Update from discussion with Informal Carbon Assets Working Group
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

**Country-level authorization or endorsement, as needed***

- **Project’s outline**
  - PDD drafting
  - PDD Validation

- **Project’s level endorsement or authorization**

- **Registrations**

- **Project starts; MO periodic verification; request of issuance**

- **Project listed in the Registry**

- **Issuance (in the Registry)**

- **Labelling**
  - Option to move to trading platform for transactions

- **Transacts with another Registry**

- **Climate Warehouse Information System**
  - Reflects publicly available information from registers/transaction registries at the unit and project level.

- **Data Management System (DMS)**
  - Records information on projects.

- **Register/Transaction Registry**
  - Records unit/project-level information

- **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

- **Letter of Endorsement (optional)**
  Recognition of a mitigation activity and its link to the host country’s NDC. *Does not commit to corresponding adjustment.*

- **Letter of Authorization**
  Government authorizes the international transfer of Mitigation Outcomes and commits to corresponding adjustment.

- **Corresponding adjustment**
  *For specified volume in relevant NDC period*

- **Transfer of Units/ MOs**
  Units transferred for voluntary claims with optional Endorsement
  MOs transferred for compliance buyer after Authorization

- **Labelling**
  Labels created to indicate eligibility of units (e.g., Article 6-compliant, CORSIA-compliant, Pending-Article 6)

- **Verification**
  Monitoring and verification of Units/ MOs completed

- **Project Preparation**
  Project commences preparation

- **Project Commissioning**
  Project begins operation and leads to emission reductions
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

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