C-AGG Background Paper on Double-Counting and Double-Attribution of GHG Emissions Reductions

Contents

Purpose of C-AGG Background Paper

- Will be used as the basis for discussion at the ***C-AGG Workshop on Double-Counting and Double-Attribution of GHG Emissions Reductions***, on Tuesday, July 18 in Chicago, IL.
- Will be used as the basis of a ***C-AGG Position Paper on GHG Emissions Reductions: Double-Counting and Double-Attribution***, which will be a product of the Workshop, and which may be subject to revision over time. The C-AGG Position Paper will ideally frame the issues from C-AGG's perspective, identify the risks of double-counting and double-attribution, and provide guidance to our stakeholders and participants on how best to address the issues to reduce real or perceived risks to projects, organizations, and systems.
- May form the basis for C-AGG action steps or policy guidance to reduce the risk of double-counting and double-attribution of GHG emissions reductions among participants and stakeholders.

Introduction

The issue of potential double-counting or double-attribution (called "double-claiming" in previous drafts of this document) of GHG emissions reductions has been raised as a concern by participants and stakeholders at C-AGG meetings and workshops. C-AGG participants and stakeholders agree that there is a real or perceived risk to the integrity of our work in the carbon offset, sustainable supply chain, and ecosystem service market areas if double-counting or double-attribution of emissions reductions or ecosystem service outcomes occurs. The risk may be associated with individual or collective projects, with individual or multiple organizations, or with entire systems or initiatives (such as a sustainable supply chain initiatives). The real or perceived risk is that the integrity of market-based approaches to GHG emissions reductions or ecosystem services can be undermined if these reductions or ecosystem service outcomes are counted or claimed by more than one entity or in more than one system.

C-AGG is hosting a July 18, 2017 workshop to help address these important issues. The goals and objectives of the workshop are to:

- define double-counting and double-attribution;
- describe scenarios in which double-counting and double-attribution may occur;
- identify real and perceived risks that may result from the occurrence of double-counting or double-attribution, and to where or whom the risk accrues; and
- begin developing guidelines or policy guidance to reduce or eliminate the risk.

Background

Global approaches to carbon accounting and carbon markets are currently fragmented and largely unregulated. The 2015 Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC) recognizes the risk of double-counting within the UNFCCC and calls for architecture to prevent double counting by Parties and the public and private sectors to preserve the integrity of the Agreement. In the US, voluntary and compliance carbon offset market registries operate to reduce market accounting fragmentation and to minimize the risk of double-counting, but lack of a single registry to track carbon offset credit generation, sale, and retirement means that a risk of double-counting remains.

Ecosystem service markets and sustainable supply chain initiatives lack centralized registries or rules to track ecosystem service credit generation, sale, or retirement, or the ability for multiple claims to be made regarding responsibility or 'ownership' of ecosystem service or sustainability outcomes, creating risk of double-counting or double-attributions. Individually and collectively these risks can potentially undermine the integrity of voluntary and compliance carbon offset markets, ecosystem service markets, sustainable supply chain initiatives, and other systems or markets of this nature.

Terms and Definitions

- ***Double-counting*** refers to instances where two or more organizations claim responsibility for the same GHG emissions reductions. The emissions reductions may be in the form of credits or internationally transferred mitigation options (ITMOs) generated to comply with emissions reductions obligations or commitments. Such commitments may include:

  - those made by countries under the Paris Agreement to the UNFCCC in the form of Nationally Determined Contributions (NDCs);
  - obligations imposed by compliance markets such as in the California cap-and-trade market, or the developing cap-and-trade markets in the Canadian provinces of Ontario and Quebec; and/or
  - voluntary emissions reductions purchased or achieved within voluntary carbon markets.

Double-counting can occur in the form of:

  - Double-issuance, if more than one credit or unit is issued for the same emissions or emissions reduction;
  - Double-use, if the same issued credit or unit is used twice (for example, if the same unit is duplicated within a registry and used twice by the same country, or transferred to two different countries); and/or
  - Double-claiming, if the same emissions reduction is counted by two countries toward an international commitment (not to be confused with conflicting supply-chain actors' *claims* of responsibility, which lead to double-attribution).

- ***Double-attribution*** refers to instances where two or more organizations claim responsibility for the same GHG emissions reductions—not in the form of carbon credits or ITMOs, but rather as a demonstration of progress towards private sector commitments to reduce GHG footprints, including within sustainable supply chains.
- ***Double-attribution-and-counting*** refers to instances where two or more organizations claim responsibility for the same GHG emissions reductions, both to comply with emissions reductions obligations or commitments and to demonstrate progress towards private sector commitments.

