

Taskforce on Scaling Voluntary Carbon Markets

Summary of the Public Consultation Report of
May 21st, 2021

*Presented to the CFTC's Energy and Environmental Markets Advisory
Committee June 3rd, 2021*

All consultation documents were developed through engagement with TSVCM Members

The TSVCM continues to grow

400+

TSVCM members



250+

institutions represented



Consultation documents were informed by extensive engagement with TSVCM Members

3¹



TSVCM plenaries



Opportunity for all TSVCM members to review work across working groups

3²



Advisory Board meetings



Opportunity for Advisory Board Members to review WG content and give feedback

4



Governance Working Group meetings

4



Legal Principles & Contracts Working Group meetings



4



Credit-level Integrity Working Group meetings

Working Group members developed content and provided feedback to shape the next iteration of the document

100+



Subgroup or one-to-ones meetings with all Members who requested them on deep-dive topics

Documentation was shared respectively with the TSVCM Plenary, Advisory Board and Working Groups the day before each meeting and feedback was requested with every new iteration

1. Three already held, one more to come

2. Three already held, two more to come

About the Taskforce

The Taskforce on Scaling Voluntary Carbon Markets is a private sector-led initiative working to scale an effective and efficient voluntary carbon market to help meet the goals of the Paris Agreement.

The Taskforce was initiated by Mark Carney, UN Special Envoy for Climate Action and Finance; is chaired by Bill Winters, Group Chief Executive, Standard Chartered; and is sponsored by the Institute of International Finance (IIF) under the leadership of IIF President and CEO, Tim Adams. Annette Nazareth, senior counsel at Davis Polk and former Commissioner of the US Securities and Exchange Commission, serves as the Operating Lead for the Taskforce. McKinsey & Company provides knowledge and advisory support.

The TSVCM's over 250 member institutions¹, represent buyers and sellers of carbon credits, standard setters, the financial sector, market infrastructure providers, civil society, international organizations and academics. An advisory board of 20 environmental NGOs, investor alliances, academics and international organizations provide guidance on TSVCM recommendations.

The Taskforce's unique value proposition has been to bring all parts of the value chain to work intensively together and to provide recommended actions for the most pressing pain-points facing voluntary carbon markets.

Full list of involved individuals and institutions can be found on the TSVCM website: <https://www.iif.com/tsvcm>



TIM ADAMS
PRESIDENT AND CEO
THE INSTITUTE OF
INTERNATIONAL FINANCE



BILL WINTERS
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STANDARD CHARTERED



ANNETTE NAZARETH
SENIOR COUNSEL AT
DAVIS POLK FORMER SEC
COMMISSIONER



SUPPORTER
MARK CARNEY
UN SPECIAL ENVOY FOR CLIMATE
ACTION AND FINANCE

1. 53 Taskforce member institutions and 211 Consultation group member institutions

The Taskforce Phase II is composed of an advisory board and Working Groups with TSVCM members

x Working groups
 Taskforce plenary
 Taskforce-driven
 Operating team-driven
 Independent, with input from the Taskforce
 Independent, sharing information with Taskforce

Taskforce Governance

Sponsor organization

Timothy Adams, CEO, Institute of International Finance (IIF)



Taskforce

Chair	Operating Lead	Taskforce & Consultation Group Members	Donors
Bill Winters, CEO, Standard Chartered	Annette Nazareth, Senior Counsel, Davis Polk; former SEC Commissioner	~150-200 subject matter experts across the carbon market value chain (e.g., buyers, suppliers, financial intermediaries)	Philanthropic foundations dedicated to making a positive difference by contributing to initiatives that help the world reach net zero

A Stakeholder engagement
 Narrative on the value and objectives of the TSVCM
 Operating team led, with support as needed from Taskforce members

Cross-cutting advisory board (eNGOs, investor alliances, academics, international organizations)

B Governance
 Newly assembled expert group, supported by the operating team

C Legal principles & contracts
 Newly assembled expert group, supported by the operating team

D Credit level integrity
 Newly assembled expert group, supported by the operating team.

