



#NORDIC DIALOGUE

***Building capacity for the
voluntary carbon market***

Status update: Best practices for the voluntary carbon market

Webinar, 16.11.2023



Funded by
Nordic Council of
Ministers



CARBON LIMITS



Housekeeping



This event is recorded.

The recording will be available on
the Nordic Dialogue website
after the event:

<https://nordicdialogue.com/events/>



If you have questions that you would
like us to address in our future events,
please write them in the Q&A space.

Agenda

Welcoming remarks

Hanna-Mari Ahonen, Perspectives Climate Research

Best practices: Setting the scene

Hanna-Mari Ahonen, Perspectives Climate Research

Best practices: Carbon credits

Randall Spalding-Fecher, Carbon Limits

Best practices: Carbon credit use and claims

Kenneth Möllersten, IVL Swedish Environmental Research Institute

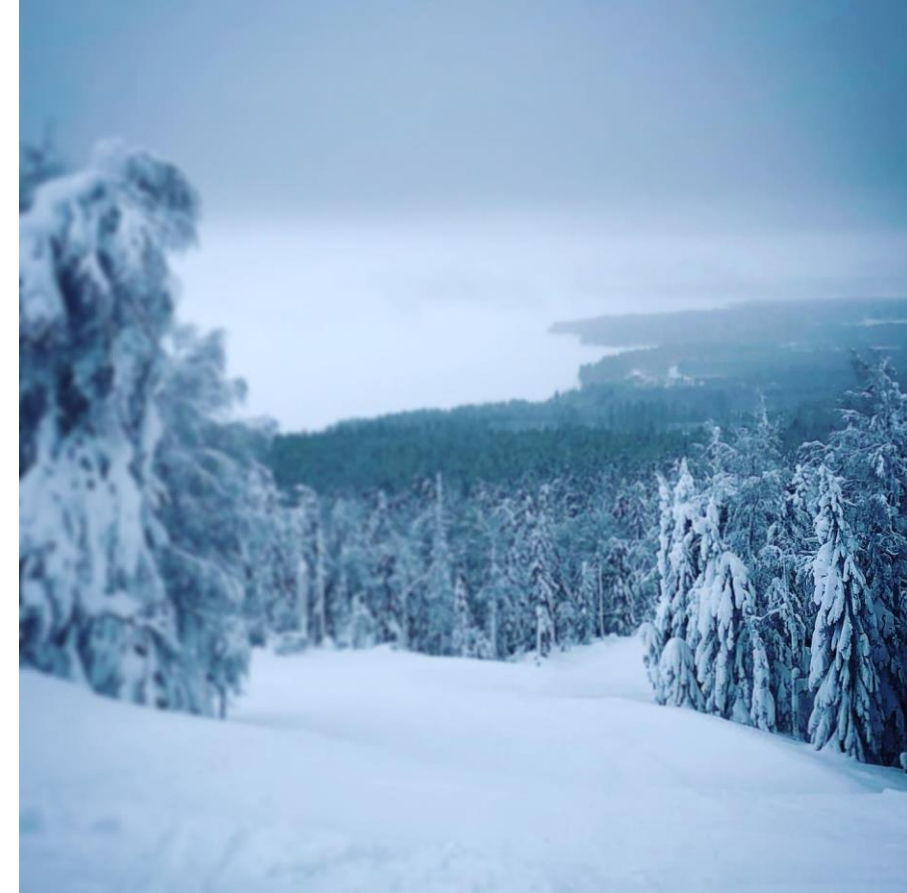
Best practices in practice: Nordic perspectives and experiences

Karoliina Anttonen, Finnish MoE

Kaj Török, MAX Burgers

Wrap-up

Hanna-Mari Ahonen, Perspectives Climate Research





#NORDIC DIALOGUE

***Building capacity for the
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Welcoming remarks

Hanna-Mari Ahonen, Perspectives Climate Research

Our vision 2030

A Green Nordic Region

- Carbon neutrality
- Biodiversity
- Circular and bio-based economy
- Sustainable consumption
- International co-operation on the environment and climate

**The Nordic
region will
become the most
sustainable and
integrated region
in the world**

A **competitive** Nordic region

Together, we will promote green growth in the Nordic region based on knowledge, innovation, mobility and digital integration.

A **socially sustainable** Nordic region

Together, we will promote an inclusive, equal and interconnected region with shared values and strengthened cultural exchange and welfare.



Declaration on Nordic Carbon Neutrality (2019)



“

Nordic countries have agreed to intensify cooperation to
[...] encourage Nordic companies, investors, local
governments, cities, organizations and consumers to
step up their efforts towards carbon neutrality.

”

Nordic Council of Ministers

Official body for inter-governmental co-operation
in the Nordic Region

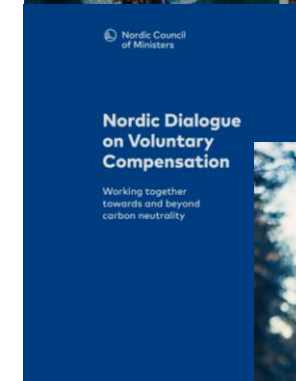
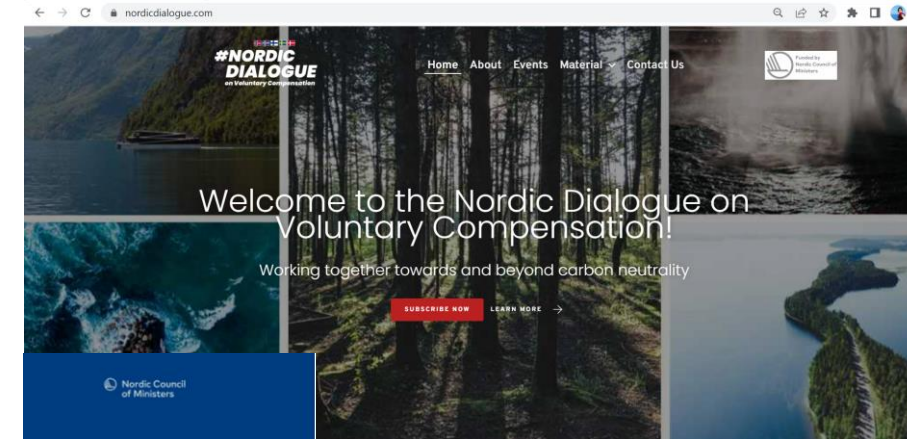
The Nordic Working Groups for Climate and Air, and
Environment and Economy have funded this project

- Current focus areas include activities that support and encourage local governments, cities, municipalities and sectors to step up their efforts towards carbon neutrality

The Nordic Council of Ministers
seeks Nordic solutions
wherever and whenever
the countries can achieve
more together than by
working on their own

Nordic Dialogue and capacity building events

- 2021-2022: Nordic Dialogue on Voluntary Compensation convened Nordic stakeholders to develop a **Nordic perspective of best practices for the voluntary carbon markets and recommendations for further Nordic cooperation**
- Best practice guidance and regulation **continue to evolve**
- 2023-2024: Nordic Dialogue's team organises a series of **capacity building** events to help Nordic stakeholders **understand and align with best practices** and provide a **platform to discuss their implementation**
- The **Nordic Dialogue website and mailing list** provide information on these events



