



THE
CLIMATE
TRUST

Date: December 1, 2020

Re: American Carbon Registry Standard v7.0 Public Comment

To the ACR Staff:

Thanks for the opportunity to review and provide feedback on the proposed draft of the ACR Standard v7.0. Voluntary markets are poised to play a substantial role in the coming years through the onset of the CORSIA global aviation emissions offset market and growing number of corporate net zero commitments. Therefore, it is important that project standards continue to evolve to ensure offsets are viewed as an environmentally credible option for mitigating GHG emissions. At the same time, it is imperative to ensure any updates don't result in unintended consequences that could impede the ability of carbon markets to flourish. As the Taskforce on Scaling Voluntary Carbon Markets notes, offsets need to grow fifteenfold during the 2020s to contribute to the Paris Climate Accord goal of staving off a two-degree Celsius increase in global temperatures.

It is with the above in mind that The Climate Trust's comments focus on Section 10.B of the Standard, which are intended to address the prevention of double claiming emissions reductions.

- **Paris-aligned tags** - TCT is concerned that designating certain ERTs as Paris-aligned will artificially skew the value of ERTs and impede growth of the domestic supply and demand for ERTs in the United States. Under a system with a Paris-aligned tag option, many companies would place a premium on Paris-aligned ERTs or simply not purchase non-Paris-aligned ERTs; especially if they've publicly committed to voluntarily abide by the Paris Agreement. However, this designation is essentially based on host country approval and not on the environmental integrity of the ERTs themselves. Domestically originated, sold, and retired ERTs could also be Paris-aligned, but would not receive the Paris-aligned tag solely because there is no need to export the ERT. This could severely upend the domestic ERT market by suppressing pricing or even discouraging the adoption of ACR projects. As such it is advisable to not create a Paris-aligned tag or come up with a system that ensures a bias isn't created against domestically generated and claimed ERTs.
- **Title and nature of claims** - Enabling host countries to claim ERRs towards its NDC achievement where an entity finances the generation of ERT credits could impede the implementation of projects. Historically and to this day, most project owners are reluctant to take on the risk associated with developing a project. This is because it takes a highly specialized set of expertise to design a project, the costs of doing so can be substantial, and the outcomes uncertain. As a

result, a turn-key approach, where a carbon offset project developer funds the development of the project has proven to be the most successful approach because it largely shields the project owner from the financial risk of developing a project. There are instances where project developers pay to develop the project (i.e. finance the generation of ERT credits), but do not necessarily take title to the offsets. Therefore, it seems plausible that a project developer could say, finance the generation of the ERTs from a forestry project and because title stayed with the forest landowner, the host country can claim the ERR to its NDC achievement. This action prevents the ability to export the ERTs to buyers based in different countries. This provision creates more uncertainty and risk that project developers will not want to assume because it impedes their ability to sell ERTs globally, which could result in less projects being implemented.

- **Use of ERTs for Scope 3 emissions.** Similar to the above concern, preventing entities from retiring ERTs for scope 3 emissions and requiring it of host countries to count towards its NDC could impede the implementation of ACR projects. Presently, offsets are an important and effective tool in addressing scope 3 emissions for voluntary buyers. This is because these emissions are outside a company's control and often times they have limited influence to encourage direct emission reduction measures. Preventing entities from claiming ERTs towards scope 3 emissions will impede the development of projects because it will lower demand for ACR ERTs. To preserve this demand segment, its necessary to enable entities to make public claims on the use of ERTs to offset the climate impact of their scope 3 emission irrespective of geography.

Once again, we appreciate the opportunity to engage with ACR on proposed changes to the Standard. Double claiming is a complex topic, and it is made more complicated by the prospect of a growing international market for voluntary offsets. We appreciate the challenge ACR faces in addressing this issue, as it is imperative to do so to ensure all stakeholders have confidence in the underlying integrity of the Standard. We are supportive of meeting this challenge and offer the above comments to ensure double claims are prevented, but not done in a manner that could distort the market for ERTs or impede the implementation of offset projects using the ACR Standard.

Sincerely,

Sheldon Zakreski

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The Climate Trust