



December 1, 2020

American Carbon Registry
2451 Crystal Drive, Suite 700
Arlington, VA 22202

Dear ACR Staff,

Thank you for the opportunity to comment on the proposed Version 7.0 of the ACR Standard. The following comments are limited to section 10.B: Policies to Prevent Double Claiming of Emissions Reductions.

The need to accurately account for emission reductions in relation to the Paris Accords is a key issue facing the voluntary market. The practices employed to address this, however, could either encourage continued climate investment in the space, or stall it severely. ACR has always been a leader in the support of voluntary markets, and it is therefore no surprise that it is seeking to tackle this important issue head on and provide a path forward. In addition to its leadership, ACR has also been a bastion of market efficiency and transparency, and while we believe the proposed changes are consistent in motivation, they may have the opposite effect in practicality, introducing obstacles to climate investment.

Chief among our concerns are:

1. Creating market demand for a certain type of instrument that cannot practically be produced, thereby reducing demand for available instruments.
 - **Demand will be influenced.** As of this moment, it is Bluesource's observation that very few buyers of ERTs are requesting evidence of corresponding adjustments, host country letters of approval, or other forms of perceived eligibility or "Paris-aligned" tagging. Nevertheless, if ACR puts such tagging or other eligibility designation into existence, it is our belief that buyers may immediately gravitate toward such instruments, regardless of whether they are available, devaluing other legitimate ERTs and other forms of voluntary climate investment. A fine example of this is the recent market emphasis on removals and the resulting confusion about their value relative to other important actions such as conservation.
 - **Chicken and egg #1.** ACR's draft guidance places great importance on the ultimate use of the ERTs – where an end user is located relative to the host country AND for what purpose (Scope 1, 2 or 3) the instruments are used. In reality, however, ERTs are tradable instruments and may change hands numerous times and across numerous geographies and buyer types prior to their end of life. At the time of most sales, it will be impossible to know the ultimate user's location and for which scope of emissions the



credit will be used, and therefore whether host country approval would be required in order to receive the Paris-aligned tag. Moreover, credits used by an entity in the same country as the project should be deemed Paris-aligned even though host country approval and a corresponding adjustment would not be necessary according to the draft guidance. In summary, buyers and sellers may desire a Paris-aligned tag or other eligibility determination, but the need or lack thereof for a host country approval and corresponding adjustment is indeterminable until the time of retirement.

- **Chicken and egg #2.** Getting host country approval when a seller doesn't even know if they will need it (because they don't know the location of the ultimate end user of their credits or the scope of emissions the credits will be used against) may prove impractical for the project operator – or impossible for the host country. To the latter point, host countries may not want to make a corresponding adjustment for a credit that has an equal chance of being used domestically as it does internationally.
 - **Timeliness and willingness of federal governments.** For US-based projects in particular, the host country will not even be able to rejoin the Paris Accords for several more months. It may also need substantial additional time to establish its key personnel and views on allowing corresponding adjustments and issuing letters of authorization. Even with the best of intentions, market participants should expect that things will happen at the “speed of government,” which may simply pose too much investment risk for project development.
2. Putting rules in place that are intended to be aligned with the Paris Accords prior to the details of Article 6 being fully established and operationalized.
- The scenarios proposed in the draft standard – and for which ACR proposes requiring a host country approval or not requiring such approval – may be inconsistent with the ultimate Article 6 requirements. This could lead to certain instruments being viewed by the market as “Paris-aligned” or eligible in some other way that don't end up being so. For example, “Scenario 2” in the draft standard indicates that a host country letter of approval would not be required for use of credits for Scope 3 emissions; however, this view may not be widely accepted in the future. The opposite scenario, where credits thought to be “ineligible” may be eligible in the future despite an approach inconsistent with the draft standard, is just as likely.

There is ample confusion in the market right now, ranging from new entrants and new instruments to new methodologies and new standards of far lesser quality than ACR. Great care should be taken to preserve confidence in this long-established program *and* its existing projects, sellers and buyers, even with the need to adapt to necessary changes in the global landscape. Uncertainty and hesitation from buyers will not only affect investment in new projects and support of existing projects that made their bet on the voluntary market, but also ACR's program itself. What more might ACR be able to do to



provide buyers with confidence that the instruments they purchase are sound and have accounting credibility, both now and in the future? What can it do to support its projects in gaining host country approval for international transfers?

We are grateful both for the work the ACR team has clearly put into this challenging topic and for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Townsend", with a long, sweeping horizontal stroke at the end.

Kevin Townsend
Chief Commercial Officer
Bluesource