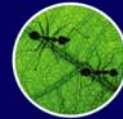
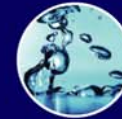
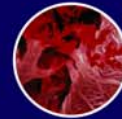




The Gold Standard
Premium quality carbon credits



The Gold Standard

A tool for market differentiation and securing sustainable development benefits, high quality CERs

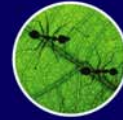
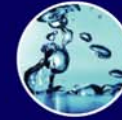
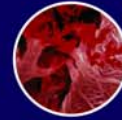
The Gold Standard

Michael Schlup, Director

Latin Carbon
Quito, March 24 2006



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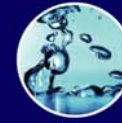
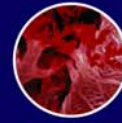


Overview

1. Objectives, Organisation and Relation to the CDM
2. Procedures for Gold Standard registration
3. Methodology: The Gold Standard Screens
4. CBA of using the Gold Standard
5. The market for Gold Standard credits



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Objectives of the Gold Standard

Kyoto protocol, Article 12.2: „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 under Article 3.“

But:

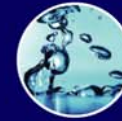
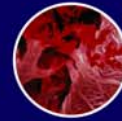
- Kyoto rules on SD, public participation weak
- Main market driver: Volume per cost

⇒ **The Gold Standard ...**

- ... reflects and benchmarks the „forgotten“ objective;
- ... provides tools to streamline the project design;
- ... results in visibility, security and rewards;
- ... supports promotion of non-fossil energy sources.



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Supporters and Organisation

The Gold Standard is ...

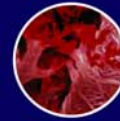
- a NGO initiative
- a non-profit foundation under Swiss Law
- financed by donors and labelling fees
- not rating projects but voluntary tool for market differentiation

