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# ***Charter for Voluntary Carbon Offsetting***

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***March, 2008***

## Introduction:

This Charter, undertaken by ADEME at the request of French Ministry of Ecology, Energy and Sustainable Development, was developed by a range of interested parties who met on nine separate occasions over the course of 2007.

This drafting process grew out of an analysis conducted by ADEME in early 2007 on programmes for voluntary offsets of greenhouse-gas emissions. ADEME's analysis highlighted two potential risks: first, the development of such programmes in France should not have the effect of muddling public policy messages regarding the fight against climate change (particularly if the emphasis were not clearly placed on actions to reduce greenhouse-gas emissions directly, before offsets are adopted), and second, the exceptionally heterogeneous nature of current offset programmes (with their lack of consistency in the way emissions are calculated, the poor quality of a number of subsidized projects, the variability in pricing per tonne of carbon, a lack of clarity and transparency in certain programmes) could discredit the legitimacy of an approach that is considered potentially promising.

The challenge, therefore, is to ensure the quality and reliability of the voluntary offset programme in France over time while linking it with existing international initiatives. In a fast-changing sector, this involves identifying the necessary requirements without excluding novel and often small-scale initiatives that combine actions to combat climate change with developmental aid.

Responding to the recent growth in voluntary offset programmes and the number of providers offering such programmes as well as the need to improve current practices and guide future practices in this rapidly growing field, the activities carried out to date have been governed by the following principles:

- **harmonization** of definitions and policy messages regarding voluntary offsets, including the standardization of technical data and of methods used to quantify the volume of CO<sub>2</sub> emissions prevented.

- **rigour and balance:**

The Charter emphasizes reliance on projects that have been certified under the Kyoto Protocol's CDM and JI programmes. Such programmes currently offer the most effective guarantees in terms of project validity and monitoring and standardized carbon units. The Charter also sanctions access to projects developed outside this framework if they fulfil the requirements outlined in the Charter, including both sustainable development requirements and technical requirements with regard to establishing and monitoring projects, based on methodologies developed within the CDM initiative and adapted to small-scale projects. This openness is designed to maintain a dynamic of innovation in developing projects to reduce greenhouse-gas emissions, both in France and in the countries of the Southern Hemisphere, and at the same time offer reasonable assurances as to their quality, thanks to the requirements set out in the Charter. It will also encourage the emergence of additional projects on renewable sources of energy or forestry issues. A more detailed description of how the Charter's openness to these projects will yield benefits is provided in Appendix 4 of the Charter.

- **transparency of information** by making information available to the public in a standardized format via a dedicated Web site that is accessible to all, so as to encourage visitors to compare available information on providers, projects and businesses or organizations that offset all or a portion of their emissions.

- **innovation in methods of administering** the programme as a whole. This includes providing every Internet visitor with a means of responding to information provided at the site, and organizing periodic

meetings (including virtual meetings) of a committee of task force participants to analyse alerts, undertake wide-ranging studies or conduct random verifications at its own initiative, manage accessible information and update methodological references.

The programme described here is an evolving one and can be adapted to reflect feedback gathered during its initial months of operation.

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*Participants from the MEEDDAT: Economic Studies and Environmental Evaluation Division (D4E), Interministerial Task Force for Climate Change (MIES)*

## **Article 1. Purpose and objectives of the Charter**

This Charter establishes guidelines for best practices in voluntary greenhouse-gas offset programmes, to ensure that these programmes are marked by quality and rigour with regard to the evaluation of emissions to be offset, the adoption of "carbon units" and the transparency required at each stage of their implementation, all consistent with a stated priority of reducing emissions at the source.

Membership in the Charter is voluntary. It is open to offset providers via a Code of Best Practices (Article 4) and to business customers via a Club of Emission-Offset Businesses and Organizations (Article 5).

Providers who sign the Code of Best Practices for Offset Providers and members of the Club of Emission-Offset Businesses and Organizations agree to make the information indicated in the appendix available in a uniform format to ensure greater transparency for the purpose of project comparisons and improvements in practices.

Providers do not receive certification by the Ministry of Ecology, Energy and Sustainable Development or ADEME merely by signing the Charter. Similarly, membership in the Club of Emission-Offset Businesses and Organizations does not result in certification.

