

# Introduction to the Gold Standard





# The Spirit of the Kyoto Protocol *is* Gold Standard

“The purpose of the CDM shall be to assist Parties not included in Annex I in ***achieving sustainable development*** and in ***contributing to the ultimate objective of the Convention***, and to assist Parties included in Annex I in ***achieving compliance*** with their quantified emission limitation and reduction commitments...”

-- Kyoto protocol, Article 12.2



# Certainty in a Changing Market

## **Who is the Gold Standard Foundation?**

- An independent foundation endorsed by 43 NGOs
- A method for creating premium quality carbon credits

## **Why the Gold Standard Label?**

- Provides a quality assurance label for projects and credits
- Ensures a contribution to sustainable development and climate protection

## **How Does it Work?**

- GS methodology ensures best practices are followed
- Screens provide a step-by-step guide to developing credible projects

# Gold Standard in a Nutshell

What it stand for:

- promoting sustainable development through carbon offset markets that are characterized by transparency and equality of access for all market participants

What it does:

- GS registers projects that reduce GHG emissions in ways that contribute to sustainable development and certifies their carbon credits for sale on both compliance and voluntary offset markets.

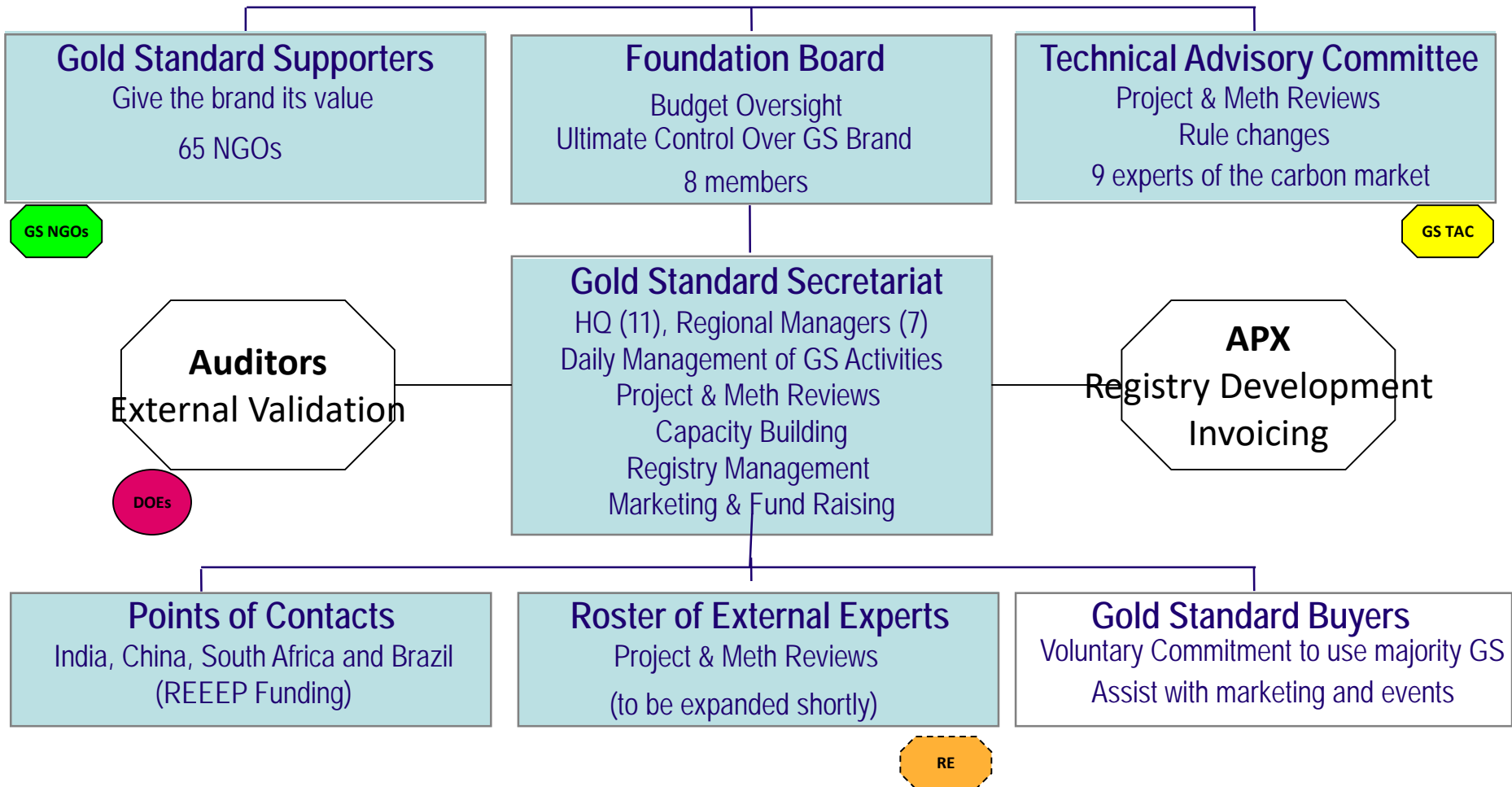
# Supporters and Organisation

## The Gold Standard is ...

- a NGO initiative
- a non-profit foundation under Swiss Law
- financed by donors and labelling fees
- not rating projects but voluntary tool for market differentiation