Operating Team



Private Finance Hub (observer)

McKinsey & Company

Independent efforts

E Participant level integrity

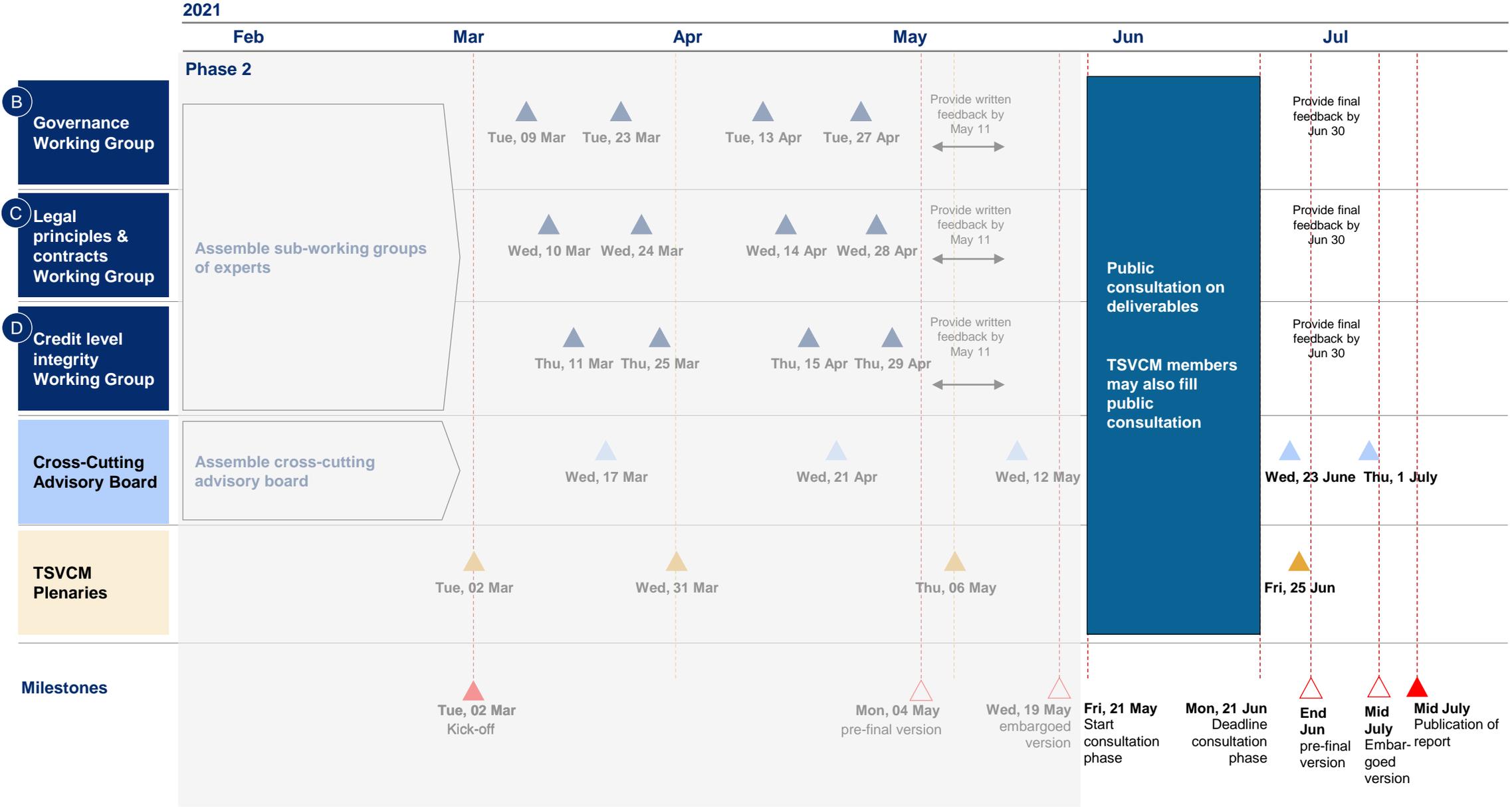
F Demand and supply engines

G Traded volume & market infrastructure
 Private Market Initiatives

H Corresponding Adjustments

New collaboration between EDF / Trove to be set up

The final report with Phase II recommendations will be published in July



This document is structured across four chapters

x Chapters in the report



A Objectives and focus of the TSVCM



B Governance



C Legal principles & contracts



D Credit level integrity

Ambition

Public awareness of the climate and co-benefits that Voluntary Carbon Markets can drive as an important complement to own-firm emissions reductions

A future umbrella body with a mandate to implement, host and curate a set of Core Carbon Principles, provide oversight over standard setters and coordinate interlinkages between individual bodies

Standardizing legal framework underpinning credit issuance and trading contracts with common language on liability, ownership, delivery etc.

