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Trends and activities to develop common standards for Carbon Markets

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We are the trusted business voice on
market-based climate solutions.



IETA
A IS FOR AMBITION

WHO WE ARE

IETA is a non-profit business organisation created in June 1999 to establish a functional international framework for trading in greenhouse gas emission reductions.

IETA's diverse membership benefits from a full range of views – industrials, verifiers, lawyers, project developers, investors, standards, traders & consultants – from every market in the world.

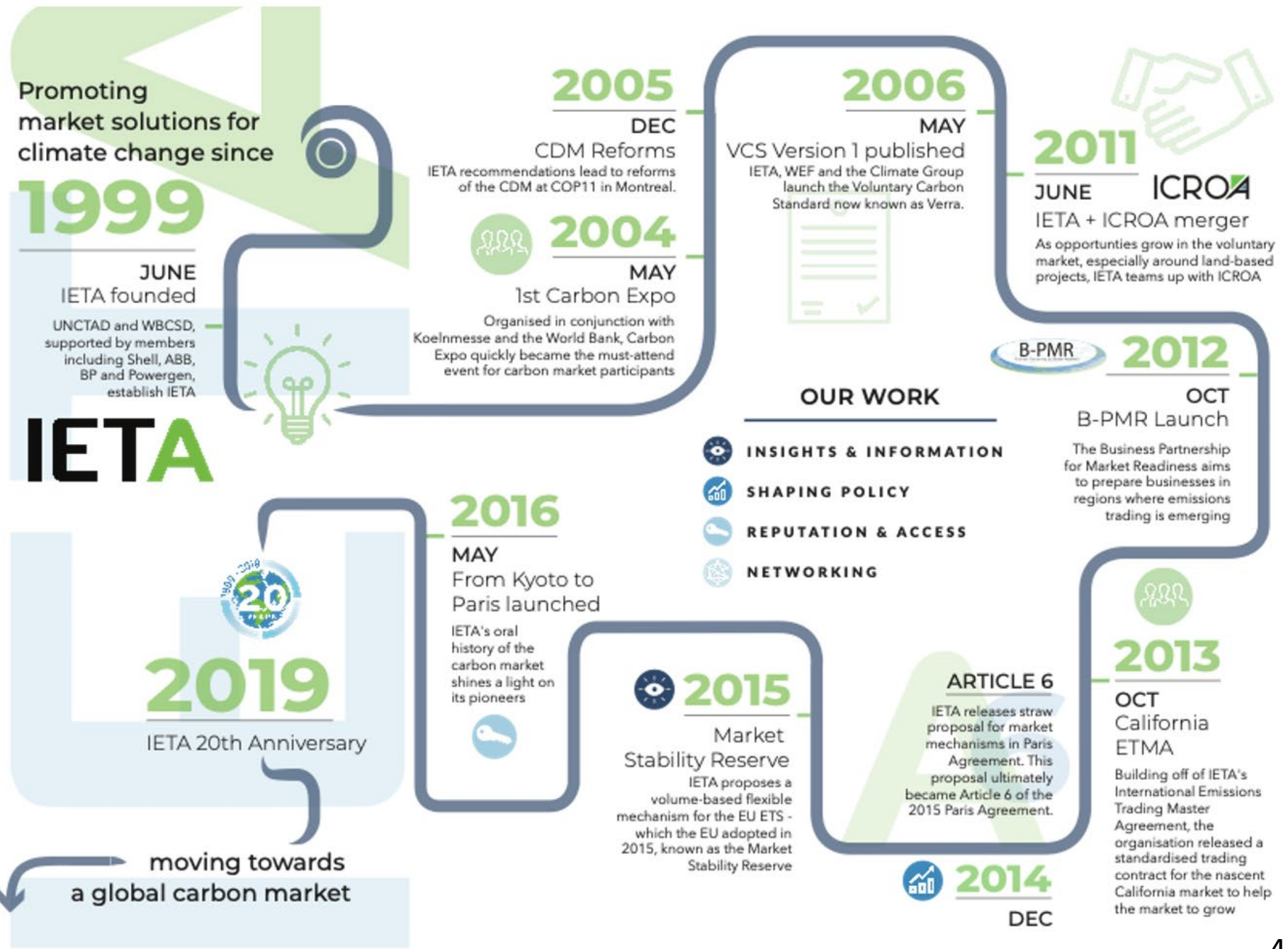
We pride ourselves to be involved in and influence policy design, thought leadership, global capacity building, best practice and knowledge transfer.

We value our global Partnerships & Strategic initiatives with UNFCCC, World Bank, OECD, IEA, ICAO, IATA & other multilateral organisations.



Our History

For over 20 years we have been at the cutting edge of climate action.



