The Gold Standard
Premium quality carbon credits

**Submission**

**Carbon Credits (Carbon Farming Initiative) Bill 2011**

## General Information

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## Preface

The Gold Standard is the world's only high quality certification standard for carbon offsets, created to ensure that international compliance and voluntary carbon markets work towards a long-term solution to mitigate climate change while promoting sustainable development and other environmental benefits. To be eligible for the Gold Standard seal, carbon offset projects must (1) employ renewable energy and/or energy efficiency technologies, (2) adhere to the strictest standards on additionality, and (3) positively impact the economy, health, welfare and environment of the local community hosting the project.

Key to the Gold Standard's formula for a high quality project is the involvement of the project's local host community – those most affected by climate change – without whose cooperation projects are more vulnerable and likely to fail. As a result of the Gold Standard's emphasis on community involvement and sustainability, hundreds of communities have reaped co-benefits such as job creation, improved health and healthcare services, access to affordable electricity and stimulus to the local economy. The Gold Standard methodology is designed to quantitatively assess economical, social, environmental impacts of project activity and requires monitoring, reporting and verification of co-benefits.

International recognition of the value of true environmental integrity and sustainable development benefits has led to Gold Standard credits consistently achieving a substantial price premium over other market standards. This demonstrates the financial value placed upon these attributes and enables project developers to increase their profit margins, driving further investment into high quality carbon mitigation projects. That a more robust, rigorous approach that facilitates other non-carbon benefits can still deliver greater profit is a vital message to send to stakeholders of all types.

The Carbon Credits (Carbon Framing Initiative) Bill 2011 has been very well conceptualized however, we feel that additional elements in terms of local community engagement, social/environmental risk assessment, environmental and community benefit quantification & monitoring that could be considered and further elaborated in the Bill to make it comprehensive and strong tool to ensure sustainable development. We feel that Government may want to make use of the well-developed tools and procedures on Sustainable Development that have been already tested by Gold Standard in the carbon market. These elements have been discussed in detail, in our submission.

The Gold Standard would be delighted to discuss its recommendations in more detail with the relevant team. We have ten-years of experience in developing and managing what is internationally recognised as the most robust, rigourous and high quality carbon standard in the market. As a non-profit foundation backed by the most prominent NGOs worldwide, from WWF to Greenpeace to Mercy Corps, our goal is to use our learning and expertise to ensure that the development of future schemes uses the best aspects of a market mecahnism to deliver capital efficiently in climate change mitigation, whilst addressing the issues that markets also bring, namely lowest common denominator prijects that do not deliver the full potential of the capital employed. The proof of this concept is that Gold Standard projects are among the most commercially profitable of all carbon market projects, despite not compromising on environmental rigour and broader quality. Our methodologies also promote stronger risk management, making third-party finance of projects more attractive. The Gold Standard would be delighted to support the Australian Government in developing a benchmark carbon compliance scheme.

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## Section 56 of Carbon Credits (Carbon Farming Initiative) Bill 2011

***Excluded offset projects – Risk assessment***

We understand that in the decision to include or exclude particular project types, the scheme proposes to evaluate whether there is a significant risk that that kind of project will have a significant adverse impact on availability of water, conservation of biodiversity, employment and local community. We would suggest that this evaluation of risks should not only be limited to deciding the inclusion or exclusion of projects types but that this risk assessment should be extended to incorporate a project-by-project approval stage.

The Gold Standard runs a premium quality carbon offset certification scheme with a well-defined certification process that gives due importance to involvement of stakeholders from very beginning of the project cycle i.e. during the design phase of a GHG offset project. The Gold Standard requires that project developers discuss the project design and its potential environmental and social impacts with relevant (local) stakeholders and actively seek to incorporate their comments and feedback into the design. The aim of this consultation process is to inform stakeholders about the project and give them the opportunity to discuss the impact the project will have on them. It can also be used to specifically solicit concerns that local people might have and address them. The overall goal is to improve the project design based on stakeholder comments and increase the local ownership or involvement of the project. This also has the benefit to the project deveoper of reducing project risk, since greater care has been taken to examine and mitigate the full potential risks of the project – and gain greater buy-in throiugh explanation of its potential benefits to local communities. The Gold Standard stakeholder consultation process has two main events: a 'live' stakeholder consultation meeting and the stakeholder feedback round, which is preferably also 'live' but not necessarily so. The first consultation meeting includes a discussion of the design and consequent impacts of the project. During the second event - the stakeholders feedback round – stakeholders can give feedback on how their comments have been taken into account. We would suggest that such a two-step stakeholder consultation could be made an integral part of the project approval process under the proposed scheme to address community concerns in early stages of the project.

