

SOUTH AFRICAN CARBON OFFSETS PROGRAMME: DRAFT FRAMEWORK FOR APPROVAL OF DOMESTIC STANDARDS FOR PUBLIC COMMENT

IETA & ICROA Response - 28 February 2022

For the Attention of

Mr Takalani Rambau

Mr Daniel Modise

Department of Mineral Resources and Energy (DMRE), Republic of South Africa

Dear Mr Rambau, Dear Mr Modise,

The [International Emissions Trading Association](#) (IETA) and the [International Carbon Reduction and Offset Alliance](#) (ICROA) appreciate the opportunity to provide comments on South Africa's Draft Framework for Approval of Domestic Standards. We thank the Government of South Africa for pioneering work on the role of carbon markets in raising and scaling climate ambition.

About IETA and ICROA

IETA is a non-profit business organization created in 1999 to establish a functional international framework for trading in greenhouse gas emission reductions. Our membership includes nearly 200 leading international organizations from across the carbon trading cycle: energy and industry businesses, carbon offset project developers, standards, consultants, assurance providers, law firms, banks and financial institutions, investors, exchanges and brokers who are all active participants in compliance or voluntary carbon markets. IETA members seek to develop an emissions trading regime that results in real and verifiable greenhouse gas emission reductions, while balancing economic efficiency with environmental integrity and social equity.

Created in 2008, ICROA is a non-profit initiative representing the interests of service providers in promoting emission reductions and offsetting to the highest standards of environmental integrity and in support of the Paris Agreement. ICROA is housed within IETA.

- ICROA provides an [Accreditation Program](#) and supports organizations through advocacy and action-oriented activities aimed at advancing best practice in the voluntary carbon market.
- **ICROA also reviews carbon crediting programs which are accepted into [ICROA's Code of Best Practice](#) if they meet specific criteria. We are pleased to see references to ICROA in the draft Framework.**

ICROA's experience in reviewing standards

New carbon crediting programs can be [proposed](#) at any time to ICROA. They are accepted into ICROA's Code of Best Practice if they meet ICROA's review criteria - see below for the overview and detailed version:

- [Overview](#)
- [Detailed assessment form](#)

ICROA regularly updates these criteria to ensure adequate levels of stringency. Programs that meet the criteria are approved and listed in ICROA's Code of Best Practice as eligible for offsetting. Service providers that are successfully [audited](#) annually against the Code's requirements are accredited by ICROA, a stamp of quality in the voluntary carbon market.

IETA and ICROA also participate in the Integrity Council for Voluntary Carbon Markets ([IC-VCM](#)), which is currently developing Core Carbon Principles (CCPs) for carbon credits, i.e. attributes that credible carbon credits need to have, a threshold for quality. **IC-VCM is also developing a framework for assessing carbon crediting programs both at the program level but also but also at the methodology level, in the future.** We believe IC-VCM could also legitimately establish the benchmark for quality. Consultations on the CCPs and standards assessment framework will take place in Q2 2022.

Workshop proposal

IETA and ICROA are open to and look forward to collaborating with DMRE on the establishment of a robust assessment Framework. We believe this could take the shape of a workshop involving DMRE and key expert stakeholders from our membership and broader network to exchange knowledge on best practices. We would be pleased to arrange this workshop, should it be of interest to DMRE.

Once again, IETA and ICROA appreciate this important opportunity to record our further comments below, which follow the draft Framework's structure. We welcome DMRE to reach out directly with any questions or follow-up requests related to the comments and/or workshop proposal, by contacting IETA Senior Policy Associate, Ellen Lourie, at lourie@ieta.org, or ICROA Programme Director, Antoine Diemert, at diemert@ieta.org

On behalf of IETA and ICROA,



Antoine Diemert
Director, ICROA

3. PRINCIPLES AND GOALS OF FRAMEWORK

IETA strongly supports the key principles and goals of the framework – and applauds the South African government for aligning these principles with other offset programs.

Lower Transaction Costs. We fully appreciate that transaction costs can constitute a barrier to projects and that costs should be minimized to the extent possible without jeopardizing environmental integrity. **Consequently, we encourage DMRE to include costs as one of criteria in Section 5 (Standards Evaluation Criteria).** Such costs often constitute an obstacle for many micro and small scale projects and certain standards have designed innovative alternative approaches to reduce such costs, e.g. Plan Vivo and Gold Standard on MRV. An interesting example from South Africa is the approach taken by Credible Carbon for poverty alleviating micro-scale projects that cannot be certified under the CDM, VCS or Gold Standard.