Core Carbon Principle threshold standard that does not exclude credits from the market but marks out those that satisfy a high quality standard

Taskforce contribution

Engagement with key stakeholders to drive demand and supply in VCMs

Blueprint for a future governance body specifying its mandate, organizational structure, sources of funding and a process for its setup

Defined use cases to drive awareness of potential ways to use the market

Developed operational requirements for Standards' Terms of Use

Developed general trading terms clauses

Draft assessment Framework for Standards

Analysis of credit eligibility criteria

Proposal for a taxonomy of additional attributes



Public consultation survey questions across topics can be found at the end of this report

A: Objectives and focus of the TSVCM



Introduction: A global issue



Difficulties faced by the market today



The Taskforce: Composition and activities



A dual ambition: High-integrity carbon credits and robust, transparent and liquid markets



Governance: Addressing the oversight needs for an at-scale market



Legal Principles & Contracts: Harmonization and liquidity



Credit Level Integrity: Core Carbon Principles and Additional Attributes



Article 6: The Taskforce's position



Conclusion: A historic effort

A. Objectives and focus of the TSVCM (1/4)



Introduction: A global issue

To achieve the Paris ambition of limiting the average temperature rise in this century to 1.5° Celsius, the global community needs to reach net zero emissions by no later than 2050. To credibly hit that target, we all need to act now, not in 2040.

This net zero challenge requires the entire economy to change; every company, bank and investor will have to adjust their business models, develop credible plans for their transition, and implement them as rapidly as possible. Many countries and companies are rising to this challenge, not least by making net zero commitments and communicating their plans. In addition to corporates' primary obligation to decarbonize, additional compensation and neutralization have an important role to play to achieve a 1.5° pathway. It is essential that any use of carbon credits which forms part of corporate climate commitments is done through high integrity and quality projects.



Difficulties faced by the market today

Voluntary carbon markets began trading before the most recent international climate change agreements had been put in place. Over the last years, standard setters, verifiers, project developers and other market participants and associations have developed and continuously improved these markets in the face of significant uncertainty. However, today's markets remain highly fragmented and face ongoing NGO and press criticism regarding the quality of credits. The combination of real and perceived issues within the voluntary carbon market creates difficulties in scaling them in line with the demands of Paris.

To support the investment required to deliver the 1.5-degree pathway, the TSVCM estimates that voluntary carbon credit volume would need to grow by up to 15 times by 2030 – while simultaneously increasing the integrity of the underlying carbon credits. This can drive billions of dollars from those emitting carbon to those removing carbon or preventing its emission over the next 30 years. For finance to flow to the right projects, a well-functioning voluntary carbon market with high integrity quality standards and robust governance is needed.



The Taskforce: Composition and activities

The TSVCM was initially convened in September 2020. A report, with 20 recommendations identifying the solutions necessary to scale voluntary carbon markets, was issued on January 27th 2021. TSVCM membership has continued to grow and now includes experts from across the carbon markets value chain, from more than 250+ organizations, 20 sectors of the economy and from six continents. To ensure the highest level of rigor and challenge, we have increased engagement and participation from civil society, particularly in the form of an Advisory Board, whose remit spans across all topics.

The work is not done. Between March 3rd 2021 (when the Development & Implementation phase kicked off) and summer 2021, the Taskforce and Consultation Group is supporting three core topics: A) Governance, B) Legal principles & contracts, and C) Credit level integrity. This consultation document represents the synthesized output of this phase, to solicit input.

A. Objectives and focus of the TSVCM (2/4)



A dual ambition: High-integrity carbon credits and robust, transparent and liquid markets

The Taskforce knows that we cannot sacrifice quality and integrity. The existing voluntary carbon market does not operate effectively due to difficulties (both real and perceived) in quality and integrity of the credits. The Taskforce aims to remedy this through the development of Core Carbon Principles (CCPs), a threshold standard for defining high quality.

The Taskforce envisions a future governance body with the mandate implement, host and curate the CCPs by evaluating which Standards and methodology types may issue CCP-labelled credits. The CCPs will set a new high quality benchmark surpassing existing certification.

The full definition of the CCPs will be carried out by the future governance body's expert panel building on the Assessment Framework and the set of key considerations to address provided by the TSVCM. The creation of a CCP threshold standard will not exclude any credits from the market but will introduce new high quality removal CCP credits and high quality avoidance and reduction CCP credits that will be fungible and backed by accredited Standards.

Some corporate participants today have large teams dedicated to independent verification and purchasing of these carbon credits. While highly commendable in the current market context, this is inefficient and must become unnecessary as the market scales and CCP credits provide a standardized alternative.

Separate from integrity there is the question on harmonization of credits. For the voluntary carbon market to scale & operate effectively, there will need to be a core reference contract (similar to the one that exists for electricity in the Nordic power markets). We understand that there is concern that harmonizing carbon credits might reduce their quality. We believe the opposite is likely to occur. When a product follows a set of widely interrogated and codified standards, quality usually improves as producers are motivated to meet those standards. The Taskforce is also recommending a rigorous convergence around general trading terms, terms of use and high-integrity core carbon principles.

