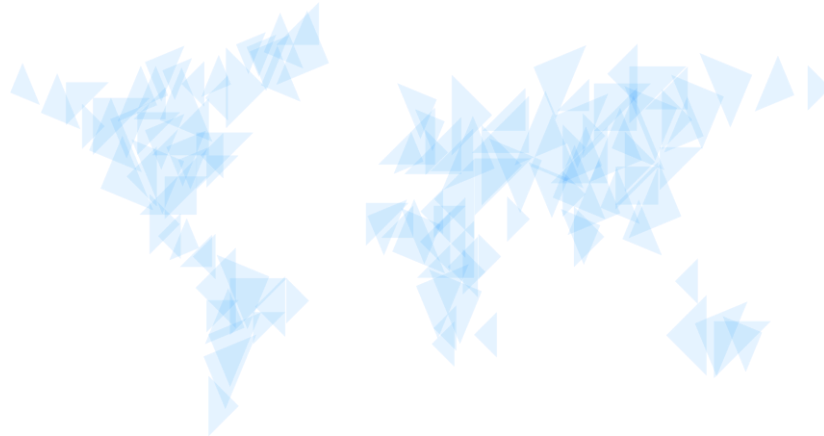




**International Carbon Reduction  
& Offset Alliance**



## Positioning voluntary action to raise ambition under the Paris Agreement

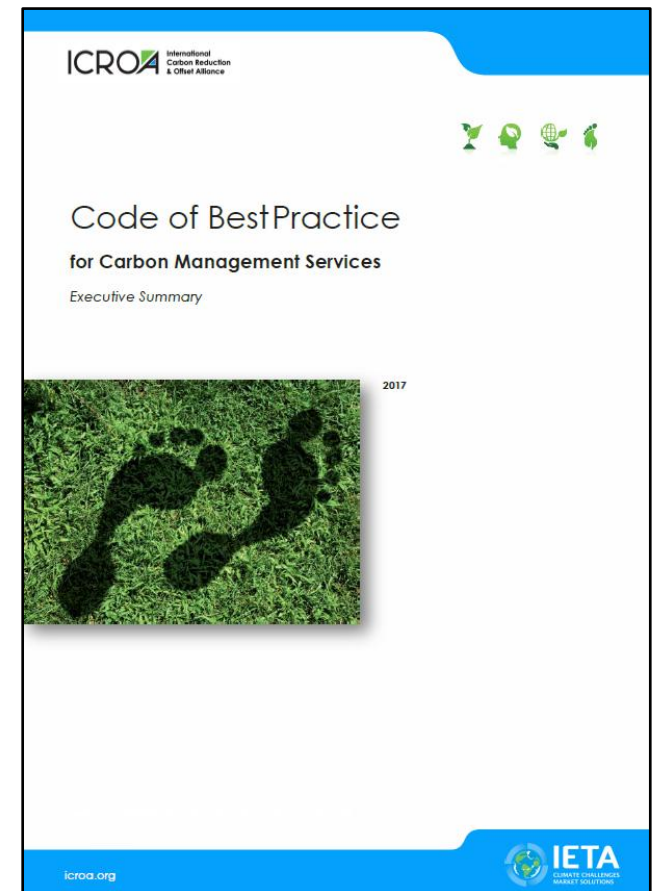
Carbon Forward: 28<sup>th</sup> September 2017

Simon Henry

# What is ICROA?

*“The International Carbon Reduction and Offset Alliance (ICROA) is an international industry association housed within IETA”*

- ICROA’s primary aim is to deliver quality assurance in carbon management and offsetting, through adherence to the ICROA **Code of Best Practice**
- ICROA ensures **credibility and quality** for corporates using voluntary carbon offsets to reduce their greenhouse gas emissions
- ICROA provides a **unified voice for the voluntary carbon market**

