land title may be held by a person or entity other than the Project Proponent, provided the Project Proponent can show clear, unique, and uncontested offsets title."

Assessment outcome

Yes (2 Points).

Justification of assessment

The above documentation specifies that the indicator is fulfilled. Project owners are required to document land titles and offset titles (Provisions 1 and 2).

Indicator 3.2.2.7

Relevant scoring methodology provisions

"The program requires the use of legal covenants or agreements (e.g., conservation easements, trusteeships) that restrict or prevent land management practices that would result in reversals (whether by the project owners or other parties).

OR

The program does not require that the above measures are in place but their existence leads to a lower specific risk assessment."

Information sources considered

1 ACR Tool for Risk Analysis and Buffer Determination (Version 1.0), https://americancarbonregistry.org/carbon-accounting/guidance-tools-templates/acr-risk-tool-v1-0.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, 1. Management and Governance Risks: "Conservation Easement Deduction

-2% Default value

-3% if there is regular onsite monitoring of activities related to carbon-specific conservation activities."

Assessment outcome

The second option is fulfilled (1 Point).

Justification of assessment

The ACR does not require a legally binding risk mitigation covenant that restricts or prevents certain land management practices. However, when conducting the risk assessment according to the ACR Risk Tool, the existence of a conservation easement leads to a reduction of 2% (as a default value) or 3% of the risk score (in case of regular onsite monitoring of carbon-specific conservation activities) (Provision 1).

Scoring results

According to the above assessment, the carbon crediting program achieves a score of 5 for indicator 3.2.2.1, a score of 4 for indicator 3.2.2.2, a score of 3 for indicator 3.2.2.3, a score of 0 for indicator 3.2.2.4, a score of 4 for indicator 3.2.2.5, a score of 2 for indicator 3.2.2.6, and a score of 1 for indicator 3.2.2.7. Applying the scoring approach in the methodology, this results in a score of 3.08 for the approach.

Annex: Summary of changes from previous assessment sheet versions

The following table describes the main changes implemented in comparison to the assessment from 08 November 2022.

Topic	Rationale
Project type	Provisions of this assessment sheets have been found applicable for the project types commercial afforestation and improved forest management.