OUR MISSION

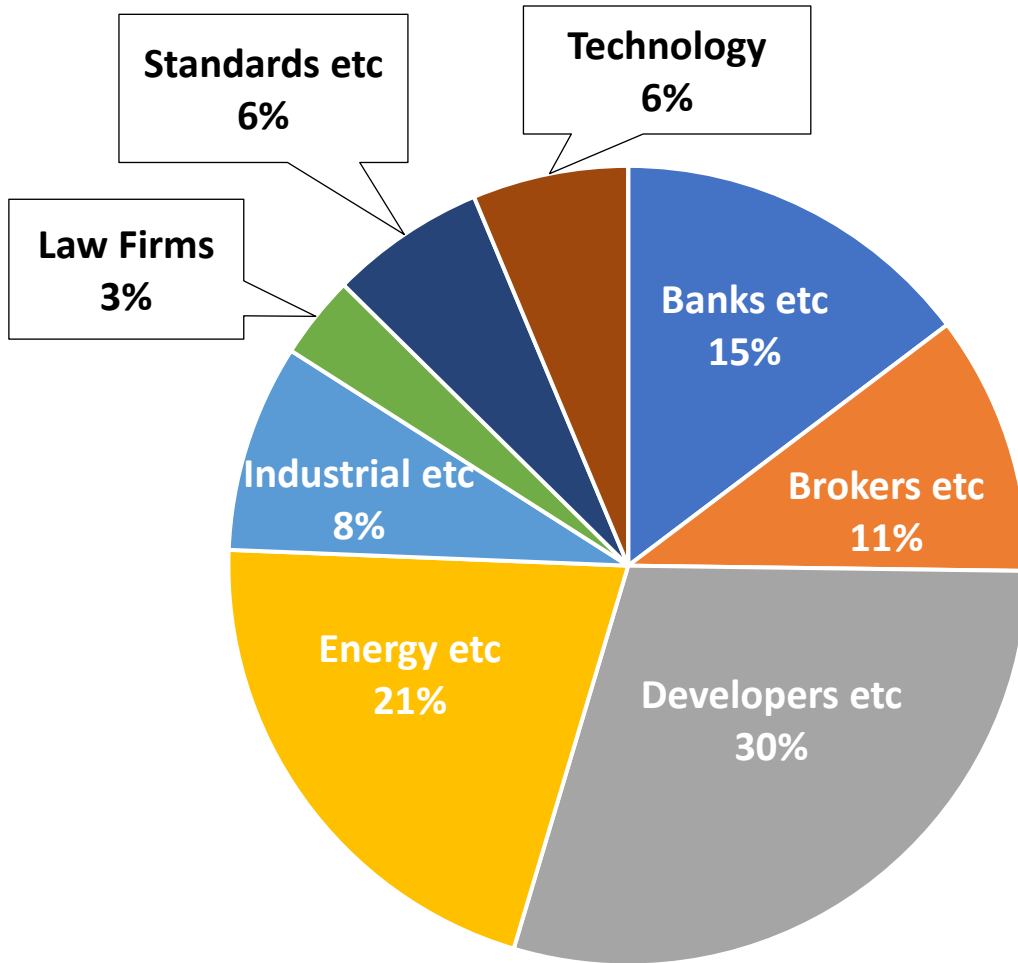
- **Empower business to engage** in climate action, advancing the objectives of the United Nations Framework Convention on Climate Change and the Paris Agreement as informed by IPCC science, and
- **Establish effective market-based trading systems** for greenhouse gas (GHG) emissions and removals that are environmentally robust, fair, open, efficient, accountable and consistent across national boundaries.

OUR OBJECTIVES

We aim to achieve our mission by using our expertise to:

- promote carbon market and pricing solutions to climate change;
- help design effective rules for market operation and integrity; and
- provide the most up-to-date and credible information on greenhouse gas emissions trading and market activity.

Our Members by industry sector



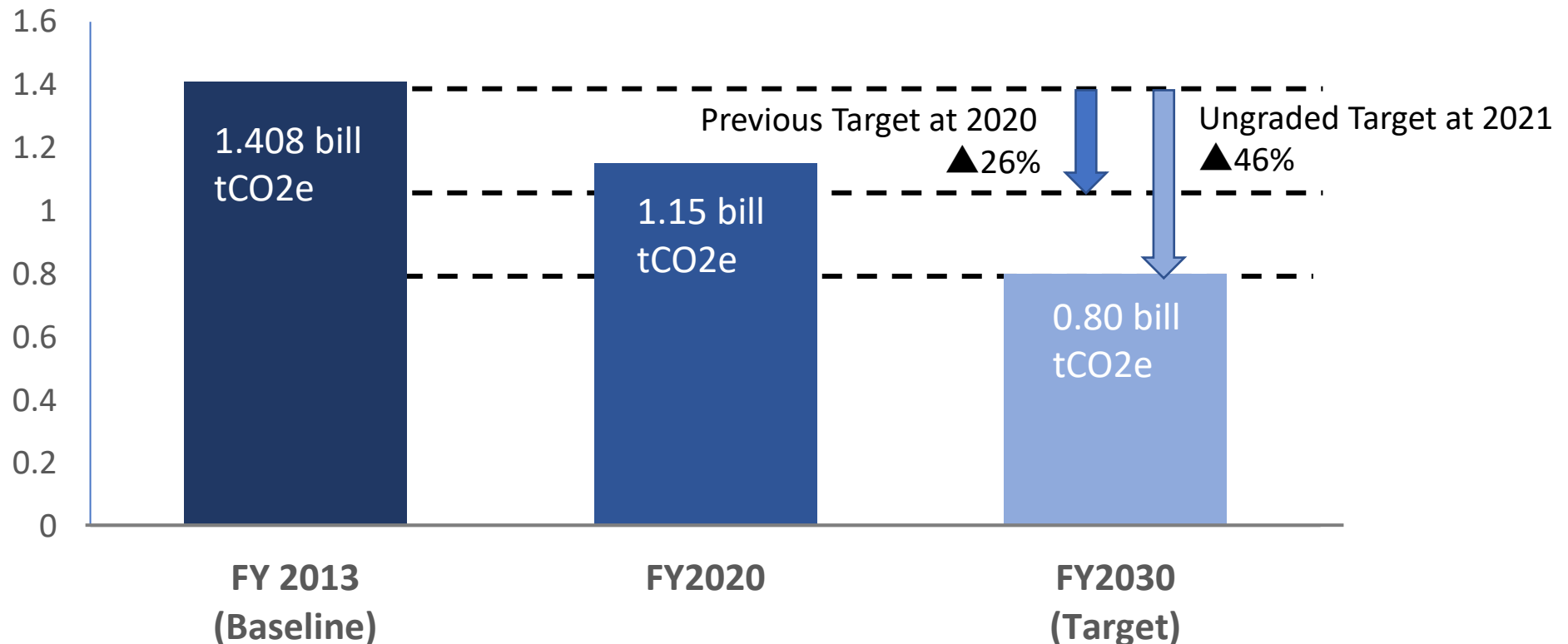
Total ca 230 members at the end of August, 2022

