

Introduction to Gold Standard and its use

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Agenda

- What is Gold Standard?
- Eligible project types
- Overview of the GS project cycle
- Sustainable Development Assessment under GS
- Reasons for Developing a GS project
- Reasons for Demand of GS credits

Introduction to Gold Standard

“The purpose of the CDM shall be to assist Parties not included in Annex I in *achieving sustainable development* and in *contributing to the ultimate objective of the Convention*, and to assist Parties included in Annex I in *achieving compliance* with their quantified emission limitation and reduction commitments...”

-- Kyoto protocol, Article 12.2

(Notes for previous slide)

- Remember, CDM goals are both to reduce emissions AND achieve sustainable development. But how does one accomplish both?
- Sustainable development is not reducing emissions– BUT
 - The Gold Standard provides a tool to demonstrate a project's SD benefits & market visibility.

What is the Gold Standard?

- An independent non-profit organization under Swiss law that operates a certification scheme for premium quality carbon credits
- Endorsed by over 68 NGOs
- Based in Geneva, Switzerland
- A **tool** for the promotion of best practice project activities with a proven contribution to both sustainable development and climate change mitigation, in both the compliance and voluntary markets
- Gold Standard provides a quality assurance label for projects and credits and ensures contribution to sustainable development and climate protection

Eligible Project Types

Renewable Energy Supply category or End-use Energy Efficiency Improvement

Examples of eligible project types

- Renewable energy -- electricity, heat
- Biomass, biogas, and liquid biofuels
- Landfill gas
- Agro-processing
- Methane capture
- Hydroelectricity
- Energy Efficiency

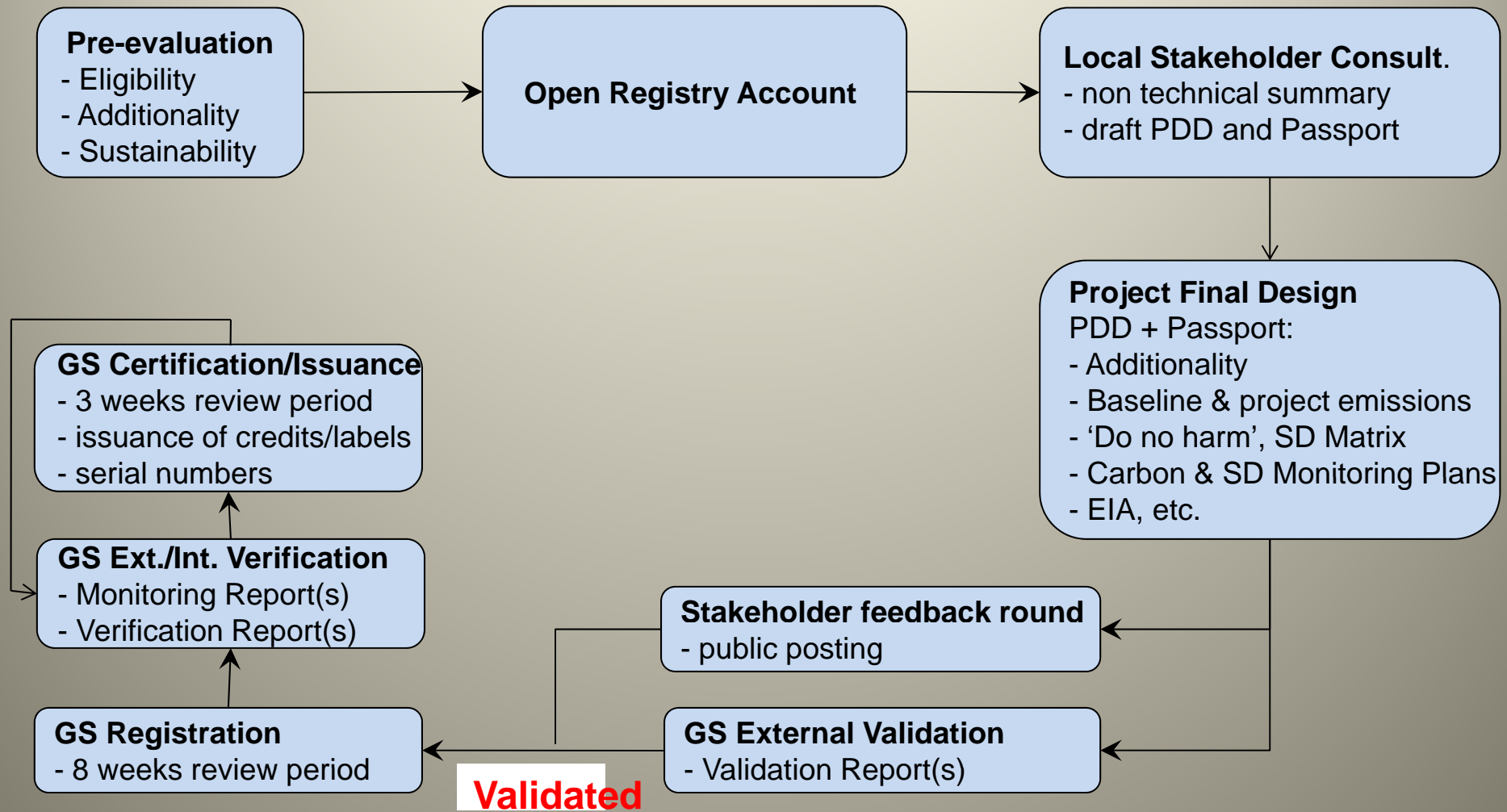
Annex C of GS Toolkit provides further details.