CARBON LIMITS





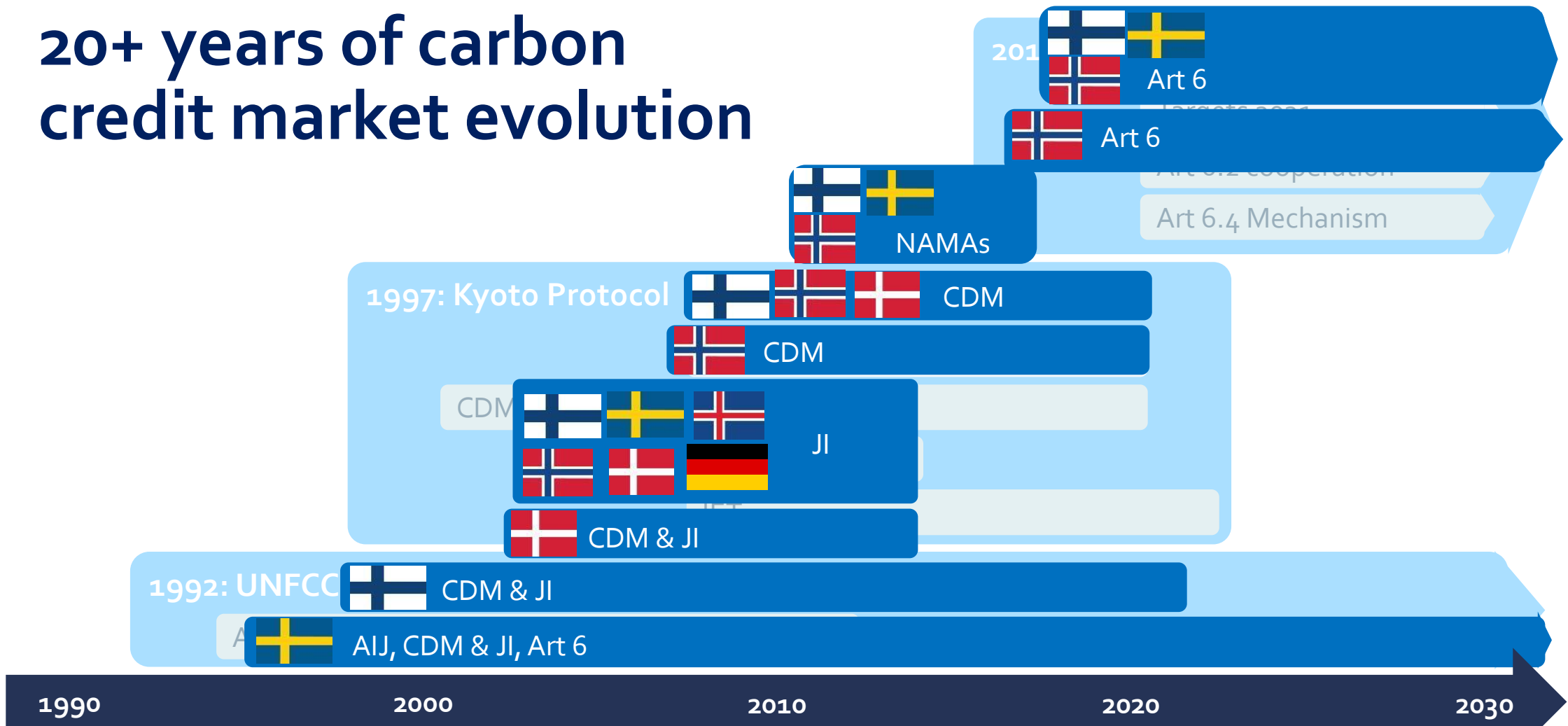
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***Building capacity for the
voluntary carbon market***

Best practices: Setting the scene


Hanna-Mari Ahonen, Perspectives Climate Research

20+ years of carbon credit market evolution




Voluntary carbon markets

2021-2022



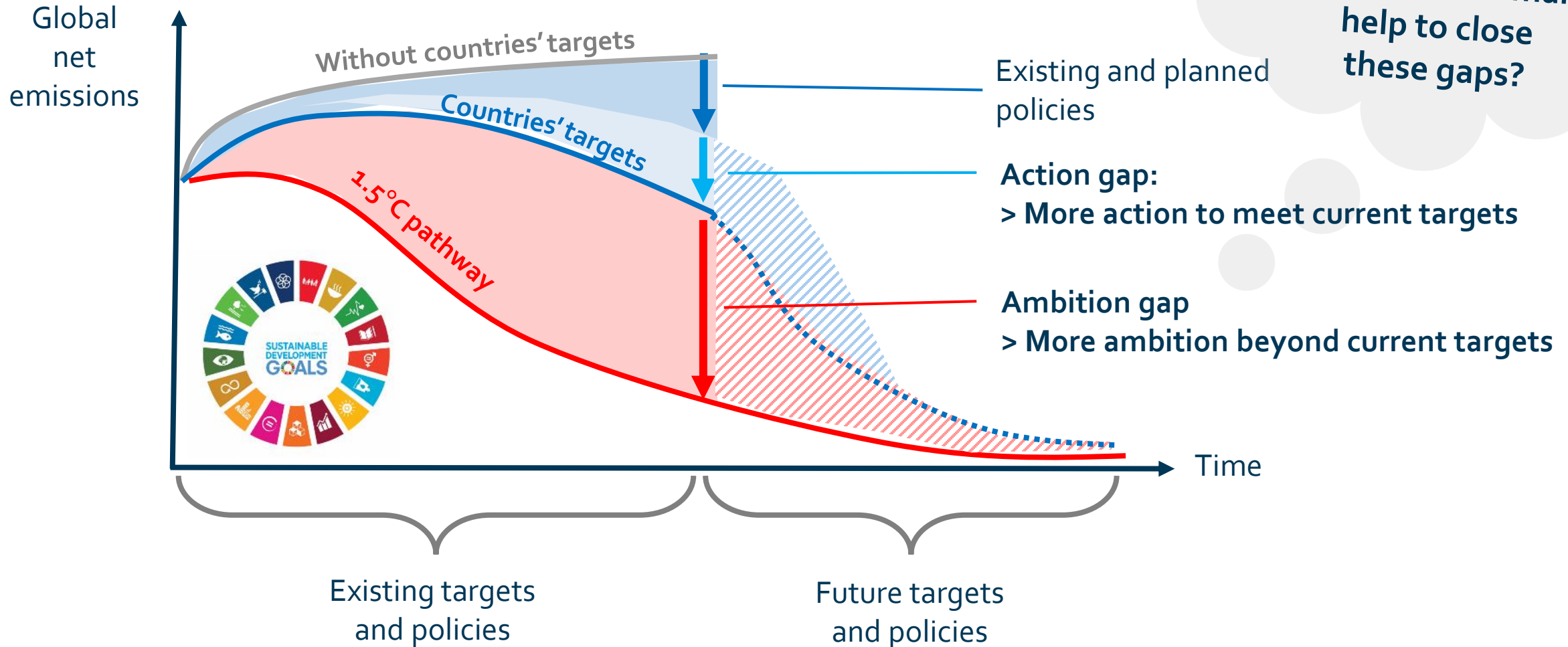
#NORDIC DIALOGUE
on Voluntary Compensation

2023-2024



#NORDIC DIALOGUE
Building capacity for the voluntary carbon market

Voluntary carbon markets in the Paris era



Best practices for carbon credit use

Nordic Code of Best Practice for the Voluntary Use of Carbon Credits

Relevant international guidance

1

Calculate direct and indirect **emissions**



2

Set **targets** and **reduce** own emissions consistent with a 1.5°C pathway



SCIENCE
BASED
TARGETS



3

Buy and use **High-Integrity Carbon Credits** from mitigation activities beyond your boundaries or value chain



CCQI
Carbon Credit
Quality Initiative



4

Report on emissions, targets, actions and the voluntary use of carbon credits, and verify information



5

Ensure the **integrity of claims** relating to the voluntary use of carbon credits



