

ICROA

INTERNATIONAL CARBON REDUCTION AND OFFSET ALLIANCE

Programme and Policy Framework 2009



ICROA



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Preface

On 9th June 2008, eight organisations launched the International Carbon Reduction and Offset Alliance (ICROA) with a view to defining and meeting best practice in the rapidly maturing voluntary carbon market. ICROA now has eleven members and is continuing to grow. The ICROA Programme and Policy Framework, which contains the organisation's goals, objectives, modus operandi, governance, and Code of Best Practice, has been reviewed and further developed by the ICROA members, resulting in this (2009) version. It is our desire to see this document evolve over time, under the guidance of peer organisations which share our commitment to a significant role for our industry sector in the global response to climate change.

While this document presents the views of the ICROA members alone, we have been helped enormously, by the informed feedback, from a number of individuals in the field of climate change. They have taken the time to reflect on what constitutes best practice in our area of work and guide us in the development of this self-regulatory Code. We would like to thank The Climate Group for providing the secretariat function to ICROA through its formative stages, specifically Josh Harris and Caroline Spencer. Without their dedicated hard work we would not have been able to achieve our aspiration to launch a credible and effective global alliance.

ICROA Members

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The CarbonNeutral Company

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Executive Director

ClimateCare

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Version control

Minor changes to the ICROA Programme and Policy Framework 2009, if occurring during year 2009 will be indicated by 2009.x where x is a running number commencing at '1'. When the ICROA Programme and Policy Framework 2009 is updated in future years it will be designated Programme and Policy Framework 200v as appropriate for the year.

The current version is the version available at the time of use on the www.icroa.org. The ICROA Programme and Policy Framework was launched on 9 June 2008.

International Carbon Reduction and Offset Alliance (ICROA)

Who We Are

ICROA is an international non-profit organisation. ICROA is the leading membership organisation for carbon reduction and offset providers in the voluntary carbon market. ICROA members operate across European, North American and Australasian markets. The primary aim of ICROA is to promote best practice in the voluntary carbon market through adherence to a formal Code. ICROA members sign up to, and will publically report against the ICROA Code of Best Practice which provides specific requirements for the manner in which ICROA members provide their carbon footprinting, greenhouse gas reduction advice and offset services. ICROA also engages with Governments and other key stakeholders on issues related to the voluntary carbon market.

Background Principle

Scientific knowledge on climate change and its likely impacts demands an urgent and substantial cut in greenhouse gas emissions. Achieving this reduction requires a comprehensive strategy of carbon management for individuals and organisations. Carbon management is the implementation of a thorough and transparent organisation-wide process to measure greenhouse gas emissions, identify and implement actions to reduce internal emissions and uses offsets to compensate for unavoidable emissions. The ICROA Code of Best Practice ensures that ICROA members and their clients and customers undertake carbon management strategies that are credible and sustainable.

ICROA Aims

- Support fast, global emissions reductions by promoting a responsible reduce and offset approach to carbon management by businesses and individuals.
- Promote credibility and high standards across the voluntary carbon market, through widespread adherence to and promotion of the ICROA Code of Best Practice.
- Provide a credible, influential and uniform voice on carbon reduction strategies, products and services and raise the profile of the voluntary carbon market.
- Enable bold carbon management strategies to be integrated profitably into business.
- Commit to shared learning, transparency and continuous improvement.
- Engage with Governments and other key stakeholders on voluntary carbon market issues, to help ensure that best practice becomes the norm in the voluntary carbon market.

ICROA Members Will

- Measure carbon footprints to accepted international standards.
- Encourage businesses and individuals to identify and pursue internal emissions reduction opportunities.
- Convey to clients that implementing internal reductions can demonstrate leadership, stimulate behavioural change and increase long-term profitability.
- Promote credible offsetting as a cost-effective method of reducing emissions.
- Comply with and report against the ICROA Code of Best Practice.
- Ensure that this compliance is communicated publicly.

ICROA Governance:

ICROA has been established as an Unincorporated Association governed by an Executive Committee. ICROA has an independent Secretariat which reports to the Executive Committee. ICROA is primarily funded by membership fees.

