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Öko-Institut e.V.
Institut für angewandte Ökologie
Institute for Applied Ecology

Application of the Oeko-Institut/WWF-US/ EDF methodology for assessing the quality of carbon credits

This document presents results from the application of a methodology, developed by Oeko-Institut, World Wildlife Fund (WWF) and Environmental Defense Fund (EDF), for assessing the quality of carbon credits. The methodology is applied by Oeko-Institut with support by Carbon Limits, Greenhouse Gas Management Institute (GHGMI), INFRAS, Stockholm Environment Institute, and individual carbon market experts. This document evaluates one specific criterion or sub-criterion with respect to a specific carbon crediting program, project type, quantification methodology and/or host country, as specified in the below table. Please note that the CCQI website Site terms and Privacy Policy apply with respect to any use of the information provided in this document. Further information on the project and the methodology can be found here: www.carboncreditquality.org

Sub-criterion:	1.1.1 Eligibility of mitigation activities that are triggered by legal requirements
Carbon crediting program:	ACR
Assessment based on carbon crediting program documents valid as of:	15 May 2022
Date of final assessment:	08 November 2022
Score:	Landfill gas utilization: 5 Establishment of natural forests: 5

Contact
info@oeko.de
www.oeko.de

Head Office Freiburg
P. O. Box 17 71
79017 Freiburg

Street address
Merzhauser Straße 173
79100 Freiburg
Phone +49 761 45295-0

Office Berlin
Borkumstraße 2
13189 Berlin
Phone +49 30 405085-0

Office Darmstadt
Rheinstraße 95
64295 Darmstadt
Phone +49 6151 8191-0

Assessment

Plausibility of existence of legal requirements

Relevant scoring methodology provisions

"This methodology first assesses whether it is plausible that the relevant project type is or will be legally required in the relevant geographical area. For some project types and geographical areas, such as the use of efficient cookstoves in least developed countries, it may be very unlikely that any relevant legal requirements exist or will be introduced during the crediting periods. In this case, the provisions of the carbon crediting program regarding legal requirements are not relevant and a score of 5 is assigned to this sub-criterion. Otherwise, the scoring depends on the carbon crediting program's provisions regarding legal requirements."

Assessment outcome

For both landfill gas utilization and establishment of natural forest it is deemed possible that legal requirements exist that could require their implementation. The scoring for these project types therefore depends on the carbon crediting program's provisions regarding legal requirements (see assessment of indicators 1.1.1.1 and 1.1.1.2 below).

Justification of assessment

Landfill gas utilization: In many countries, landfills are subject to pollution control regulations. This includes air pollution, soil protection and water regulations amongst others. While this does not automatically make landfills subject to specific regulations that require collection and destruction or utilization of landfill gas, the general regulatory environment for the project type makes it plausible that it could be legally required.

Establishment of natural forests: While it is unlikely that general legislation exists that directly mandates the establishment of natural forests it is plausible that in some cases natural forest is established in response to legal mandates. This can occur for example if barren land is designated as a protected area (e.g., in form of national park) and due to the protection, the land is overgrown by natural forests.

Indicator 1.1.1.1

Relevant scoring methodology provisions

The methodology evaluates whether the program provisions address how to treat mitigation activities that are legally required and whether a program allows for the registration of mitigation activities that are required by an existing and enforced legally binding mandate. The scores are applied as follows:

Carbon crediting program requirement	Score
The program's provisions exclude from eligibility mitigation activities that are required to be implemented due to existing legal requirements, regardless of whether the legal requirements are enforced or not.	5
The program's provisions exclude mitigation activities from eligibility that are required to be implemented due to existing legal requirements but allow for exemptions from this provision where the legal requirements are systematically not enforced and non-compliance is widespread in the country.	3
The program's provisions do not specifically address this matter, or the program allows mitigation activities to be registered that are required to be implemented due to existing and enforced legal requirements.	1

Information sources considered

1 The American Carbon Registry Standard – Requirement and Specifications for the Quantification, Monitoring, Reporting, Verification, and Registration of Project-Based GHG Emissions Reductions and Removals – Version 7.0, December 2020.

https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard/acr-standard-v7-0_final_dec2020.pdf

2 Methodology for the Quantification, Monitoring, Reporting and Verification of Greenhouse Gas Emissions Reductions and Removals from Landfill Gas Destruction and Beneficial Use of Projects – Version 2.0, April 2021.

https://americancarbonregistry.org/carbon-accounting/standards-methodologies/landfill-gas-destruction-and-beneficial-use-projects

3 Methodology for the Quantification, Monitoring, Reporting and Verification of Greenhouse Gas Emissions Reductions and Removals from Afforestation and Reforestation of Degraded Land – Version 1.2, May 2017.