Through "additional attributes", we will codify attributes that all Standards that issue credits in line with Core Carbon Principles will have to specify going forward. These additional attributes are integral parts of what defines the carbon credits, but are not always specified today. A key example is removal vs. avoidance / reduction credits. This is not always specified in registries today, but will need to be included in new "additional attribute" columns in registries going forward. Removals vs. reductions / avoidance will be a key differentiator for corporate claims going forward. Other critical "additional attributes" that the Taskforce recommends include: removal/reduction method (tech vs. nature), storage method, co-benefits and corresponding adjustments

A. Objectives and focus of the TSVCM (3/4)



Governance: Addressing the oversight needs for an at-scale market

A large majority of participants in the TSVCM have emphasized that further step-changes in oversight are required, to increase the quality of credits to a level where buyers have the confidence to enter the market at scale. Hence the TSVCM Phase I report from January 2021 called for the development of an umbrella governance body with the mission to promote the integrity, liquidity and growth of the global voluntary carbon market. The need for this umbrella governance body was reconfirmed by an expert Governance Working Group, which consequently developed a set of concrete recommendations for the mandate, organizational design and implementation path for this body. The mandate is to:

- i) Establish, host, and curate: a) CCP eligibility guidelines and additional attributes; b) CCP assessment framework for standard setters; c) Eligibility principles for suppliers and VVBs.
- ii) Provide oversight over standard setting organizations on adherence to CCPs and participant eligibility / oversight.
- iii) Coordinate work of, and manage interlinkages between, individual bodies. Serve as the steward for the Voluntary Carbon Market and endeavor to foster its responsible growth by defining a roadmap for success.

This mandate will be carried out by the four key parts of the governance body: Board of Directors (consisting of Founding Sponsor representatives and Independent Board Members); Expert Panel; Executive Secretariat (hosted by the Executive Secretariat Host); and member consultation group

→ ← Legal Principles & Contracts: Harmonization and liquidity

Currently, voluntary carbon markets are highly complex and fragmented. On the one hand, uncoordinated Terms of Use across Standards (different onboarding requirements and rules of dispute resolution; uncertainty over limitation of liability and indemnity clauses) stand in the way of creating, and thereby trading, a truly fungible product. On the other hand, an ambiguous and uncertain legal landscape – differences across geographies, heterogenous supply chains, unclear liabilities, and diverging risks including fraud – create a significant burden for market participants and limits access to carbon credit trading. The Working Group on Legal principles and contracts seeks to contribute to streamlining the legal landscape for Standards' Terms of Use and for trading of CCPs, by providing clarity over use cases, operational requirements for Standards terms of use, as well as develop general trading terms.

A. Objectives and focus of the TSVCM (4/4)



Credit Level Integrity: Core Carbon Principles and Additional Attributes

The Credit-level Integrity Working Group was established to support the future governance body, by providing input on the key documentation this governance body will need. In particular the governance body will need to develop the Core Carbon Principles (CCPs) which define high-quality standards as well as high-quality carbon credits. This will be operationalized through an assessment framework for standards as well as a set of credit eligibility guidelines. Furthermore, to enable trading at scale, exchanges need to be able to identify key attributes of carbon credits which they would use to develop a small set of reference contracts. Hence the working group has developed a set of Additional Attributes that need to be identified for each CCP credit (e.g. whether the credit is an avoidance / reduction or removal credit).



The Taskforce's position on Article 6

The Taskforce cannot deliver policy guidance on issues currently subject to international negotiations, such as the rules underpinning Article 6 of the Paris Agreement and 'corresponding adjustments'. Once rules are negotiated, the voluntary market should comply with the rules of the Paris Agreement and Article 6. Further work will need to be done to determine how to proceed as the outcomes of the Article 6 negotiations become clearer.



A historic effort

This is truly a historic opportunity to contribute to getting the world to net zero, and we encourage continued participation to ensure that future initiatives set out a pathway toward real growth of the voluntary carbon market

B | The Governance chapter contains two parts...

I Terms of Reference (ToR) for the new umbrella body

Critical governance needs for the Voluntary Carbon Market

Mission and mandate of the new umbrella governance body

Organizational design

Funding

Operating principles, transparency and grievance mechanisms

II Call for initial engagement from (potentially) interested parties to become a Founding Sponsor, Independent Board Member, Expert Panel Member and Executive Secretariat Host

Timeline for the implementation of the governance body

Recommendation guidelines

Questions for interested parties to consider in preparation for a potential submission of interest

+ Questions for public consultation

...which are detailed in a separate document

Please find an executive summary on the following pages



The detailed Terms of Reference for the new governance body and a call for initial engagement from (potentially) interested parties can be found in a separate text document¹

A. TERMS OF REFERENCE

The following section contains the Terms of Reference (ToR) of the new governance umbrella body. It sets out a description of critical governance needs for the voluntary carbon market and the need for a new umbrella body, the mission and mandate of the new body, its organizational design, funding, and operating principles.