Carbon market guidance by Nordic countries

Finland: Good practice guide for voluntary carbon markets (VCM),
recommendations for green claims, websites on VCM

Iceland: Carbon offsetting standard

Guide to good practices for voluntary carbon markets

Supporting voluntary mitigation action with carbon credits

Anna Laine, Hanna-Mari Ahonen, Anna Pakkala, Jenni Laitinen,
Kati Kulovesi, Iris Mäntylä

PUBLICATIONS OF THE FINNISH GOVERNMENT 2023:24

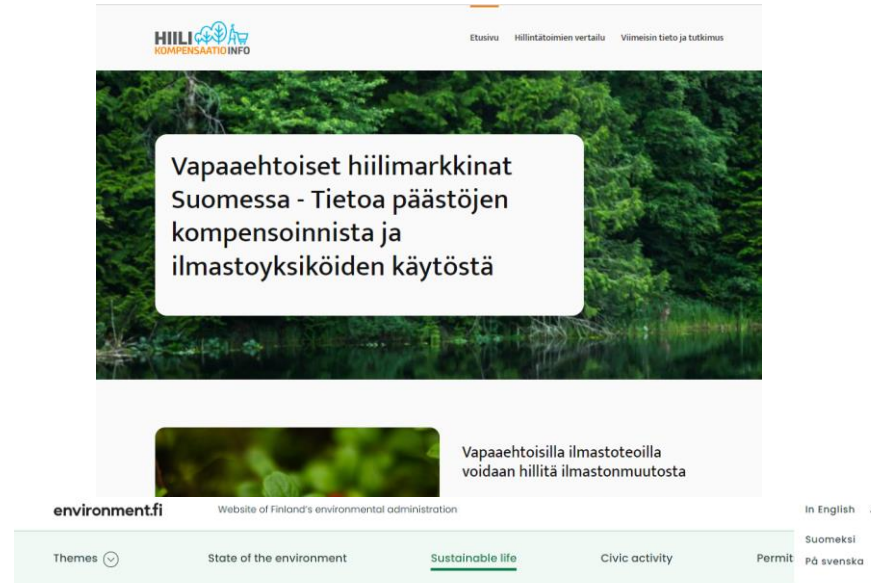
vn.fi/en



VIHERVÄITTEET KUNTOON

Suosituksia kuluttajille, yrityksille ja päättäjille

SUOSITUKSET KULUTTAJILLE: VIHERVÄITTEET KUNTOON



HIILI KOMPENSAATIO INFO

Etusivu Hiilintäyttöjen vertailu Viimeisin tieto ja tutkimus

Vapaaehtoiset hiilimarkkinat Suomessa - Tietoa päästöjen kompensoinnista ja ilmastoyksiköiden käytöstä

Vapaaehtoisilla ilmastoteoilla voidaan hillitä ilmastonmuutosta

environment.fi Website of Finland's environmental administration In English

Themes State of the environment Sustainable life Civic activity Permit Suomeksi På svenska

Sustainable life

Carbon offsets

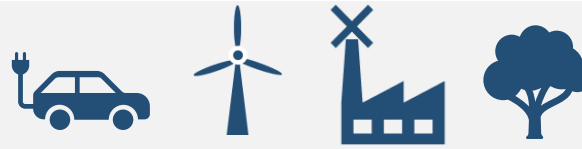
Avoiding and reducing emissions is always the best solution. Emissions can also be offset by carbon credits purchased from voluntary carbon market. Both in Finland and abroad, several projects to offset emissions are underway.



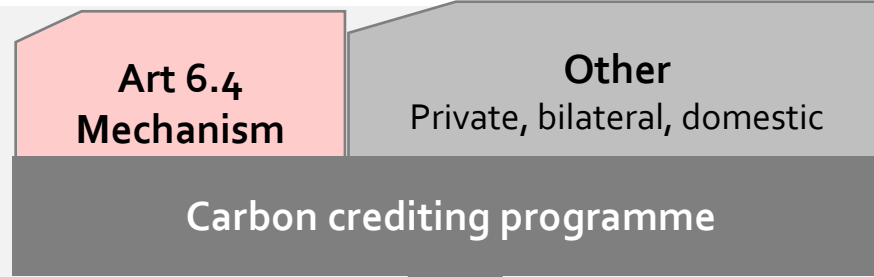
ÍST TS 92:2022

Staða:	● Gildistaka - 28.9.2022
Íslenskt heiti:	Kolefnisjöfnun: Kröfur með leiðbeiningum
Enskt heiti:	Carbon offsetting: Specification with guidance
Tækninefnd:	ÍST/Staðlaráð
ICS flokkur:	13.020
Auglýst:	28.9.2022

Generating mitigation outcomes



Generating carbon credits



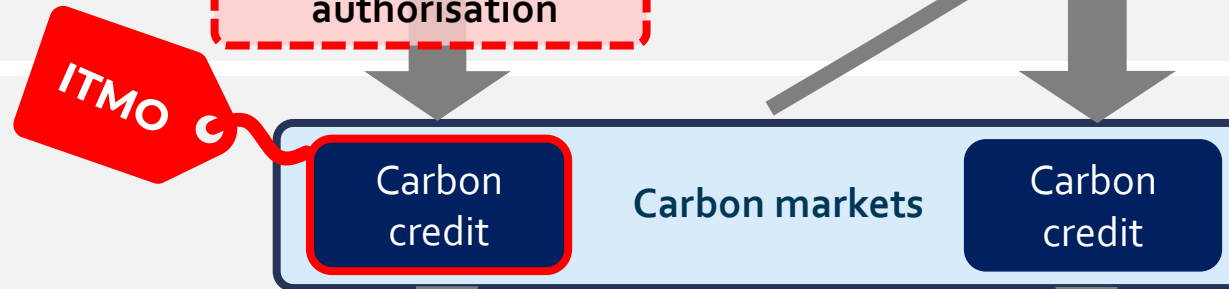
Integrity of carbon credits!



Authorising carbon credits under Art 6.2



Trading carbon credits



Using carbon credits

Mitigation not counted by host country

- Voluntary offsetting
- Compliance under CORSIA
- Compliance towards Paris targets
- Overall mitigation in global emissions

Non-state actor

Government

Mitigation counted by host country

- Voluntary contribution to host country targets
- Domestic compliance schemes
- Results-based support for host country's targets

Integrity of use and claims!



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Best practices: Carbon credits