https://americancarbonregistry.org/carbon-accounting/standards-methodologies/afforestation-and-reforestation-of-degraded-lands/acr-ar-of-degraded-land-v1-2-2017.pdf

4 Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities – Version 01, 19 Oct 2007. https://cdm.unfccc.int/methodologies/ARmethodologies/tools/ar-am-tool-02-v1.pdf

5 Written communication by ACR

Relevant carbon crediting program provisions

Provision 1 Source 1, chapter 4 “Additionality”, page 26: “ACR’s additionality requirements are intended to ensure that credited offsets exceed the GHG reductions and removals that would have occurred under current laws and regulations, current industry practices, and without carbon market incentives. Project Proponents must demonstrate that the GHG emission reductions and removals from an offset project are above and beyond the “business as usual” scenario. To qualify as additional, ACR requires every project:

- Either to exceed an approved performance standard, as defined in the applicable methodology, and a regulatory additionality test; or

- To pass a three-prong test of additionality."

Provision 2 Source 1, section 4.A "Three-Prong Additionality Test", page 26: "This approach combines three tests that help determine whether GHG emission reductions and removals from an offset project are above and beyond the "business as usual" scenario. This does not mean the Project Activity delivers no financial or other benefits other than GHG reduction; it simply attempts to ascertain whether GHG reduction was a significant factor.

The three-prong test requires projects to demonstrate that they exceed currently effective and enforced laws and regulations; exceed common practice in the relevant industry sector and geo-graphic region; and face at least one of three implementation barriers (financial, technological, or institutional). The three-prong test is described in Table 3. The GHG Project Plan must present a credible demonstration, acceptable to ACR and the VVB, that the project passes these tests.

Some ACR-approved methodologies require application of an additionality tool to assist Project Proponents in demonstrating additionality. ACR does not require all methodologies to mandate application of an additionality tool; however, if the relevant methodology requires one, its use is mandatory, unless otherwise indicated by the ACR-approved conditions for use of the methodology."

Provision 3 Source 1, section 4.A.1 "Regulatory Surplus Test", page 27: "The regulatory surplus test requires the Project Proponent to evaluate existing laws, regulations, statutes, legal rulings, or other regulatory frameworks that directly mandate the project action, and which require specific technical, performance, or management actions. These legal requirements may require the use of a specific technology, meeting a certain standard of performance (e.g., new source performance standards), or managing operations according to a certain set of criteria or practices (e.g., forest practice rules). In determining whether an action is surplus to regulations, the Project Proponent does not need to consider voluntary agreements without an enforcement mechanism, proposed laws or regulations, optional guidelines, or general government policies.

If a regulatory requirement (or similar requirement such as a permit condition) comes into force during the crediting period and effectively mandates the project activity, the project will no longer be eligible for crediting from the date the regulatory requirement takes effect, unless otherwise specified in the applicable methodology.

AFOLU projects with easements need to consider the legally binding requirements of the easement if the recordation date is prior to 1 year before the project Start Date. (The constraints outlined in the easement would also need to be included in the baseline scenario within this time frame.)"

Provision 4 Source 2, section 3.2.1.1 "Regulatory Surplus Test", page 15: "For projects applying the performance standard discussed in Section 3.2.1, a regulatory surplus test shall also be applied. To pass the regulatory surplus test, a project must not be mandated by existing laws, regulations, statutes, legal rulings, or any other regulatory frameworks that directly or indirectly affect the GHG emissions associated with a project such as the CAA or RCRA. The project proponent must demonstrate that there is no existing law, regulation, statute, legal ruling, or other regulatory framework that mandates the project or effectively requires the GHG emission reductions associated

with the installation of a destruction device, the infrastructure necessary for enhancing the landfill gas, or the installation of an automated collection system that increases landfill gas collection efficiency[4]. The project proponent shall provide evidence including all supporting documentation necessary to prove that landfill gas destruction, abatement, mitigation, or increased collection efficiency is not required.

Provision 5 Source 2, section 3.2.1.1 “Regulatory Surplus Test”, footnote 4, page 15: “For projects that install an automated collection system that increases landfill gas collection efficiency at a landfill that is required to install a GCCS under NSPS, only the incremental landfill gas collected through the use of the automated collection system is eligible, per section 4 below.”

Provision 6 Source 3, section 2.2 Identification of the baseline scenario and demonstration of additionality, page 14: “Project Proponents shall demonstrate additionality through the ACR three-prong test. The CDM “Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities,” required by ACM0001, is required; this amplifies but does not conflict with ACR’s three-prong test.”