- BANKS, EXCHANGES & INVESTMENT COMPANIES ca 35 members (ca 15%)
- BROKERS & TRADERS ca 25 (ca 10%)
- DEVELOPERS, CONSULTANTS & ANALYSTS ca 70 (ca 30%)
- ENERGY & POWER PROVIDERS ca 50 (ca 20%)
- INDUSTRIAL & MATERIALS SECTOR ca 20 (ca 7%)
- LAW FIRMS 8 (ca 3%)
- STANDARDS, REGISTRIES & FOUNDATIONS ca 15(ca 7%)
- TECHNOLOGY ca 15 (ca 7%)

✓ Now growing rapidly

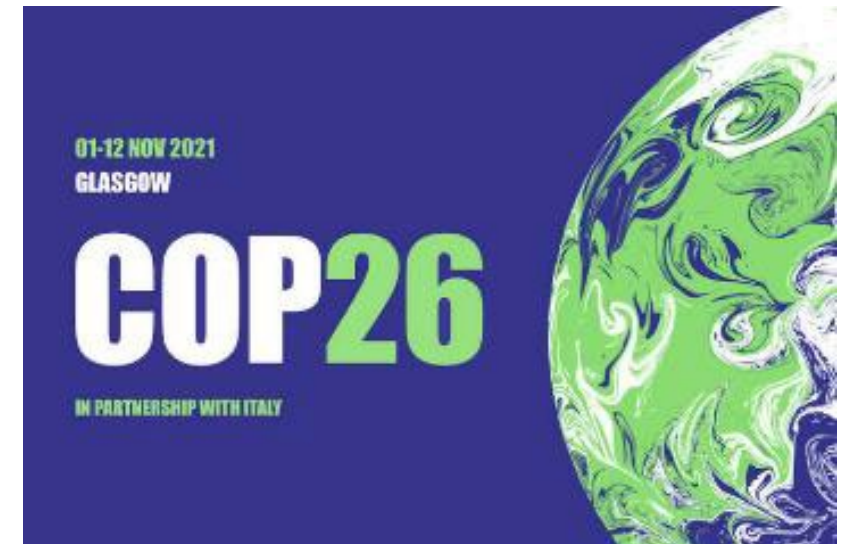
Japan's NDC & Offset

- In 2021 Japanese Government upgraded the NDC (-26% ⇒ -46%)
- It might need huge amount of carbon offsets sourced abroad to achieve the NDC in 2030.



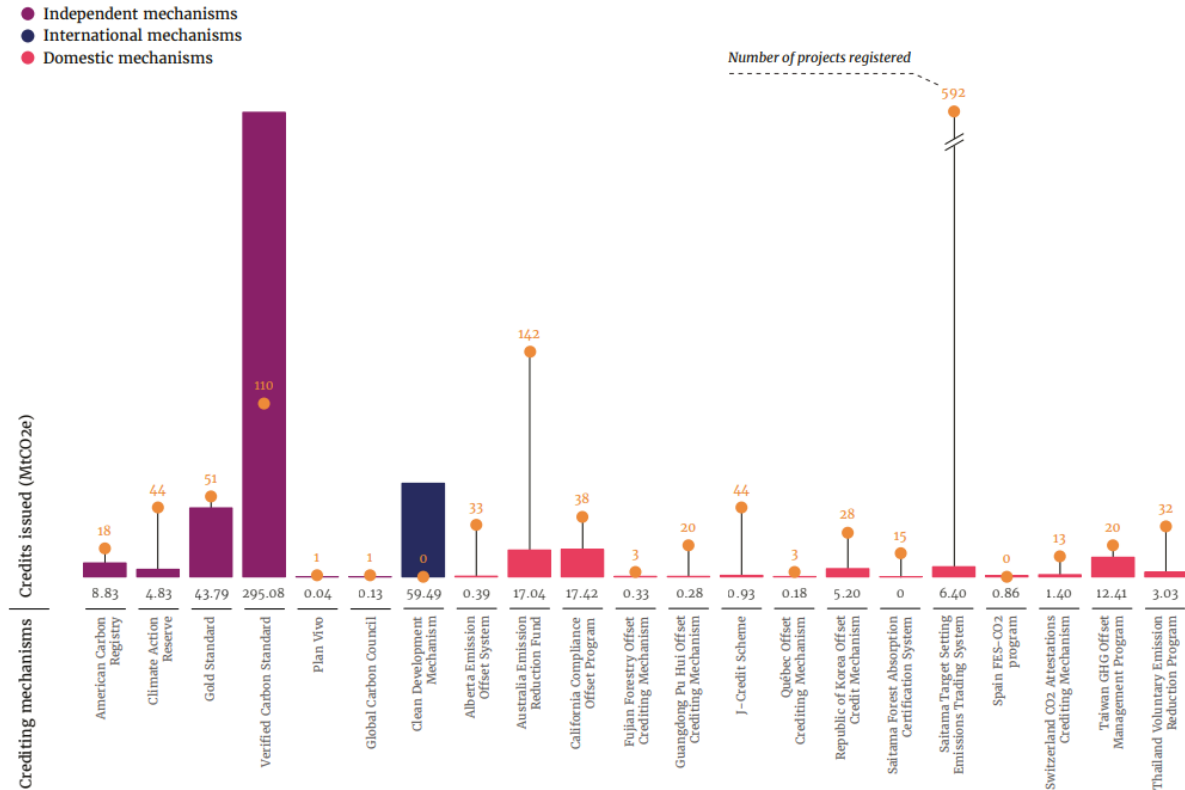
COP 26 Main Outcomes

- Glasgow Climate Pact
- Enhanced Transparency Framework
- Common Timeframes for NDCs
- Adaptation Fund
- Warsaw Mechanism for Loss and Damage
- Retirement of the CDM
- **Article 6 accounting guidelines / integrity measures**
- Several bilateral and multilateral declarations (focus on forests and land use, carbon finance, methane)