Accommodate South Africa-Specific Projects. Underwritten by the carbon market, offsets can provide various non-climate environmental improvements as collateral benefits. For example, offsets generated through fertilizer management can limit nutrient run-off; offsets generated through wetlands restoration can create waterfowl habitat and flood protection; offsets created through improved forest management, reforestation, and avoided degradation sustain robust ecosystems, potentially far into the future. Offsets can also help local communities develop sustainable land-use practices that benefit their economic development. In such ways, offsets can help achieve important non-climate environmental objectives without additional cost. **IETA strongly supports DMRE’s proposed intention to encourage and maximize such co-benefits that help foster a just transition.**

IETA strongly supports the acceptance of land use credit types. There are significant opportunities in South Africa’s land sector, which should be fully leveraged. IETA encourages South Africa to look at existing programs and standards that have experience with developing land sector offsets, including the Canadian province of Alberta where there is over a decade of experience developing agriculture and soil carbon offsets¹.

Withstand International Scrutiny. IETA applauds South Africa for their emphasis on withstanding international scrutiny, and having a view to ultimately linking to international carbon markets through e.g. Article 6 of the Paris Agreement. IETA strongly urges South Africa to accept international credits for use under the carbon tax. One of South Africa’s top carbon pricing priorities should be the pursuit of flexible and coordinated pricing systems built on market-based trading. The benefits of regional linkages and cooperative approaches are clear: the bigger and broader the market, the wider the range of abatement opportunities and improved efficiencies, thereby driving-down program costs while driving-up clean projects, jobs and market opportunities.

South Africa must look beyond its borders to ensure that carbon tax and offset rules and systems are complementary and readily adaptable to the world’s quickly changing carbon landscapes. We continue to urge officials to closely track developments that may affect both regional or global “stringency” acceptance of South Africa’s approach to carbon rules, pricing and trade.

IETA hopes to see the South African government continue to heavily rely on the experiences, lessons, systems, standards and infrastructure (e.g., registries, exchanges) from existing environmental market programs. Building on, and ensuring complementarity with, established programs will enhance efficiencies, minimize program costs, enable cross-border harmonization, and ensure broader program buy-in and environmental integrity (e.g., avoid double counting). This includes the use and adaptation of existing protocols from compliance jurisdictions, along with completed work on new project types and protocols.

6. PROCEDURES FOR APPLICATION OF THE FRAMEWORK

Technical Committee. IETA strongly supports the creation of a Technical Committee interpret and evaluate the candidate standards. There is a breadth of knowledge and expertise across South Africa, and IETA encourages DMRE to leverage that experience and expertise as the standards are approved. The process for creating these teams should be transparent and inclusive to ensure that all stakeholder experts have a fair opportunity to contribute to the standard approval process; doing so will also

¹ <https://www.alberta.ca/agricultural-carbon-offsets-overview.aspx>

ensure that stakeholders are well-positioned to provide timely and informed feedback to any subsequent public consultation for finalizing approved standards. In particular, inclusion of subject matter experts from the offset development community, and business in general, will prove critical to achieve workable outcomes for standard and protocol approval.

Technical committees always require a lot of time, resource and commitment from both government and industry. To foster a collaborative and engaged Technical Committee, it will be important for these non-government participants to trust that projects/tasks supported by the groups are utilized and, where relevant, implemented by government.

The following briefly summarizes mandates, governance and composition across a sample of existing offsets-related technical expert groups. Where possible, we have highlighted key lessons and best practices from these experiences to inform ECCC's future efforts in establishing Technical Advisory Teams.