Gold Standard further requires the project developer to assess the risk that a project activity could have harmful impacts. The safeguarding principles of the UNDP are used to carry out 'do no harm' assessment. These principles are derived from the Millennium Development Goals (MDG), eight goals that 189 United Nations member states have pledged to achieve by the year 2015. This is a self-assessment required to be carried out by the project developer with the aim to gain insight into the risk that the project might result in negative environmental, social and/or economic impacts that are serious enough to eliminate the project from the approval process. Project developers are given an option to design a mitigation plan to lower the level of risk that project might pose.

We understand that the Australian Government intends to monitor the implications of the scheme for regional communities and will introduce further restrictions on abatement projects as necessary, if there is evidence that projects are likely to have a material and adverse impact on the allocation of prime agricultural land, water availability, biodiversity, employment and local communities. As part of the overall sustainable development (SD) assessment, Gold Standard procedures require the project developer to develop a SD monitoring plan that would monitor relevant parameters designed to mitigate the risk that the project might result in negative environmental, social and/or economic impacts.
This integrated approach of risk assessment early in project design phase and monitoring of mitigation measures to address the risk provides a long-term and sustainable business case. We recommend that a similar approach is adopted under the proposed scheme.

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## Section 168 of Carbon Credits (Carbon Farming Initiative) Bill 2011

***Entries in the registry - Co-benefits***

We understand that the scheme will allow optional information to be included on the registry about the environmental benefits or community benefits associated with the project, to assist offset buyers who have a preference for such projects.

The danger of this approach is that self-assessment is highly likely to result in spurious and unfounded claims, that, even where a claimed benefit may be delivered, may be overstated and for which there is no evidence of delivery or ongoing monitoring. This has been seen extensively in the voluntary carbon market, where the 'story' around a project is perceived to greate additional financial value. However, only with Gold Standard credits is there third-party verification of co-benefits and ongoing monitoring to ensure that they are being delivered throughout the life of the project. By failing to provide ongoing Monitoring, Reporting and Verification on co-benefits, the CFI scheme will run a substantial risk of losing credibility, should it be found that a single project is failing to deliver on its claims. In such a controversial and politically sensitive market as carbon, there are many parties with an interest in damaging the credibility of a scheme. To leave an 'open goal' in this respect would be a strong mistake, especially when proven best practice shows that it can be properly and fully addressed.

Taking a more robust approach to the reporting of environmental and social co-benefits of projects will require development of a method for assessing and rating or accrediting the value of co-benefits associated with abatement projects. We would like to stress that this would be a very important aspect of the scheme as it could fetch premium prices to project developers for their carbon credits. Gold Standard already uses a tool to assess and rate the value of such co-benefits through its Sustainable Development Matrix. This matrix consists of 12 indicators in three broad categories *viz.* Economic & Technological development, Social development and Environmental well-being. These indicators are not only rated but are required to be monitored over the crediting period to ensure that positively scored indicators continue to have positive impacts and impacts from negatively scored indicators are mitigated by implementing the appropriate mitigation plans. Similar approach may be adopted under the proposed scheme.

The recent market report by Ecosystem Marketplace, "Building Bridges: State of the Voluntary Carbon Markets 2010," reports $11.10 as the average price of a Gold Standard credit. Compared with the average price of a credit from other well-known carbon standard in voluntary market, the Verified Carbon Standard (VCS), reported at $4.70, it is clear that the carbon markets strongly values the Gold Standard's technical rigor in assessment and delivery of sustainable development and community benefits.