Carbon Crediting Programme Endorsement Review Criteria

Version 3.1

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The following criteria must be met by a Carbon Crediting Programme (Programme) to be Endorsed by ICROA and included in the ICROA Code of Best Practice (the Code). A Programme that demonstrates compliance with these criteria can apply for ICROA Endorsement by submitting a Programme Endorsement Application Form to the Secretariat. More information is available in the Programme Endorsement Procedure Guide.

PROGRAMME ENDORSEMENT REVIEW CRITERIA

1. Independence

The Programme must operate and be managed independently from projects on its registry. The Programme must have processes to identify and mitigate conflicts of interest, ensure independence from project development processes, and ensure that revenue is not exposed to pricing in the market.

1.1 Conflicts of Interest

A conflict of interest (COI) is defined as a situation in which a person or organization is involved in multiple interests, financial or otherwise, and where serving one interest could involve working against – or in favour of - another. For Programmes, this relates to situations in which the personal interest of an individual or organization might adversely affect the duty of the Programme to make an objective assessment on carbon project and carbon credit validity (such as its additionality assessment, volume of credits issued, etc.).

Requirements:

- 1.1.1 The Programme must have in place a procedure to identify and mitigate COIs between staff, board members, contractors and the projects developed under the Programme. This procedure must include, at minimum, a description of how COIs are disclosed, and how COIs are dealt with as they arise.
- 1.1.2 The Programme must have a COI declaration for all staff, board members, and contractors to sign. This declaration must ensure, at minimum, that the signee does not have a financial interest in any of the projects developed under the Programme.
- 1.1.3 The Programme must provide evidence it does not have a conflict of interest with VVBs and project developers.
- 1.1.4 The Programme must not be exposed to the sale price of a carbon credit (i.e., revenue as a percentage share of the carbon credits' sale price).

1.2 Project Development

A project developer is defined as the organisation requesting the registration of an emission reduction or removal project and issuance of carbon credits under a Programme. The project developer may be the legal owner of the carbon credits or may act in a consulting or partnership capacity to the legal entity that owns the rights to the carbon credits.

Requirements:

- 1.2.1 The Programme owner / operating entity must not act in the capacity of a project developer.

1.3 Marketplaces

Carbon credits may be transacted on a Programme's website via a marketplace as long as there are no active marketing or sales efforts undertaken by the Programme. Revenue from the transaction of carbon credits on the marketplace may only be linked to the volume of carbon credits sold and must not be linked to the sale price. The exclusive right to transact carbon credits via a marketplace is acceptable as long as the aforementioned criteria are met regarding active participation and exposure to carbon credit price.

Requirements:

- 1.3.1 The Programme must not be an active participant in the transaction of carbon credits. The Programme cannot pursue buyers, act in a brokering capacity, or actively market the carbon credits.
- 1.3.2 The Programme cannot set the price of carbon credits that are sold on its marketplace. This must be done by the project developer or project owner.

2. Governance

2.1 Effective Governance

The Programme must have effective governance procedures in place and be able to provide evidence that these processes are followed.

Requirements:

- 2.1.1 The Programme must have a publicly available organisation chart that shows the governance structure including makeup and responsibilities of the board.
- 2.1.2 The Programme must have a publicly available description of how appointments are made to leadership, committees, and groups.
- 2.1.3 The Programme must confirm that it complies with all laws and regulations related to this business in the jurisdiction in which it is registered as a business.
- 2.1.4 The Programme must make decisions transparently (i.e., by including decision-making provisions in its bylaws or Terms of Reference for decision making forums)
- 2.1.5 The Programme must have in place publicly available procedures and quality control mechanisms to enforce procedures. Procedures in place should be based on international quality management systems such as ISO 9001. Risk assessments should be aligned with ISO 31000.

2.2 Transparency and Publicly Available Information

The Programme must operate transparently with publicly available information.

Requirements:

- 2.2.1 The following information must be publicly available on the Programme's website and/or in standalone, version-controlled documents:
    - Operating procedures that include, at minimum, how Programme rules are drafted and revised and how committees are formed, as well as how these are approved by the board.