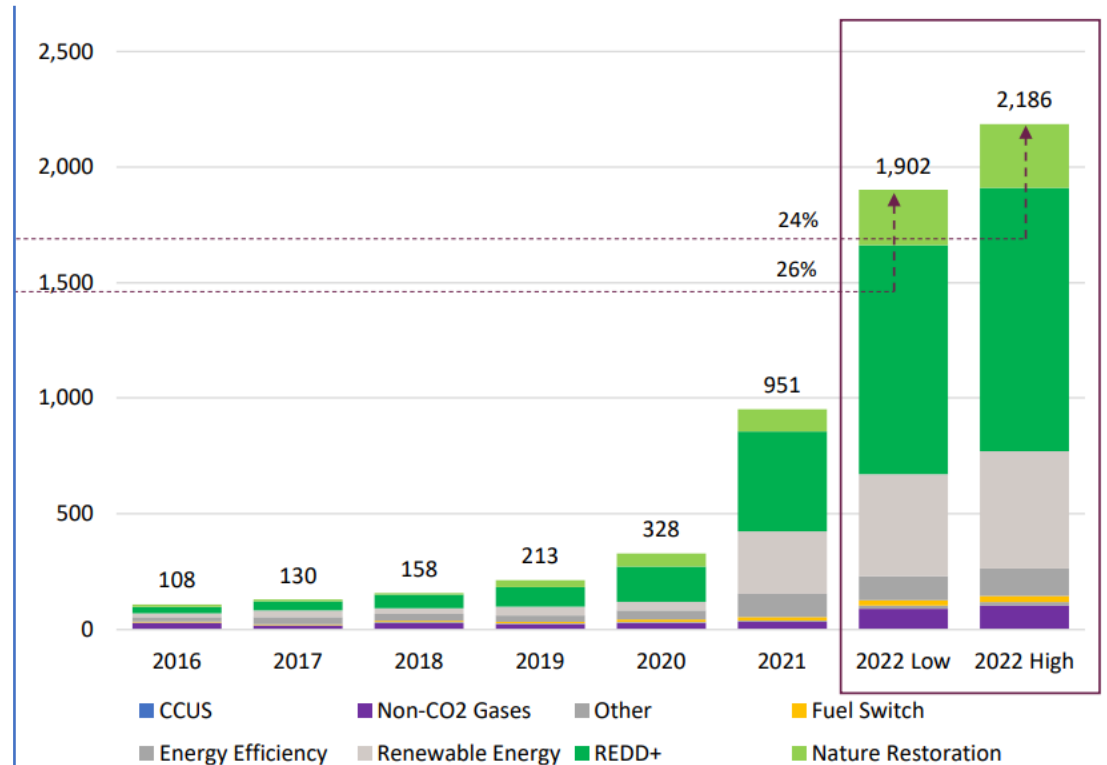
Growth in carbon credit issuance

Credit issuance and nr. of projects by crediting mechanism (2021)



Source: The World Bank

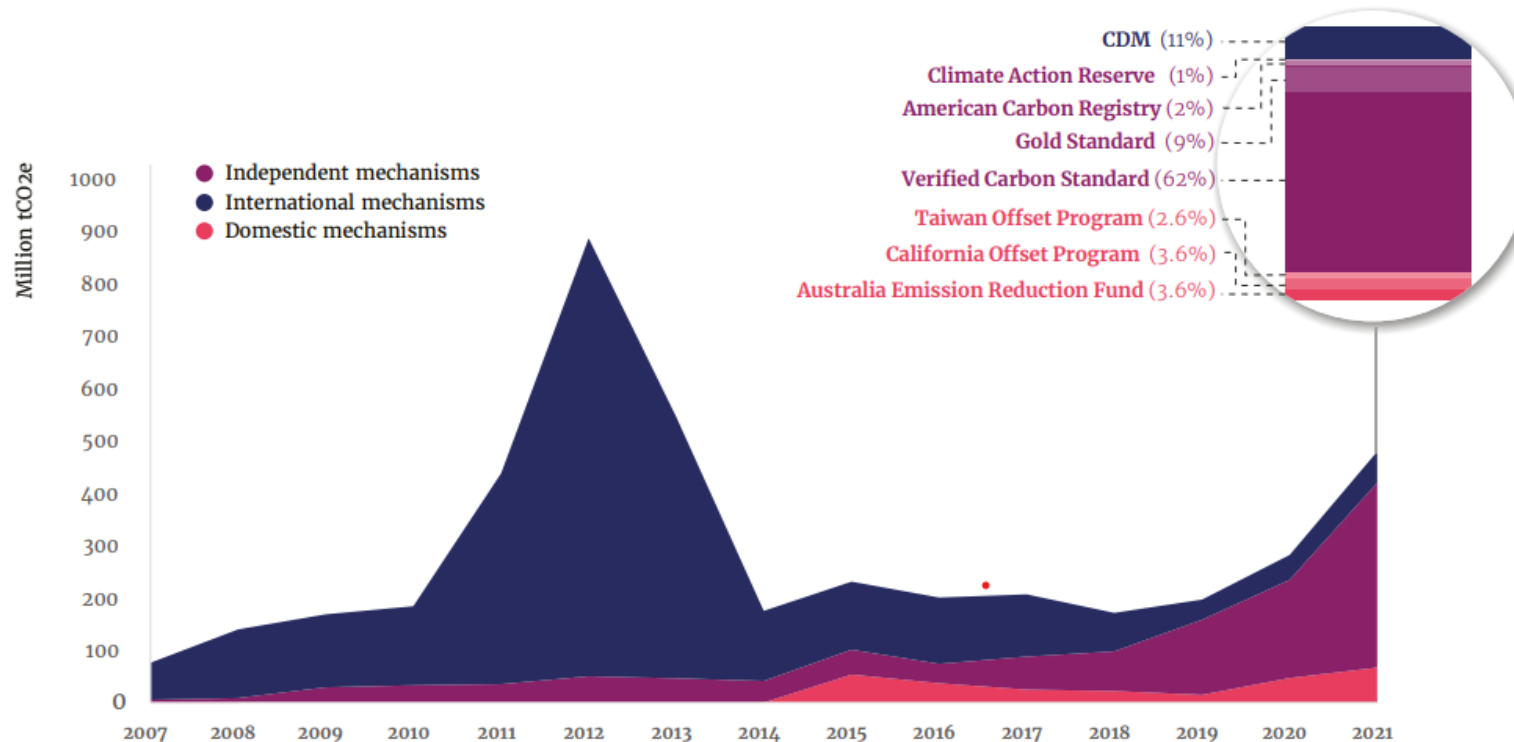
VCM market size (2016-2022)



Source: Trove Intelligence

...but not an all-time high!