Information on all of the signatory providers and related projects (see Appendix 1) will be made available to the public via a dedicated Internet site, [www.compensationCO2.fr](http://www.compensationCO2.fr). In order to emphasize the importance of best practices in emissions offsetting, the site will extend to businesses and organizations offsetting all or a portion of their emissions the opportunity to become Club members by providing the information described in Appendix 2.

### **1.1 The Charter's objectives are as follows:**

- Develop common points of reference in order to construct a reliable framework for implementing voluntary offset programmes:
  - Through a shared definition of objectives and methods of implementing voluntary offset programmes;
  - Through access to a common database and calculation method, so that customers can more easily calculate the greenhouse-gas emissions they wish to offset;
  - Through the recommendation of methods by which a project can become eligible for the voluntary offset system (notably including methods of evaluating emission reductions generated by the project and the number of carbon units available);
  - Through the introduction of a transparent process for monitoring both the steps taken to offset emissions and the eventual results in terms of the volume of emission reductions;
- Inform potential customers (businesses, communities, individuals, etc.) about the challenges, operating methods and impact of the voluntary greenhouse-gas offset programme;
- Provide transparent, comparison-ready information on offset providers offering their services in France, on relevant available projects and on offset practices among professional customers (businesses, organizations, etc.) that wish to become members of the Club of Emission-Offset Businesses and Organizations.

### **1.2 Positioning with regard to standardization initiatives; evolution of the Charter:**

The present Charter does not seek to develop a new standard but rather to draw on, consolidate and supplement existing initiatives to standardize voluntary offset programmes.

Given that offset programmes are a relatively recent and burgeoning phenomenon; this Charter will be reviewed on an annual basis to incorporate changes in practices and standards.

## **Article 2. Definition of voluntary offsetting**

The following definitions have been adopted for the purposes of this Charter:

**In generic terms, carbon offsetting** is a funding mechanism whereby, in lieu of reducing its emissions at the source, a natural or legal person purchases from a third party a quantity of carbon credits equivalent to all or a portion of its own emissions.

The underlying principle behind carbon offsetting is that a given quantity of greenhouse gases generated at one location can be "offset" by reducing or sequestering an equivalent quantity of greenhouse gases at another site. This principle of "geographical neutrality" is at the heart of the mechanisms established by the Kyoto Protocol.

**With regard to voluntary offsetting in particular**, the practice is targeted more specifically at those who are not subject to regulatory restrictions on their greenhouse-gas emissions (as in the European Union system for trading emissions allowances, for example) or who would like to go beyond their obligations. Natural or legal persons may wish to offset their emissions in whole or in part by acquiring, for subsequent disposal, emission reduction or sequestration units generated by projects carried out by a third party.

In the most common form of offsetting currently in use, the customer contacts a specialty provider from which it acquires a number of "carbon" units corresponding to the volume of greenhouse-gas emissions it wishes to offset. The amount paid for this purpose is used either directly or indirectly to help fund a specific emission reduction or carbon sequestration project. In its most tangible form, offsetting consists of the **purchase and cancellation** of greenhouse gas reduction units, also known as carbon credits.

Voluntary offsetting should be developed subsequent to or in tandem with the implementation of alternative solutions or efforts towards **emission reduction** (including changes in processes or behaviours) that the customer can carry out or incorporate within overall activity. It should be part of a general goal of achieving **carbon neutrality**.

Voluntary offsetting is not a substitute for legal obligations and cannot be used with the emissions targeted by these obligations.

## **Article 3. Offsetting projects covered by the Charter**

For any project that generates carbon units and includes a voluntary offset process, it must be possible to show that the emission reductions generated by the project are **real, verifiable, additional, permanent and guaranteed** and to establish in a clear fashion how these reductions are created, logged and tracked. Currently, projects that are certified under the CDM and JI programmes offer the greatest assurance in terms of project validity and monitoring and the standardization of carbon units.

Moreover, with regard to projects located in the Annex 1 countries of the Kyoto Protocol in particular, emissions reductions should not lead to duplication within country inventories.<sup>1</sup>

Offset projects approved under the Charter may relate to the development of renewable energy sources, improvements in energy efficiency, energy substitution, methane capture (from waste, etc.), afforestation/reforestation, etc., and may vary in size and location **so long as they meet the Charter's requirements** as described below.