Critical governance needs for the voluntary carbon market

Blueprint for an end-to-end governance landscape

Exhibit 3: Blueprint for an end-state governance landscape that addresses VCMs' expected needs

We revised the blueprint for an end-state governance landscape that addresses VCMs' expected needs

Area	Current State	Expected Needs
Market Functioning	Market functioning for market intermediaries by financial jurisdiction and self-regulation, accounting partly by financial accounting standard setters and accounting firms verifying adherence to accounting rules	Market functioning for market intermediaries by financial jurisdiction and self-regulation, accounting partly by financial accounting standard setters and accounting firms verifying adherence to accounting rules
Market Integrity	Market integrity by reference to CCFs on the supply side by suppliers, VCBs and standard setters, participant oversight of suppliers and VCBs by standard setters, etc.	Market integrity by reference to CCFs on the supply side by suppliers, VCBs and standard setters, participant oversight of suppliers and VCBs by standard setters, etc.
Market Incentives	Market incentives by reference to CCFs on the supply side by suppliers, VCBs and standard setters, participant oversight of suppliers and VCBs by standard setters, etc.	Market incentives by reference to CCFs on the supply side by suppliers, VCBs and standard setters, participant oversight of suppliers and VCBs by standard setters, etc.

In its report published in January 2021, the Taskforce outlined a blueprint for end-to-end governance of the voluntary carbon market (see Exhibit 3). It included the need for four key governance roles:

- Ensuring credit level integrity, including the definition of CCFs and additional attributes as well as checking the adherence to them;
- Ensuring participant level integrity, including the definition of participant eligibility criteria and participant oversight;
- Ensuring process level integrity and market functioning.

• Defining and verifying adherence to legal and accounting rules

All of these roles need to be fulfilled across the entire carbon market value chain, including supply (project design and development, validation and verification, issuance of credits), market intermediaries (supply side financing, trading, settlement and retirement, market and adherence data), and demand (buyers of credits).

During the subsequent development and implementation phase, the Taskforce revised the governance needs based on the input from the Governance Working Group (see Exhibit 3).

The current VCM governance landscape

There are a number of existing governance bodies in the current governance landscape that partially fulfil the governance needs described in the previous section. These include Validation and Verification Bodies (VVBs), standard setters, different expert bodies, registers, standard setters for corporate claims, standard contract hosts, and financial and carbon accounting firms.

Exhibit 4 shows the areas in the governance landscape that these bodies cover. It can be observed that there are three different types of coverage:

- Areas that are covered by existing governance bodies (gray areas in Exhibit 4, e.g. participant oversight and market functioning for market intermediaries by financial jurisdiction and self-regulation, accounting partly by financial accounting standard setters and accounting firms verifying adherence to accounting rules)
- Areas that are covered by existing bodies with a need to strengthen and/or expand their role (blue areas in Exhibit 4, e.g. adherence to CCFs on the supply side by suppliers, VCBs and standard setters, participant oversight of suppliers and VCBs by standard setters, etc.)
- Gaps in the current landscape (orange areas in Exhibit 4, e.g. definition of CCFs and additional attributes, setting participant eligibility guidelines on the supply side, overall coordination role to manage interlinkages between individual governance bodies)

In order to ensure a robust governance structure in the voluntary carbon market that ensures a high credit level and market integrity, the Taskforce is recommending that existing bodies strengthen their role and is calling for the establishment of a new governance umbrella body to fill current gaps in the governance landscape and manage interlinkages between existing bodies.

1. File name: *Governance ToR & call for initial engagement from interested parties*, can be accessed at www.iif.com/tsvcm

C | The Legal Working Group produced recommendations gathered in this report...

- I Example **use cases** illustrating how standard clauses and procedures can help scale the market
- II Overview of **pain points** associated with the current lack of standardization; overview and rationale of **operational requirements for Standards' Terms of Use**
- III Overview and rationale of **key general trading terms** which the TSVCM proposes

... and in its technical appendix

Additional **use cases**, covering a broader range of potential buyer needs

The full **language on operational requirements for Standards** to include in their Terms of Use in order to to issue CCPs

The full **language on key general trading terms** which can be adapted to Parties' needs and readily integrated into OTC and Exchange trading contracts

C3 | Key general trading terms (1/2)

Topic Definition of the products
Proposal The product is defined as either a removal or an avoidance/reduction CCP credit – or either – that has been issued by one of the Standards approved under the Governance Body and that meets all of the requirements of the CCPs as well as of the additional attributes specified.