Credit issuance volume time series (2007-2021)



- Independent standards (voluntary carbon market) are dominant
- UN-run Clean Development Mechanism (CDM) retired in 2020 – no credit issuance for mitigation activities taking place in 2021
- A6.4 crediting mechanism to be established, but progress is slow

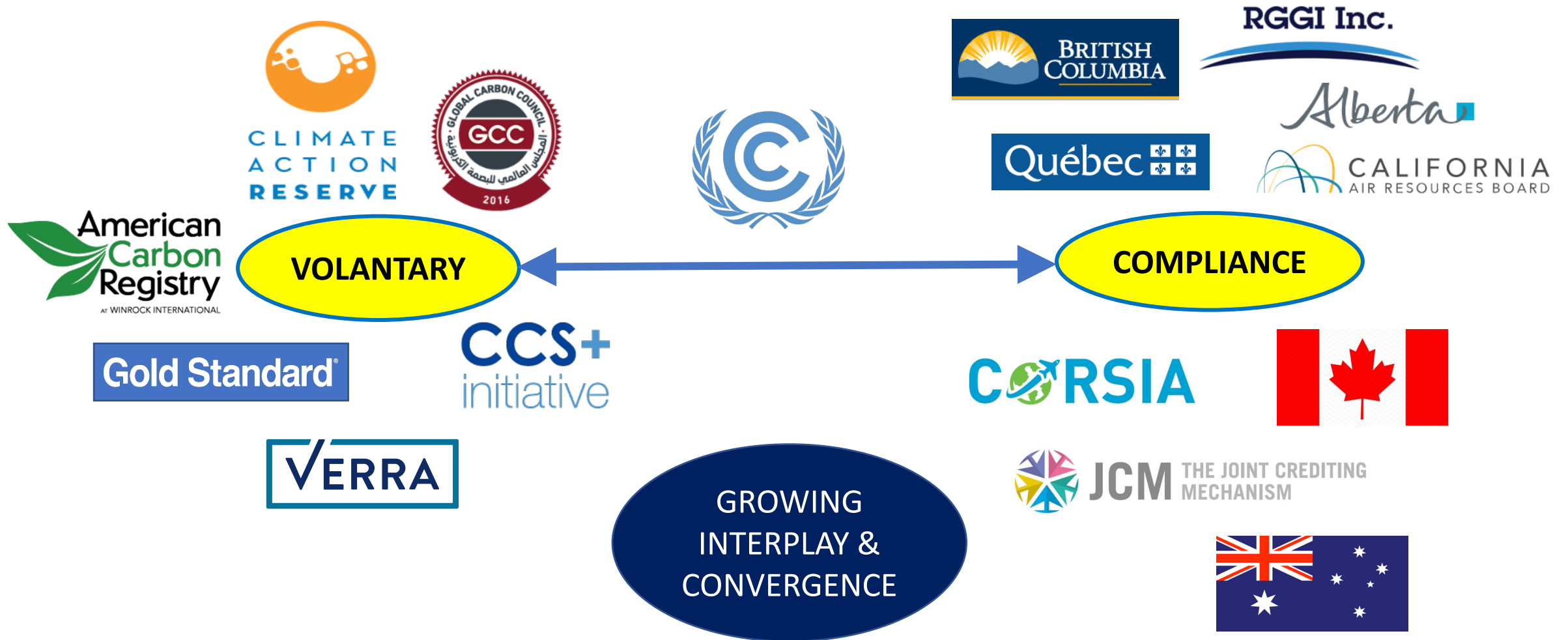
Source: The World Bank

Challenges ahead to earn more trust



Voluntary and Compliance Offset Standards/Protocols

Period of Growth, Transition and Convergence



VCM governance initiatives



IC-VCM	VCM
<ul style="list-style-type: none"> • Integrity Council for the Voluntary Carbon Market • an independent governance body for the voluntary carbon market. • Goal: create a threshold standard for the quality of carbon credits (SUPPLY) • Documents: Core Carbon Principles, Assessment Framework, Assessment Procedures • Public consultation open until 27 September 2022 	<ul style="list-style-type: none"> • Voluntary Carbon Market Integrity Initiative • a multi-stakeholder platform to drive credible, net-zero aligned participation in voluntary carbon markets • Goal: ensure the integrity of the use of carbon credits (DEMAND) • Document: claims code of practice • Public consultation open until 12 August 2022

✓ IETA is a member of IC-VCM's Secretariat

Core carbon principles

Public consultation

July—sept 2022



THE INTEGRITY COUNCIL
FOR THE VOLUNTARY CARBON MARKET



WHAT ARE THE CORE CARBON PRINCIPLES?

The CCPs are designed to establish interlinked, fundamental principles for high-quality carbon credits that create real, additional and verifiable climate impact with high environmental and social integrity.

01. ADDITIONALITY

**02. MITIGATION ACTIVITY
INFORMATION**

**03. NO DOUBLE
COUNTING**

04. PERMANENCE

**05. PROGRAM
GOVERNANCE**

06. REGISTRY

**07. ROBUST INDEPENDENT
THIRD-PARTY
VALIDATION AND
VERIFICATION**

**08. ROBUST QUANTIFICATION
OF EMISSION REDUCTIONS
AND REMOVALS**

**09. SUSTAINABLE DEVELOPMENT
IMPACTS AND SAFEGUARDS**

**10. TRANSITION TOWARDS
NET-ZERO EMISSIONS**

a GLOBALLY-RECOGNISED threshold STANDARD for high-integrity carbon credits



Core carbon principles

The Core Carbon Principles represent the commonly-accepted fundamental elements for high-integrity carbon credits that create real, additional and verifiable climate impact with high atmospheric, environmental and social integrity.

