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# Application of the Oeko-Institut/WWF-US/ EDF methodology for assessing the quality of carbon credits

This document presents results from the application of version 3.0 of a methodology, developed by Oeko-Institut, World Wildlife Fund (WWF-US) and Environmental Defense Fund (EDF), for assessing the quality of carbon credits. The methodology is applied by Oeko-Institut with support by Carbon Limits, Greenhouse Gas Management Institute (GHGMI), INFRAS, Stockholm Environment Institute, and individual carbon market experts. This document evaluates one specific criterion or sub-criterion with respect to a specific carbon crediting program, project type, quantification methodology and/or host country, as specified in the below table. Please note that the CCQI website Site terms and Privacy Policy apply with respect to any use of the information provided in this document. Further information on the project and the methodology can be found here: www.carboncreditquality.org

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|---|---|
| Sub-criterion: | 3.2.2 Approaches for avoiding or reducing non-permanence risks |
| Carbon crediting program | Gold Standard |
| Project type | Establishment of natural forest |
| Assessment based on carbon crediting program documents valid as of: | 30 June 2021 |
| Date of final assessment: | 20 May 2022 |
| Score: | 3.08 |

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# Assessment

## Indicator 3.2.2.1

### Relevant scoring methodology provisions

"The program requires a risk assessment of the specific project."

### Information sources considered

1 Land use and forests activity requirements, Version 1.2.1 (April 2020), available at https://globalgoals.goldstandard.org/203-ar-luf-activity-requirements/

2 Risk & capacities guidelines for land use & forest projects, version 1 (July 2017), available at https://globalgoals.goldstandard.org/standards/203G_V1.0_AR_LUF_Risks-Capacities-Guideline.pdf

### Relevant carbon crediting program provisions

Provision 1 Source 1, section 3.1.4: "The Project Developer shall conduct the Safeguarding Principles assessment following Safeguarding Principles & Requirements and Risks & Capacities Guideline assessed for the Project Area, taking into account likely issues in the context of the Project Region. The assessment outcome shall be submitted for Preliminary Review and updated as required for Design Certification and Performance Certification".

Provision 2 Source 2, introduction: "The 'Risk & Capacities' guideline is used to assess performance **risks related to the project's non-delivery or reversal of greenhouse gas benefits** and other SDG Impacts. It does not consider other risks (e.g., social impacts or environmental risks), which remain covered in the Gold Standard for the Global Goals Safeguarding Principles & Requirements Assessment instead. […] The Risks & Capacities Guideline is included to ensure Project Developers (particularly those with less experience of Gold Standard or of implementing Land Use & Forests projects) fully consider the projects risks and to articulate these in a clear and transparent manner. It also encourages thought on proposed mitigation and timing thereof. It is further intended to identify high risk activities where little or no risk mitigation has been proposed and/or implemented. This will inform the Gold Standard secretariat and the Technical Advisory Committee (TAC) when deciding upon Gold Standard certification".

### Assessment outcome

Yes (5 Points).

### Justification of assessment

The above documentation shows that a risk assessment needs to be carried out.

## Indicator 3.2.2.2

### Relevant scoring methodology provisions

"The risk assessment follows a pre-defined and thorough methodology, taking into account the likelihood and significance of non-permanence risks, the measures taken by project owners to manage these risks and their capacity to do so."

### Information sources considered

1 Risk & capacities guidelines for land use & forest projects, version 1 (July 2017), available at https://globalgoals.goldstandard.org/standards/203G_V1.0_AR_LUF_Risks-Capacities-Guideline.pdf

### Relevant carbon crediting program provisions

Provision 1 Source 1, section A. Introduction: "The guideline applies a risk scoring system that assesses pre-defined risk categories and determines whether the risks of a project are acceptable to Gold Standard or whether mitigation measures shall be adopted. The risk scoring system provides the structure for a broad and objective risk analysis and thus allows comparable assessment of risks among all land-use project types.

The scoring system is based on a transparent quantitative approach that assigns scores for 'high', 'medium' and 'low' risk, based on defined thresholds for a range of risk categories. A 'high' rating indicates that the respective risks are not acceptable to Gold Standard without mitigation measures.

The guideline defines five major risk categories that influence the long term implementation of projects. […]

Each category is further sub-divided into several risk sub-categories. The risk scoring system combines three factors that determine the overall risk per sub-category: […] probability […] impact […] spatial scale […].

For every sub-category, the risk factor probability is rated **high (Score 3), medium (Score 2), low (Score 1), or not applicable (Score 0)** and justification for the rating shall be provided by the project owner.