A. California: Compliance Offsets Protocol Task Force

- **Overview:** Under the state's post-2020 cap and trade extension bill, the California Air Resources Board (CARB)² established a Compliance Offsets Protocol Task Force (**OPTF**) to provide guidance in establishing new offset protocols for California's cap-and-trade program. The OPTF has not yet been established, but the Task Force will be selected from applications by a sub-committee in fall 2019. The Task Force Workplan includes preparation of a report with recommendations to CARB after holding (2) public meetings – with a focus on engaging specific identified stakeholders who can lend insights into delivering both climate and societal benefits to the state.
- **Analysis:** Although the OPTF has not yet been launched, IETA is optimistic about the mandate of the group, transparent remit and streamlined process for both governance and delivery (i.e., clear workplan, nominations' process, public meetings). We support the OPTF's diverse groupings of experts (i.e., 11 stakeholder groups including air pollution control and air quality management districts, carbon market experts, tribal representatives, forestry experts, agriculture experts, conservation advocates, dairy experts).
- **Additional Information:**
 - Task Force Overview: ww3.arb.ca.gov/cc/capandtrade/offsets/taskforce.htm
 - Solicitation of Applications for Task Force Membership: <https://ww3.arb.ca.gov/cc/capandtrade/protocols/livestock/complianceoffset.tf.solicitation.052019.pdf>

B. Ontario-Quebec Offset Protocol Adaptation

- **Overview:** Prior to being suspended in 2018, the Ontario-Quebec Offset Protocol Adaptation project was intended as an adaptation of existing offset protocols to meet WCI/Canadian circumstances. While a number of the protocols under consideration can be classified as "adaptations" of existing protocols, there were other protocols that quickly transitioned into new protocol development.

² California Air Resources Board, Appendix A: Changes to California's Cap and Trade System under AB 398

<http://docs.assets.eco.on.ca/reports/climate-change/2017/From-Plan-to-Progress-Appendix-A.pdf>

- **Analysis:** A significant issue with the 2017-2018 Ontario-Quebec adaptation process was that, due to concerns over potential conflict of interest issues, Ontario chose to eliminate virtually all outside experts from participation and staffed working groups with government personnel. This created enormous inefficiencies, primarily due to the lack of expertise among the government staff, some of whom understood the basic emission pathways but lacked expertise required to develop market-ready offset protocols. Enormous amounts of time and resources were required to educate the working groups, resulting in significant delays in advancing the work. **IETA strongly urges ECCC to avoid eliminating technical experts and stakeholders from their federal Technical Advisory Team process.** Further issues and repeat delays in the Ontario-Quebec process resulted from Ontario and Quebec's divergent understanding and agreement on various technical and policy elements, and the unique regulatory requirements of each province at the outset of the process.
- Moving forward each agency participating in an offset development project should understand its own internal procedures before the start of the project, communicate any specific requirements to the bidders, and be prepared to adjust its schedule for any internal/official reviews required by statute/regulation.

C. International Aviation: ICAO Technical Advisory Body

- **Overview:** The International Civil Aviation Organization (ICAO) was required, under Assembly Resolution A39-3, to establish an expert Technical Advisory Body (TAB) to support the new global aviation offsets market. The TAB, established in early-2019 and comprised dozens of government and expert representatives from around the world, is tasked with making recommendations to ICAO Council on eligible emissions units for compliance use under the new Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The TAB Work Program consists of three phases of activities: 1) Initial TAB Activities; 2) Program Applications; and 3) Program Assessment.
- **Analysis:** TAB activities began in May 2019 and have since approved several programs for use under CORSIA, as of January 2022 8 programs have been approved by Council: American Carbon Registry (ACR); Architecture for REDD+ Transactions (ART); China GHG Voluntary Emissions Reduction Program; Clean Development Mechanism (CDM); Climate Action Reserve (CAR); Global Carbon Council (GCC); The Gold Standard; and Verified Carbon Standard (VCS). The TAB process is generally transparent, and assessing standard eligibility on a regular, annual basis. TAB considers eligibility at the standard level, with some exceptions for specific methodologies or vintages, rather than methodology by methodology.
- **Additional Information:**
 - ICAO-Webinar, Understanding CORSIA Eligible Emissions Units: [www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202022/TAB Webinar February 2022.pdf](http://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202022/TAB%20Webinar%20February%202022.pdf)
 - ICAO CORSIA-TAB Overview: [www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB Webinar ICAO Secretariat final.pdf](http://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%20Webinar%20ICAO%20Secretariat%20final.pdf)
 - TAB Terms of Reference: www.icao.int/environmental-protection/CORSIA/Documents/TAB/TOR%20of%20TAB.pdf
 - Applications: www.icao.int/environmental-protection/CORSIA/Pages/TAB.aspx