

## **Introduction to Gold Standard and its use – Presentation Report**

### **Introduction to Gold Standard**

The main goals of Clean Development Mechanism (CDM) are – reducing emissions **AND** achieving sustainable development.

Reducing emissions may not necessarily result in sustainable development (SD).

### **What is the Gold Standard?**

The Gold Standard (GS) is an independent non-profit organization under Swiss law that operates a certification scheme for premium quality carbon credits. The Gold Standard was conceived in 2001 and established in 2003 by a group of NGOs led by WWF, Helio International and SouthSouthNorth (SSN) to demonstrate that a market mechanism for carbon finance, managed correctly, can deliver multiple positive outcomes at no net additional cost.

The Gold Standard provides a tool to demonstrate a project's sustainable development benefits & market visibility.

At present Gold Standard is endorsed by more than 80 NGOs worldwide, including Care International, World Vision Australia, Forum for the Future and Mercy Corps.

### **Purpose of Gold Standard**

Due to the different GWP of the 6 different gases in Kyoto, renewable energy and energy efficiency projects in the CDM usually mean small projects (gold circles) on the graph. Currently, projects resulting in large emissions reductions (red circles) have the least tangible benefits for sustainable development. These projects are perceived as contributing less to the local economy and also don't have social benefits. Such projects only lead to emission reductions but are not perceived as complying with the spirit of Kyoto Protocol and CDM.

GS aims to create a market for premium quality carbon credits i.e. shifting the high SD projects into a low-risk area. Renewable Energy/Energy Efficiency projects are perceived as having highest secondary benefits (sustainable development) and truly contribute in solving the problem of global warming. The Gold Standard aims to level the playing field for capital intensive renewable energy and energy efficiency projects and bring market rewards for a real climate solution.

### **GS Versions**

Currently the GS version 2.1 is valid and applicable for new projects applying under GS. Under Gold Standard rules valid at time of first submission to GS (LSC report or retroactive documentation) are applicable over the entire crediting period (incl. renewable crediting periods). However a project can upgrade to a more recent version anytime during the crediting period (prior to a new monitoring period) upon alignment with corresponding new requirements.

### **Eligible Project Types**

The project activity must fit either in the Renewable Energy Supply category or of the End-use Energy Efficiency Improvement category 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. Annex C of the GS Toolkit provides further details on the GS eligibility criteria.

Of the 6 GHG considered under Kyoto Protocol only Carbon Dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>) and/or Nitrous Oxide (N<sub>2</sub>O) are eligible for Gold Standard crediting. (provided project activities comply with Gold Standard eligibility criteria)

A CDM project, meeting all the eligibility criteria of GS, can also be registered as a GS CDM project and can issue GS CER's.

### **Overview of GS Project Cycle**

The GS project cycle is similar to CDM project cycle. The GS registration and CDM registration can be processed in parallel.

The key elements of the GS *project cycle* include: project planning, design and reporting (*assessment of project eligibility, initial drafting of Project Design Document (PDD), selection of baseline and monitoring methodology, additionality assessment, sustainability assessment and creation of Sustainable Development Matrix and Sustainability Monitoring Plan, Local Stakeholder Consultation, drafting and submission of Stakeholder Consultation Report, project revisions as necessary, stakeholder feedback, and finalization and submission of Gold Standard Passport and PDD*); validation; GS registration review; project registration; monitoring; reporting; GS verification review; project verification; GS certification; and GS crediting/issuance.

### **GS Project Documentation**

Along with the preparation of Project Design Document (PDD) and other supporting documents like Environment Impact Assessment (EIA) the following additional documents need to be prepared for GS registration

**Local Stakeholder Consultation (LSC) Report** – This document describes the outcomes of the local stakeholder consultation

**Passport** -For GS registration, additional information is required beyond that required by the applicable PDD. Project Proponents (PPs) thus need to submit this additional project activity information (specific to GS requirements or that deviates from the UNFCCC requirements), to the GS using the latest version of the GS Passport template. The GS Passport will have to be submitted for the validation process.

**Signed GS Terms & Conditions.**

**Cover Letter** - The Cover Letter accompanying the formal application forms part of the legal basis for the project. The contents of the Cover Letter include, but are not limited to, a declaration that the project has followed the requirements of Gold Standard Documentation; a description of the modalities of communication; and the identification of the recipient of the credits resulting from the project activity.

### **Sustainable Development Assessment under GS**

The SD assessment is the key differentiator between the UNFCCC CDM process, other Voluntary GHG offset standards and Gold Standard.

The following section helps understand the SD aspect under GS and the process that needs to be followed.

### **Sustainable Development Assessment under GS**

The integrated Gold Standard approach for Sustainability assessment involves a combination of self-assessment and stakeholder consultation. The following aspects need to be assessed/ developed:

- 'Do no harm' assessment

- Sustainable Development Matrix
- Stakeholder consultation
- Sustainability Monitoring Plan

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 assess the SD aspects of the project, which is a key for GS registration.

The Gold Standard tools, i.e. the sustainable development matrix, the stakeholder consultation guidelines, and the monitoring plan requirements are manifestations of the overall philosophy that project success and risks must be defined in a participatory process so as to reduce the chances that important project impacts will be overlooked.

The following slides help understand each of the above aspects.

### **Do No Harm Assessment**

A 'Do No Harm Assessment' is an assessment (conducted by the PP) of the risk that the proposed project activity might result in - negative environmental, social and/or economic impacts, which uses a series of safeguarding principles.