For all the eligible project types a CDM project can also be registered as GS project and generate GS CER's

(Notes for previous slide)

- The project activity must fit either in the Renewable Energy Supply category or the End-use Energy Efficiency Improvement category, as defined below, to be eligible for Gold Standard registration:
- The Renewable Energy Supply category is defined as the generation and delivery of energy services (e.g. mechanical work, electricity, heat) from non-fossil and non-depletable energy sources.
- The End-use Energy Efficiency Improvement category is defined as the reduction in the amount of energy required for delivering or producing non-energy physical goods or services.

Overview of GS Project Cycle



(Notes from previous slide)

- GS process runs in parallel to the CDM registration process

GS Project Documentation

- ***Local Stakeholder Consultation Report***
 - *Fixed template, for regular project cycle only*
- CDM/JI PDD
 - UNFCCC templates for all GS projects
- **GS Passport**
 - **GS template for all GS projects, to report on non-carbon aspects (SD assessment & monitoring, GS two-step stakeholder consultation) and on GS deviations from UNFCCC rules (e.g. additionality for small-scale activities, different meth version, etc)**

GS Project Documentation

- Supporting documentation – EIAs, etc.
- ***Signed GS Terms & Conditions (for GSv2.1: Annex M of Toolkit)***
- ***Cover Letter (for GSv2.1: Annex S of Toolkit)***

Sustainable Development Assessment under GS

(Notes from previous slide)

- The SD assessment is the key differentiator between UNFCCC CDM process , other Voluntary GHG offset standards

Sustainability Assessment – the integrated Gold Standard approach

- A combination of *self-assessment* and *stakeholder consultation*:
 - ‘Do no harm’ assessment
 - Sustainable Development Matrix
 - Stakeholder consultation
 - Sustainability Monitoring Plan
- Host country sovereignty fully respected

(Notes from previous slide)

- The above 4 aspects are reflected in the GS LSC report and the GS Passport. These documents are in addition to the UNFCCC CDM process and assesses the Sustainable development aspects of the project, which is key for Gold Standard

'Do no harm' Assessment

- 'Do no harm' assessment is a risk-assessment tool based on the UNDP safeguarding principles & international conventions
- The Project Proponent have to go through this assessment prior to scoring the SD Matrix
- Project defines mitigation measures to become compliant



