September 27, 2022

Japanese Bankers Association

JBA Comments on "Core Carbon Principles Assessment Framework and Assessment Procedure" by the Integrity Council for the Voluntary Carbon Market (IC-VCM)

Questions	Comments
Part 3: Summary for Decision Makers	
Purpose of this document	
Are the most important principles, criteria and requirements included in the draft CCPs and the draft Assessment Framework? Are there principles, criteria and requirements that are not relevant or should not be included in the draft CCPs and draft Assessment Framework? Are there principles, criteria and requirements that are not included and should be added?	・The most important principles are covered in the draft CCPs and the draft Assessment Framework. ・In order to use the CCPs to assess the quality of credits certified under existing carbon-crediting programs (e.g., VCS/Gold Standard), it would be useful for the IC-VCM to issue more detailed additional specific guidance according to credit types. For example, additional guidance would be appreciated for AFOLU-related projects, particularly where risks are greater/there are higher levels of uncertainty under the principles of permanence, robust quantification of emissions reductions/removals and prevention of leakage. ・Our concerns related to specific criteria and requirements (either too stringent or too broad) are covered in other comments.
Are the requirements appropriately balanced between the initial and full stringency thresholds to address outstanding integrity concerns affecting the trust in the voluntary carbon market? What timeframe would you recommend for the duration of the initial threshold, taking into account the time needed for carbon-crediting programs to revise standards, processes and procedures; carbon-crediting periods; issues related to legal contracts etc.? Is this different for different areas of the draft Assessment Framework? Are there other key considerations that should be explored?	・As of now, most carbon-crediting programs are not aligned with some of the initial stringency thresholds. We believe that they should be introduced within an acceptable timeframe. We would welcome a phased approach, which could also provide visibility on when the full criteria and requirement will be implemented to project developers and credit users. We emphasize the importance of relief support for credits (projects) that have been registered before the CCPs were accepted by the carbon-crediting programs, as their trading price might suffer because they are older. ・Our concern is that if the requirements are too stringent, the assessment would take time and might stop the development of the projects. Since the voluntary carbon-credit market is still small, we do not want the market to shrink/not grow due to stringent requirements. ・In order for potential buyers of credits and other market participants to assess the

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	compliance of different carbon-crediting programs and credit types against the CCP criteria, and what areas may need improvement to meet both the initial threshold and full stringency threshold, the IC-VCM should make public its assessment of the relative compliance/alignment of existing programs and credit types in relation to the CCPs. This would serve to increase the transparency of IC-VCM's validation/assessment procedures and incentivise existing programs to continually improve internal processes/credit methodologies to meet the quality standards proposed.
Should the Integrity Council draw on assessments by the Technical Advisory Body under CORSIA or any other comparable body? If so, for which criteria and requirements would previous assessments of carbon-crediting programs and carbon credits be most relevant?	・We consider including not only CORSIA but also offset ratings specialists to understand the variance/comparability of offsets from the same sector. Also, in order to ensure the appropriateness and scientific rigour of methodologies utilized for specific project types, the IC-VCM should draw on outside experts with subject matter expertise where required to identify particular issues with regards to permanence and robust quantification when there may be uncertainty or lack of consensus on the methodologies employed for accreditation. ・The IC-VCM should act as a central source of standards for buyers to assess credibility (for REDD+, JREDD in particular).
F. Sustainable Development	