ICROA Members:



ICROA Membership Remit

ICROA Membership Eligibility Criteria:

- Members have been in business and actively trading carbon offsets for at least one full year.
- Members offer services to estimate carbon footprints, identify and implement internal emission reduction opportunities and offset emissions.
- Members actively sell a service to retire/cancel ICROA Code compliant emissions reductions on behalf of businesses and/or individuals for the purpose of voluntarily offsetting their carbon emissions.
- Members are committed to achieving large absolute reductions across their client base.
- Members have in place a verifiable quality management system¹.
- The minimum volume sold or retired annually by members is at least 20,000 tonnes of CO₂e.
- Members' minimum financial turnover is \$100,000 or the local currency equivalent.
- Members will disclose to the ICROA Secretariat any significant ongoing legal claims pertaining to their organisation.

ICROA Member Obligations:

- Timely, complete and ongoing adherence to the ICROA Code of Best Practice.
- Annual reporting to demonstrate compliance with the ICROA Code of Best Practice and with ICROA eligibility criteria.
- Timely payment of membership fees.
- Active involvement, through a named representative of the member organisation, with ICROA, and adherence to membership commitments.
- Commitment to raising the profile of the voluntary carbon market and of ICROA, and to the promotion of ICROA's fundamental principles.

¹ See www.icroa/faq for further information on the requirements for the Quality Management System.

ICROA Code of Best Practice for Carbon Management Services

Introduction

The ICROA Code of Best Practice outlines best practice in carbon management services, including carbon footprinting, reducing emissions internally and externally, verification practices and communication. The ICROA Code of Best Practice aims to define international best practice and represents the minimum requirements that all ICROA members must meet. The ICROA Code of Best Practice is applicable to ICROA members' activities in the voluntary carbon market² and does not apply to services provided by ICROA members, in the compliance carbon market, to entities covered by compliance requirements.

Section 1: Carbon Management Services

ICROA members commit to the following requirements for a comprehensive carbon management strategy:

1. Carbon Footprinting:

- 1.1 Actively encouraging consumers and business customers to measure their carbon footprint.
- 1.2 Measurement of carbon footprints to accepted standards and the use of publicly available and nationally relevant emissions factors from reputable and recognised sources, for example IPCC, published Government data etc.³ Members may outsource their carbon footprinting services.
- 1.3 Organisation footprints shall follow the WRI/WBCSD GHG Protocol and ISO 14064-1. Members commit to advising clients to disclose which 'Scope 3' or 'Other Indirect' emissions sources have and have not been included. Members commit to providing clarity to their business and consumer customers regarding which emissions are being offset.
- 1.4 Product and service footprints shall be determined on a life cycle basis where applicable⁴. The PAS 2050, Greenhouse Friendly Program and Bilan Carbone documents provide guidance on how to estimate product and service emissions on a life cycle basis.
- 1.5 ICROA acknowledges that there are currently different approaches to calculating air travel emissions, particularly Radiative Forcing Index (RFI). Once sufficient consensus within the scientific community becomes more apparent⁵, ICROA will develop a more numerically specific consensus on RFI, or the most appropriate metric, through an international, collaborative and transparent process. In the interim, ICROA will base its approach to RFI on the principle of transparency. ICROA members must publically disclose what RFI they apply and their rationale for applying that RFI. ICROA will also play an educational role on RFI.

2. Greenhouse Gas Reduction Advice:

- 2.1 Setting emission reduction targets, where appropriate, that meet or exceed credible opinion on desirable emission reduction goals.
- 2.2 Undertaking a comprehensive assessment of opportunities to reduce emissions internally and externally.
- 2.3 Prioritising cost effective reductions to meet those targets; through internal and external reductions, including renewable energy and offsets.
- 2.4 The assessment of internal emission reduction opportunities may be subcontracted by the ICROA member to a third party. Wherever possible, the third party should be contractually obliged to work to the ICROA Code of Best Practice.