Do No Harm Assessment – 11 SPs

| Safeguarding Principles | |
|---------------------------------|--|
| Human Rights | |
| 1 | The project respects internationally proclaimed human rights including dignity, cultural property and uniqueness of indigenous people. The project is not complicit in Human Rights abuses. |
| 2 | The project does not involve and is not complicit in involuntary resettlement. |
| 3 | The project does not involve and is not complicit in the alteration, damage or removal of any critical cultural heritage. |
| Labour Standards | |
| 4 | The project respects the employees' freedom of association and their right to collective bargaining and is not complicit in restrictions of these freedoms and rights |
| 5 | The project does not involve and is not complicit in any form of forced or compulsory labour. |
| 6 | The project does not employ and is not complicit in any form of child labour. |
| 7 | The project does not involve and is not complicit in any form of discrimination based on gender, race, religion, sexual orientation or any other basis. |
| 8 | The project provides workers with a safe and healthy work environment and is not complicit in exposing workers to unsafe or unhealthy work environments |
| Environmental Protection | |
| 9 | The project takes a precautionary approach in regard to environmental challenges and is not complicit in practices contrary to the precautionary principle. This principle can be defined²³ as: "When an activity raises threats of harm to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically." |
| 10 | The project does not involve and is not complicit in significant conversion or degradation of critical natural habitats, including those that are (a) legally protected, (b) officially proposed for protection, (c) identified by authoritative sources for their high conservation value or (d) recognised as protected by traditional local communities |
| Anti-Corruption | |
| 11 | The project does not involve and is not complicit in corruption. |

‘Do no harm’ Assessment

- Assessing all the 11 safeguarding principles with proper explanations and references for each principle to evaluate/justify the degree of risk.
- All the potential risks corresponding to each safeguarding principle is listed during the assessment.
- In case of a medium to high (i.e. serious) risk to any Safeguarding Principle, a mitigation measure has to be put in place to minimise the risk and that measure has to be included in the appropriate column of the SD Matrix. The mitigation measure has to be included in the Monitoring Plan of the GS Passport.
- This also helps the PP to be familiar with the International Conventions that the host country has ratified.

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Sustainable Development Matrix

- 12 Sustainable Development Indicators covering three categories:
 - Environmental
 - Social Development
 - Economic and Technological Development
- Linked to the Millennium Development Goals (MDGs)
- Project scores each indicator (-, 0, +) using *measurable* parameters by comparing the baseline scenario to the project scenario

| Indicator | Mitigation measure | Relevance to achieving MDG | Chosen parameter and explanation | Preliminary score |
|---|--|--|----------------------------------|--|
| Gold Standard indicators of sustainable development. | If relevant copy mitigation measure from "do no harm" table, or include mitigation measure used to neutralise a score of '-' | Check www.undp.or/mdg and www.mdgmonitor.org Describe how your indicator is related to local MDG goals | Defined by project developer | Negative impact: score '-' in case negative impact is not fully mitigated score 0 in case impact is planned to be fully mitigated No change in impact: score 0 Positive impact: score '+' |
| Air quality | | | | |
| Water quality and quantity | | | | |
| Soil condition | | | | |
| Other pollutants | | | | |
| Biodiversity | | | | |
| Quality of employment | | | | |
| Livelihood of the poor | | | | |
| Access to affordable and clean energy services | | | | |
| Human and institutional capacity | | | | |
| Quantitative employment and income generation | | | | |
| Balance of payments and investment | | | | |
| Technology transfer and technological self-reliance | | | | |
| Justification choices, data source and provision of references | | | | |
| Air quality | | | | |
| Water quality and quantity | | | | |
| etc. | | | | |

SD Matrix

Sustainable Development Matrix

- All the 12 indicators of the Consolidated Matrix located in the Passport have to be scored.
- It is necessary that all the indicators are scored against the baseline, which can be, but is not necessarily, the current situation
- The scoring needs to be justified and easily reproducible, and refers to publicly available and relevant data sources such as EIAs, expert opinions, or relevant website links

Sustainable Development Matrix

- Each indicator has to be interpreted along the Gold Standard lines (e.g. Employment quality differs from Employment numbers). This is well explained in Gold Standard Toolkit Annex I
- All the negatively scored indicators have to be neutralized with the help of a mitigation plan
- All the non-neutral indicators and indicators that have been “neutralized” due to a mitigation measure show up in the monitoring plan