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The Expert Panel of the Integrity Council considered alternative approaches to assess alignment with Environmental and Social Safeguards requirements for carbon-crediting programs during the initial phase. The options include: Option 1): a risk-based approach to mitigation activity types building on IFC risk categorisation; Option 2): evidence of alignment with national regulatory framework; Or Option 3): a joint approach using option 1 and 2. The Integrity Council seeks views from the public on this question to inform whether and how IFC risk categorization can help ensure a consistent approach by carbon-crediting programs to address safeguards in the draft Assessment Framework in different jurisdictions and activity types. Your views will inform the design of the assessment process with the view to attest that mitigation activity proponents effectively implemented safeguards while providing the opportunity for current market infrastructure to update assurance systems' capacities and processes. Do you anticipate that there will be challenges in meeting the Sustainable Development requirements in the draft Assessment Framework under the initial threshold? If you do, could you provide information on those challenges. Should mitigation activities created and managed by IPLCs be subject to differentiated safeguards requirements? If so, how would you recommend that the application of free, prior and informed consent (FPIC) is addressed in carbon-crediting program guidance and mechanisms to ensure that relationships with IPLCs are based on informed consultation?	・ Noting that the IFC safeguards are widely adopted and of sufficient level of detail to cover the major environmental and social risks associated with carbon credit projects, Option 1 would be preferred in general, while making necessary adjustments based on the level of risk associated with project types and ensuring compliance with best practice standards. ・ We also believe that, where applicable, alignment with the national regulatory framework should be sought (Option 3).

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G. Additionality	
Additionality for project-level mitigation activities: Are there alternative approaches to additionality that should be considered and that are not covered under the current draft Assessment Framework? Are there any specific criteria which the draft Assessment Framework should take into account in its guidance on additionality? The Integrity Council proposes in its draft Assessment Framework a risk-based assessment of additionality, to be conducted by the Expert Panel by project type, as a first step in the overall assessment of additionality for CCP. a) Please provide comment as to the feasibility and desirability of this additional level of risk-based analysis by project type. b) In this assessment, the Integrity Council proposes to use as one data point analysis of carbon prices. Please provide comments as to the feasibility of use of this indicator, and on the alternative use of marginal abatement costs for this purpose. c) Please provide recommendations on additional means of assessing the additionality tests carbon crediting Standards currently employ. Additionality for jurisdictional REDD+ activities: How should crediting under project-based REDD+ mitigation activities be considered within the scope of jurisdictional REDD+ programs? Should there be a requirement to nest baselines of REDD+ projects on avoided deforestation? Should credit issuance by REDD+ projects be limited by the performance of the jurisdiction?	・While we welcome the introduction of a risk-based analysis, we are unsure of how it will be applied. Risks are country and activity specific, and we are not sure that carbon-crediting programs are equipped to assess risk at this level given their pipeline of projects. At this stage, the definition of risk is either too restrictive or too broad, giving way to interpretation and discretion. We would recommend adopting a more flexible approach, where additionality would have to be justified project by project, according to general principles. ・Our concern is that if "no income, cost savings or benefits other than carbon credit revenues" or "very poor financial attractiveness" results in an assessment of "Very high", it might be difficult for investors to invest in projects. ・For REDD+ activities, the existing methodology for measuring baseline leakage for VCS REDD+ project-level should be included as a minimum, while additional requirements should be carefully evaluated and verified by each project developer and third-party verification and validation body (VVB) due to the higher levels of uncertainty related to approaches for setting baselines.
H. Permanence	

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The Integrity Council is open to views on the appropriate balance of requirements between the criteria applied to assess permanence, as well as alternative approaches. Are there alternative approaches to permanence that should be considered and that are not covered under the draft Assessment Framework?	—
K. Attributes	
Should the Integrity Council consider the establishment of an attribute to differentiate credits according to the type of underlying mitigation activity? If so, at what level should types be differentiated (e.g., reductions vs removals, tech-based vs nature-based)?	・ We would welcome such an approach. Where possible, the IC-VCM should stipulate the attribution of credits according to the type of mitigation activity (i.e., removals vs reductions) at a minimum, and where a combination of types is utilized by a project, sufficient labelling to ensure traceability.
L. Alignment with the Paris Agreement	
a) Should the voluntary use of carbon credits require host country authorisation to ensure association with corresponding adjustments? Should this be conditional on specific circumstances or use cases? b) Should the voluntary carbon market levy a share of proceeds to assist developing countries most vulnerable to climate change to meet the costs of adaptation? c) Should the voluntary carbon market provide a contribution to overall mitigation of global emissions, through the cancellation of carbon credits at issuance or other similar provisions?	・ a) While we believe that this should be the case, we also recognize that most countries do not have the resources to implement this. This might lead to significant delays in approval, defeating the purpose of the activities supported through crediting. This could be included as an additional attribute, or additional measure to avoid double counting. ・ b) and c) We recommend that this remains voluntary (up to the issuer).
Part 6: Assessment Procedure	
2 Assessment of carbon-crediting programs	

