

TNC Public Comments for the American Carbon Registry

December 1, 2020

TNC welcomes the American Carbon Registry's foray into defining the necessity of a corresponding adjustment (CA) in a post-Paris world. While the exact requirements for a corresponding adjustment remain tied into the Article 6 negotiations, it is encouraging to see Verra, the Gold Standard, and now the American Carbon Registry take a proactive stance in figuring out methods to avoid double counting in the meantime.

While TNC encourages all corporations and voluntary projects to seek corresponding adjustments, we realize that this might not be possible until countries set up clear pathways for approving CAs. Additionally, corresponding adjustments might not be required in all cases, such as (potentially) for any voluntary domestic purchases. We need to do more research to further understand the risk of double counting in such cases.

TNC would like to highlight a few specific questions and comments about ACR's proposed approach:

1. Geography of credit generation and usage

a. Inside host country: If an ERT credit is issued within a host country and used by an entity to compensate for or offset emissions or use against an emission cap target in the same country where it is created or generated, the claim will be captured in the government's emissions inventory and then claimed as an ERR towards NDC achievement. Therefore, both the country and the entity can claim the ERR, regardless of the type of target, compensation, or nature of the claim, and corresponding adjustments are not required.

While this approach makes sense from an accounting perspective, TNC would also encourage ACR to consider an equity perspective. Currently, the majority of voluntary carbon offset buyers to date are based in North America or Europe; as such, this ruling may disproportionately drive purchases from domestic projects based in the Global North and make it more difficult for the countries in most need of climate finance to receive this funding. This impact on developing countries may be lessened by continued purchases from large multi-national companies with operations in many countries around the world; nevertheless, this is an issue that TNC urges ACR to consider.

1. Geography of credit generation and usage

b. Export of unit outside of host country to meet targets and for voluntary offsetting:

If an ERT is transferred for use to compensate or offset emissions or for use against a target outside of the host country, double claiming must be addressed. In this case the host country UNFCCC Focal Point must provide a letter of authorization and assurance that it will make a corresponding adjustment in its UNFCCC reporting. This letter will be required for the use of exported ERTs towards Paris Agreement NDCs, for CORSIA obligations, or for voluntary compensation of / offsetting Scope 1 & 2 emissions outside of the host country.

For ERTs exported for use against emissions or a target outside the host country, the host country UNFCCC Focal Point must issue a letter to authorize the use of the ERRs by another Party or entity, and in that letter attest to report the transfer to the UNFCCC in the structured summary of its biennial transparency reports and make an accounting adjustment as required by the UNFCCC. This authorization letter will be posted publicly on the ACR Registry and the units will be tagged as Paris-aligned.

When the retirement of ERTs occurs (for use towards an NDC, towards CORSIA targets or for corporate scope 1 and 2 emissions), the specific reason for the retirement will be noted on the registry.

TNC has a few comments about this section, broadly defined under the following categories:

Timing

TNC encourages all corporations and voluntary projects to seek corresponding adjustments. However, we realize that this might not be possible until countries set up clear pathways for approving CAs. Additionally, corresponding adjustments might not be required in all cases, such as (potentially) for any voluntary domestic purchases. We suggest that further work is needed to more fully understand the risk of double counting in such cases.

It also seems likely that host countries will wait for a few developments before making any corresponding adjustments. These include:

- The development of clear rules around corresponding adjustments via the Article 6 negotiations. Expected date: late next year.
- A comprehensive understanding of potential mitigation options to meet NDCs and to track any and all transfers, via a registry. Expected date: will likely differ by country capacity and existing resources and data.

Until these developments are finalized, we would caution against requiring a corresponding adjustment for voluntary offsets in the interim period; especially as this may disproportionately impact carbon finance investment in lower capacity countries.. Instead, we recommend revisiting and/or installing regulations around corresponding adjustments at such a time when this is viable for all countries. Additionally, there should be guidance around what projects should do in the event that countries are unwilling to make any corresponding adjustments (such as Brazil, which has publicly stated that it does not consider corresponding adjustments necessary for any voluntary offsets within its borders).

Non-Compliance by Host Countries

It is unclear in this section what should happen if a project obtains a Letter of Attestation but then the host country does not make a corresponding adjustment. It is perhaps better to tag offsets as “pending” Paris-alignment until confirmed.

Purpose

It is not clear what reasoning would make corporates distinguish offsetting for Scopes 1, 2 and 3. Additionally, it is unclear how ACR proposes to monitor whether corporates use this new system. Before ACR proceeds with this adjustment, we would encourage more clarity and transparency on what objective this serves, and the infrastructure ACR has put in place to facilitate it.

2. Nature of the Claim

If an entity pays for ERT credits or finances the generation of ERT credits in the host country and the title to the ERR is not transferred to the entity, the host country can claim the ERRs towards its NDC achievement, and the entity can make a climate finance or NDC achievement claim. This does not require a corresponding adjustment. This type of claim includes voluntary compensation for Scope 3 emissions (geography of the emissions is not considered). Since there is no transfer of ownership or use towards a target outside the country (NDC, CORSIA, voluntary scope 1 and 2), there is no double counting. The Party or entity can claim they supported the NDC achievement of the host country, and the host country shall retire the credits before reporting the use of the ERs toward its NDC, noting the reason for retirement as towards NDC achievement and further recognizing the climate finance contribution or scope 3 emissions offset.

The need for ACR to grow demand for non-compensation/offsetting claims cannot be overstated. Most discussions to date around CAs have typically involved nonprofits and governments but have not had as much participation from buyers. We would recommend a market study conducted with businesses to best understand and identify potential demand for new language around claims.

Regardless of the final wording of any claim a business makes, we need transparency to fully understand what buyers are purchasing, from where those tonnes come, and how these purchases aggregate to meet the Paris Agreement targets.

Thank you again for the opportunity to provide public comment. For any clarifications, please contact Kelley Hamrick (Kelley.hamrick@tnc.org).