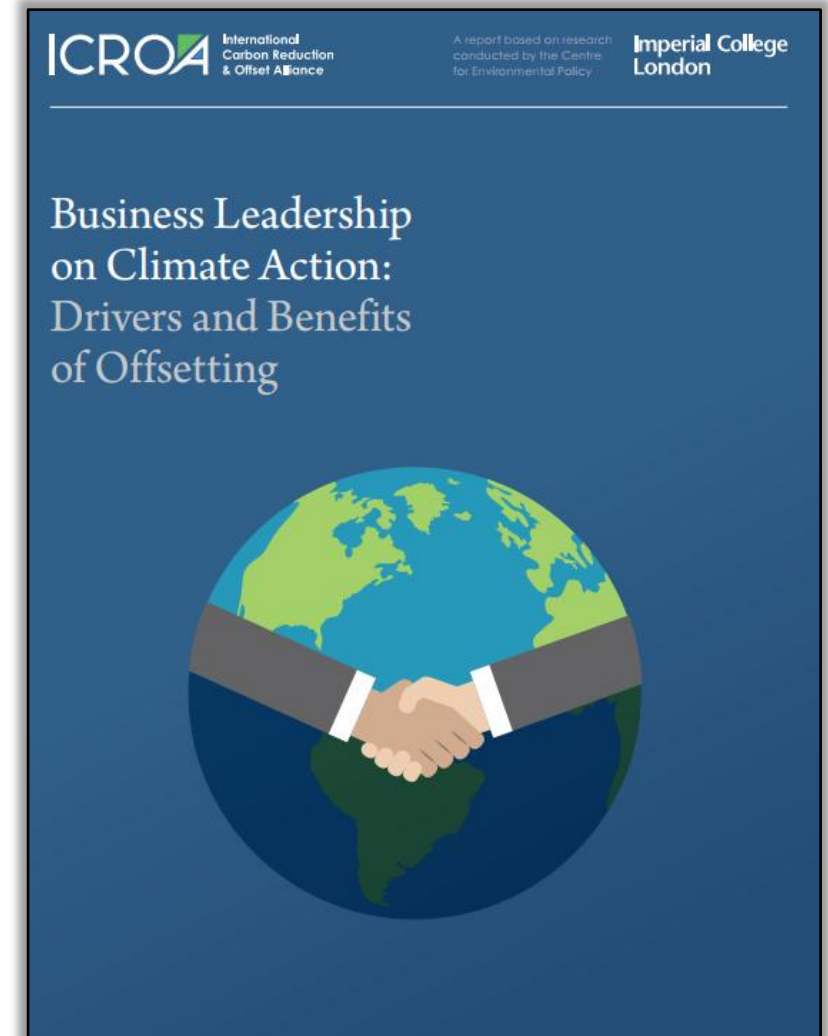


# Our Members are leading global service providers



# The Drivers and Benefits of Offsetting

- New ICROA report in collaboration with Imperial College and the UNFCCC
- Details the results of a survey we ran amongst ICROA members' clients and the UN's Caring for the Climate Initiative
- Half of the respondents were active in the voluntary carbon market
- The results are set in the context of 43.5 million voluntary credits being retired in 2016, close to record highs seen in 2015

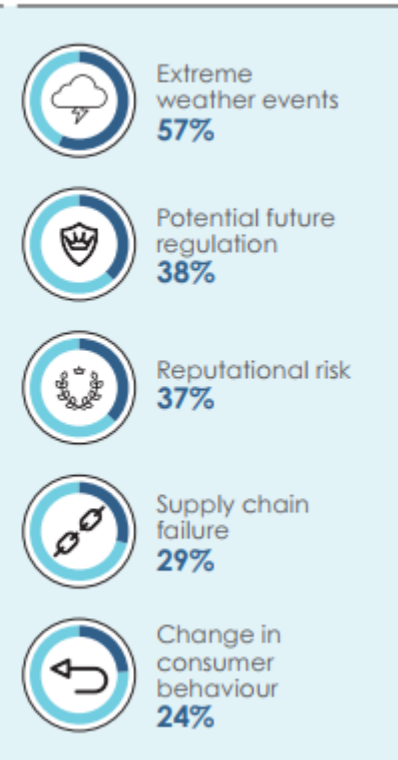


# Why do companies take voluntary action?

## Key findings








## Perceived risks



## Motivations included

Sense of responsibility	33%
Reputation / brand image	22%
Market differentiation	13%
Employee engagement	9%
Care about the environment	7%
Pre compliance	6%
Internalising carbon cost	4%
Risk mitigation	2%
Other	2%