² For ICROA definitions for the voluntary carbon market and the compliance carbon market, please see www.icroa.org/faq

³ For an up to date list of approved emissions factors please see www.icroa.org/faq.html

⁴ Product and service footprints are not mandatory

⁵ ICROA will perform a biannual review of the most recent scientific developments

3. Offset Services:

Using credible offset projects that meet international standards when offsetting is used in reduction targets. See Section 2: Use of Offsets.

4. Communication:

Encouraging the communication, while considering the commercial sensitivity of the business customers' carbon status and footprint, which includes the following:

- 4.1 The total emissions associated with the organisation, product, service or event.
- 4.2 All other actions being taken to reduce greenhouse gas emissions.
- 4.3 Any emissions that are being offset and details of the project generating the offset, including estimates of where the customer's money goes, for example if a portfolio approach is used.
- 4.4 A link to the registry where the offset has been retired.
- 4.5 Any uncertainties or risks associated with the carbon footprint or internal or external emission reductions.

Section 2: Use of Offsets

1. When using offsets, ICROA members agree to source only emission reductions and removals that meet the following principles:

Real

All emission reductions and removals and the project activities that generate them must be proven to have genuinely taken place.

Measurable

All emission reductions and removals must be quantifiable, using recognised measurement tools (including adjustments for uncertainty and leakage), against a credible emissions baseline.

Permanent

Credits should represent permanent emission reductions and removals. Where projects carry a risk of reversibility, as minimum, adequate safeguards must be in place to ensure that the risk is minimised and that, should any reversal occur, a mechanism is in place that guarantees the reductions or removals will be replaced or compensated. These conditions will be superimposed on emissions reductions and removals validated and verified by any ICROA approved offset standard that requires additional permanence conditions.

Additional

Project-based emission reductions and removals must be additional to what would have occurred if the project had not been carried out. ICROA members are required to demonstrate that the project would not have occurred without the availability of carbon finance. These conditions will be superimposed on emission reductions and removals validated and verified by any ICROA approved offset standard that uses an alternate additionality test.

Independently verified

All emission reductions and removals must be verified to a reasonable level of assurance by an independent third party verifier accredited under one of the ICROA approved offset standards in the sector in which the project is taking place.

Unique

No more than one credit can be associated with a single emission reduction or removal. Offsets must be stored and retired in an independent registry.

2. Offset Standards

ICROA members shall only use carbon credits sourced from offset projects that are or will be validated⁶, verified and registered under the following standards:

1. Clean Development Mechanism.
2. Joint Implementation.
3. Gold Standard.
4. Voluntary Carbon Standard.
5. The California, U.S. Climate Action Reserve.
6. Government Approved Schemes. Offsets from approved Government schemes may be provided by ICROA members to their clients, on the proviso that Government scheme certified offsets will only be used within the context of the Government scheme and will not be sold as voluntary offsets outside the context of the Government scheme, unless these methodologies have been separately approved by ICROA. Government approved schemes permitted for use by ICROA members are U.S. EPA Climate Leaders.

ICROA members are bound by the following additional requirements in their use of offset credits:

3. Sustainability

Most offset projects have a net positive or at least neutral impact on social, economic and environmental factors. However, there is potential for some projects to have negative impacts and ICROA members are encouraged to consider sustainable development when developing or purchasing offsets. ICROA members shall disclose whether and how they have assessed the sustainability impacts of their projects/offsets.

4. Additionality

Additionality is a fundamental criterion for any offset project. ICROA members support the offset standards above as the best available tools for assessing additionality. ICROA members commit to interpreting and using these tools in good faith and require that all projects' successful implementation and operation are dependent on the availability of carbon finance.

5. Delivery Assurance for Reductions Sold in Advance of Verification

Where reductions are sold in advance of verification and issuance [herein Reductions sold in advance of verification], ICROA members commit to providing clients with appropriate and transparent levels of delivery assurance. At a minimum, such members shall:

- 5.1 Either a) provide a contractual guarantee of delivery or replacement, by demonstrating the financial viability⁷ to underwrite such guarantee or by having in place 'appropriate safeguards' to minimise the requirement for replacement and protect the guarantee, or b) when a delivery guarantee is not provided, have in place 'appropriate safeguards' to minimise the risk of project under-performance.