Emissions reduction projects that have been formally registered by the executive board of the United Nations Framework Convention on Climate Change (UNFCCC) as part of the Clean Development Mechanism or Joint Implementation (CDM/JI) programmes and that, as part of the registration process, have had to demonstrate compliance with the approval criteria defined in the UNFCCC's multilateral framework, are automatically deemed to comply with all of the requirements contained in

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<sup>1</sup> Providers are urged to contact the appropriate organizations in each country to learn more about the conditions that should be met in order to prevent any duplication.

this Charter. However, information regarding their compliance with these requirements must still be provided, out of a desire for transparency and exemplarity.

In addition, several standards and labels have been created at the international level as part of public or private regulatory initiatives with the goal of enhancing the reliability and quality of the carbon units generated. Projects registered with these standards may be so designated and will be specially identified on the Internet site associated with this Charter,<sup>2</sup> but they must still provide evidence of compliance with the Charter by furnishing the information required.

## **Requirements**

### **3.1 Additionality**

The additionality of a voluntary project is to be interpreted as defined in the Kyoto Protocol for CDM/JI projects. It must be established by providers, who need to furnish proof that:

- the project exceeds regulatory obligations or obligations defined under any national greenhouse-gas reduction programmes applicable to the geographical area in question.

Providers must also furnish evidence that the project fulfils at least one of the following requirements:

- the project could not be carried out solely on the basis of financial profitability (determined by incorporating any public subsidies it may have received) and therefore requires additional funding through the sale of carbon units that it generates for greenhouse-gas emissions reductions (financial additionality);
- the sale of carbon units will enable the project to overcome institutional, social or cultural obstacles. For example, this includes support for awareness-raising campaigns or educational initiatives to ensure that the project can be implemented (cultural and social barriers).

### **3.2 Project description**

The projects must be described and presented consistent with the forms published by the UNFCCC as part of the CDM programme for small-scale projects (PDD form<sup>3</sup>).

### **3.3 Long-term nature of offset projects and permanence of carbon credits**

Emission reduction projects should be developed as part of a long-term perspective and should offer lasting solutions that are suited to local conditions (field survey, desirability study, project tracking, etc.).

The carbon credits generated by these projects should be permanent. With regard to afforestation/reforestation projects in particular, the offset provider should establish mechanisms to ensure the permanent nature of these projects and minimize the various risks, and should supplement the programme with a project guarantee in the form of insurance or a combination of temporary and permanent credits.

### **3.4 Benefits for sustainable development**

Apart from their contributions to reducing greenhouse-gas emissions, the projects should offer evidence that they will have no negative consequences for sustainable development in their geographical coverage area, particularly with respect to social and economic concerns among the local and regional population, and will not simply cause pollution or negative environmental consequences to be displaced elsewhere. To that end, providers will complete the "sustainable development" grid shown in Appendix 3 for each project.

### **3.5 Measurability and validation of reductions in CO<sub>2</sub>**

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<sup>2</sup> [www.compensationCO2.fr](http://www.compensationCO2.fr)

<sup>3</sup> [http://cdm.unfccc.int/Reference/PDDs\\_Forms/PDDs/index.html](http://cdm.unfccc.int/Reference/PDDs_Forms/PDDs/index.html)

It must be possible to measure the volume of carbon prevented or sequestered for each project carried out. The actual quantity of prevented or sequestered emissions must be measured and tracked using:

- a methodology that is formally recognized by an official programme at the international level (Kyoto Protocol CDM/JI programme) or the national level (domestic offset projects, energy-savings certificates),
- or a methodology that has been approved by the UNFCCC's methodology panel.

### **3.6 Expert evaluation for project verification**

Audits of prevented or sequestered emissions must be conducted by independent bodies.

To ensure that the cost of verification is not excessive in light of the project's impact, projects that generate less than 6,000 tonnes of CO<sub>2</sub> equivalent annually may rely on experts that are not accredited pursuant to official systems and standards, so long as these experts adhere to the same methodologies and submit the audit report indicated in Appendix 1 to the provider. This report should indicate:

- the nature and scope of the verification activities,
- information on the procedures for establishing verified data and the scope of the monitoring process,
- a conclusion signed by an identifiable individual.