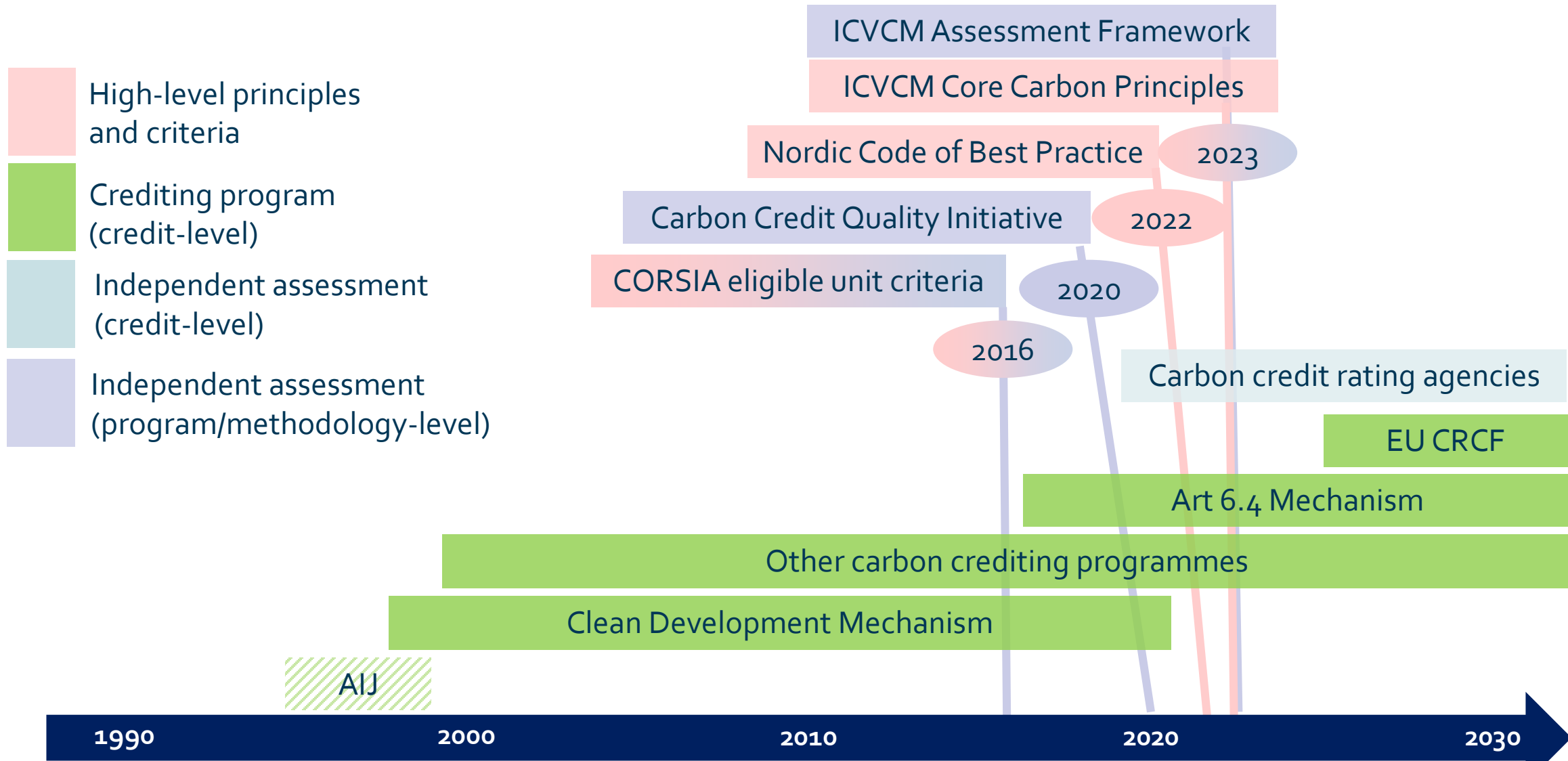
Randall Spalding-Fecher, Carbon Limits

Environmental integrity of carbon credits

- **Environmental integrity** means that market-based cooperation must not lead to an increase in global net greenhouse gas emissions compared with the scenario where market-based instruments are not used
- **High-integrity carbon credit** meets criteria relating to mitigation outcomes and crediting program



Evolution of carbon credit criteria



Nordic Dialogue criteria for mitigation outcomes

- Real
- Additional
- Based on a conservative baseline below business-as-usual
- Based on robust monitoring and reporting methodologies
- Address the risks of leakage
- Permanent
- Validation of activity by competent third-party entity
- Verification of mitigation outcomes by competent third-party entity
- Avoidance of double counting
- Local stakeholder consultation
- Social and environmental safeguards
- Assessment of sustainable development impacts
- Transition towards net-zero emissions



Nordic Code of Best Practice: Credits

3

Buy and use High-Integrity
Carbon Credits from mitigation
activities beyond your
boundaries or value chain

Mitigation outcome



Mitigation activity



Mitigation Outcome
Criteria



Carbon Crediting
Programme Criteria



Carbon Registry
Criteria



ICVCM could change the game

- Core Carbon Principles cover both program criteria, mitigation outcome criteria, and registry criteria
 - Create a “minimum threshold” for quality
- High level CCPs similar to many other lists of quality criteria, but the detail is what makes the difference
- Program rules, methodologies and eligibility may require significant revisions to meet all of detailed CCP assessment framework criteria
- In this sense, ICVCM promotes “best practice” to becoming “common practice”
- Goes *well beyond* the program and unit criteria from CORSIA, because of much greater detail in the requirements



CCPs cover key areas at program and mitigation outcome level...



GOVERNANCE

- 1 Effective program governance
- 2 Tracking of individual credits
- 3 Transparency of credited activities
- 4 Robust independent third-party validation and verification



EMISSIONS IMPACT

- 5 Additionality of credited activities relative to what would have happened without carbon projects
- 6 Permanence of reductions / removals or plans to reduce and compensate reversals
- 7 Robust quantification of reductions / removals
- 8 No double-counting of emission impacts



SUSTAINABLE DEVELOPMENT

- 9 Ensure social and environmental safeguards are in place and deliver positive sustainable development impacts
- 10 Avoid locking in carbon-intensive practices incompatible with net zero by 2050

...but some CCPs go further than most programs...e.g. additionality

- Requires regulatory surplus check for *all* activities
- Requires notice of intent (or proof of this) to earn carbon credits BEFORE start of activity
 - Start date is *commitment* to invest/build, not commissioning
 - Alternative: maximum time between start date and validation/registration
- Only allows barrier analysis if it is combined with market penetration/common practice
- Standardized approaches (including positive lists) requires transparent process with clear justification, expert and public input, as well as regular update
- Caveat (1): Not all CCPs do this, e.g., permanence is weaker than many crediting programs
- Caveat (2): Application of criteria is still complex and potentially political

The “Article 6.4 Mechanism” effect

- Article 6.4 Mechanism rules explicitly depart from international carbon market traditional rules and practice
 - Require baselines be “conservative, credible, below ‘business as usual’...align to the long-term temperature goal of the Paris Agreement”
 - This is very different than most VCM methodologies, which often used ‘business as usual’ as a reference for baselines
- ICVCM does not require ‘below BAU’ baselines
 - Robust quantification must ensure that emission reductions or removals are not overestimated and must justify their “conservativeness”
- Will convergence of markets mean VCM also moves towards ‘below BAU’ as best practice (or ‘all practice’)?
 - Particularly since so many crediting programs used CDM methodologies, and so might allow the use of 6.4 methodologies