# GS Structure & Governance



# Gold Standard Benefits

- Controlling risk
- Enhancing reputation
- Premium prices
- Market visibility
- Low-added cost
- Contribute to sustainable development
- Stakeholder acceptance
- Exceeds the current regulatory standards



# Benefits from using the Gold Standard

- **Sustainable Development**

Transparent assessment, demonstration, long-term monitoring

- **Risk management**

Reputational risk, delivery risk

- **Market differentiation**

Servicing dedicated buyers, credible benchmark

- **Building capacity**

Stakeholder interaction, Sustainable development assessment

- **Financial, project financing**

Increased willingness to take risks of buyers





# Profile of GS Investors

- Higher willingness to accept risks
- Willing to pay more (actual premium fluctuates)
- VER market: seeking risk reduction
- VER market: willing to finance smaller projects that couldn't make it in CDM

# Who's Buying Gold Standard?



- Special events: FIFA World Cup, London Olympics 2012, G-8 Summit, COP Montreal
- Organizations: HSBC, Credit Suisse, WWF
- Brokers and retailers: TFS Energy, Carbon Neutral Company, South Pole

# Who's Buying Gold Standard?



## Special Programs

- Carbon Asset Management Sweden
- The Visa Climate Credit Card
- Penguin Approved
- Government programmes (i.e. Belgian tender)
- Climate Cent Foundation



# Supply Side

## Success Stories

- Kuyasa housing project
- Palm oil project in Thailand
- Solar Cookers in India
- Palm oil wastewater to energy in Honduras
- Biomass projects in India and South Africa
- Te Apiti Wind Farms

## In the pipeline...

- China (5)
- Philippines (4)
- Tanzania (2)
- Mozambique (2-3)
- Brazil... supply side workshop in December
- Retroactive projects (multiple)



# Designing a Gold Standard Project

***To be Gold Standard, your project must:***

- ✓ Be an eligible project type
- ✓ Pass additionality screens
- ✓ Contribute to Sustainable Development



# Eligible Project Types

- Renewable energy -- electricity, heat
- Biomass, biogas, and liquid biofuels
- Landfill gas
- Agro-processing
- Methane capture
- Hydroelectricity
- Energy Efficiency



**Promotion of long-term shift towards sustainable energy systems!**

# Additionality Screens

- Previously announced projects screen
- Additionality Tool
- ODA additionality test



**Ensures emission reductions are real!**



# Sustainable Development

**Provide a self evaluation of the project' s impact on...**

- Local/regional/global environment
- Social sustainability and development
- Economic and technological development