Rationale Establish the CCPs as the unit on which reference trading contracts are based.

2 | Example of a corporate targeting Net Zero by 2035 and compensating and increasingly neutralizing emissions every year until then

Journey for a buyer

- Reduce in line with Science Based Targets**
 - Planning: Develop emissions reduction cases for internal emissions, discuss use offsets, emissions
 - Scope 1: Operations: Invest in more CO2-efficient machinery
 - Scope 2: Energy: Switch to renewable electricity source
 - Scope 3: Sourcing: Switch to organic raw materials
 - Outsourcing: Replicate carbon abatement measures from partner companies
 - Waste: Monitor waste from processing operations
- Remove in line with science**
 - Carbon credit type: 10 MT CCP removal credits (covering every year after 2023 by 2035 until Net Zero is achieved)
 - Contract type: Removal
 - Contract mechanic: Spots: Equals removal CCP credit prices to increase, hence decides it will buy spot contracts
 - Exchange-trading: As of 2024, carbon credits removal credits look up in the top tier removal CCP spots contracts over a commodity exchange
 - Delivery & settlement: Physical delivery: Each year after 2023 the buyer gets the amount required removals in their registry account
 - Option: Financial settlement: Buyer rebates CCP removal credits (practical delivery of the credits); Financial netting and offset
- Use avoidance and reduction credits to compensate all emissions on trajectory**
 - Carbon credit type: 10 MT CCP avoidance credits (decreasing each year to compensate for emissions in the Net Zero pathway)
 - Contract type: Avoidance
 - Contract mechanic: Futures: Expects avoidance CCP credit prices to increase, hence decides it will buy futures
 - Exchange-trading: Asks their Futures Commission Merchant (ie their bank) to purchase CCP futures over the exchange for each future year until 2035
 - Delivery & settlement: Physical delivery: Every year, the buyer receives CCP credits in their registry account
 - Option: Financial settlement: Buyer rebates CCP avoidance credits; Financial netting and offset

Net Zero 2035

Note: This is an example use case which does not suggest endorsement of any specific approaches. The types of claims mentioned refer to external standards that were not developed by the TSVCM.

3 | Key general trading terms (1/7)

Topic Definition of the products
Proposal Product 1: "CCP credit" means a carbon removal credit that has been issued by one of the Standards approved under the Governance Body and that meets all of the requirements of and has been certified and verified in accordance with the Core Carbon Principles and with (*) Insert additional attributes), as (**)Include equivalent removed, and which includes any and all rights that may be as gas removal (e.g., any right, interest, credit, entitlement, or benefit arising

Rationale Ensure CCPs are uniquely retired on behalf of one entity

2 | Operational requirements for Standards' Terms of Use

Topic Proposal
Uniform onboarding procedures Standards will have in place rigorous onboarding procedures that Users undergo upon registration, in order to identify fraudulent actors. Periodic checks will be performed on a regular basis thereafter.
Force Majeure The Governance Body will have the mandate to define minimum documentation required by the Standards. Standards will not be held liable for losses incurred under Force Majeure.
Limitation of liability The Taskforce recommends that Standards' certification and registration contracts include provisions that specify the nature of events covered under Force Majeure, contract termination under Force Majeure and reimbursement processes. Registry users will assume full responsibility and risk of loss resulting from their use of the registry and will have no claim against the Standard or any of its contractors.
Prohibited practices and suspension of service Standards may suspend services and/or close the User's account with immediate effect if it reasonably suspects that the User has engaged in fraudulent, unethical or illegal activity, including but not limited to corruption, bribery, slavery, or child labor. Standards commit to making all reasonable efforts to ensure that neither developers nor their subcontractors engage in such practices.
Auditable logs Standards commit to keeping auditable transaction logs and secure transfer procedures.
Dispute resolution The TSVCM recommends Standards acquire arbitration.
Tax compliance Standards ensure to the maximum degree possible that developers pay all taxes and charges imposed by governmental authorities related to the use of the Standard.
Cyber security Standards should have in place cybersecurity systems adequate to minimize risks related to hacking and fraud.
Termination Both Parties may terminate the Terms of Use by giving 30 days notice to the respective other. Standards will exclude Users who don't comply with their obligations in a reversal event, double claim or otherwise engage with other users in bad faith.

Note: Reversal events and buffer pools are addressed by the Credit-Value Integrity Working Group.