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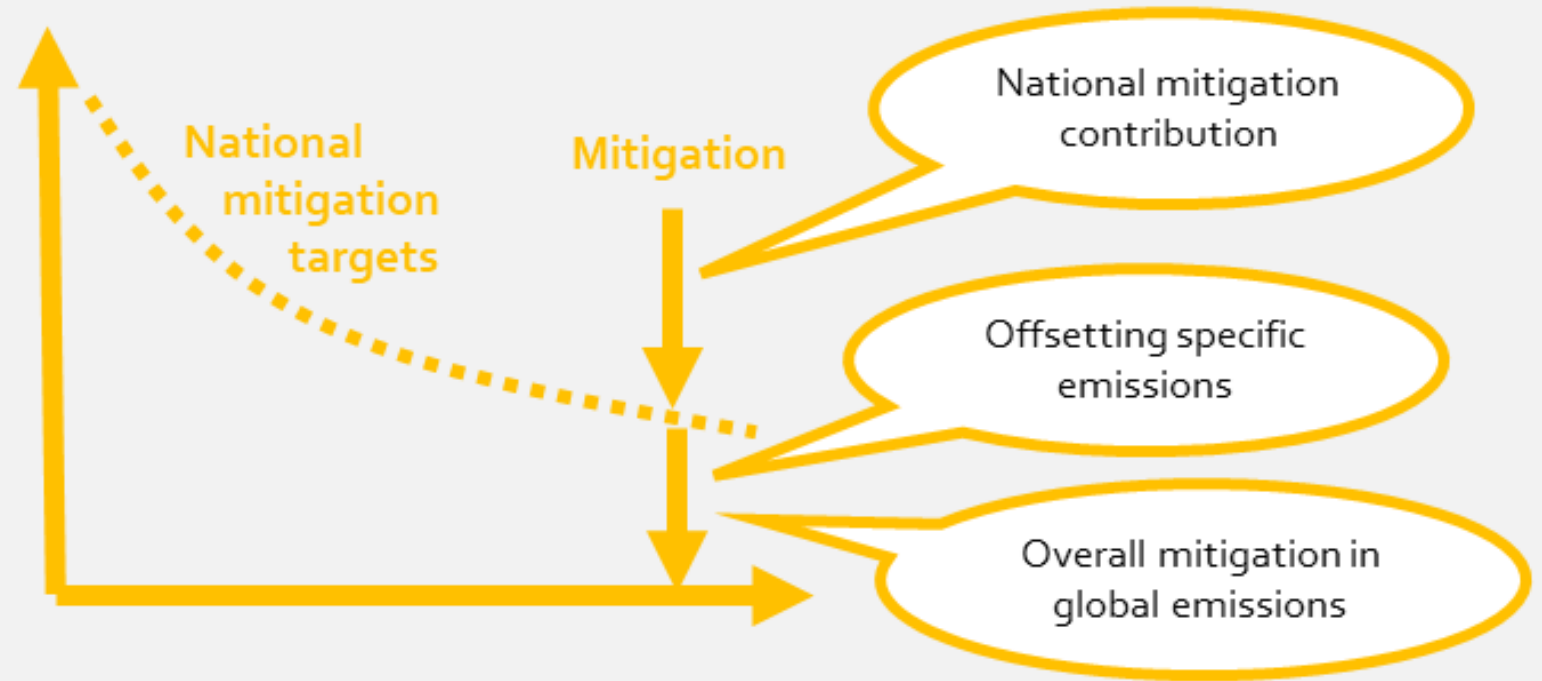
Best practices: Carbon credit use and claims

Kenneth Möllersten, IVL

Nordic Code of Best Practice: Claims

5

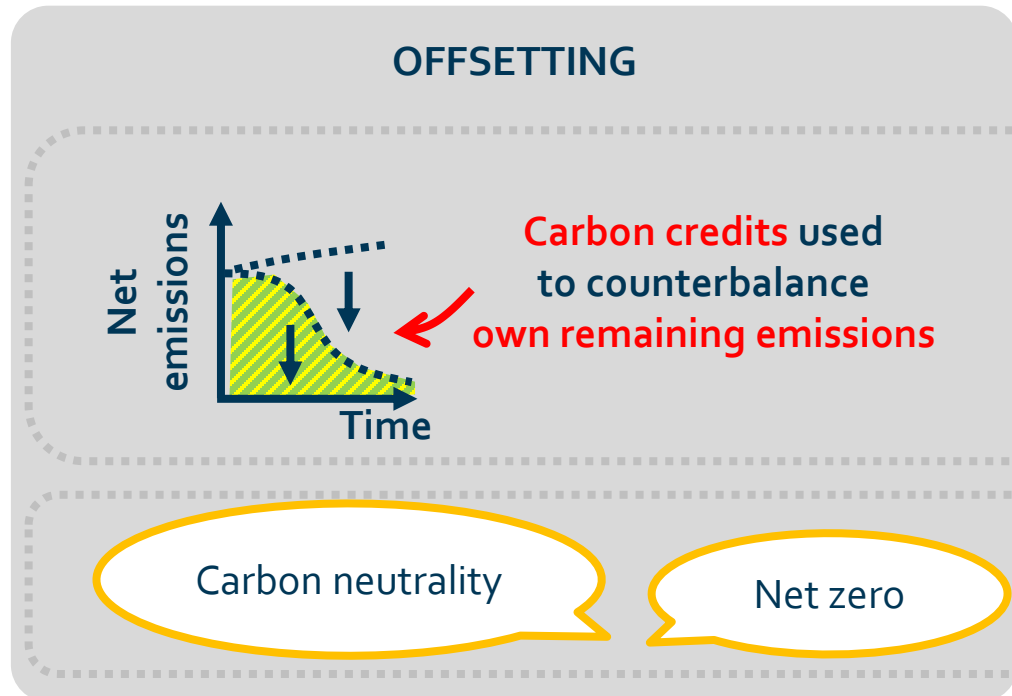
Ensure the integrity of claims relating to the voluntary use of carbon credits



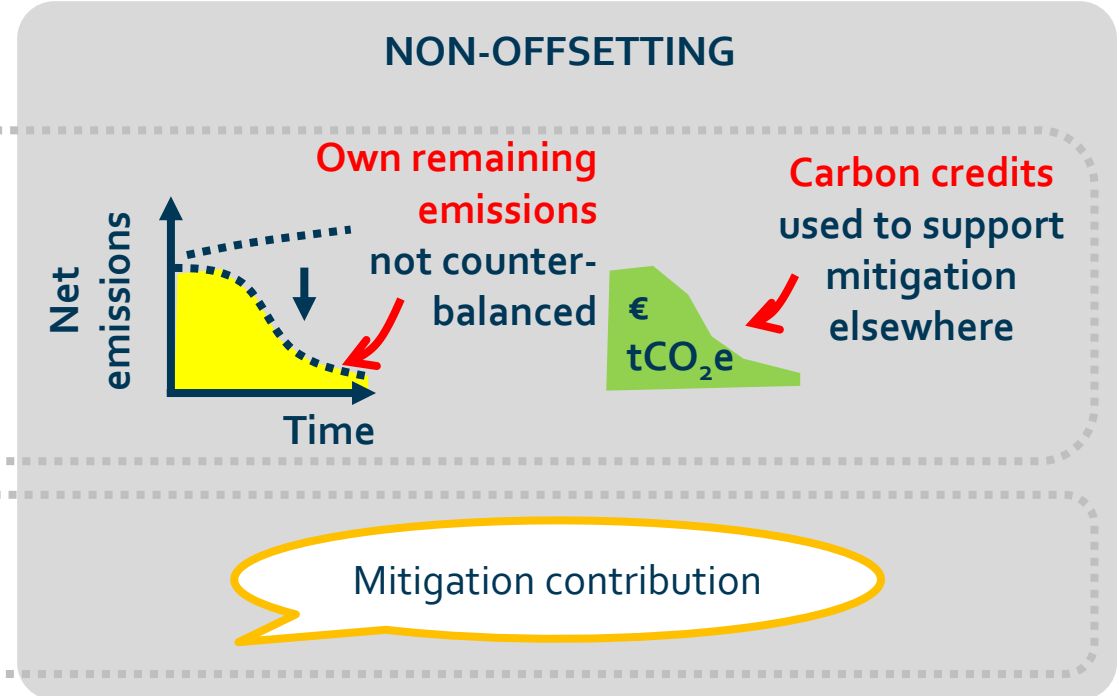
National and EU consumer protection legislation requires claims to be clear, truthful and not misleading.

Voluntary uses of carbon credits: User cases

- Terminology matters!