Organisation

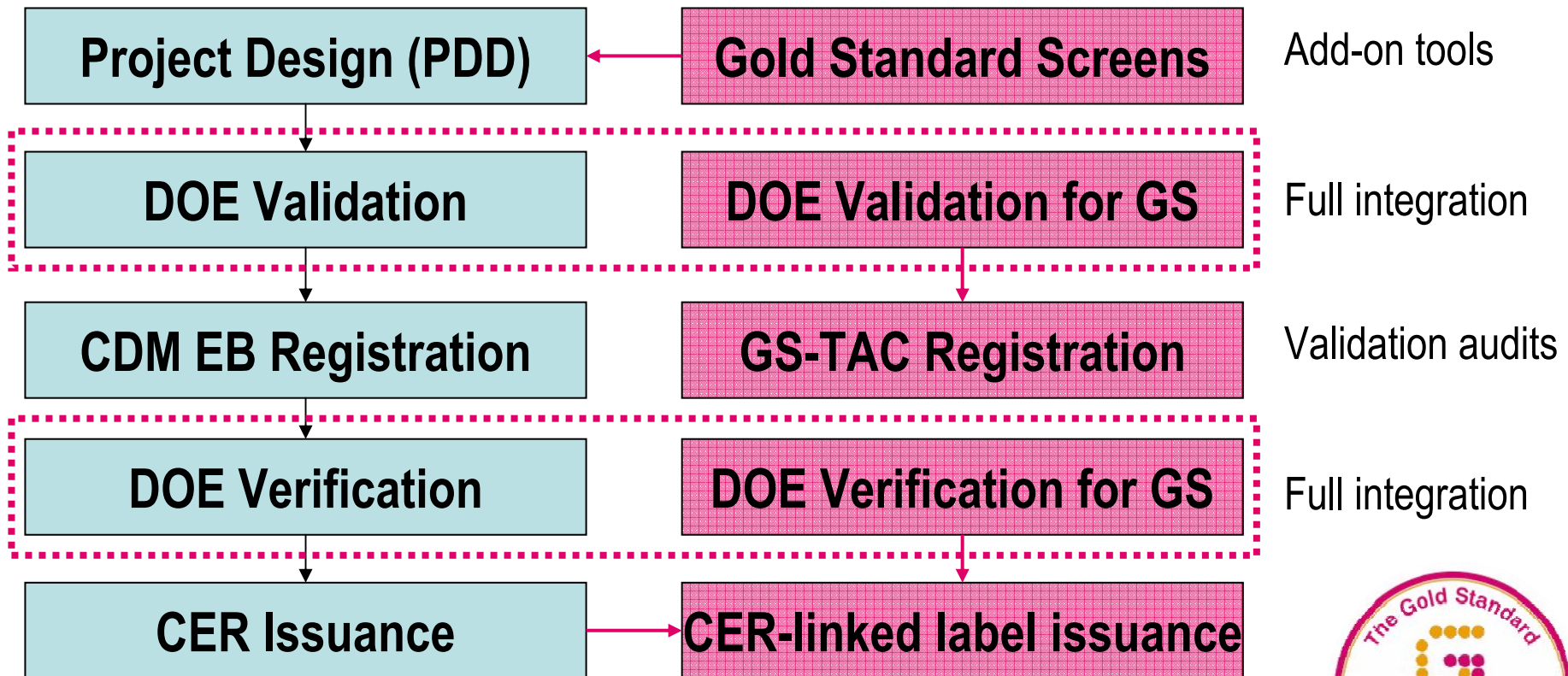




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The Gold Standard in relation to the CDM



⇒ Complementary, not alternative way of project design

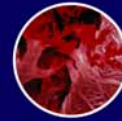
⇒ Integrated, simple, flexible - low additional costs



Unique serial number linked to CER serial number



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Using the Gold Standard in the VER market

VER = Verified Emission Reduction - Currency of a growing voluntary market

- parallel to the Kyoto market
- so far - no generic standards, no tracking of VERs
- Project characteristics > emission reduction important

Gold Standard for CDM

Gold Standard for JI

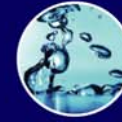
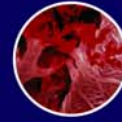
Gold Standard for the voluntary market



- Demand-driven - reduced administrative procedures
- Quality requirements maintained
- Simplified procedures for projects < 5'000 t CO₂ p.a.



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Gold Standard ,Screens‘

Screen = set of tools; field-tested; reflect priorities of GS founders

Project type Screen

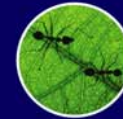
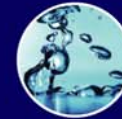
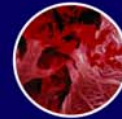
Promoting a long-term shift towards non-fossil energy systems

Definitions based on SSC; large-scale eligible if conforming designs

- Eligibility limited to RE, demand-side EE
SSC AMS I.A.-D.; II.C.-F. (excluding fossil fuel switches), III.C.
- CH₄ recovery/capture; avoidance under certain conditions
SSC AMS III.D., III.G., III.H. and III.E.
Main condition for eligibility - energy service provision:
⇒ flaring only not permitted; additional safeguards apply



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Additionality Screen

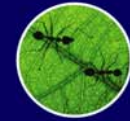
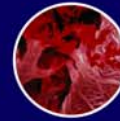
Securing emission reductions are real

- Mandatory use of EB additionality tool
- Conservative baseline calculations
Serves at estimating emission reductions on conservative assumptions within the most likely baseline scenario.
- ODA guidelines
ODA may be used up to and including PDD development; guidelines for treatment of ODA in discounted loans, underlying project activities.
- Previous announcement check