D | Credit-level Integrity – Executive summary

Introduction

The Taskforce for Scaling Voluntary Carbon Markets has the mission of creating a market for **high-quality carbon credits traded in robust, transparent and liquid markets**. The consultation survey at the end of Phase I showed that **credit quality was at the heart of buyers' hesitancy in carbon markets**, with 45% of buyers surveyed identifying it as a pain point.

The Credit-level Integrity Working Group was established to **support the future governance body**, by providing input on the key documentation this governance body will need. In particular the governance body will need to develop the **Core Carbon Principles (CCPs)** which define high-quality Standards as well as high-quality carbon credits.

This will be operationalized through an **assessment framework for Standards** as well as a set of **credit eligibility guidelines**. Furthermore, to enable trading at scale, exchanges need to be able to identify key attributes of carbon credits which they would use to develop a small set of reference contracts. Hence the working group has developed a set of **Additional Attributes** that need to be identified for each CCP credit (e.g. whether the credit is an avoidance / reduction or removal credit).

I Assessment Framework for Standards

The Assessment Framework for Standards will be used by the Future Governance Body to **evaluate whether Standards may issue CCP credits**. It will cover both credit-level principles (e.g. additionality) and Standard-level principles (e.g. governance). In this second phase, the Working Group has built on the high-level CCPs from Phase I to define the next level of detail for each CCP.

In preparing the Assessment Framework **we have sought to surpass quality standards currently in the market**. Among other principles, the TSVCM recommends the **obligation to demonstrate financial additionality** through profitability or return on capital considerations, the **requirement to adopt baselines set by third parties** and the **requirement for Standards to maintain collective buffer pools** in line with their project-portfolio risk.

II Current eligibility guidelines analysis

The TSVCM envisions a future governance body with the mandate to set credit-eligibility guidelines (e.g. by defining guardrails and exclusion rules) at a **methodology type level**. In order to facilitate this task, the TSVCM will handover to the future governance body an analysis of the current credit eligibility guidelines utilized by some of the key Standards in the market. In addition, reference points from academic literature have been included for key methodology types.

The analysis focuses on the **CCPs that are most relevant to key methodology types**. We have selected the methodology types to evaluate based on the **volume of credits in the market today** and based on the **future relevance of the methodology types**. For the most relevant CCPs and methodology types, we have identified **suggested questions** regarding the eligibility of carbon credits **that the Future Governance Body would answer**.

III Additional attributes

Additional attributes are mandatory tags with which all registries must list CCP credits so buyers and sellers can distinguish between different types of CCP credits (e.g. removal and avoidance/reduction credits). Additional attributes **boost the liquidity of the market** by providing exchanges with a standard list of labels that is common to CCP credits from all registries. By distinguishing credits, additional attributes **enable price differentiation** for CCP credits with specific characteristics.

The current proposal for a standard taxonomy of additional attributes includes **credit type** (removal or avoidance/reduction), **removal/avoidance/reduction method, type of storage** (or no storage), **co-benefits** and a **corresponding adjustments** tag whose implementation will depend on the outcome of this November's COP26.

The Future Governance Body will be tasked with revising and updating the standard taxonomy of additional attributes; exchanges in turn will be able to base reference contracts for CCP credits on categories it includes.

D | Setting Core Carbon Principles is key to driving the Taskforce's dual ambition



High-integrity carbon credits...

Develop core carbon principle threshold standard for what constitutes a high-integrity credit and ensure robust governance for overseeing it

Allowing companies to pursue corporate claims that require specific credit types e.g. removals

The Taskforce will not exclude any credits from the market and simply label high-quality CCP credits



...Traded in robust, transparent and liquid markets

Catalyze market players to develop infrastructure and solutions that promote data transparency, funding availability, ease of access and price transparency

Companies' internal decarbonization and emissions reporting remain the priority with offsetting playing an important but complementary role

D | The consultation input of the Credit-level Integrity Group contains 3 key parts...

I Draft Assessment Framework for Standards

- Detailed first proposal of Standard-level CCPs
- Further operational considerations

II Analysis of current credit eligibility criteria enforced by Standards

- Analysis of current Standard guardrails by methodology type
- Academic review of quality concerns for existing methodology types
- Suggested questions to the future governance body

III Initial Standard taxonomy of additional attributes

- Five initial additional attribute types to be refined by the governance body

+ Questions for public consultation

... with the current practices analysis detailed in a separate document

The analysis of **current Standard guardrails** and the **academic review** of quality concerns by methodology type can be found in the **technical appendix to this document**



2 | Additional: proposed analysis to handover to the Governance body (2/3)

2 | Additional: proposed analysis to handover to the Governance body (1/3)