Assessment framework

The CCPs are operationalised through the Assessment Framework, which sets out criteria for the Integrity Council to consistently evaluate whether carbon credits and carbon-crediting programs meet the provisions outlined in the CCPs.

Assessment procedure

The Assessment Procedure sets out the process for CCP-approval, how eligible carbon credits will be tagged, and how the Integrity Council will facilitate the continual development of the voluntary carbon market.

<https://icvcm.org/the-core-carbon-principles/>

VCMI launched Claims Code of Practice



<https://vcmintegrity.org/>

VCMi Provisional Claims Code of Practice



Comprises four components or steps, all of which companies must adhere to in order to make credible claims about their voluntary use of carbon credits:

1. Meet the Prerequisites
2. Identify Claim(s) to Make
3. Purchase High-Quality Credits
4. Report Transparently on the Use of Carbon Credits

Prerequisites:

- Science-aligned commitment to net-zero by no later than 2050 covering Scopes 1, 2 and 3
- Public interim reduction targets
- Provide detailed information on plans and strategies to achieve the targets
- Maintain publicly available GHG emissions inventory following GHG Protocol or equivalent, covering Scopes 1, 2 and 3
- Make public statement on consistency of advocacy activities with goals of the Paris Agreement

VCMi Claim Guidance (draft under consultation)



Enterprise-wide claims

VCMi GOLD	VCMi SILVER	VCMi BRONZE
<ul style="list-style-type: none"> On track to achieve next interim target for Scopes 1, 2, and 3 Cover 100% of all remaining unabated emissions through retirement of carbon credits 	<ul style="list-style-type: none"> On track to achieve next interim target for Scopes 1, 2, and 3 Cover at least 20% of all remaining unabated emissions through retirement of carbon credits 	<ul style="list-style-type: none"> On track to achieve next interim target for Scopes 1 and 2 Reduce Scope 3 emissions through combination of internal reductions and carbon credits (up to 50% of Scope 3 footprint and declining over time) to achieve interim target Cover at least 20% of all remaining unabated emissions through retirement of carbon credits Available until 2030 only. Then needs to be on track to achieve Scope 3 interim target through internal reductions (graduate to VCMi Silver)

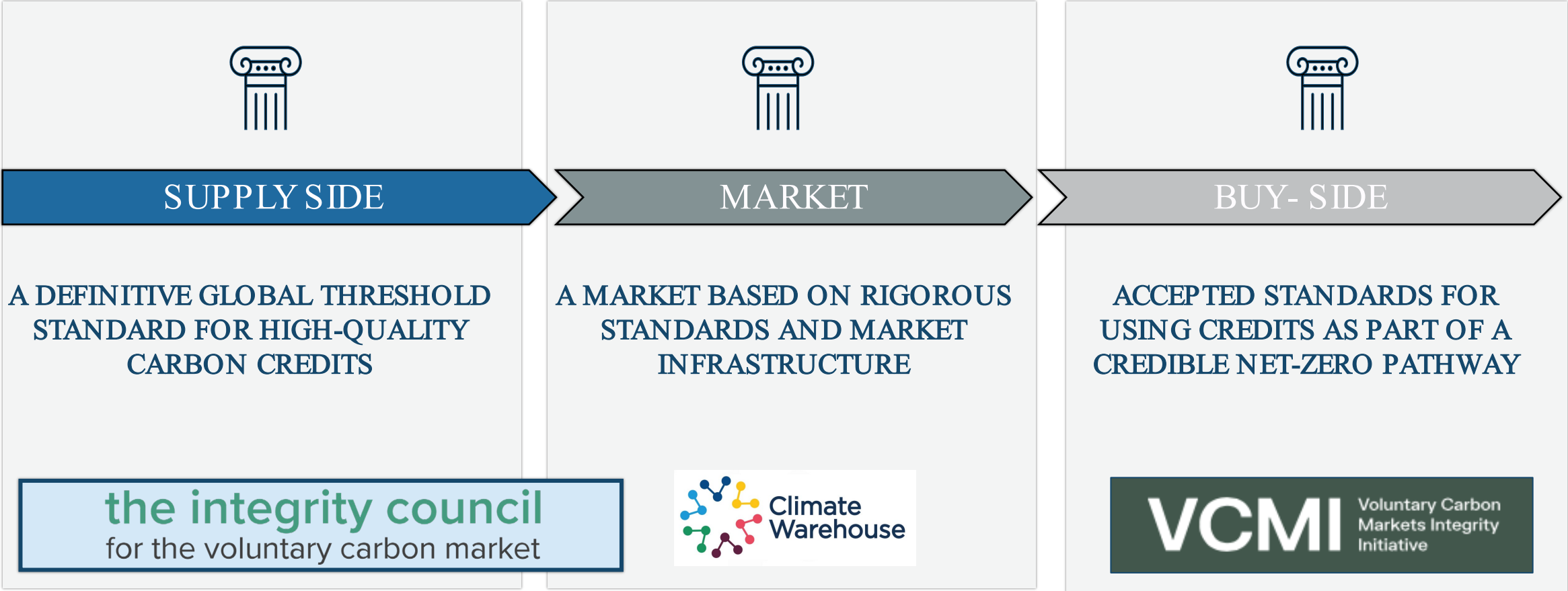
✓ **Brand-, product- and service-level claims** (carbon neutrality) are available



Introduction to the Climate Warehouse

A market infrastructure to connect climate markets

<https://www.theclimatewarehouse.org/>





What is the value proposition?

A decentralized IT approach to connect climate markets

Climate Warehouse



An open shared repository

1



Facilitating a peer-to-peer connection and communication among decentralized registries in order to track mitigation outcomes

2



Provide visibility into corresponding adjustment procedures and the lifecycle of carbon offsets from issuances to retirement, which will safeguard against double counting and ease reporting requirements.

3



Surface publicly-available information on MOs and record status changes to provide information on how MOs are used.

4



Enhance transparency and trust among market participants and enable tracking of MOs and reduce double counting risk. The Climate Warehouse would not hold assets or directly facilitate.