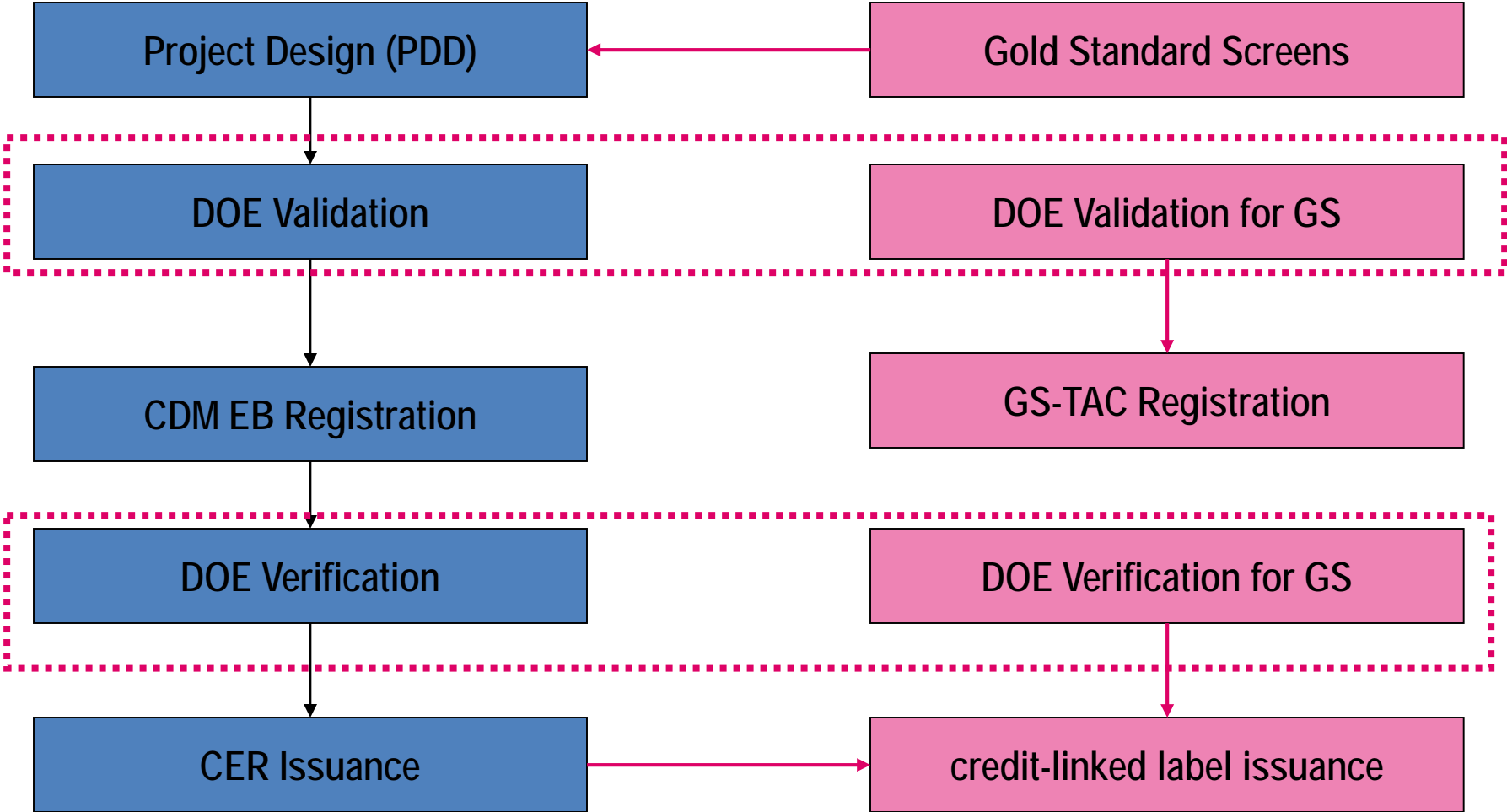
... consult with stakeholders



**Guarantees locally adapted projects and SD benefits!**



# Compare: GS and CDM process



# Growing criticism of the Carbon Market

## Compliance market:

- Lack of focus on sustainable development
- Lack of local stakeholder consultation
- Lack of participatory approaches (local ownership)

## Voluntary market:

- Poor quality offsets, lack of additionality
- Lack of transparency, double counting
- 'The jungle' - confusion between various standards with different scopes & priorities

# Relevance of GS in the Compliance Market

- Promotes medium term shift towards sustainable energy consumption & sustainable energy supply
- Enhances local stakeholder involvement
- Promotes best practice for project development, validation, and verification with respect to sustainable development
- Beyond carbon reduction - monitor and capture co-benefits all along the project lifetime

# Relevance of GS in the Voluntary Market

- Promotes transparency & enhance credibility
- Premium quality benchmark
- Enables innovation: Provision of Methodology Submission
  - Biogas Digesters
  - *Energy efficiency cooking stoves*
  - Switch to biomass fuels
  - Methodology for large-scale supply and distribution of efficient light bulbs and showerhead products to household
  - Bio-diesel from waste oil/fat (Revised version of AM0047)

# Relevance of GS in the Voluntary Market

- Enables innovation: Provision of Methodology Submission
  - The following methodologies are under development
    - Thermal energy from plant oil for the user of cooking stoves
    - Revised AMS I.C
- Methodology review
  - 500 USD + Costs of two external experts (separate confirmation will be asked if more than 5000 USD)