⇒ **Small Δ to CDM EB requirements, mainly clarification purposes**

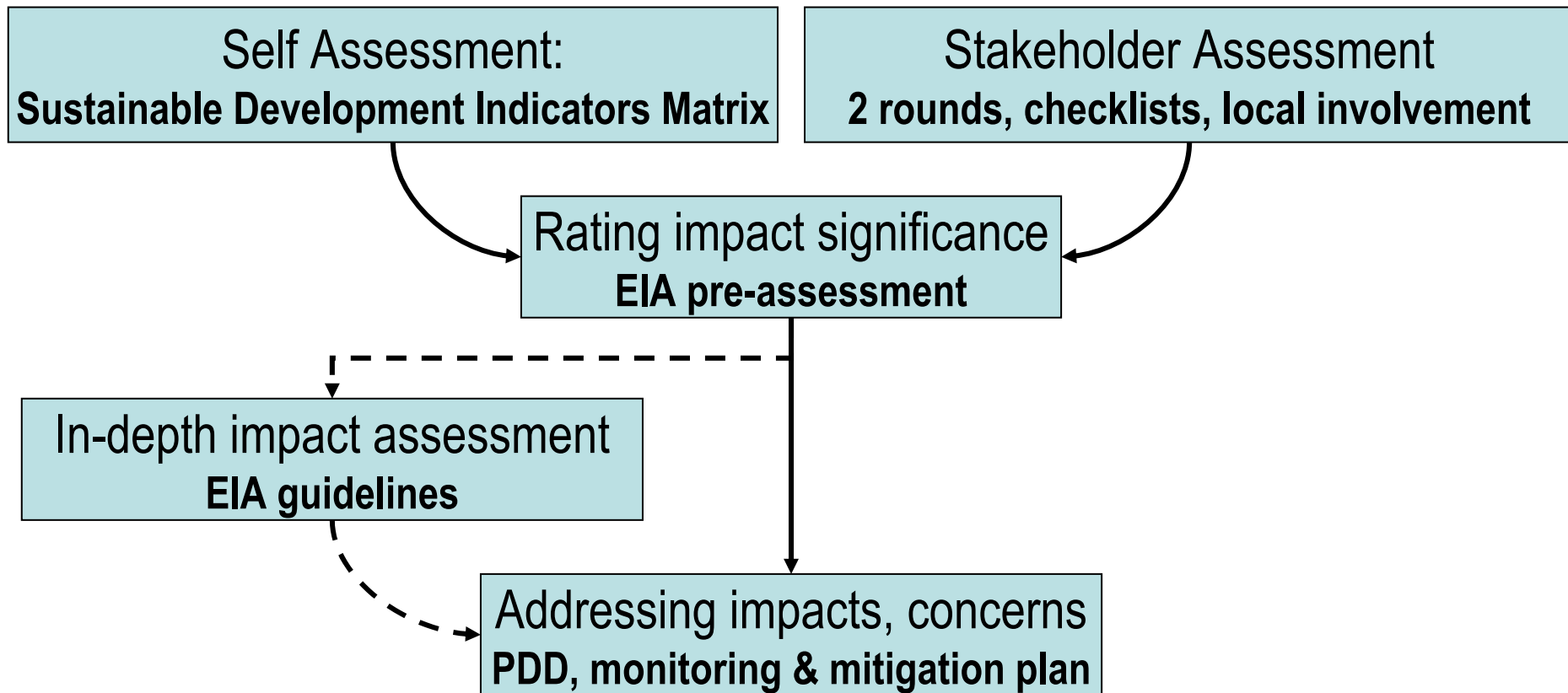


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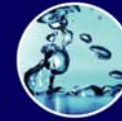
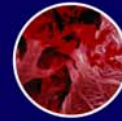
Sustainable Development Screen

Guaranteeing locally adapted projects with transparent SD benefits





The Gold Standard
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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**

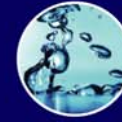
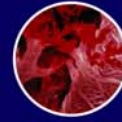
Stakeholder interaction, Sustainable development assessment

- **Financial, project financing**

Increased willingness to take risks of buyers



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What does it cost?

⇒ Depending on local requirements, internal procedures

Extra costs compared to conventional CDM:

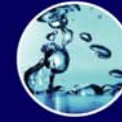
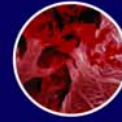
- internal cost for extra documentation
- Gold Standard validation - one extra day for DOE
- Gold Standard verification annually
- Issuance fee for Gold Standard credits: 10% of EB; e.g. 250\$ p.a. for 20'000 credits

Is it worth it?