For projects that generate less than 6,000 tonnes of CO<sub>2</sub> equivalent annually, auditing by an independent expert is required only every other year, so long as an annual monitoring system is established by the project sponsor.

### **3.7 Uniformity of carbon credits**

Linked national registries are needed to ensure complete uniformity of carbon units. Providers can take the first step towards eventual participation in a system of this type by maintaining logs.

To reduce the risk that carbon units are used more than once, offset providers who sign the Charter must maintain a log that, for each project, includes the number of credits generated and the date the credits were recorded in the log, as well as the number of credits cancelled on behalf of each natural or legal person and the date of the cancellation. This log must be made available on request to third party experts appointed by the Charter's Monitoring Office.

Signatory providers must be able to provide formal title to the credits and transfer agreements to their customers. They must also be able to demonstrate that the audit reports are consistent with the data in their logs.

## **Article 4 Commitments by signatory offset providers**

### **4.1 Method of calculating greenhouse-gas emissions that customers wish to offset**

When calculating the emissions to be offset on behalf of their customers, and specifically for the data used in their online calculators, signatory providers agree to adopt the emission factors used in the Bilan Carbone™ method provided by ADEME. Moreover, their calculator must specify the perimeters and calculation methods used. With regard to emissions from air transport, ADEME follows the Intergovernmental Panel on Climate Change (IPCC) in recommending that additional radiative forcing be incorporated into the overall calculation of greenhouse-gas emissions.

If specific data prove to be more appropriate than the emission factors used in the Bilan Carbone™ method, the provider may use those data so long as it provides evidence of their relevance and describes their exact source. This new information may be added to the emission factors used in the Bilan Carbone™, as appropriate, in order to make these factors more detailed and comprehensive.

### **4.2 Obligations of signatory providers under the Charter of Best Practices**

- **with regard to selecting offset projects:**

Signatory providers offer a pledge that all of the projects they present to their customers are in compliance with the Charter's requirements.

- **with regard to communication:**

Signatory providers pledge to inform their customers in clear terms about the role of the offsetting process in efforts to combat climate change and specifically about the need to give priority to **reducing emissions at the source**. With this in mind, the use of the expression "carbon neutral" to describe a product or event without reference to emission reduction activities is forbidden within the scope of the Charter.

In addition, signatory providers that conduct activities other than involved in voluntary offsets agree to state explicitly in all communications relating to their Charter commitments that these commitments apply solely to their voluntary offsetting activities.

The phrase "signatory to the Charter of Best Practices for voluntary offset providers" must always be accompanied by a reference to the Internet site on offsetting: ([www.compensationCO2.fr](http://www.compensationCO2.fr)). Signatories will have access to a special logotype developed for the Charter (compensationCO<sub>2</sub>) that they may use in their communications, including their Internet site. Use of the logotypes of the Ministry of Ecology, Energy and Sustainable Development and ADEME is prohibited.

- **with regard to information access:**

Signatory operators agree to make the information indicated in Appendix 1, at a minimum, freely available at no charge on their Internet site devoted to voluntary offsetting.

The information posted on the Internet site will be accessible to the public. If the information provided at the site appears incomplete and/or does not comply with the Charter governing offset providers, members of the public are invited to submit their comments, questions and criticisms directly to the provider via the Internet site [www.compensationCO2.fr](http://www.compensationCO2.fr).

In addition, the public may contact the Charter's Monitoring Office if any aspect of the provider's response is deemed unsatisfactory.

## **Article 5 Commitments by members of the Club of Emission Offset Businesses and Organizations**

### **5.1 General policy regarding the environment and emission reduction at the source**

Since voluntary offsetting should be viewed within the context of overall carbon neutrality (cf. Article 2), Club members should define the environmental policy they are implementing and the actions they have taken or plan to take to reduce emissions.

### **5.2 Method to be used by members to calculate greenhouse-gas emissions**

Greenhouse-gas emissions to be offset must be calculated using the emission factors provided by the Bilan Carbone™ method available from ADEME<sup>4</sup>. With regard to emissions from air transport, ADEME follows the Intergovernmental Panel on Climate Change (IPCC) in recommending that additional radiative forcing be incorporated into the overall calculation of greenhouse-gas emissions.