"Appropriate safeguards" shall mean the minimisation of and insurance against risks, by reserving a portion of the project portfolio as a 'buffer', to the extent and as long as reasonably required to safeguard performance adequately. Members using such safeguards shall adjust their reservation practices based on experience and industry best practice where available.

- 5.2 At the point of sale, transparently disclose if the delivery is guaranteed, the measures that are in place to minimise the risk of project under-performance and what sources of reductions and/or removals are eligible replacements, as applicable.

⁶ This denotes a functional delivery term limit of 7 or 10 years (depending on the standard), but also retain the flexibility to accommodate longer delivery terms if and when adopted by one or more Approved Standards

⁷ Financial viability would be demonstrated to the ICROA Secretariat and the auditor rather than the client.

- 5.3 At the point of sale, transparently disclose the current development or operational status of the project and the expected date or dates of future verification and issuance.
- 5.4 To make reasonably available to the client, directly or on the marketer's website as applicable, the actual dates of verification and issuance, and any deficiency in the verified volume relative to the volume actually sold to such client, and the sources of any replacements.
- 5.5 Where a delivery guarantee is not provided, include in the marketer's annual report to the Executive Committee, and make reasonably available to the public on the marketer's web site at least annually, any deficiency in the verified volume relative to the volume then anticipated to have been verified from the portfolio, as sold across the entire portfolio, and the reservations practices applied to the portfolio.
- 5.6 Provide purchasers of such reductions with clear and easy to understand communications materials and encourage them to communicate the nature of their purchases accurately.

Section 3: Compliance

1. Adhering to the ICROA Code of Best Practice:

- 1.1 To demonstrate compliance, of that part of their business which is covered by the ICROA Code of Best Practice, ICROA members shall provide annual reports using the ICROA compliance self-assessment form, demonstrating how they have met the conditions of the ICROA Code of Best Practice. The annual report will be submitted within three months of the end of the reporting year. The reporting year shall be the calendar year.
- 1.2 The Secretariat will assess members' self-assessment forms against the ICROA Code of Best Practice. This process will include engaging an independent entity to verify a statistically representative sample of member claims.
- 1.3 A compilation of members' annual reports, excluding commercially sensitive information, and the Secretariat response will be made publicly available on the ICROA website.
- 1.4 ICROA members shall comply with the disclosure requirements adopted by ICROA in subsequent versions of the Code.

2 Sanctions and Appeals Process:

- 2.1 If an ICROA member becomes aware that it has failed any requirement of the ICROA Code of Best Practice, that member must inform the Executive Committee at the soonest possible opportunity.
- 2.2 If an ICROA member fails to comply with the ICROA Code of Best Practice, that member's case may be referred to the Executive Committee for review.
- 2.3 The Executive Committee will establish individual conditions, based on the nature of the case, for the resolution of the infraction of the ICROA Code of Best Practice.
- 2.4 If the member fails to resolve the outstanding infraction within the specified timeframe, it will be excluded from ICROA. The organisation would subsequently need to reapply for ICROA membership if it wished to reassume membership.
- 2.5 Members may also be excluded for non-payment of membership fees and for bringing ICROA into disrepute.

3 Transition to Compliance:

- 3.1 As of 9th June 2009, ICROA members may only purchase and contract (to purchase) offset credits that are or will be validated and verified under the carbon offset standards permitted by the ICROA Code of Best Practice. Please see Section 2: Use of Offsets for further information.
- 3.2 An exceptional circumstances option exists for members to present their case for acquiring non-compliant offset credits after 9th June 2009 deadline, to the Executive Committee.
- 3.3 Non-compliant offset credits, purchased prior to 9th June 2009, may be continue to be sold. Contracts to purchase, including contracts for credits sold in advance of verification, agreed prior to 9th June 2009, may be completed. The sunsetting for non-compliant offset credits will either occur when such inventory is liquidated or at the conclusion of the contract.