„There is more paperwork ... but this more than offsets the premium that has been paid for the credits.“ . -SSN, 2005



The Gold Standard
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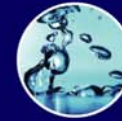
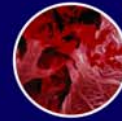


The market for Gold Standard projects

- **Demand exceeds supply**
currently \approx 15 projects using the Gold Standard
- **Expected annual demand**
150'000 - 2'000'000 credits (end 2006)
- **Voluntary market dominates** \Rightarrow different rules
 - Credits and additional benefits equally important
 - Specific buyer requirements: project type, location
- **Financial benefits** \Rightarrow generally higher risks accepted
 - Higher prices (25% premium in one case)
 - Up-front payments, partial prepayments, development support
 - Vintages > 2012 contracted



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Conclusions

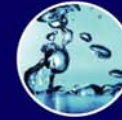
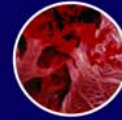
„The Gold Standard is the first attempt to achieve monetary value for sustainable development benefits ...“ -Thorne (SSN), 2005

Applying the Gold Standard ...

- ... is little extra effort (both time and money)
- ... is possible for a broad range of existing projects
- ... is rewarding extra benefits documented
- ... could help projects outside buyer's priority focus
- ... contributes to meeting the CDM's dual objective



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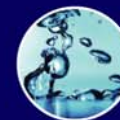
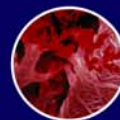
Thank you!

For more information, manuals and documents:

<http://www.cdmgoldstandard.org>

michael@cdmgoldstandard.org

+41 (0)61 283 09 16



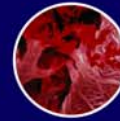
Sustainable Development Screen

Sustainable Development Assessment Matrix

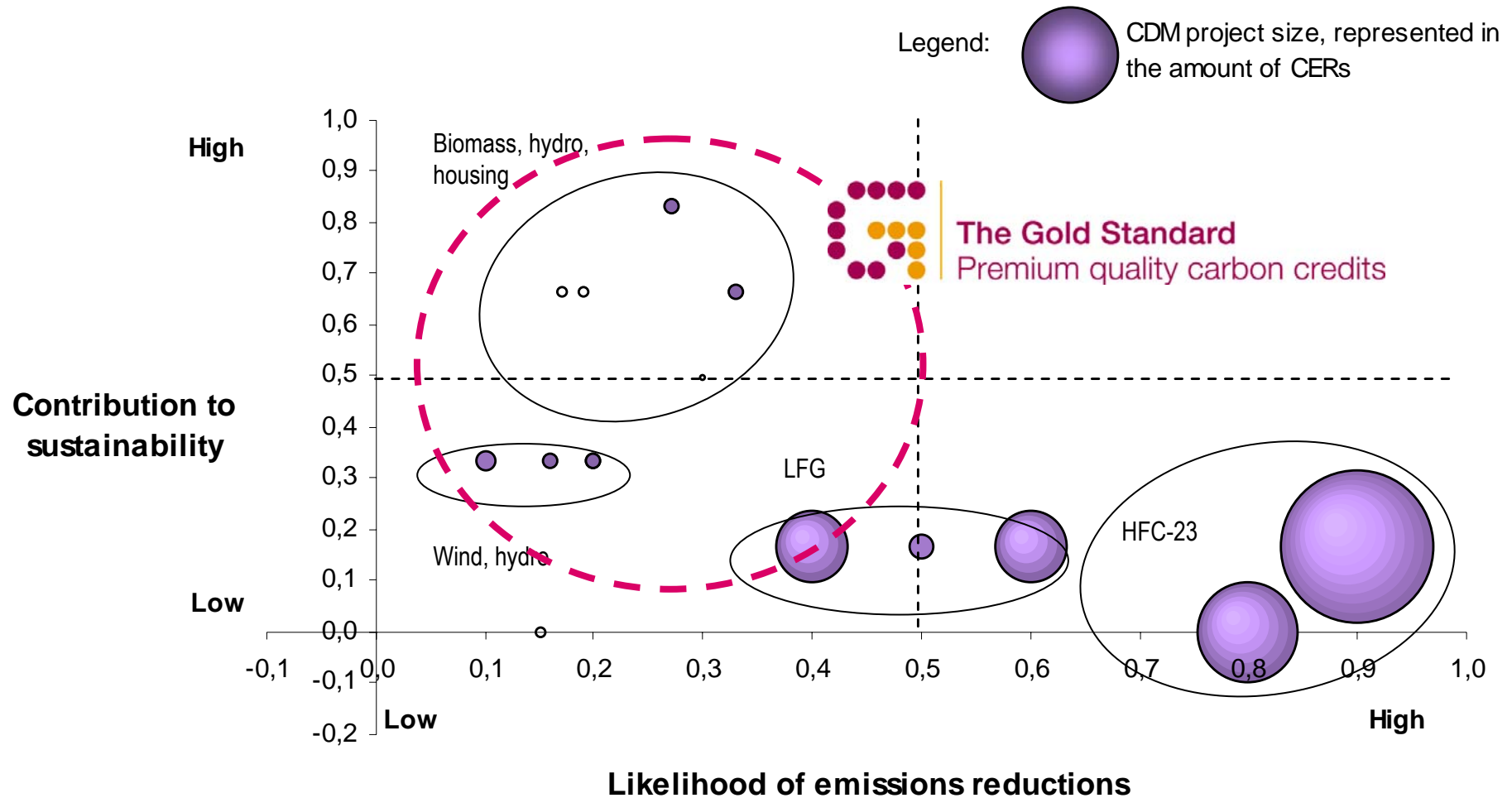
Component Indicators (example)	Score -2 to +2
<p>Local/regional/global environment</p> <ul style="list-style-type: none"> Water quality and quantity Air quality (emissions other than GHGs) Other pollutants: (including, where relevant, toxicity, radioactivity, POPs, stratospheric ozone layer depleting gases) Soil condition (quality and quantity) Biodiversity (species and habitat conservation) <p>Sub total</p>	
<p>Social sustainability and development</p> <ul style="list-style-type: none"> Employment (including job quality, fulfilment of labour standards) Livelihood of the poor (including poverty alleviation, distributional equity, and access to essential services) Access to energy services Human and institutional capacity (including empowerment, education, involvement, gender) <p>Sub total</p>	
<p>Economic and technological development</p> <ul style="list-style-type: none"> Employment (numbers) Balance of payments (sustainability) Technological self reliance (including project replicability, hard currency liability, skills development, institutional capacity, technology transfer) <p>Sub total</p>	
<p>TOTAL</p>	