Establishing the Counting and Attribution Landscape

The following is a synopsis of real or possible situations where double-counting or double-attribution might occur or be occurring:

- Private company carbon reduction goals and 'carbon insetting' processes involving agricultural producers where there is a potential to draw upon producers who might *also* be engaged in:

- sustainable supply chain initiative projects that may make claims of responsibility for GHG reductions; and/or

voluntary or compliance market carbon offset projects that may sell carbon credits—particularly where there is a risk of the same tons being counted or attributed more than once.

- Environmental NGOs engaged in voluntary and compliance carbon offset projects with the agricultural sector as well as participating in sustainable supply chain initiative projects and separately collaborating with private companies on (Scope 1-3) GHG emission reduction goals and activities to meet those goals.
- Sectoral agricultural GHG emissions reduction approaches that engage members or participants of the sector in GHG emissions reductions activities, particularly where the members or participants may also be engaged in sustainable supply chain initiative projects, voluntary or compliance market carbon offset projects, and/or 'carbon insetting' activities specific to a single entity or company.
- Any of the previously cited examples, coupled with either:
  - USDA (in the case of agricultural GHG emissions reductions projects) attributing or counting those same emissions reductions to the USDA Climate Change Building Blocks, or to the USDA GHG Inventory; or
  - The US government attributing or counting those same emissions reductions to the US NDC to the Paris Agreement, and/or to the US GHG Inventory (acknowledging that these may all be separate attributions, but might also equate to one single attribution at multiple levels).

Defining Risk: Double-Counting, Double-Attribution, and Double-Attribution-and-Counting

The real or perceived risk of double-counting double-attribution, and/or double-attribution-and-counting may in fact be variable and depend on the result of these activities or the disposition of GHG emissions reductions.

For instance, the double-attribution of emissions reductions—particularly where those emissions reductions are not generating credits for sale on voluntary or compliance markets—might be viewed as less of a risk than double-counting when carbon credits are generated or sold. However, evidence of double-attribution--that two or more organizations may be claiming responsibility for the same emissions reductions, whether to meet a corporate sustainability goal or to reports to shareholders, might create a public relations or shareholder risk to those organizations or companies that are involved. The same risk might occur to a sustainable supply chain initiative in which double-attribution occurs, where more than one organization claims responsibility for GHG emissions reductions—even if credits are not generated or sold based on the emissions reductions.

Double-counting, in which credits are generated based on emissions reductions and either used more than once or counted more than once, might have either legal or real risk associated, and definitely create a risk to environmental integrity. Examples include credits generated from a project that are inadvertently or knowingly counted in two different registries or by two different entities with emissions reduction commitments—for example, within ICAO CORSIA and/or the US government inventory and/or the US NDC.

Finally, the risk of a hybrid in which attribution and counting is founded on the same emissions reductions is also possible. For instance, emissions reductions generated by a project that is engaged in a sustainable supply chain initiative which makes claims of responsibility about those emissions reductions, and which is also engaged in an offset generation project which generates and sells credits from those emissions reductions might be termed as double-attribution-and-counting. Environmental integrity may not be at risk, but public perception may be a risk.

CASE STUDY: RISK OF DOUBLE-COUNTING

A recent case study comes from Washington State, in an instance where the renewable energy credit (REC) markets and the GHG regulations pose the threat of double-counting. Washington State Department of Ecology finalized a Clean Air Rule (CAR) to regulate GHG emissions from certain sectors, including the electricity sector, beginning January 1, 2017. Because the electricity sector is capped, and because it can also use renewable energy to meet its cap, the sale or use of voluntary RECs can be used to count towards compliance with the regulation, and may in fact “lift” the cap, by allowing regulated entities to produce more GHG than the cap allows. While the state did create a mechanism to address the risk of double-counting, the Center for Resource Solutions published a Market Advisory in March 2017 warning of concerns with its effectiveness. The result was that the REC market in Washington State came to a standstill.

Questions to Be Addressed at the C-AGG Workshop:

Question 1: Should C-AGG stakeholders and participants be concerned about the risks of:

- double-counting?
- double-attribution?
- double-attribution-and-counting?

Question 2: If the US claims GHG emissions reductions in the US GHG Inventory and/or in the US Paris Agreement NDC and the same claims are made elsewhere, e.g. in the ICAO process, what guidance should be provided to ensure integrity of the entire system of GHG emissions reductions and emissions reductions via offsets?

Question 3: What are some examples of guidance that C-AGG can recommend to eliminate or reduce the risk of double-counting, double-attribution, and/or double-attribution-and-counting?

- Promote transparency regarding GHG emissions reductions counting and attribution
- Pursue frank and open dialogue among all parties
- Provide guidance to parties regarding the careful and considered use of terminology and attributions
- Request/ensure that a host country—in this case, the US—make an explicit adjustment to its national inventory when emissions credits are transferred out of the US (for instance, to ICAO) by adding in an amount of emissions equal to the emissions credits transferred out

References

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Contributors

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Questions or Comments

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