There are 11 safeguarding principles under GS which are based on UNDP safeguarding principles & international conventions that need to be assessed by the PP before developing a SD Matrix. The details on the safeguarding principles are provided in Annex H of the GS Toolkit.

The PP needs to define a mitigation measure in case the project leads to any negative impact with respect to any of the 11 safeguarding principles.

### **Do No Harm Assessment – 11 SPs**

The slide refers to the 11 safeguarding principles.

### **'Do no harm' Assessment**

The PP needs to assess the project against 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 of the safeguarding principle are listed during the assessment under section D.1 of the LSC report. 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.

Example: Safeguarding Principle no. 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.

A typical biomass-to-energy project requires transport of agro-industrial crop residue like rice husk to the nearby biomass plant from the source. This results in loading and unloading of rice husk by workers. This activity may expose the workers to airborne particulate matter which irritate eyes and lungs. To mitigate this risk the PP needs to provide workers with protection against airborne particulates in the form of - Respiratory masks, eye goggles, gloves, etc.

This mitigation measure then becomes a part of the GS sustainable development monitoring plan.

### **Sustainability Assessment – the integrated Gold Standard approach**

The following section discusses the GS Sustainable development matrix.

### **Sustainable Development Matrix**

All GS projects have to demonstrate clear benefits to sustainable development related to the project. GS project applicants have to assess their project activities against a series of twelve Sustainable Development indicators in three categories: Environment, Social Development and Economic and Technological Development.

The 12 SD indicators are linked to the Millennium Development Goals (MDGs). Gold Standard PPs have to score each of the *Sustainable Development Indicators* either negative (-1), neutral (0), or positive (+1) in close collaboration with the local stakeholders, and against the baseline situation, i.e. the most likely situation if the project were not implemented. All indicators have to be given the same weight.

In order to qualify for Gold Standard registration, project activities need to have a minimum positive contribution in at least two of the three categories and be neutral to the third category. The scoring needs to be supported by convincing argumentation for each indicator, and should refer to publicly available information sources or to expert opinions.

Project activities which do not comply with the minimum scoring requirements are NOT eligible under GS unless the project design is altered to result in compliance, or mitigation measures are put in place to 'neutralise' some of the indicators scoring negatively. These mitigation measures will have to be monitored over the crediting period of the project activity and becomes the part of the GS Passport Sustainability Monitoring Plan.

The Consolidated SD Matrix reflects a combination of PP's SD Matrix and the SD matrix based on the views of the various stakeholders (Blind Matrix).

### **Sustainability Assessment – the integrated Gold Standard approach**

The following section discusses the GS Stakeholder consultation

#### **Local Stakeholder Consultation**

GS process requires 2 rounds of Stakeholder consultation process – Local Stakeholder Consultation and Stakeholder feedback round (second consultation process). The stakeholder consultation process needs to include at least one public meeting, which is open to anyone willing to attend the meeting.

All GS projects have to conduct a Local Stakeholder Consultation at the design phase of the project activity i.e. the consultation must take place prior to the date of start of construction or implementation of the project activity.

PPs should proactively invite the GS Foundation and the local stakeholders, including all Gold Standard supporter NGOs active in the host country of the project activity, local NGOs, local residents and officials to provide comments on proposed project activities. During the Local stakeholder consultation the PP also needs to distribute a non technical summary of the project activity.

The PP needs to prepare a report on the Local Stakeholder Consultation meeting as per the GS LSC report template. This report needs to be uploaded on the Gold Standard Registry within one month after the date of the meeting.

The Stakeholder feedback round is the second round of stakeholder consultation necessary to qualify for GS certification. This round can occur in parallel to validation. During this round, the stakeholders must at-least have available the following documents for comment, at a minimum - the Local Stakeholder Consultation Report, the (revised) Project Design Document, the (revised) Gold Standard Passport and, if applicable, supporting documentation such as Environmental Impact Assessment (EIA) for the project. In some cases where online documentation is not enough hard copies should also be distributed to those without internet access. These documents must be available for at least 2 months on GS Registry before completion of validation.

### **Sustainability Assessment – the integrated Gold Standard approach**

The following section discusses the GS Sustainability Monitoring plan

#### **Sustainability Monitoring Plan**

The sustainability monitoring plan is established to monitor the impact of the project on sustainable development under the GS's Sustainability Assessment and is a part of the GS Passport. The PPs are required to develop a Sustainability Monitoring Plan to assist in monitoring the impact of project activity on sustainable development and in verifying that the project has indeed contributed to sustainable development. The plan needs to describe how and with what frequency the PP will monitor the monitored parameters and associated indicators on a quantitative and/or qualitative basis.

#### **in review: Sustainability Assessment**

This slide summarizes the Sustainability assessment approach followed by GS as discussed above.

#### **Reasons for Developing a GS project**

Some of the reasons for developing a project under GS are as below:

- There is a strong market recognition for Gold Standard
- Gold Standard certified carbon credits sell at a price premium due to their high quality, robustness and sustainable development benefits.
- There is a 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**

Some of the reasons for high demand of GS credits are as below:

- Currently GS is the only standard that integrates measuring, monitoring and verifying of sustainable development criteria in all projects throughout the crediting lifetime of the project along with the emission reductions.
- The buyers do not have to worry about any reputational risk associated with buying credits from GS projects. The GS is endorsed by more than 80 NGO's worldwide.
- Credits more likely to be eligible in future compliance regimes