# How can we drive higher levels of corporate action?

-  Increased global momentum for climate change mitigation action
-  Increased awareness of the contribution of offsetting to climate change mitigation
-  More organisations from within the same sector engaging in offsetting programmes
-  A more transparent voluntary carbon market
-  A better understanding of the voluntary carbon market

# There is an opportunity for private sector leadership

Voluntary action can raise ambition under the Paris Agreement

94% of respondents felt they should reduce their GHG emissions, even when not required to do so by law

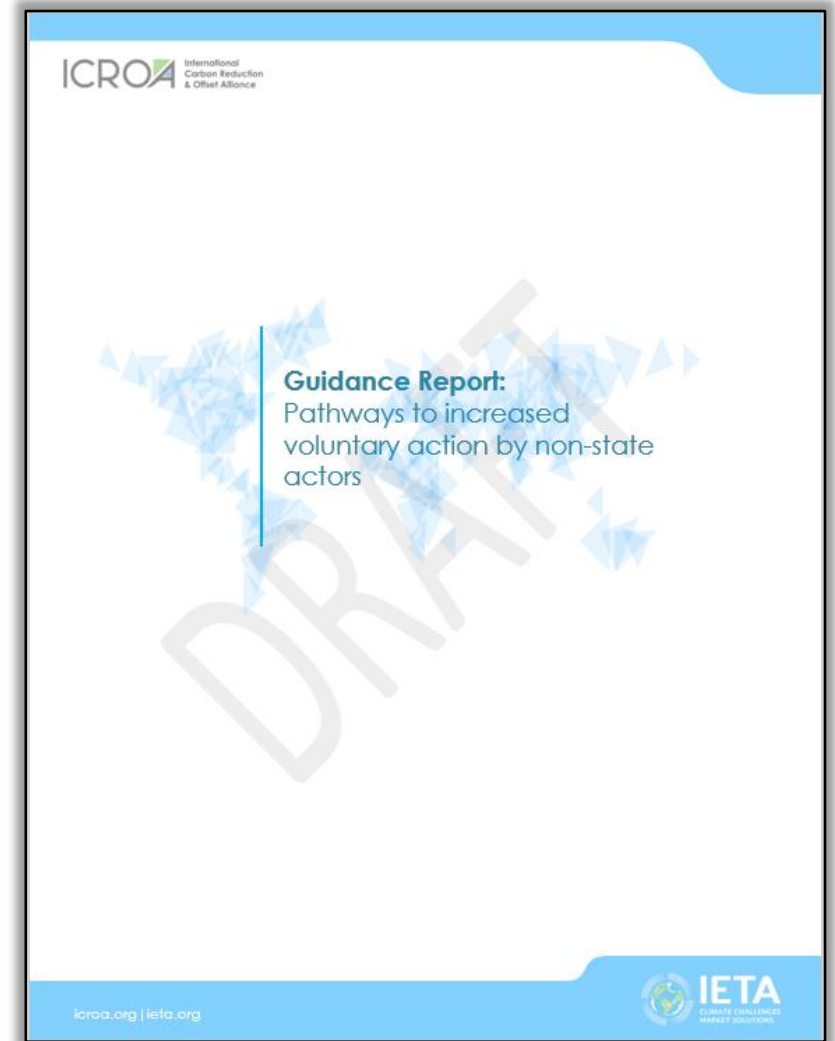
“A sense of responsibility” was ranked by most respondents to be their primary motivation for offsetting

Increased global momentum for climate change mitigation action would motivate more companies to take action