If specific data prove to be more appropriate than the emission factors used in the Bilan Carbone™ method, the provider may use those data so long as it provides evidence of their relevance and describes their exact source. This new information may be added to the emission factors used in the Bilan Carbone™, as appropriate, in order to make these factors more detailed and comprehensive.

If Club members adopt or develop an online calculator, they must provide precise information on the emissions factors, perimeters and calculation methods used.

### **5.4 Obligations by members of the Club of Emission-Offset Businesses and Organizations:**

- **with regard to selecting projects:**

Members of the Club pledge to offset all or a portion of their emissions by funding projects that meet the requirements described in Article 3. Club members should be able to describe the project(s) they are funding based on the information requested in Appendix 2 of this Charter.

- **with regard to communication:**

Members pledge to provide clear information about the role of the offsetting process in their overall effort to combat climate change and specifically about their past and projected efforts to give priority to **reducing emissions at the source**.

The phrase "member of the Club of Emission-Offset Businesses and Organizations" must always be accompanied by a reference to the Internet site on offsetting: ([www.compensationCO2.fr](http://www.compensationCO2.fr)).

In any communication regarding their offsetting activities, Club members agree to indicate, on a systematic basis, the specific actions involved in the offsetting activity described and their precise scope. In addition, they agree to make reference to the overall policy for reducing emissions at the source that they currently deploy or intend to deploy in the near future. Accordingly, the use of the expression "carbon neutral" to describe a product or event without reference to emission reduction activities is forbidden.

Club members will have access via the Internet site to a special logotype developed for the Charter (compensationCO<sub>2</sub>) that they may use in their communications, including their Internet site. Use of the logotypes of the Ministry of Ecology, Energy and Sustainable Development and ADEME is prohibited.

- **with regard to information access:**

Members agree to make the information described in Appendix 2 freely available at no charge at the Internet site devoted to voluntary offsetting, [www.compensationCO2.fr](http://www.compensationCO2.fr).

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<sup>4</sup> <http://www.ademe.fr/bilan-carbone>

The information posted on the Internet site will be accessible to the public. If the information provided at the site appears incomplete and/or does not comply with Club member commitments, members of the public are invited to submit their comments, questions and criticisms directly to the provider via the Internet site [www.compensationCO2.fr](http://www.compensationCO2.fr).

In addition, the public may contact the Charter's Monitoring Office if any aspect of the Club member's response is deemed unsatisfactory.

## **Article 6      Role of the Charter's Monitoring Office**

The Charter's Monitoring committee consists of representatives of ministry of Ecology, Energy and Sustainable Development (MEEDDAT), French Environment and Energy Management Agency (ADEME), French development Agency (AFD); the Technical Interprofessional center of Study of the Atmospheric Pollution (CITEPA); French Ministry of Agriculture and Fisheries (MAP); National Office of forest (ONF); Action Climat Network (RAC-F).

### **6.1      Monitoring of the Charter of Best Practices for offset providers**

The Office will periodically analyse alerts it receives and reserves the right to undertake thorough investigations and/or perform random verifications at its own initiative in response. In the event that a signatory to the Charter is found to be in breach of its obligations under the Charter, the provider may be removed from the [www.compensationCO2.fr](http://www.compensationCO2.fr) site and excluded from the Charter.

Similarly, if the information provided for a given project on carbon credits generated does not comply with the Charter and its requirement of transparency, the project's status may be revoked.

### **6.2      Monitoring of the Club of Emission-Offset Businesses and Organizations**

The Charter's Monitoring Office is also responsible for the smooth operation of the Club of Emission-Offset Businesses and Organizations.

The Office will periodically analyse alerts it receives and reserves the right to undertake thorough investigations and/or perform random verifications at its own initiative in response. In the event that a Club member is found to be in breach of its commitments, the member may be removed from the [www.compensationCO2.fr](http://www.compensationCO2.fr) site and excluded from the Club.

### **6.3      Monitoring of and updates to the Charter**

The Office will manage the annual Charter review.

## Appendix 1

### Information to be furnished by offset providers

- **Provider name**
- **Status** (association, company, etc.)
- **Key figures:**
  - Annual volume of carbon units sold, in tonnes of CO<sub>2</sub>e (CO<sub>2</sub> equivalent)
  - Percentage of pre-tax sums collected online (service offerings for individuals) that is allocated to projects
  - The provider pledges to maintain a log of carbon units that it acquires and cancels.
  