High level CCP	CCP Operational considerations	Example methodology types	Current practices from Standards and rationale	Academic literature	Suggested question for the governance body expert panel
Financial	Additional support reduction or elements that would otherwise have no effect on credit	Investment analysis	We need to get effects from credit risk to the market share	NA	Should energy efficiency projects in developed countries be allowed to count towards the 20% of the total portfolio? Or should we have a cap on the number of such projects?
Energy efficiency	Energy efficiency	Investment analysis	Investment analysis for energy efficiency projects. The current practice is to use a 10% discount rate for energy efficiency projects.	NA	Should energy efficiency projects in developed countries be allowed to count towards the 20% of the total portfolio? Or should we have a cap on the number of such projects?
Fuel switching	CO2 emissions for all project types. The current practice is to use a 10% discount rate for energy efficiency projects.	Investment analysis	Investment analysis for energy efficiency projects. The current practice is to use a 10% discount rate for energy efficiency projects.	NA	Should energy efficiency projects in developed countries be allowed to count towards the 20% of the total portfolio? Or should we have a cap on the number of such projects?
Renewable energy	CO2 emissions for all project types. The current practice is to use a 10% discount rate for energy efficiency projects.	Investment analysis	Investment analysis for energy efficiency projects. The current practice is to use a 10% discount rate for energy efficiency projects.	NA	Should energy efficiency projects in developed countries be allowed to count towards the 20% of the total portfolio? Or should we have a cap on the number of such projects?
Land management	CO2 emissions for all project types. The current practice is to use a 10% discount rate for energy efficiency projects.	Investment analysis	Investment analysis for energy efficiency projects. The current practice is to use a 10% discount rate for energy efficiency projects.	NA	Should energy efficiency projects in developed countries be allowed to count towards the 20% of the total portfolio? Or should we have a cap on the number of such projects?

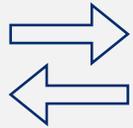
Technical Appendix can be accessed at iif.com/tsvcm

D.III | Additional Attributes can enable price differentiation for CCP credits with specific benefits, and drive liquidity through standardization

Two objectives for the standard taxonomy of additional attributes



Drive scale and liquidity through standardization



Facilitate exchanges' creation of CCP contracts by standardizing the attributes Standards use on CCP credits



Create contracts that utilize the **same underlying additional attributes** and hence drive liquidity and allow a clear price signal



Enable a price differential for CCP credits with specific benefits



Buyers can use CCP credits with additional attributes to **pursue specific claims**

- Carbon neutral / Net Zero claims
- Individual corporate claims (offsetting within your value chain, supporting a specific region)



Suppliers are incentivized to develop projects with specific benefits (e.g. removal tech)

D.III | The Credit-level Integrity Working Group proposes a first standard taxonomy of additional attributes

Preliminary proposal for the future governance body to refine into a Standard Taxonomy of Additional Attributes

Attribute type	Attribute options	Rationale
 Type	<ul style="list-style-type: none"> Removal Avoidance /reduction or mixed 	Distinguishing removal credits enables claims that only allow removal credits (e.g. SBTi Net Zero)
 Removal/reduction method	<ul style="list-style-type: none"> Nature-based Tech-based 	There is buyer demand for credits from nature-based and tech-based methodology types
 Storage method	<ul style="list-style-type: none"> Biological Geological Products (e.g. building materials) No storage 	<p>Different storage methods carry different levels of reversal risk that buyers should be able to select for</p> <p>The combination of removal/reduction method and storage method creates broad categories that describe the type of credit without introducing a new structure of methodology types that would add complexity and limit liquidity</p>
 Co-benefits	<ul style="list-style-type: none"> Co-benefits associated (e.g. one or more of: tech catalyst benefits, SDGs, CBB or other accredited label etc.) None 	Standards already distinguish credits with SDG benefits and there is demand for both ESG-tagged credits and credits that boost innovation in climate technology
 Corresponding Adjustments	<ul style="list-style-type: none"> Letter of Authorization CAs associated None 	Buyers may in the future require credits with associated CAs or letters of Authorization

Whether a CCP represents a ton of CO2e avoided/reduced or removed is an integral characteristic of the CCP that must be labelled by Standards on all CCPs.

Standards are expected to increasingly tag credits within a methodology into removal and avoidance/reduction

Where not possible, credits would automatically belong to the “avoidance/reduction or mixed” category

Existing credible ESG and social benefits certifications can be tagged in this attribute, for example, GoldStandard allows for up to 6 SDGs to be certified and VERRA tags its credits with a CCB standard based on benefits to Climate, Community and Biodiversity

Preliminary pending guidance from COP

Standards already include the first crediting period start date / issuance date in credit data – but the Taskforce will recommend that it be **included also as an attribute** so that buyers can select credits based on the project’s first crediting period