UNEP predicts the ambition gap in 2030 will be 12 to 14 Gt of CO<sub>2</sub>e

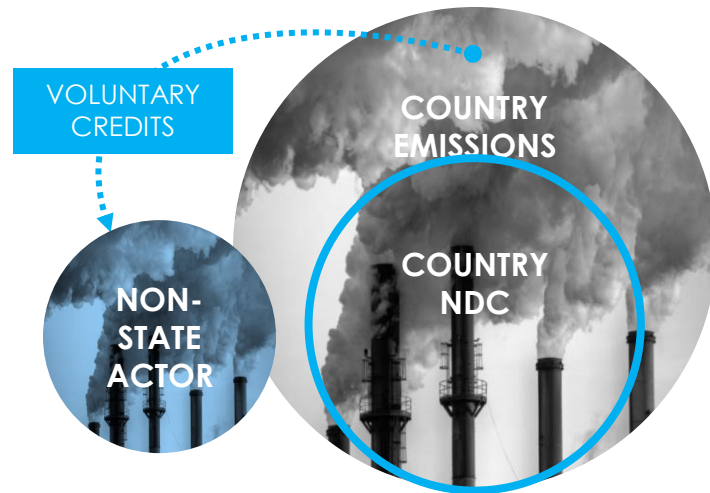
# ICROA guidance on 'Pathways to increased voluntary action by non-state actors'

- ICROA is working to secure a role for voluntary action in a post Paris world
- We are positioning voluntary action as a means to raise ambition under the Paris Agreement
- We are developing guidance which sets out 3 models for how the market could function under the Paris Agreement
- Our longer-term ambition is for our guidance to be widely supported and actioned by Parties and the private sector





# Business as Usual Model



## Description

- Voluntary market mechanisms continue in non-NDC parts of economies where non-state actors generate voluntary credits
- This model is an extension of the current voluntary carbon market set-up

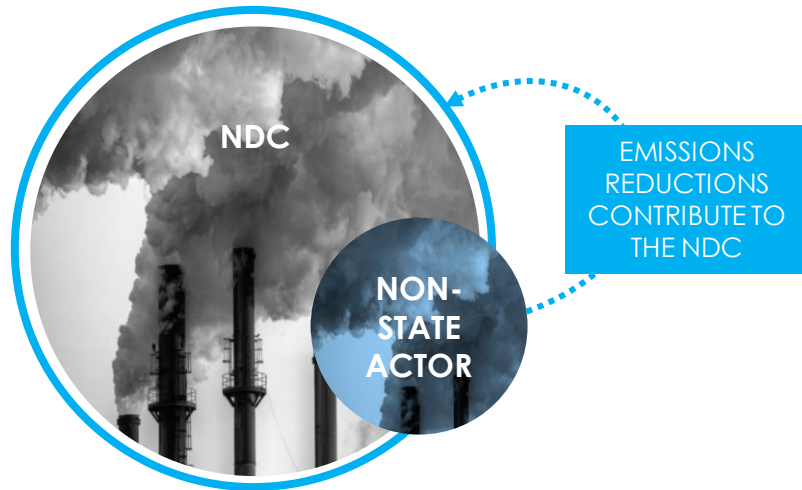
## Pros

- Extension of current practices
- Delivers reductions which otherwise would not occur

## Cons

- Restricts credit generation supply pipeline
- Unlikely to be sustainable in the long term, due to requirement to move towards economy-wide NDCs
- There could still be a risk of double counting

# Climate Finance model



## Pros

- Simple solution to the double counting challenge
- Helps deliver the NDC targets