For every sub-category, the risk factors impact and scale is rated **high (Score 3), medium (Score 2)** or **low (Score 1)** and justification for the rating shall be provided by the project owner. […]

These factors are multiplied to reflect the actual risk for the sub-category to the overall performance of the project. […]

The multiplication of probability, impact and scale leads to a score between 0 and 27. […]

Note that risks **are initially assessed without taking into account mitigation measures (present or planned).** After adequate mitigation measures are defined, a corrected score (taking into account the mitigation measures) shall lead to risk **score of 6 or lower**".

**Assessment outcome**

Yes (4 Points).

**Justification of assessment**

The above documentation specifies that the indicator is fulfilled. In section A of source 1 (provision 1), the general approach of the risk assessment is described. Section B of source 1 outlines the scoring system. Section C provides a template for applying the risk assessment.

## Indicator 3.2.2.3

**Relevant scoring methodology provisions**

“The application of the risk assessment is validated by validation and verification entities.”

**Information sources considered**

1 Risk & capacities guidelines for land use & forest projects, version 1 (July 2017), available at https://globalgoals.goldstandard.org/standards/203G_V1.0_AR_LUF_Risks-Capacities-Guideline.pdf

**Relevant carbon crediting program provisions**

Provision 1 Source 1, introduction: “The role of the GS-VVB [*validation and verification body*] involves:

(a) Checking that the guideline has been completed to a reasonable level of detail and that the weightings applied are also reasonable, AND

(b) Cross-checking any major risks perceived by the auditor either in desk review or field visit against the guideline, AND

(c) Checking that any mitigation measures proposed by the project owner for a given time period are in place.

These may lead to Corrective Action Requests (CARs) (absence of completion of form or any perceived risk being missed) or Forward Action Request (FARs) (for example mitigation proposed not in place where impacts are low)”.

**Assessment outcome**

Yes (3 Points).

**Justification of assessment**

The above documentation specifies that the indicator is fulfilled.

## Indicator 3.2.2.4

### Relevant scoring methodology provisions

"The risk assessment is used to exclude from eligibility projects with a significant unaddressed reversal risk."

### Information sources considered

1 Risk & capacities guidelines for land use & forest projects, version 1 (July 2017), available at https://globalgoals.goldstandard.org/standards/203G_V1.0_AR_LUF_Risks-Capacities-Guideline.pdf

### Relevant carbon crediting program provisions

Provision 1 Source 1, introduction: "The multiplication of probability, impact and scale leads to a score between 0 and 27. Score 0 – 6 designates risks for which mitigation measures are not mandatory under Gold Standard (though still recommended). Score 7 – 27 indicates that risks are not acceptable and mitigation measures are required in order to pass the Gold Standard risk assessment. Note that risks are initially assessed without taking into account mitigation measures (present or planned). After adequate mitigation measures are defined, a corrected score (taking into account the mitigation measures) shall lead to risk score of 6 or lower".

Provision 2 Source 1, introduction, footnote 1: "As Gold Standard does not have a scalable risk buffer contribution on a project level, the standard needs to set minimum requirements (maximum acceptable risk) to ensure that potential losses are covered by the buffer".

### Assessment outcome

Yes (5 Points).

### Justification of assessment

According to provision 1, the risk assessment needs to result in a score of 6 or lower in order for the risks to be acceptable to Gold Standard. If the score is 7 or higher, measures to mitigate the reversal risk are required in order to pass the risk assessment. These measures need to reduce the score of the risk assessment to 6 or lower. This means that if the ultimate score is 6 or higher, the project would not be eligible under Gold Standard. Provision 2 explains that this maximum acceptable risk is necessary in order to ensure that potential losses are covered by the buffer, as the contribution to the buffer is not proportional to the risk level.

## Indicator 3.2.2.5

### Relevant scoring methodology provisions

"The program requires project owners to update the risk assessment in case of reversals."

**Information sources considered**

1 Land use and forests activity requirements, Version 1.2.1 (April 2020), available at https://globalgoals.goldstandard.org/203-ar-luf-activity-requirements/.

2 Performance Shortfall Guidelines Version 1.1 (April 2020), available at https://globalgoals.goldstandard.org/standards/501G_V1.1_PR_Performance-Shortfall-Guidelines.pdf

3 Personal communication, February 2022

**Relevant carbon crediting program provisions**

Provision 1 Source 1, section 3.1.4: "The Project Developer shall conduct the Safeguarding Principles assessment following Safeguarding Principles & Requirements and Risks & Capacities Guideline assessed for the Project Area, taking into account likely issues in the context of the Project Region. The assessment outcome shall be submitted for Preliminary Review and **updated as required for Design Certification and Performance Certification**".