- Methodology development procedures that include, at minimum, requirements for expert involvement and public consultation, and a description of the frequency at which methodologies are updated.
    - A grievance and redress mechanism that is accessible to project developers, project stakeholders, and the public, and includes, at minimum, a description of how grievances will be addressed by the Programme.
- 2.2.2 If the Programme references other Standards (i.e., CDM additionality tool, methodologies), the Programme must have a process to ensure that changes to the referenced Standards are reflected and updated in the Programme's processes.

3. Registry

The Programme must be linked to a registry to track the issuance, cancellation and retirement of carbon credits. The registry may be operated by the Programme, or by a third-party provider.

Requirements:

- 3.1 The registry must be publicly accessible and available internationally.
- 3.2 The registry must provide public access to underlying project information including, at minimum, project descriptions, monitoring reports, and validation and verification reports.
- 3.3 The registry must individually identify units through unique serial numbers.
- 3.4 The registry must identify credit status including, at minimum, "issued", "retired" and "cancelled".
- 3.5 The registry must have publicly available rules and procedures including, at minimum:
    - All account holders undertake and pass "know your customer" checks.
    - A description of how the registry operators guard against conflicts of interest.
- 3.6 Registry functions, programme documents, and methodologies must be available in English. All project documents listed on the registry should be available in English.[1]

4. Validation and Verification

All carbon credits issued by the Programme must undergo independent, third-party validation and verification by a qualified organization. The Programme must have oversight of validation and verification bodies (VVBs).

4.1 Third-party validation and verification

All carbon credits must undergo a third-party verification ahead of issuance.

Requirements:

[1] Where the Assessor seeks evidence that is not available in English (i.e., when doing spot checks), ICROA may have to charge the applying Programme a fee to have the relevant document translated.

- 4.1.1 Projects must be verified to a reasonable level of assurance as defined in ISO 14064-3.

4.2 VVB Qualifications

Requirements:

- 4.2.1 The list of approved VVBs must be published on the Programme's website.
- 4.2.2 The Programme should have at least two organisations approved as VVBs.
- 4.2.3 The Programme must have a publicly available list of qualifications for VVBs, that includes, at minimum,
    - Requirements that VVBs must be accredited under a relevant accreditation programme, such as ISO 14065, CDM/A6.4 Accreditation programme or any other accreditation programme deemed relevant by the Programme.
    - The VVBs may only perform validation and/or verification activities for the sectoral scope for which they have been accredited.

- 4.2.4 The Programme must regularly check qualifications of the Programme's approved VVBs against the list of requirements.
- 4.2.5 The Programme may have rules that outline the scenarios when it is acceptable to have a validation or verification completed by a qualified individual (sole proprietor) (i.e., micro-scale projects), and must describe what qualifications are required of the individual.

4.3 Programme oversight of VVBs

Requirements:

- 4.3.1 The Programme must have a publicly available procedure for providing oversight to VVBs that includes, at minimum:
    - Requirements for the VVB to prove independence from the Programme, market, and project.
    - At least two individuals involved in validation and/or verification of each project (peer review)
    - Minimum requirements for site visits are specified
    - A rule on what number of sequential verifications are allowed before the project must be verified by a new VVB.
    - Procedure for spot checks on quality of validation/verification reports, and mitigation plan
- 4.3.2 The Programme must provide evidence that the procedure is being followed.
- 4.3.3 The Programme must provide capacity building support to the VVBs that includes, at minimum, onboarding, training, and explanations of what the VVB must look at when completing validations and verifications.
- 4.3.4 The Programme must have a procedure to ensure the VVB operates to the spirit of the Standard and projects are working towards the goals of the Programme.

5. Carbon Crediting Principles

The Programme must have procedures in place to ensure the following foundational quality principles are met. These criteria must be applied at the programme level.

5.1 Unique

The carbon credits are unique and cannot be double issued on another registry.

Requirements:

- 5.1.1 The Programme must have a procedure in place to ensure carbon credits are not double issued.

5.2 Real

Carbon credits must represent real emission reductions or removals.

Requirements:

- 5.2.1 Carbon credits are measured, monitored, and verified ex-post.

5.3 Permanent

Carbon credits are issued for permanent emission reductions or removals.