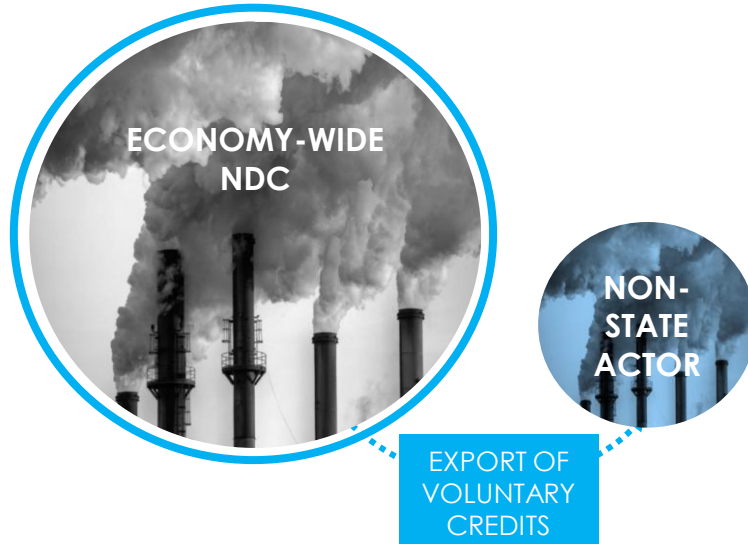
## Description

- Emission reductions financed by non-state actors contribute to the host country's NDC
- Buyers can make finance related claims
- This model could apply to any NDC, economy-wide or non-economy-wide

## Cons

- This approach could not be used for carbon neutrality purposes
- Buyers could not make claims related to the emissions reductions, but only the financing

# Market model



## Pros

- Enables voluntary offsetting within the Paris Agreement architecture
- Can be used for carbon neutrality purposes
- Emission reductions go beyond NDCs, thus helping to close the ambition gap

## Description

- Article 6.4 units are generated in NDCs and exported from the host country, according to Article 6 accounting rules
- The units are voluntarily purchased and retired by non-state actors
- Emission reductions do not contribute to the delivery of any Party's NDC

## Cons

- Requires Parties to allow the development of Article 6.4 projects, and for the units to be exported to non-state actors

# International voluntary market account

Units generated under the BAU or Market models would be displayed here

Units generated under the Climate Finance model would be displayed here

Corporation	Units retired and type	
	Carbon credits	Climate finance units
Company A	20	20
Company B	30	35
Company C	10	15
.....	....	...
Voluntary market total	100	80

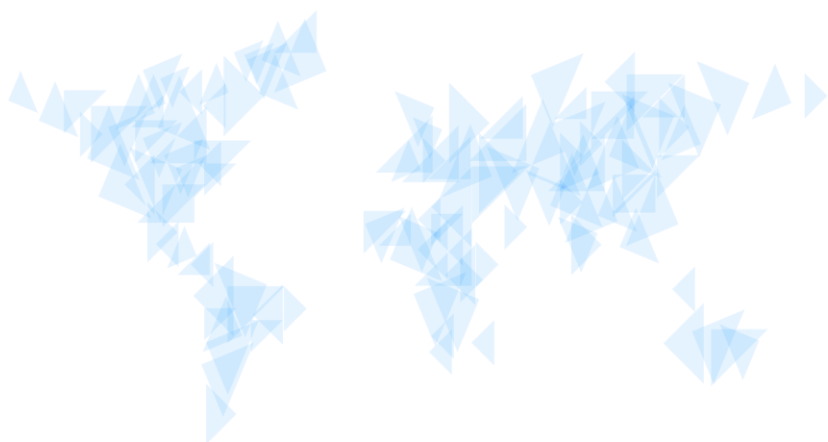
- A international voluntary market account will help manage the added complexity from the implementation of the NDCs
- It could act as a central data source to show which companies are taking voluntary action, and how much and what type of units they are retiring
- It could build on present day examples such as the CDM registry, or the NAZCA platform.
- It could also help manage claims made by non-state actors taking voluntary action

# Conclusions

- ICROA is working to secure a role for voluntary action in a post Paris world, and we are positioning it as a means to raise ambition
- We need the UNFCCC and Parties to develop robust rules for Article 6 to allow the international transfer of mitigation outcomes with high environmental integrity
- This will go a long way to support continued voluntary action, but it won't deliver private sector investment in mitigation at the necessary scale
- For this, we will need meaningful incentives, excellent governance, and efficient processes
- This is the key area of focus for ICROA, and we need to work with other organisations to secure a role for voluntary action under the Paris Agreement



**International Carbon Reduction  
& Offset Alliance**



[www.icroa.org](http://www.icroa.org)

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