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Should the Integrity Council reserve the right by exception to assess programs unsolicited, at its own discretion, based on publicly available information?	・ There are many cases in which credit ratings are given without permission, and there are usually more unsolicited cases than requested ratings. However, unlike financial information in credit ratings, if the evaluation is based on carbon credit-related information, which is not mandatorily disclosed, it may be necessary to introduce additional measures to ensure objectivity and neutrality (e.g., public disclosure of assessed material).
The Integrity Council is considering the use of conditional approval to expedite initial threshold uptake, where a program can commit within a precise timeframe to fully implement initial threshold requirements. During such timeframe, carbon-crediting programs will be granted CCP-approved status. When and how should pledges or commitments be presented, monitored and what sanctions should apply in case of non-fulfilment?	・ We welcome such an approach. We emphasize the need for visibility for project developers regarding when additional thresholds will be implemented and how credits approved before such thresholds are implemented will be treated. ・ Pre-approval of existing carbon-crediting programs should be based on a transparent assessment of the relative alignment of crediting programs with CCP principles, identifying areas for improvement where required to meet the initial threshold. Particularly where there are gaps related to the initial threshold, a specific timeframe during which existing programs apply should be set, upon which commitments and the progress of such commitments should be subject to review on a comply or explain basis.
Other comments	
Part 1: Introduction P.13 "Inherent Risk"	・ Since there are a number of related risks for the type of mitigation activity (non-permanence etc.), we believe that it would be ideal if the risks were listed by hierarchy or order of significance, rather than simply tagging the risks.
Part 3: Summary for Decision Makers P.2 "The Integrity Council recognises that some carbon-crediting programs will likely meet a significant number of the criteria and requirements, particularly those indicated for the initial threshold"	・ We would like to know which specific carbon-crediting programs will likely meet the criteria and requirements.
Part 3: Summary for Decision Makers P.6 "C. No-Double Counting"	・ Persistence/tracking through secondary market trading of offsets needs to be considered.

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Part 3: Summary for Decision Makers P.13 "H. Permanence"	・ Would the IC-VCM outline a single standard approach for the treatment of reversals so that ideally VVBs can assess the reversal cause/risk and determine the impacted loss in sequestered CO2 that can then be applied to offsets within the registry?
Part 3: Summary for Decision Makers P.16 "I. Robust Quantification" "ex-ante crediting"	・ Given some VVBs have started providing verification ex-ante, there need to be clear guidance/expectations within the CCPs.
Part 4: Assessment Framework Criterion 1.8 in general	・ If changes to national regulations (for example, the sudden prohibition of the sale of offsets in Papua New Guinea this year) result in inconsistencies with CCPs, would changes to the CCPs be considered?
Part 4: Assessment Framework Criterion 2.1 Table 10 f) "The carbon-crediting program shall require all quantification methodologies to be reviewed and updated at least every five years to verify that they continue to ensure environmental integrity."	・ Is our understanding correct that revised methodologies would only apply to new projects, and existing projects would be able to continue under the methodology that was approved when those projects were registered?
Part 4: Assessment Framework Criterion 2.2 Table 11 g) "To ensure conservativeness, the carbon-crediting program's general program provisions shall require (rather than only in its specific quantification methodologies) …"	・ Conservativeness is not clearly defined. For example, does it mean that the calculation of reduction/removals should be done based on the most conservative assumptions? (Who assesses how conservative assumptions are? What are acceptable benchmarks?)
Part 4: Assessment Framework Criterion 2.2 Table 11 h) "The carbon-crediting program shall require in its general program provisions (rather than only in its specific quantification methodologies) that existing government policies and legal requirements that lower GHG emissions (e.g., feed-in tariffs for renewable energy, minimum product efficiency standards,	・ Are there any exceptions where a recent regulation is not yet applied or not sufficiently enforced?