Requirements:

- 5.3.1 If the project has a risk of reversal, the Programme must have requirements for a multi-decadal term/commitment by the project developer.
- 5.3.2 If the project has a risk of reversal, the Programme must have requirements for the project to complete a risk mitigation plan that includes, at minimum, a description of how the risks of reversal will be minimized.
- 5.3.3 For projects with a risk of reversal, the Programme must have a risk mitigation mechanism in place (e.g., buffer pool) to ensure any carbon credits lost to intentional or unintentional reversals are replaced.
- 5.3.4 The Programme must provide evidence that these requirements and mechanisms are in place and are followed.

5.4 Additional

Emission reductions and removals go beyond what would have occurred had the project not been carried out.

Requirements:

- 5.4.1 The Programme must have requirements in place to ensure projects are additional on the basis of one or more of the following methods:
    - Legal or regulatory additionality analysis
    - Barrier analysis
    - Common practice / market penetration analysis
    - Investment, cost, or other financial analysis
    - Performance standards / benchmarks
- 5.4.2 If the Programme pre-defines certain projects as automatically additional (e.g., through a “positive list” of eligible project types), then they must provide clear evidence on how the activity was determined to be

additional. The criteria for such positive lists should be publicly disclosed and conservative.

5.5 Measurable

Carbon credits represent emission reductions and removals that are measurable and backed by data.

Requirements:

- 5.5.1 The Programme must issue credits from project-based standards and methodologies. Programmes that issue carbon credits from a product-based methodology or via lifecycle assessment are not eligible for endorsement.
- 5.5.2 The Programme must have procedures in place to ensure projects are measurable and backed by data. These procedures must include, at minimum, requirements for:
    - All projects to clearly define the business-as-usual baseline scenario.
    - All projects to identify and mitigate leakage of emissions.
    - Projects to use conservative estimates if real project data is not available.
    - All projects to re-calculate baselines, at minimum, upon each crediting period renewal.
- 5.5.3 Methodologies under the Programme must have monitoring requirements that are validated and verified for each project.
- 5.5.4 Standard must demonstrate methodologies are based on scientifically robust or peer-reviewed methods and go through a public consultation process.

6. Environmental and Social Impacts

All projects developed under the Programme must identify and mitigate any negative environmental and social impacts.

Requirements:

- 6.1 The Programme must have publicly available rules and requirements to ensure that all projects identify and mitigate any potential environmental or social impacts. These rules and requirements must include, at minimum, the "No Net Harm" principle is fulfilled by all projects.
- 6.2 The Programme shall require projects to undertake a risk assessment for potential environmental and social impacts. This must be included in the project documents that undergo validation or verification.
- 6.3 The Programme must provide evidence of these rules and that the procedure is being followed. The assessor will do spot checks on a minimum of two projects.

7. Stakeholder Considerations

During the Programme's development and ongoing operations, stakeholders' views must be considered.

Requirements:

- 7.1 The Programme must have publicly available on its website, and/or as a standalone, version-controlled document, a stakeholder engagement procedure that includes, at minimum:
  - a definition of "stakeholder"
  - a requirement for 30-day public consultation of new programme documents (or during revisions to programme documents)
  - a requirement for 30-day public consultation during methodology development
  - project consultation documents available in relevant local language(s), as necessary for effective consultation with local stakeholders
  - a process by which results of stakeholder engagement is included in documents that undergo validation and verification
  - a defined process on how local consultations must be conducted
- 7.2 The Programme must ensure stakeholder comments are transparently addressed.
- 7.3 The Programme must provide evidence that the procedure is being followed.

8. Scale

The Programme must have a sufficient presence in the market to be fully endorsed. This concretely translates to a minimum of:

- 10+ projects registered, and
- 100,000+ tCO_2e issued.

A Programme is able to apply for endorsement prior to these conditions being met as long as credits have been issued from at least two projects. If evidence that all other review criteria are deemed acceptable, ICROA's Accreditation Committee may *conditionally endorse* the Programme. More information on conditional endorsements can be found in the Programme Endorsement Procedure Guide.

9. Additional Considerations

ICROA reserves the right to not endorse a Programme if the Programme represents a reputational risk to ICROA. The Assessor will comment on the Programme's suitability in their recommendation, and this will be considered as part of the overall evaluation.