Provision 7 Source 4, paragraphs 8-12, pages 3-4: “Sub-step 1b. Consistency of credible alternative land use scenarios with enforced mandatory applicable laws and regulations

Apply the following procedure:

- Demonstrate that all land use scenarios identified in the sub-step 1a: are in compliance with all mandatory applicable legal and regulatory requirements;
- If an alternative does not comply with all mandatory applicable legislation and regulations then show that, based on an examination of current practice in the region in which the mandatory law or regulation applies, those applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread, i.e. prevalent on at least 30% of area of the smallest administrative unit that encompasses the project area;
- Remove from the land use scenarios identified in the sub-step 1a, any land use scenarios which are not in compliance with applicable mandatory laws and regulations unless it can be shown these land use scenarios result from systematic lack of enforcement of applicable laws and regulations.

Outcome of Sub-step 1b: List of plausible alternative land use scenarios to the A/R CDM project activity that are in compliance with mandatory legislation and regulations taking into account the their enforcement in the region or country and EB decisions on national and/or sectoral policies and regulations.”

Provision 8 Source 5, “Because the ACR Standard is more stringent, it sets the minimum eligibility criteria. This means activities required by law are excluded, regardless of whether the requirements are enforced or not.”

Assessment outcome

The carbon crediting program is assigned the following scores:

- Landfill gas utilization: 5
- Establishment of natural forests: 5

Justification of assessment

The carbon crediting program provides two options to prove additionality:

- Either to exceed an approved performance standard, as defined in the applicable methodology, and a regulatory additionality test; or
- To pass a three-prong test of additionality (Provision 1).

The three-prong test requires projects to demonstrate that they exceed currently effective and enforced laws and regulations. It further includes a dedicated test on regulatory surplus (Provision 2) that requires the Project Proponent to evaluate existing laws, regulations, statutes, legal rulings, or other regulatory frameworks that directly mandate the project action, and which require specific technical, performance, or management actions (Provision 3).

For landfill gas utilization projects, project proponents can choose to either apply the three-prong test of additionality or a performance standard. If the performance standard is chosen, a regulatory surplus test must be applied. To pass the regulatory surplus test, a project must not be mandated by existing laws, regulations, statutes, legal rulings, or any other regulatory frameworks that directly or indirectly affect the GHG emissions associated with a project such as the CAA or RCRA (Provision 4). Therefore, under both approaches projects that are legally required are excluded from eligibility, and thus a score of 5 applies.

For establishment of natural forests projects the methodology prescribes the application of the ACR three prong-test. It must be applied in combination with the CDM “Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities” (Provision 6). In contrast to the ACR three-prong test, the A/R CDM tool assigns additionality to projects that are mandated by legal requirements in cases where non-enforcement of these requirements is widespread (Provision 7). The methodology, however, specifies that the use of CDM tool “amplifies but does not conflict with ACR’s three-prong test” (Provision 6). Through written communication, ACR also confirmed that activities required by law are excluded, regardless of whether the requirements are enforced or not and that the provisions of the three-prong test supersede those of the A/R CDM combined tool (Provision 8). Therefore, a score of 5 applies.

Indicator 1.1.1.2

Relevant scoring methodology provisions

The methodology assesses the program provisions for changes in legal requirements.

Program requirements if new legal requirements enter into force which require the mitigation activity to be implemented	Score
The program immediately ceases issuance of credits when the new legal requirements enter into force, regardless of whether they are systematically enforced or not.	5
The program immediately ceases issuance of credits when the new legal requirements are systematically enforced.	3
The program ceases issuance of credits at the end of the current crediting period if new legal requirements entered into force, regardless of whether they are systematically enforced or not.	3
The program ceases issuance of credits at the end of the current crediting period if new legal requirements entered into force and if these are systematically enforced.	2
The program does not specifically address this matter or allows projects to continue to issue carbon credits for the remainder of the project lifetime.	1

Information sources considered

1 The American Carbon Registry Standard – Requirement and Specifications for the Quantification, Monitoring, Reporting, Verification, and Registration of Project-Based GHG Emissions Reductions and Removals – Version 7.0, December 2020.

https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard/acr-standard-v7-0_final_dec2020.pdf

2 Methodology for the Quantification, Monitoring, Reporting and Verification of Greenhouse Gas Emissions Reductions and Removals from Landfill Gas Destruction and Beneficial Use of Projects – Version 2.0, April 2021.

https://americancarbonregistry.org/carbon-accounting/standards-methodologies/landfill-gas-destruction-and-beneficial-use-projects

3 Methodology for the Quantification, Monitoring, Reporting and Verification of Greenhouse Gas Emissions Reductions and Removals from Afforestation and Reforestation of Degraded Land – Version 1.2, May 2017.

https://americancarbonregistry.org/carbon-accounting/standards-methodologies/afforestation-and-reforestation-of-degraded-lands/acr-ar-of-degraded-land-v1-2-2017.pdf

4 Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities – Version 01, 19 Oct 2007. https://cdm.unfccc.int/methodologies/ARmethodologies/tools/ar-am-tool-02-v1.pdf