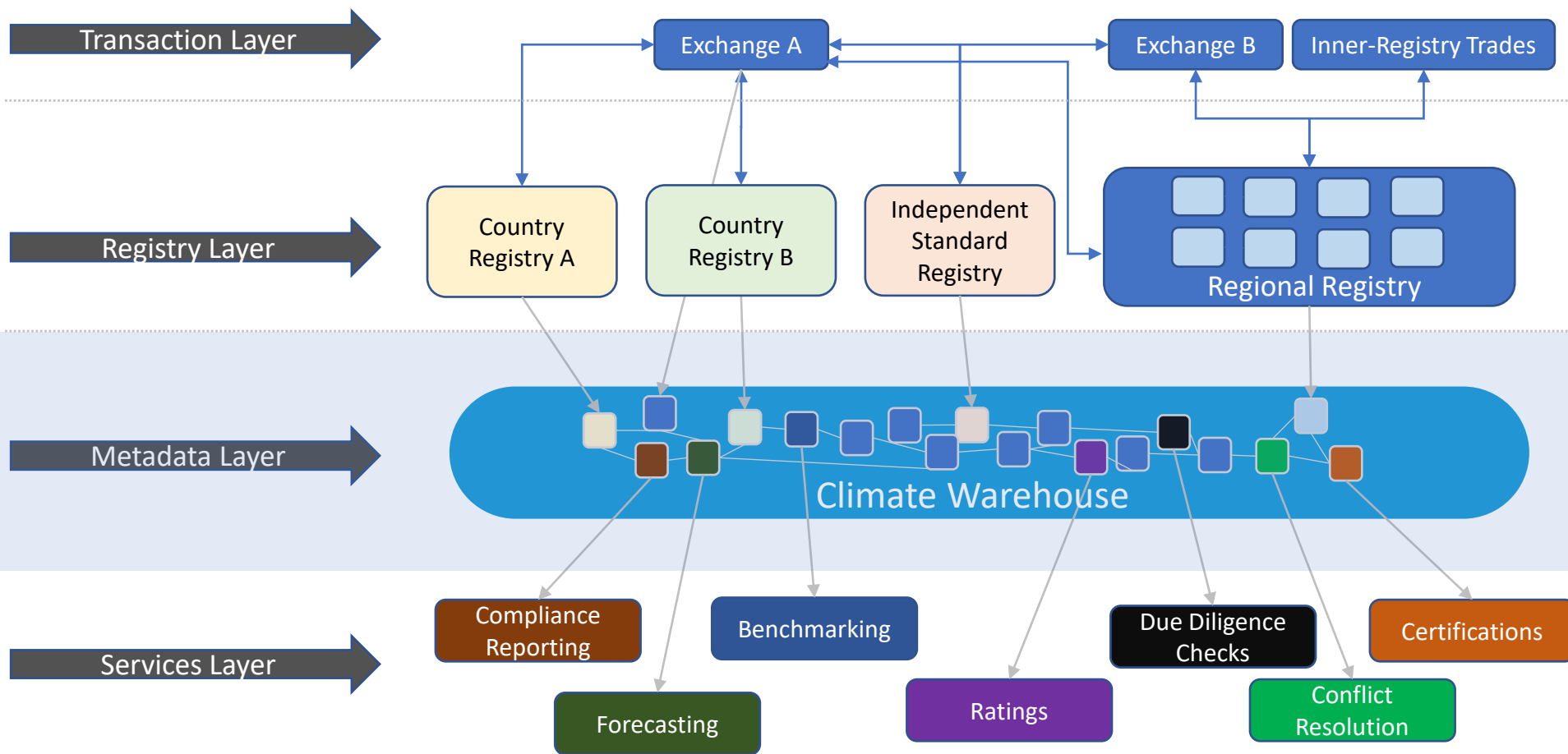
Building a public good data layer

- Designed as an open shared infrastructure layer

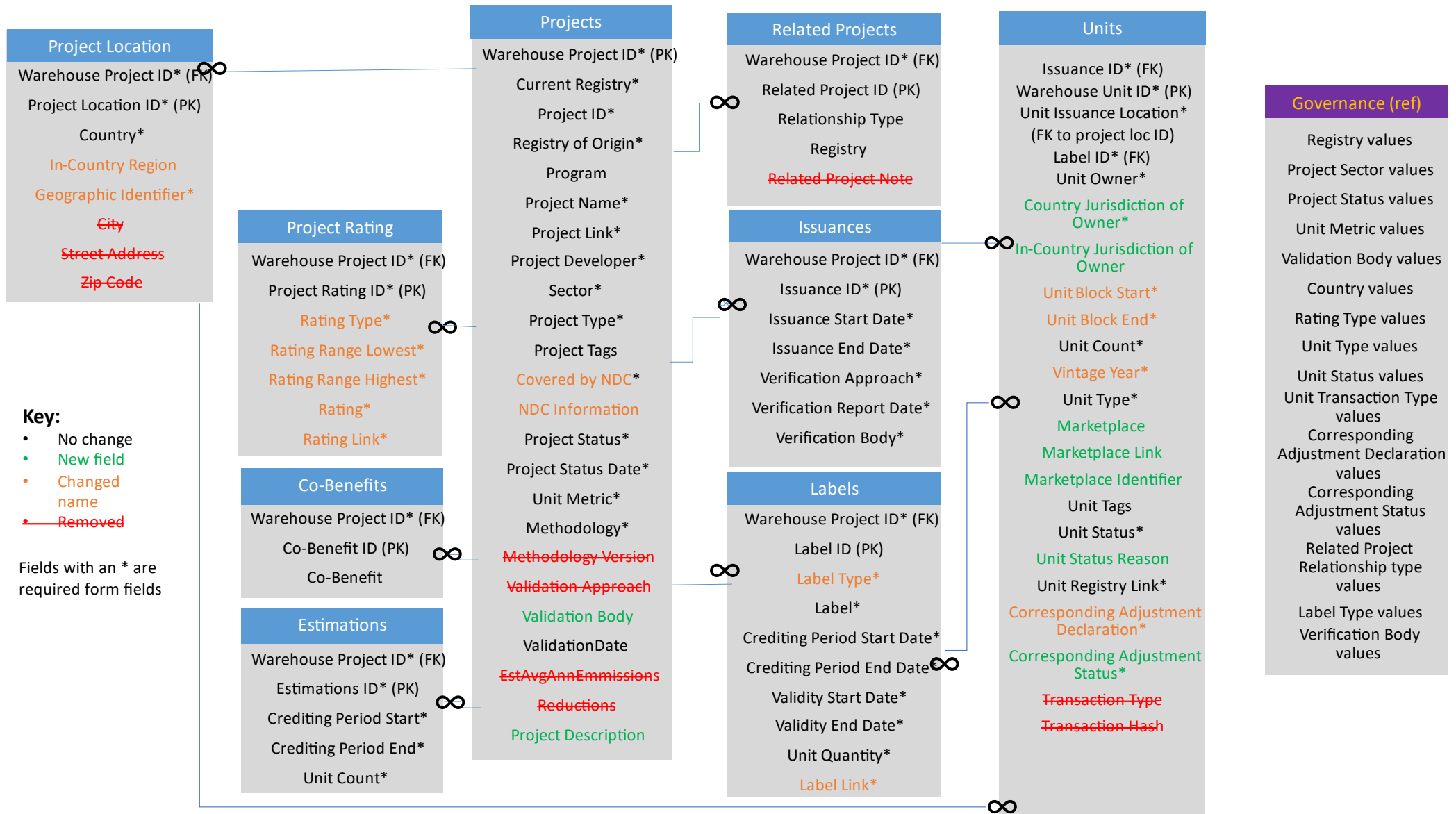
- Common taxonomy of data facilitates communication between entities