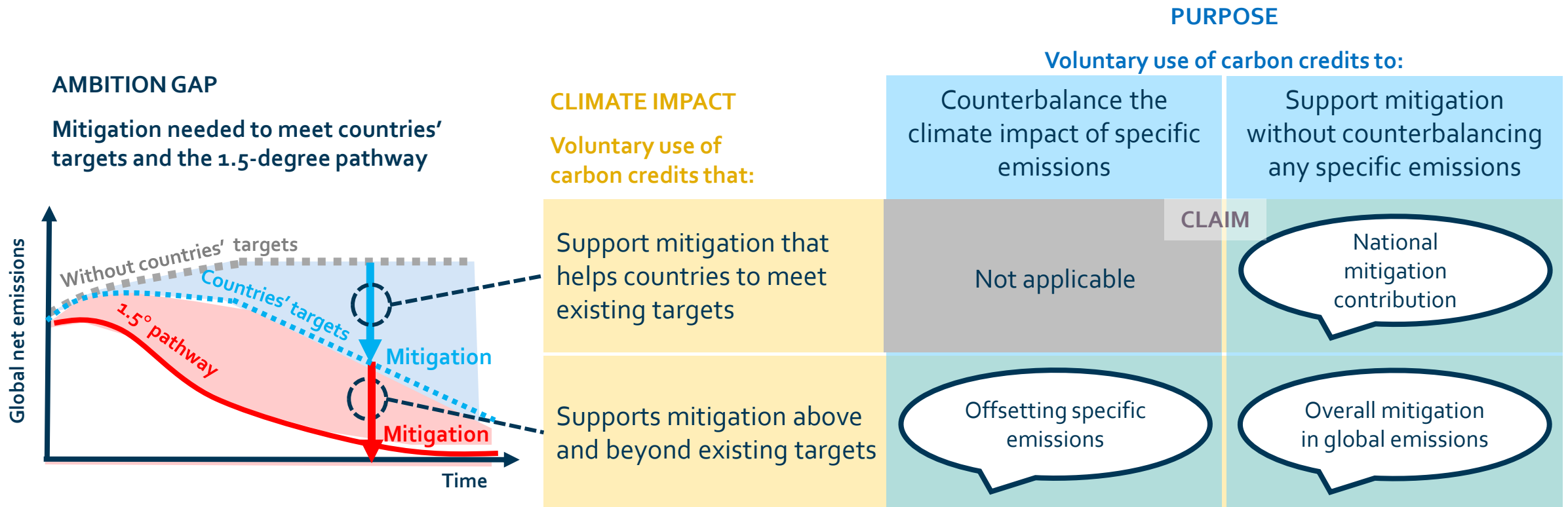


CARBON CREDIT USE



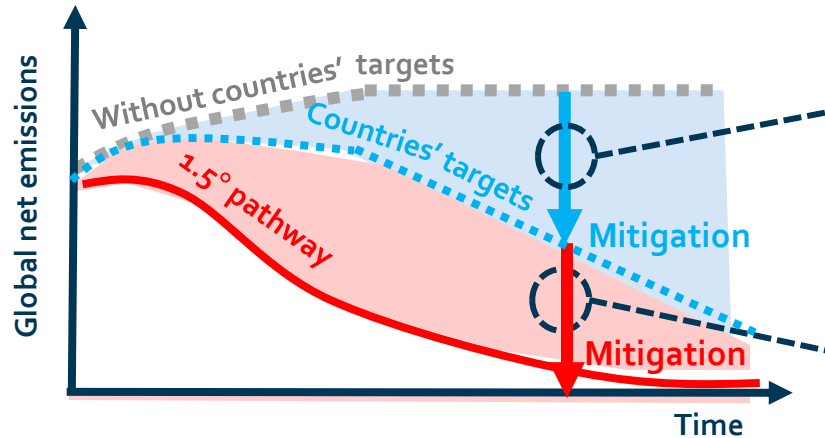
CLAIM

Claims: A closer look



AMBITION GAP

Mitigation needed to meet countries' targets and the 1.5-degree pathway



CLIMATE IMPACT

Voluntary use of carbon credits that:

Support mitigation that helps countries to meet existing targets

Supports mitigation above and beyond existing targets

Voluntary use of carbon credits to:

Counterbalance the climate impact of specific emissions

Support mitigation without counterbalancing any specific emissions

Not applicable

National mitigation contribution

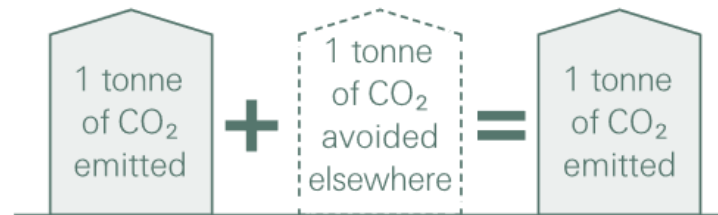
Offsetting specific emissions

Overall mitigation in global emissions

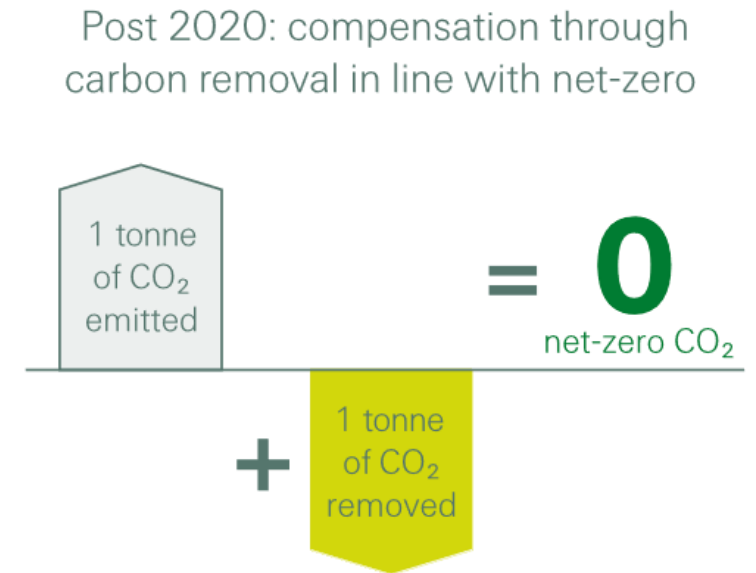
Reductions or Removals?



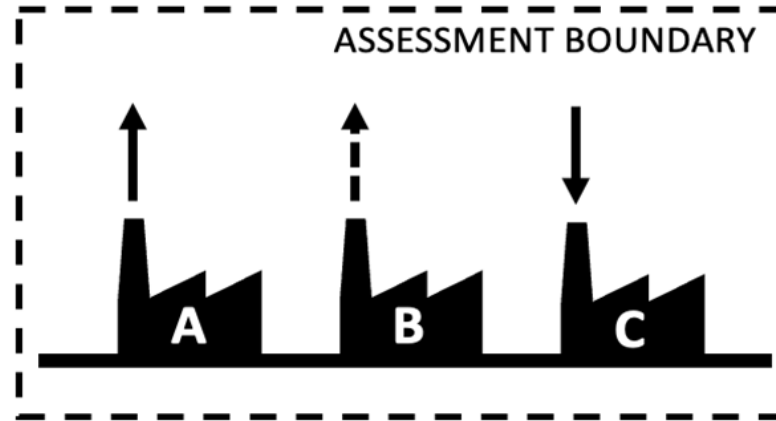
Prior to 2003: no emissions compensation strategy in place



2003–2020: compensation through conventional carbon offsetting

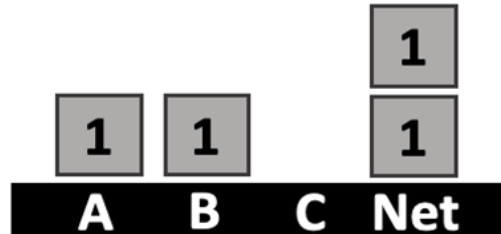


Reductions or Removals?