Relevant carbon crediting program provisions

Provision 1 Source 1, section 4.A.1 “Regulatory Surplus Test”, page 27: “The regulatory surplus test requires the Project Proponent to evaluate existing laws, regulations, statutes, legal rulings, or other regulatory frameworks that directly mandate the project action, and which require specific technical, performance, or management actions. These legal requirements may require the use of a specific technology, meeting a certain standard of performance (e.g., new source performance standards), or managing operations according to a certain set of criteria or practices (e.g., forest practice rules). In determining whether an action is surplus to regulations, the Project Proponent does not need to consider voluntary agreements without an enforcement mechanism, proposed laws or regulations, optional guidelines, or general government policies.

If a regulatory requirement (or similar requirement such as a permit condition) comes into force during the crediting period and effectively mandates the project activity, the project will no longer be eligible for crediting from the date the regulatory requirement takes effect, unless otherwise specified in the applicable methodology.

Provision 2 Source 2, section 3.2.1.1 “Regulatory Surplus Test”, page 15: “For projects applying the performance standard discussed in Section 3.2.1, a regulatory surplus test shall also be applied. To pass the regulatory surplus test, a project must not be mandated by existing laws, regulations, statutes, legal rulings, or any other regulatory frameworks that directly or indirectly affect the GHG emissions associated with a project such as the CAA or RCRA. The project proponent must demonstrate that there is no existing law, regulation, statute, legal ruling, or other regulatory framework that mandates the project or effectively requires the GHG emission reductions associated with the installation of a destruction device, the infrastructure necessary for enhancing the landfill gas, or the installation of an automated collection system that increases landfill gas collection efficiency[4]. The project proponent shall provide evidence including all supporting documentation necessary to prove that landfill gas destruction, abatement, mitigation, or increased collection efficiency is not required.

Provision 3 Source 2, section 3.2 “Additionality Assessment”, page 14: “Projects shall demonstrate conformance with the full requirements found in Section 3.2.1 OR 3.2.2 only once at the beginning of a crediting period. However, projects shall demonstrate regulatory surplus during verification activities for each reporting period. For more information on the development of the practice-based performance standard, please see Appendix A.”

Provision 4 Source 3, section 2.2 Identification of the baseline scenario and demonstration of additionality, page 14: “Project Proponents shall demonstrate additionality through the ACR three-prong test. The CDM “Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities,” required by ACM0001, is required; this amplifies but does not conflict with ACR’s three-prong test.”

Provision 5 Source 5, “Projects employing an approved performance standard must meet the provisions of the performance standard AND pass the regulatory additionality portion of the Three-Prong additionality test. When methodologies apply additional tools or tests, the more stringent of the requirements among the documents apply (unless otherwise stated).”

Assessment outcome

The carbon crediting program is assigned the following scores:

- Landfill gas utilization: 5
- Establishment of natural forests: 5

Justification of assessment

The three-prong additionality test’s regulatory surplus tests specifies that if a regulatory requirement (or similar requirement such as a permit condition) comes into force during the crediting period and effectively mandates the project activity, the project will no longer be eligible for crediting from the

date the regulatory requirement takes effect. This general provision corresponds to a score of 5. The provisions further specify that this applies unless otherwise specified in the applicable methodology (Provision 1).

The ACR methodology for landfill gas destruction and beneficial use projects does not include any other specifications to those of the three-prong test's regulatory surplus test. The methodology offers however a second route to demonstrate additionality through a practice-based performance standard. This includes a regulatory surplus test as well. This alternative test however does not include the same provisions as the three-prong test, i.e., that the project will no longer be eligible for crediting from the date the regulatory requirement takes effect (Provision 2). The provisions however include a requirement for projects to demonstrate regulatory surplus during verification activities for each reporting period (Provision 3). These provisions correspond to a score of 5.

The ACR methodology for Afforestation and Reforestation of Degraded Land prescribes that additionality must be demonstrated through the ACR three-prong test and in addition requires the application of the CDM "Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities". The CDM tool does not contain any provisions regarding situations where legal requirements come into force during the crediting period The methodology, however, specifies that the use of CDM tool "amplifies but does not conflict with ACR's three-prong test" (Provision 4). The provisions therefore correspond to a score of 5.

Scoring results

According to the above assessment, the carbon crediting program achieves the following scores:

Land fill gas utilization: A score of 5 for indicator 1.1.1.1 and a score of 5 for indicator 1.1.1.2. Applying the scoring approach in the methodology, this results in a score of 5 for the sub-criterion.

Establishment of natural forests: A score of 5 for indicator 1.1.1.1 and a score of 5 for indicator 1.1.1.2. Applying the scoring approach in the methodology, this results in a score of 5 for the sub-criterion.