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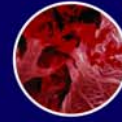
The need for the Gold Standard



Source: Sutter & Parreno, 2005



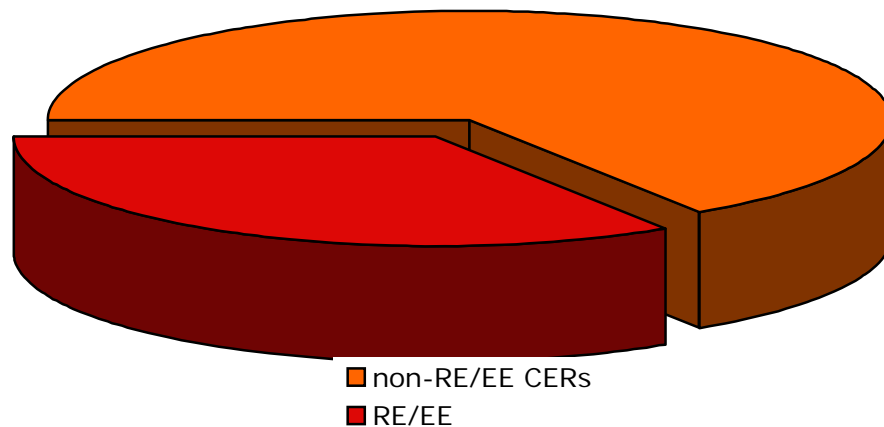
The Gold Standard
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RE/EE and SD in the CDM today

„... a large proportion of CDM projects has few ... effects other than GHG mitigation.“ -Ellis et al. (IEA/OECD), 2004

RE/EE CERs vs. other CERs (accumulated until 2012)



57% of projects = RE/EE

25% of CERs from RE/EE

⇒ small RE/EE project volumes

Source: Fenhann & Vincentz, 2006

No reflection of SD benefits in „price“

⇒ difficult market for RE/EE projects