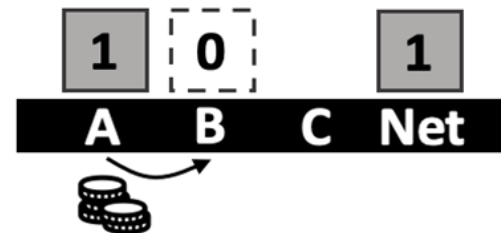


Entity A: Remaining emissions Entity B: Emission reduction potential Entity C: Carbon removal potential

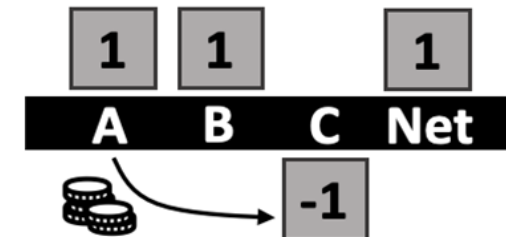
No carbon credits
purchased (BAU)



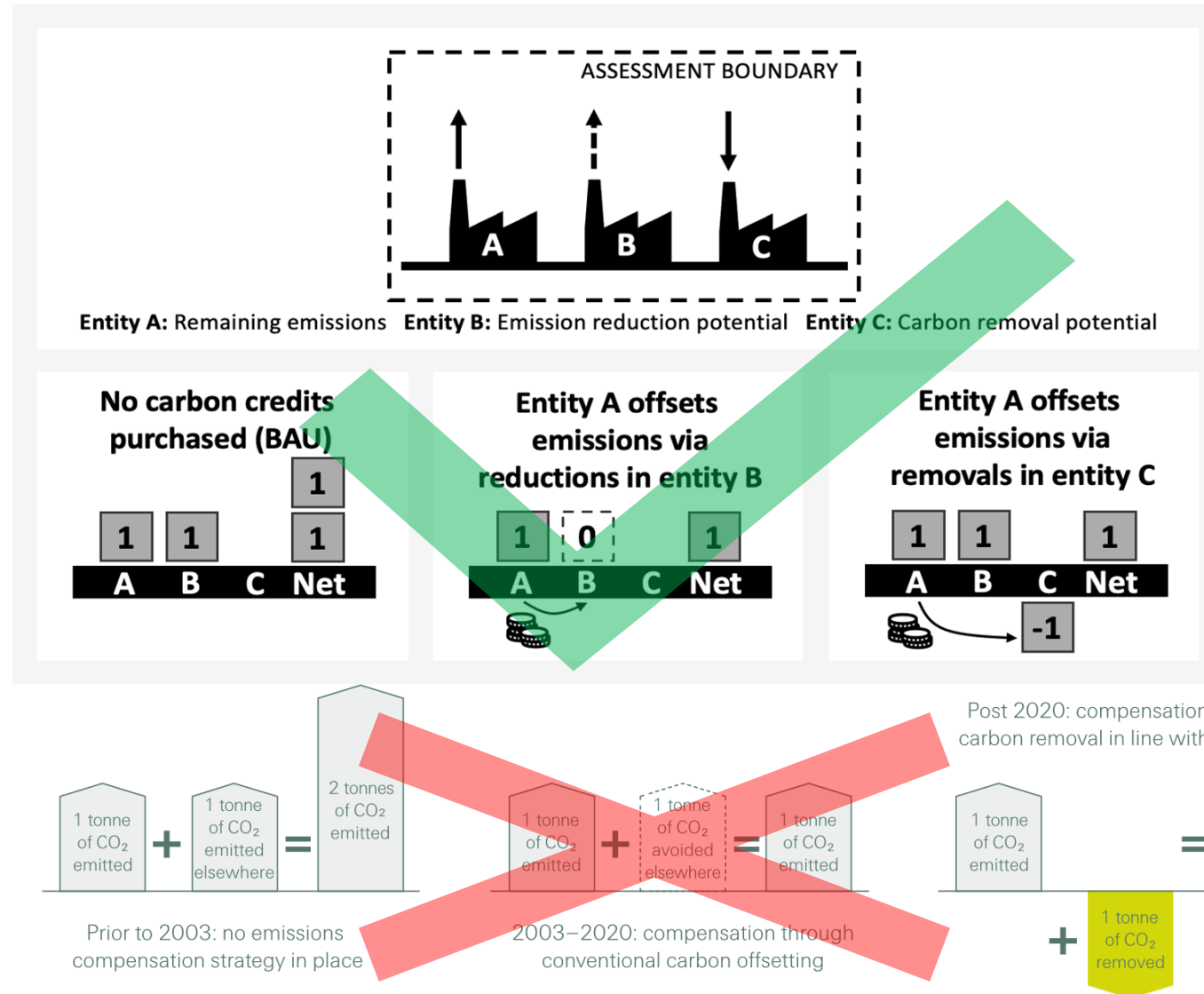
Entity A offsets
emissions via
reductions in entity B



Entity A offsets
emissions via
removals in entity C



Reductions or Removals?



How to contribute to global mitigation?

Contribution to global 1.5°C goal by:

Highest
contribution

No
contribution

Reducing own emissions

Emissions aligned with 1.5°C

Emissions not aligned with 1.5°C but
emissions reduced below BAU

Emissions not aligned with 1.5°C and
emissions remain at BAU

Using carbon credits

Cover emissions with more than the
equivalent amount of carbon credits

Cover emissions with the equivalent
amount of carbon credits

Cover emissions with less than the
equivalent amount of carbon credits

No use of carbon credits

Carbon credit type

Carbon credits representing mitigation
beyond NDCs that meet carbon credit
integrity criteria

Carbon credits representing mitigation
towards NDCs that meet carbon credit
integrity criteria

Carbon credits not (or only partially)
representing mitigation that do not
meet carbon credit integrity criteria