# In Conclusion...

## Buyers Gain

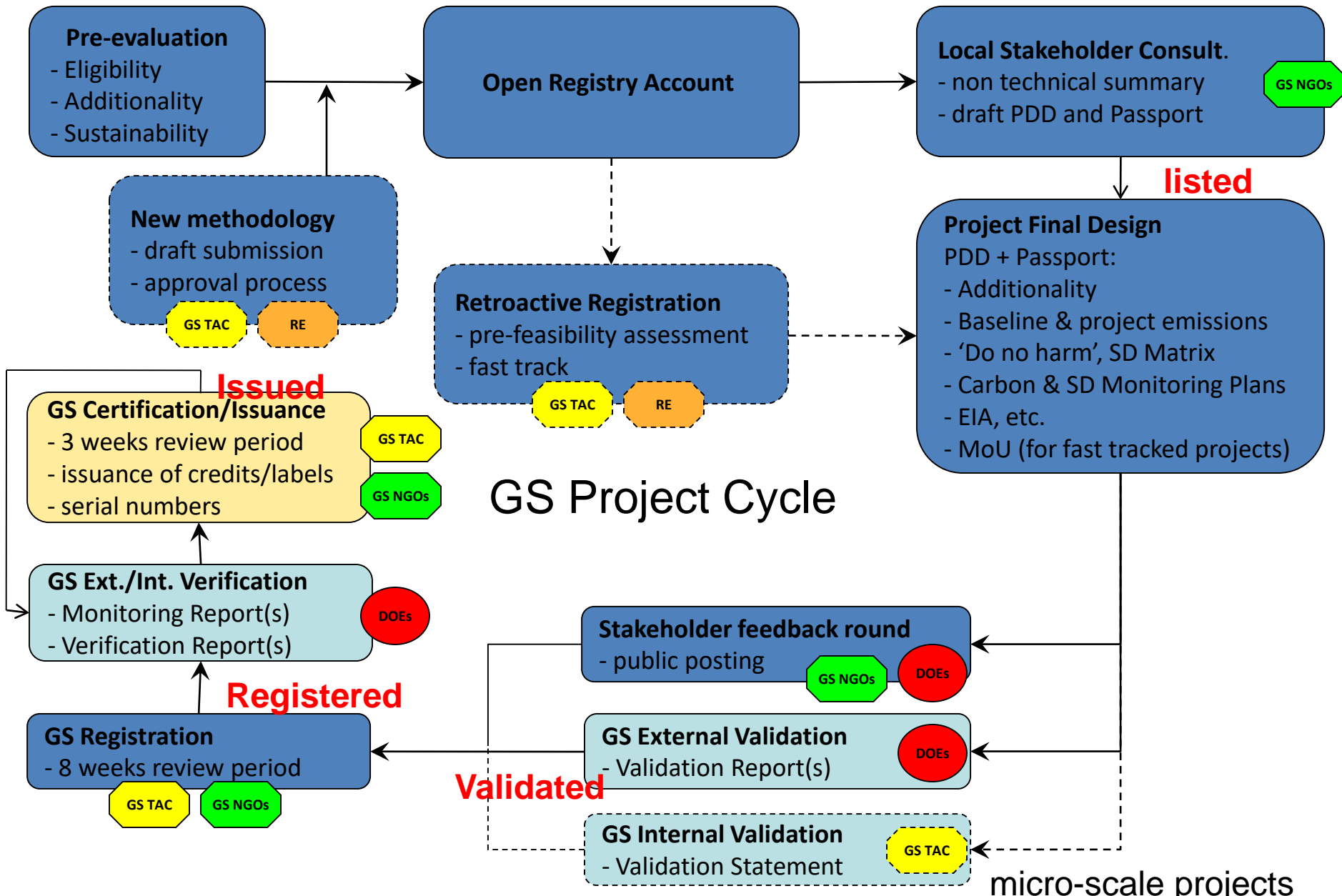
- Credibility and transparency
- Enhanced reputation
- Local Stakeholder support

## Sellers Achieve

- Premium prices
- Financial “cushions” for the Gold Standard seller
- Reputational benefits

***..and both contribute to improving Sustainable Development and reducing climate risk***

# Introduction to the GS Project Cycle





# Introduction to the GS Project Cycle

- ① Project Pre-Evaluation
- ② Open a Registry Account
- ③ Conduct Local Stakeholder Consultation (LSC)
- ④ Finalize project documentation (PDD, Passport)
- ⑤ Validation
- ⑥ Conduct stakeholder feedback round
- ⑦ Registration
- ⑧ Verification
- ⑨ Issuance

# Step 1: Evaluate your project

## *Eligibility*

- Renewable energy or energy efficiency?
- Is the project already operating?
- Size?
- Project gases eligible for credits: CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O
- Project location – does the country have a cap?



# Step 1: Evaluate your project

## *Additionality*

- UNFCCC-approved tools
- Investment analysis
- Barrier analysis
- Common practice analysis

## *Sustainability*

- What impact will the project have on the local host community?