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air quality requirements, or carbon taxes) be included when determining the baseline emissions."	
Part 4: Assessment Framework Criterion 3.5 in general	・ We believe that the oversight of VVBs should also include the ability to retroactively cancel or declassify/downgrade credits certified by a VVB in breach of their performance standards.
Part 4: Assessment Framework Criterion 4.2 Table 18 (Full) "…the more recently issued credits are to be cancelled."	・ Is our understanding correct that the holder of this 'soon to be cancelled credit' would receive no compensation?
Part 4: Assessment Framework Criterion 4.4 "No double claiming with mandatory domestic mitigation schemes"	・ This should include regional mandatory mitigation schemes (not just domestic) for regional blocs, such as ASEAN's scheme.
Part 4: Assessment Framework Criterion 7.1 Table 26 a) – c) "The carbon-crediting program has procedures in place which require mitigation activity proponents to..."	・ The requirements are for the carbon-crediting program, but is our understanding correct that most information would need to be submitted by the program owners? If so, what kind of support would the program owners receive from the carbon-crediting program?
Part 4: Assessment Framework Criterion 8.2 in general	・ How is probability quantified? We understand that the assessment is likely to be mostly qualitative and thus do not understand how the proposed values will be used.
Part 4: Assessment Framework 8.1.1 Table 37 "Very high"	・ How would you define "very poor financial attractiveness"?
Part 4: Assessment Framework Criterion 8.4 in general	・ What happens when the legal requirement does not affect the financial viability of the project? For example, a legal requirement was adopted after the project was registered – however, the legal requirement does not affect project cashflow (positively or negatively) outside of revenues from the sale of carbon credits. In this case, does that mean that investors have to take the risk that a project may become non-viable if in the medium term legal requirements change and carbon credits cannot be issued anymore?
Part 4: Assessment Framework	・ What mitigation activities are you referring to? Please provide an example.

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Criterion 9.1 Description "Types of mitigation activities that do not have a risk of reversal (inherently leading to permanent reductions and removals) and do not require any measures to address reversals."	
Part 4: Assessment Framework Criterion 9.2 (and section 9 in general)	・There are very few credits addressing these requirements as of now. Are there proposed/possible remediation pathways to support project owners in implementing those and ensuring that credits can continue to be issued (and trusted) for ongoing projects? What does "sufficient incentives" mean?
Part 4: Assessment Framework Criterion 9.3 Rationale "Once a credit expires, and has been retired by a buyer, the buyer is obligated to replace it."	・We understand this way of thinking. However, if the buyer is obligated to replace a retired temporary credit, what is the merit for the buyer to buy such credit? Also, temporary crediting could result in several temporary credits at risk of reversal not being appropriately cancelled in the registry, and timing lags and delays could inflate the registry pool significantly.
Part 4: Assessment Framework 10.1 Step 1: Systematic assessment of the quantification approaches	・There is no 10.1.1. Therefore, this makes it hard to understand the structure of 10.1.
Part 4: Assessment Framework Criterion 11.1 "Transition towards net zero emissions"	・It is unclear what scientific scenarios would be the basis of such assessment of compatibility with reaching net zero emissions by 2050. For example, it is not clear whether biomass should be entirely excluded or just non-renewable biomass. Also, what is the definition of "biomass"? What use of biomass is the subject of this passage? For use in agriculture, power, materials and fuels, biomass can be a sustainable alternative to oil, gas and coal if the biomass is waste material and/or sustainably managed. Any assessment should be based on science and greater definition of alignment with net zero would be preferred.

(End)