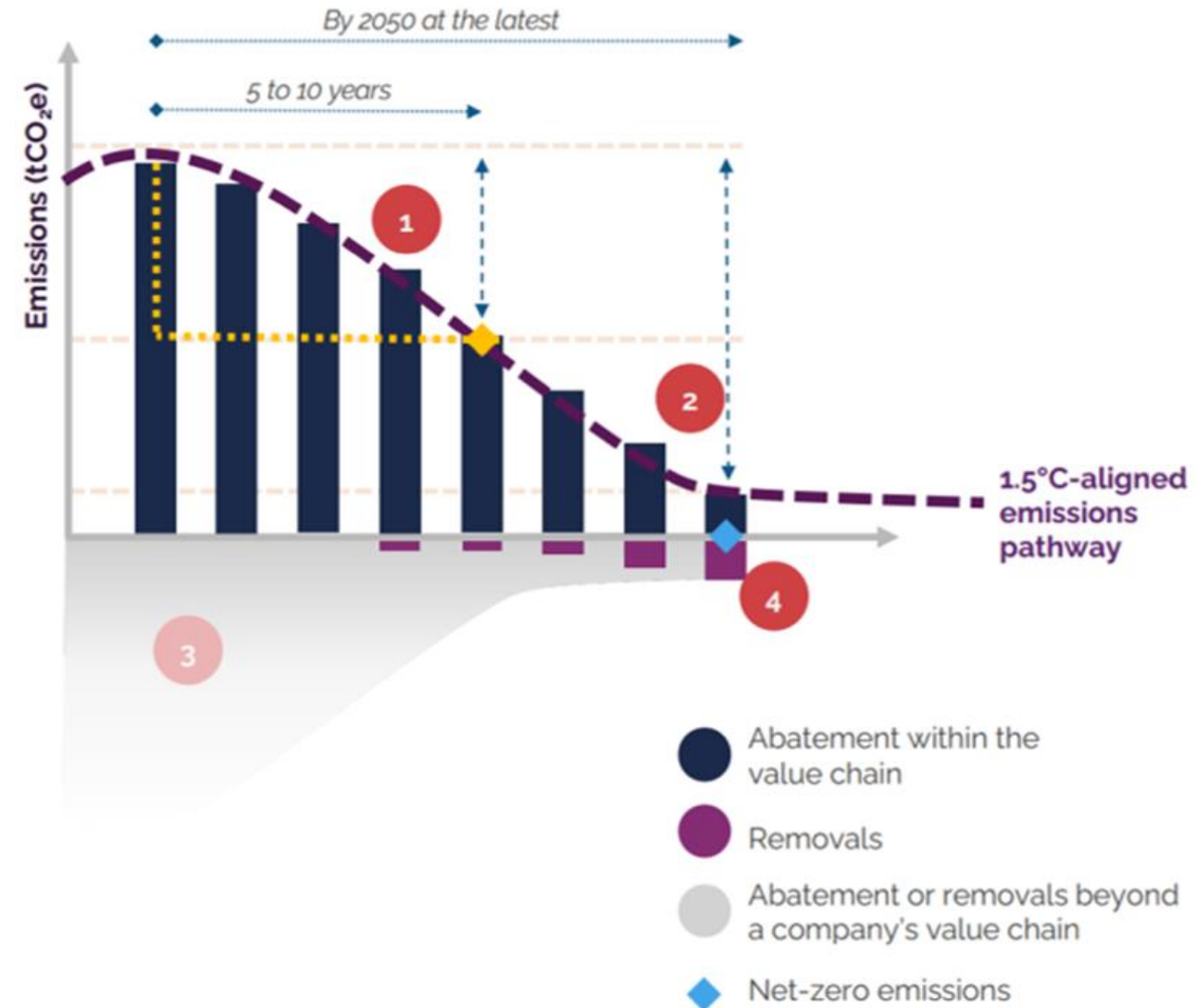
Key initiatives on claims

- Science-Based Targets initiative (SBTi) Corporate Net-Zero Standard
- Voluntary Carbon Market Integrity Initiative (VCMI) Claims Code
- ISO 14068 Carbon Neutrality Standard
- EU: Proposals for Directives on empowering consumers for a green transition, and on Green Claims



Net-zero according to SBTi

- Reducing Scope 1,2,3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5C-aligned pathways (approx. >90%)
- Neutralising any residual emissions at the net-zero target year and any emissions released into the atmosphere thereafter
- Neutralisation using permanent removals
- Beyond-value-chain mitigation can be emission reductions or removals



SBTi Beyond Value Chain Mitigation (BVCM)

- SBTi strongly recommends that companies go above and beyond their science-based targets to invest in mitigation beyond their value chains
- Mar 2023: Expert advisory group for BVCM recruited
- Jun-Jul 2023: Public consultation on BVCM
- Nov/Dec 2023: BVCM Guidance Paper published
 - Aim is to provide recommendations for companies covering the minimum benchmarks for credibility and best practices for transparency
 - The SBTi will also explore the role of climate claims and other mechanisms for incentivising scale-up of private sector climate finance

Public consultation topics

1. Defining BVCM

2. Overarching process for BVCM

3. Determining the nature and scale of the commitment to BVCM

4. Deploying resources and finance across BVCM activities

5. BVCM-related claims

6. Reporting on BVCM

7. Incentives for BVCM

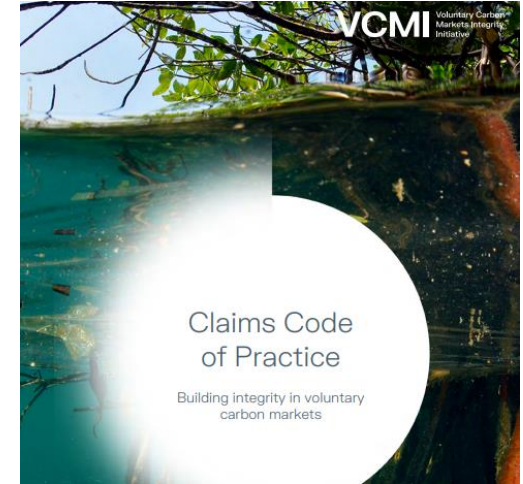
8. Terminology

9. Illustrative case studies

VCM Claims Code of Practice (as of June 2023)

Four “foundational criteria”

1. Maintain and publicly disclose an annual GHG emissions inventory
2. Set and publicly disclose validated science-based near-term emissions reduction targets, publicly commit to reaching net zero emissions no later than 2050
3. Demonstrate that the company is on-track towards meeting a near-term emissions reduction target and minimizing cumulative emissions over the target period
4. Demonstrate that the company’s public policy advocacy supports the goals of the Paris Agreement and does not represent a barrier to ambitious climate regulation



Three alternative VCM claims

- The purchase and retirement of high-quality carbon credits
- Silver: 20-60% of emissions, Gold: 60-100%, Platinum: 100% or more (% must increase every subsequent year)
- Represent “contribution claims” – “are not counted as internal emission reductions that a company undertakes to meet decarbonization targets”

Credits that meet the ICVCM Core Carbon Principles

- Reductions and removals are good
- No requirement for corresponding adjustments, but it shall be reported

Obtain third-party assurance of reported information

Coming soon:

- Further guidance
- MRA framework
- Additional claims

ISO 14068 Carbon Neutrality

- Greenhouse gas management and climate change management and related activities — Carbon neutrality

Principles:

- Requires mitigation of Scope 1, 2, and 3 emissions according to a 1.5C-aligned pathway.
- Mitigation hierarchy:
 - Mitigation of own emissions
 - Own removals
 - Offsetting using high quality credits
- Carbon neutrality claim: Remaining & residual emissions are offset, reduction and removal credits are good
- Net-Zero claim: There are only residual emissions, the emissions are offset using permanent removals
- Double claiming not allowed, including between national and corporate mitigation targets
-> correspondingly adjusted carbon credits



EU: Proposed Directives on claims

Empowering consumers for the green transition (2022)

- Bans generic environmental claims (e.g. “carbon neutral”) if they do not demonstrate excellent environmental performance
- Political agreement (Sep 2023) bans unfair claims based on offsetting and allows only sustainability labels based on approved certification schemes or established by public authorities

Green Claims (2023)

- Prioritisation of reductions in own value chain mitigation
- Reporting of carbon credit use separately from emissions, and information on e.g. share of emissions covered through offsetting and whether offsetting is based on emission reductions or removals
- Substantiation of claims that include offsetting by methodologies that ensure the integrity and correct accounting of offsets, and reflect coherently and transparently the resulting climate impact
- Commission can provide further criteria for specific (e.g. climate-related) claims





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Best practice in practice: Nordic perspectives and experiences

Karoliina Anttonen, Finnish Ministry of the Environment

Kaj Török, MAX Burgers



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Wrap-up

Hanna-Mari Ahonen, Perspectives Climate Research

Best practice is a moving target

- Ensuring integrity is not easy but it is vital
- Guidance and regulation needs to evolve to address concerns and changing contexts
- This makes best practice a moving target
- Why aim for best practice?
To take responsibility and mitigate risks

Nordic cooperation on capacity building for best practice continues in 2024 - insights will be shared





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Thank you for participating!

To stay posted, visit www.nordicdialogue.com and join our mailing list



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CARBON LIMITS