# Step 2: Open a Registry Account

- Go to [goldstandard.apx.com](http://goldstandard.apx.com)
- Create username and password
- Sign the Terms & Conditions & Terms of Use
- Upload your documents



# Step 3: Conduct the LSC

*Discuss the impacts of the project with the host community*

## **Overview**

- GS requires 2 rounds of consultation
- At least one live meeting is required

## **Before the Meeting**

- Invite your Regional Manager, GS NGO supporters, local NGOs, local residents and officials

## **At the Meeting**

- Sufficient diversity should be ensured (skills, gender, ethnic, etc.)
- Non-technical summary and blind exercise

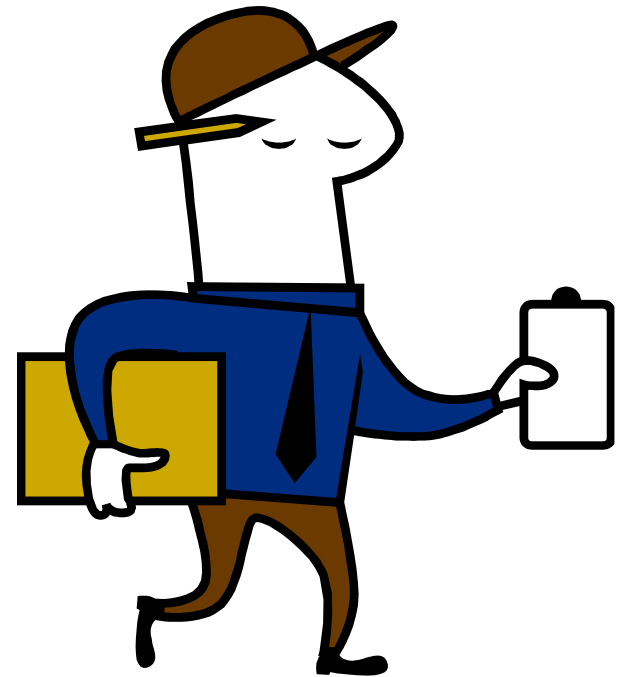
# Step 3: Conduct the LSC

## *After the LSC:*

- ✓ Local Stakeholder Consultation Report must be uploaded into the GS Registry (“time of first submission to GS”).
- ✓ Upon approval by GS, project will be listed (can call itself “Gold Standard Project Applicant”).
- ✓ Project becomes public in the registry (only basic project information at this stage).

# Step 4: Finalize your project documents

- PDD *And get ready to submit them for validation...*
- GS Passport
  - Deviations from CDM methodology
  - Sustainability Assessments
    - LSC Report
    - SD Matrix
    - SD Monitoring Plan
    - Do Not Harm Assessment



# Step 5: Conduct the SFR

- 2nd round of stakeholder consultation
- Follow-up from the LSC and address how account was taken of stakeholders' comments
- Project documentation must be available for at least 2 months on GS Registry before completion of validation (and via other means if not all stakeholders have access to internet)
- This can be completed in conjunction with validation



# Step 6: Validation

- **Purpose:** To review the project and project documentation at the outset to ensure eligibility, additionality, sustainability and correct application of the methodology and our Rules.
- The first third-party audit
- You must hire a UNFCCC-accredited DOE who must visit the site.
- Micro-scale projects can apply for internal validation

# Step 7: Registration

- After successful completion of validation, you must send the Gold Standard a formal request for registration. This takes the form of a Cover Letter (fixed template), which is a legal document.
- Upload all of your documents to the Registry
- GS will review for completeness and initiate an 8-week review period during which the GS Secretariat, GS Technical Advisory Committee, and GS supporter NGOs will review the documents and ask questions or make comments
- GS will consolidate all feedback and send to you
- The review period ends when all comments have been addressed and all questions have been answered

# Step 8: Verification

- **Purpose:** To ensure that the project is operating in accordance with the PDD and that sustainability has been properly accounted for
- The second third-party audit
- A pre-requisite to issuance
- You must hire a different UNFCCC-accredited DOE
- Required at least once in the first two years; thereafter, once every three years

# Step 9: Certification/Issuance

- Upon successful completion of verification, all documents are uploaded and GS will check for completeness
- A 3-week review period follows, during which the GS Secretariat, GS Technical Advisory Committee, and GS supporter NGOs may have comments or questions
- GS sends you the feedback at end of 3-week period
- Review period will end whenever all comments and questions have been addressed and answered

# The Retroactive Project Cycle

## Pre-Feasibility Assessment is required for:

- Retroactive projects (all projects that have already started construction or implementation at time of first submission to GS)
- Large hydro (> 20 MW), Palm oil-related projects
- Rejected CDM projects
- See Toolkit Chapter 2.5 and Annex C for projects requiring Prefeasibility Assessments