- Registry service providers and countries share data to the Warehouse

- Public and private sector market players can host a node and build out the service layer



Data Model – Key Updates



Testing Activities

Phase I

Phase II

Phase III

Phase IV

Group 1 (Internal Testing)

- WB CMI
- WB CATS

Observers:

- IETA
- Open Earth Foundation

March - April 2022

Group 2

- Sweden
- Switzerland
- Chile
- Japan
- Singapore
- Gold Standard
- VERRA
- CAR
- ACR
- GCC

Observers:

- Spain
- UNFCCC
- EBRD

April – May 2022

Group 3

- Rwanda
- Bhutan
- Senegal
- Ghana
- Mexico
- Peru
- Colombia
- Uganda
- Eco-registry
- Colombia
- BV Rio
- Bangladesh

Observers:

- Asian Dev. Bank
- Climate Ledger Initiative
- Climate Impact X
- Temasek
- AirCarbon
- CBL

May – July 2022

Feedback Consolidation and Documentation

- **Capture feedback in 5 tools:**
 - Feedback notes
 - Test scripts
 - Action items tracker
 - Feedback survey
 - Participant profiles
- **Produce documentation:**
 - Simulation III Final Report
 - Transition Plan
 - Onboarding Operational Climate Warehouse Package

July - August 2022

**These groupings may be subject to change due to availability and preferences of participants



Climate Action Data Trust

Climate Warehouse
Digital Ecosystem

Connecting carbon markets through open data

<https://climateactiondata.org/>

✓ **Official launch on 7 December**

Climate Action Data Trust to unify carbon credit registry data

The World Bank, IETA and the Singapore Government Connect Carbon Markets Through Open Data

SINGAPORE (26 October 2022) –

The International Emissions Trading Association (IETA) today revealed information on the forthcoming launch of Climate Action Data Trust (CAD Trust), a decentralized metadata system that can link, aggregate and harmonize all major carbon market registry data. Climate Action Data Trust (CAD Trust) is a joint initiative of the International Emissions Trading Association, The World Bank and the Singapore government, along with a variety of governments and public and private organizations.

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/32/2022

Sharm el-Sheikh, Egypt, 9 November 2022

IOSCO consults on the development of sound and well-functioning carbon markets

IOSCO (International Organization of Securities Commissions)

IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation.

Comments on the report should be submitted by 10 February 2023

IOSCO Recommendations for the Compliance Carbon Market



1. Relevant authorities should increase predictability and transparency in primary market decisions.
2. To foster fair, stable and competitive markets, relevant authorities in charge of primary market issuance should place greater reliance on auctions over free allocation.
3. Relevant authorities should consider setting frequent auctions.
4. When relevant authorities establish market stability mechanisms, any market intervention should be rule-based to allow for better predictability.
5. Relevant authorities should consider allowing the participation of non-compliance firms in primary markets.
6. Relevant authorities should define the legal nature of allowances in their jurisdiction.
7. Relevant authorities should encourage the scrutiny of auction performances.
8. Relevant authorities should consider establishing clear and robust frameworks for conducting market surveillance, overseeing of entities' behavior in spot and derivatives carbon markets and ensuring appropriate enforcement.
9. Relevant authorities should ensure that the relevant market infrastructures (e.g., trading venues, auction platforms, central counterparties, registries) are robust and properly regulated.
10. Relevant authorities should encourage the development of standardized derivatives contracts.
11. Relevant authorities should consider public disclosures about aggregate positions, as well as periodic public reporting derived from regulatory data.
12. Relevant authorities should set clear lines of responsibilities and cooperation between authorities in charge of compliance markets at primary and secondary market level, including both environmental and financial agencies as appropriate and promoting regulatory coordination between these entities.

Summary



- Since COP26, interest on carbon markets has grown even more.
 - However, there are many challenges for development of carbon markets.
 - In the Voluntary Carbon Market, IC-VCM presents Core Carbon Principles and VCMII presents Claims of Code of Practice, aiming to standardize the supply side and the demand side respectively.
 - IETA, The World Bank and the Singapore government are going to launch Climate Action Data Trust as an effort to create a common platform for carbon credit registry data.
 - Also in the compliance carbon market, IOSCO consults on the development of sound and well-functioning carbon markets.
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Thank you
for your kind attention

<https://www.ieta.org/>