Provision 2 Source 1, section 3.1.12: „Verification & Issuance review (Performance Certification): The performance review may take place either alongside or after Project Design Certification and must occur at least once during the 5-year Certification cycle. […] A/R specific: **Verification shall be completed at least every 5 years until the end of the crediting period**".

**Assessment outcome**

No (0 points).

**Justification of assessment**

There is no indication that the program requires project owners to update the risk assessment in case of reversals. This was confirmed by Gold Standard in personal communication (Source 3). However, the assessments are updated on a regular basis (Provision 1 and 2).

## Indicator 3.2.2.6

**Relevant scoring methodology provisions**

"The program requires project owners to have legal titles to the land and/or relevant carbon reservoirs on the land (e.g., timber rights), or legally binding agreements require the project owner's consent to undertake any measures that may lead to intentional reversals."

**Information sources considered**

1 Land use and forests activity requirements, Version 1.2.1 (April 2020), available at https://globalgoals.goldstandard.org/203-ar-luf-activity-requirements/.

**Relevant carbon crediting program provisions**

Provision 1 Source 1, sections 2.1.9: "A/R specific: for all project participants, the following information and evidence shall be provided: […] For the duration of the crediting period the Project Developer shall: i. where a Gold Standard Certified Statement or Product (e.g. GSVERs) is sought, Project Developers must own the $CO_2$ user rights or carbon sequestration rights for the project area, AND

ii. hold an uncontested legal land title for the Project Area, AND

iii. own the rights for timber and non-timber forest products for the project area, AND

iv. hold all necessary permits to implement the project (planting permits, infrastructure permits, harvesting permits, etc.), AND

v. participate in the financing of the project."

Provision 2 Source 1, section 2.1.10: If the Project Developer does not meet all of the above requirements, the persons or legal entities that do meet those respective requirements shall endorse the proposed project through an agreement that aligns with the duration of the crediting period".

Provision 3 Source 1, Annex B, sections 4.1.1 to 4.1.4: "The Project Developer shall sign an *agreement* with the Smallholders which confirms that the smallholder holds the 'GSVERs user rights' from the trees that are planted due to the project but has passed these rights on to the Project Developer, AND the smallholder holds all necessary rights to implement the project (e.g. planting permits, right to harvest). Such *agreements* shall include the:

- contact details of the smallholder, AND

- contact details of the land owner (if differing), AND

- length of lease contract (if applicable), AND

- a confirmation that the land tenure on which the trees are planted is uncontested, AND

- the liabilities and benefits for the smallholder.

All paragraphs within the *agreement* shall be explained and discussed with the smallholders. If helpful, the *agreement* should be translated to the local language and/or explained orally.

If a smallholder does not hold land rights, the person or legal entity that does meet those respective requirements shall endorse the participation of the smallholder in a written form".

**Assessment outcome**

Yes (2 Points).

**Justification of assessment**

Project owners need to provide evidence of legal titles to the land (provision 1). However, Gold Standard provides an exception for project developers that do not hold legal land titles or timber rights. In this case, it is possible for other persons or legal entities that hold the necessary rights to endorse the project through an agreement that aligns with the duration of the crediting period (provision 2). Additionally, project developers need to sign agreements with smallholders to confirm that the smallholder holds the necessary rights to implement the projects and that they pass on the rights to use the credits resulting from the project to the project developer. Again, an exception is provided if the smallholder does not hold land rights, as in this case, the person or legal entity that holds the necessary rights can sign the agreement with the project developer instead (provision 3). As agreements documenting the necessary rights are needed in any case, the indicator is considered to be fulfilled.

## Indicator 3.2.2.7

**Relevant scoring methodology provisions**

“The program requires the use of legal covenants or agreements (e.g., conservation easements, trusteeships) that restrict or prevent land management practices that would result in reversals (whether by the project owners or other parties).

OR

The program does not require that the above measures are in place but their existence leads to a lower specific risk assessment.”

**Information sources considered**

1 Land use and forests activity requirements, Version 1.2.1 (April 2020), available at https://globalgoals.goldstandard.org/203-ar-luf-activity-requirements/

2 Personal communication, February 2022

**Relevant carbon crediting program provisions**

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**Assessment outcome**

None of the two conditions applies (0 points).

**Justification of assessment**

No information is available regarding the restriction of land management practices that could lead to reversals through legal covenants or agreements. Gold Standard clarified in personal communication, that there are no requirements for legal covenants or agreements (Source 2). The indicator is therefore not fulfilled.

## Scoring results

According to the above assessment, the carbon crediting program receives 19 out of 27 achievable points. Applying the scoring approach of the methodology, this results in a score of 3.08 for the approach.