Sustainability Assessment – the integrated Gold Standard approach

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Local Stakeholder Consultation

- GS requires 2 rounds of consultation
 - First round: Local Stakeholder Consultation
 - Second round: Stakeholder Feedback Round
- At least one live meeting is required
- GS Regional Managers, GS NGO supporters, local NGOs, local residents and officials must be actively invited
- Sufficient diversity should be ensured (skills, gender, ethnic, etc.)
- Non-technical summary and blind exercise
- Report on outcomes using GS template

Local Stakeholder Consultation

- **Time of first submission to GS:** LSC Report uploaded to GS registry
- Upon approval by GS, project will be listed (can call itself `Gold Standard Project Applicant`)
- Project becomes public in registry

Stakeholder Feedback Round

- Follow-up from the local stakeholder consultation (second round)
- Project documentation must be available for at least 2 months on GS Registry before completion of validation
- In some cases, online documentation is not enough – hard copies should also be distributed to those without internet access
- Retroactive projects: to be conducted according to the requirements from the pre-feasibility assessment
- Can occur in parallel to validation

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Sustainability Monitoring Plan

| | | |
|---|--|---|
| No | 1 | |
| Indicator | Air Quality | |
| Mitigation measure | Replacing coal-fired stove by biomass combined stoves and heater | |
| <i>Repeat for each parameter</i> | - | |
| Chosen parameter | Annual biomass briquettes consumption to replace coal | |
| Current situation of parameter | According to the baseline survey, on average 2.019 tonnes of coal were burned per household per year on heating season, hence the total coal consumption of the selected 3,600 households is 7,268tonnes/year. Considering the SO ₂ emission rate is 0.02t/tonne ⁵ of coal burned, the SO ₂ emissions of the households prior to the project is estimated as 145.37tonnes per year. | |
| Estimation of baseline situation of parameter | It is assumed that the thermal energy provided by the biomass briquette equals to the thermal energy that would be provided by coal in the absence of the proposed project activity; therefore, the biomass briquette consumption could be converted to coal consumption, then to calculate the SO ₂ reduction. | |
| Future target for parameter | Continuously achieving SO ₂ emission reduction due to the Project activity | |
| Way of monitoring | How | Monitor the amount of biomass briquettes sold to the households with the recipients' names, purchasing date, type and the amount of the briquettes purchased recorded. Reference the PDD section 7.1 and 7.2 for details of monitoring. |
| | When | Data will be available at verification |
| | By who | The briquette plants |

In review: Sustainability Assessment

- **‘Do no harm’ assessment**
 - 11 UNDP Safeguarding principles
 - PP identifies suitable mitigation measures for serious “risks”
- **Sustainable Development Matrix**
(Consolidated version from Passport)
 - All 12 indicators scored, justified and referenced
 - Includes Do no harm risks
- **Stakeholder consultation guidelines**
 - Interactive, bottom-up approach
 - 2 rounds (LSC and SFR)
- **Sustainability Monitoring Plan**
 - Includes non-neutral indicators, plus mitigation measures
 - Chosen monitoring parameters must be relevant
 - Found in Sec. G of the Passport

Reasons for Developing a GS project

- Strong market recognition for Gold Standard
- Price premium
- Sustainable development benefits for local Communities
- High end buyer demand due to the quality and additional SD benefits offered by Gold Standard credits
- Projects certified under a robust, rigorous and credible standard, such as the Gold Standard, are more likely to be eligible for future compliance schemes

Reasons for Demand of GS credits

- The only standard to measure, monitor and verify sustainable development criteria in all projects throughout the crediting lifetime of the project
- Reduced reputational risk
- Credits more likely to be eligible in future compliance regimes

In Conclusion

Buyers Gain

- Credibility and transparency
- Enhanced reputation
- Local Stakeholder support

Sellers Achieve

- Premium prices
- Financial “cushions” for the Gold Standard seller
- Reputational benefits

..and both contribute to improving Sustainable Development and reducing climate risk