- **Description of the project generating carbon units**
  - **Type** of project <sup>5</sup>
  - **Sector** <sup>6</sup>
  - **Geographical location**
  - **Brief description**
  - **Project start date**
  - **Annual carbon units** based on a table indicating annual units achieved and verified and projected annual units
  - **Kyoto CDM/JI project:**  yes  no
  - **Type of credits:**
    - Eligible Kyoto units (CER/CDM and ERU/JI)
    - Verified units (VER)
  - **Labels:** (Gold Standard, TÜV SÜD VER +, Other standards, please specify: \_\_\_\_\_ )
  - **Price** per tonne of CO<sub>2</sub> for projects targeted to the general public
  
- **Project's compliance with Charter requirements**
  - Demonstration of **additionality**: In addition to exceeding regulatory obligations, the project can be defined by the following:
    - Financial additionality
    - Analysis of social and cultural barriers
  - The provider guarantees the **uniformity** of the carbon units, as described in the PDD form.
  - The provider guarantees the **lasting nature** of the project, as described in the PDD form.

<sup>5</sup> **Type:** 1. Renewable energy (photovoltaics; thermal solar; biomass, biogas, biofuel; windpower; geothermal; small-scale hydroelectric project);

2. Energy efficiency (industry, domestic sector, transport, public sector, service sector, agriculture);

3. Land and forest use (afforestation/reforestation)

4. Methane capture and combustion

<sup>6</sup> **Sector** (Source: <http://cdm.unfccc.int/methodologies/index.html>)

- |                             |  |
|-----------------------------|--|
| - Energy industry           | - Metal production   |
| - Energy distribution       | - Fugitive emissions from fuels  |
| - Energy demand             | - Fugitive emissions from the production and consumption of halocarbons and sulphur hexafluoride |
| - Manufacturing industry    | - Use of solvents  |
| - Chemical industry         | - Waste treatment and disposal   |
| - Construction              | - Afforestation and reforestation  |
| - Transport                 | - Agriculture  |
| - Mining/mineral production | -  |

- The provider guarantees the **permanent nature of the carbon units generated by the project**.
  - **Measuring and monitoring methodology used:**
    - Methodology adopted by the Executive Board of the UNFCCC
    - Methodology validated by the Methodology Panel of the UNFCCC
  - **Type of credits:**
    - Eligible Kyoto units (CER/CDM and ERU/JI)
    - Verified units (VER)
  - **Labels:** (Gold Standard, TÜV SÜD VER +, Other standards, please specify: \_\_\_\_\_ )
- **Verification process:**
    - Name of independent auditor
    - UNFCCC-certified:  yes  no
    - Frequency of audits: \_\_\_\_\_
    - Date of last audit report: \_\_\_\_-\_\_\_\_-\_\_\_\_ or, if none, projected report date: \_\_\_\_\_
  - **Project documents**
    - Link to detailed description modelled after the **PDD form**
    - Link to **audit report**
    - Link to completed **sustainable development grid** (Appendix 3)

## Appendix 2

### Information to be furnished by members of the Club of Emission-Offset Businesses and Organizations

- **Member name**
- **Status** (business, public entity, association, etc.)
  
- **Environmental policy:**
  - **Objectives** regarding direct reductions in greenhouse-gas emissions from its activities
  - **Actions taken** to reduce emissions at the source
  - **Activities** to be offset and scope of offsetting (description, location, date and/or duration) and percentage of emissions offset for each activity
  - **Communication** regarding offsetting
  
- **Description of the project generating carbon units**
  - **Type**<sup>7</sup>
  - **Geographical location**
  - **Brief description**
  - **Project start date**
  - **Annual carbon units** based on a table indicating annual units achieved and verified and projected annual units
  - **Price** per tonne of CO<sub>2</sub> for projects targeted to the general public
  - **Kyoto CDM/JI project:**  yes  no
  - **Type of credits:**
    - Eligible Kyoto units (CER/CDM and ERU/JI)
    - Verified units (VER)
  - **Labels:** (Gold Standard, TÜV SÜD VER +, Other standards, please specify: \_\_\_\_\_ )
  
- **Project's compliance with Charter requirements**
  - Demonstration of **additionality**: In addition to exceeding regulatory obligations, the project can be defined by the following:
    - Financial additionality
    - Analysis of social and cultural barriers
  - The member has received a guarantee of the **uniformity** of the carbon units.
  - The member has received a guarantee of the **lasting nature** of the project.
  - The member has received a guarantee of the **permanent nature of the carbon units** generated by the project.

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<sup>7</sup> **Type:** 1. Renewable energy (photovoltaics; thermal solar; biomass, biogas, biofuel; windpower; geothermal; small-scale hydroelectric project);  
2. Energy efficiency (industry, domestic sector, transport, public sector, service sector, agriculture);  
3. Land and forest use (afforestation/reforestation)  
4. Methane capture and combustion

- **Measuring and monitoring methodology used:**
  - Methodology adopted by the Executive Board of the UNFCCC
  - Methodology validated by the Methodology Panel of the UNFCCC

- **Verification process:**

- Name of independent auditor
- UNFCCC-certified:  yes  no
- Frequency of audits: \_\_\_\_\_
- Date of last audit report: \_\_\_\_ ---- \_\_\_\_ or, if none, projected report date: \_\_\_\_\_

- **Project documents**

- Link to detailed description modelled after the **PDD form**
- Link to **audit report**
- Link to completed **sustainable development grid** (Appendix 3)

### Appendix 3

### Sustainable Development Analytical Grid

This grid is to be completed with respect to prevailing conditions if the project did not exist.

For each of the following items, indicate whether the project has a positive impact (response A), no impact (B) or a negative impact (C) on the environment, the local economy or society as a whole.

	Indicators	A	B	C	Comments:
<b>ENVIRONMENT</b>	Energy savings				
	Local energy independence				
	Air quality				
	Noise				
	Waste				
	Biodiversity				
	Water (pollution and/or depletion)				
	Soil quality				
	Natural hazards				
	Other (specify)				
<b>ECONOMY</b>	Local economic development				
	Development of skills and expertise				
	Transfer of technology and innovation				
	Reduction in the cost of living				
	Local employment, including income-generating activity				
	Other (specify)				
<b>SOCIETY</b>	Human rights				
	Gender equality and respect				
	Land-use planning				
	Social cohesion				
	Health				
	Food safety				
	Other (specify)				

## Appendix 4

### Why is the Charter open to offset projects outside the CDM/JI framework?

The projects that currently appear to offer the strongest guarantees in terms of reliability and veracity regarding the carbon credits they generate are those that have been developed and certified within the Kyoto Protocol's Clean Development Mechanism (CDM) or Joint Implementation (JI) programmes. These projects are verified by an accredited third party, and the carbon credits they generate are logged in a single international registry. As a result, purchasers receive a guarantee of an actual reduction in CO<sub>2</sub> emissions and can be certain that the carbon credit they purchase has been sold only once.

Still, CDM projects do not necessarily provide an all-purpose response to the carbon offset needs of the general public or of companies that are not subject to the EU system of emission allowances. In fact, the range of existing CDM projects remains fairly limited:

- in technical terms: nearly half of all projects involve industrial gases (N<sub>2</sub>O and fluorinated gases), less than 20% involve the development of renewable sources of energy and virtually none relate to forestry issues (reforestation or the prevention of deforestation);
- in geographical terms: two-thirds of the registered projects are being conducted in just two countries (China and India), while almost no projects are being carried out in Africa, for example;
- in terms of project size: the vast majority of these projects are on an industrial scale.

Moreover, the administrative cost of developing and monitoring these projects is quite high (including the cost of registration, periodic monitoring and certification).

Consequently, the Charter of Best Practices, while emphasizing reliance on these certified projects (CDM and JI), also permits the use of projects developed outside this framework if they fulfil the requirements outlined in the Charter, including both sustainable development requirements and technical requirements with regard to establishing and monitoring projects, based on methodologies developed within the CDM initiative and adapted to small-scale projects.

The goal of task force members in opening the Charter to non-CDM projects was to create opportunities for unique and often small-scale initiatives, sponsored by research firms or NGOs, that attempt to establish an effective link between the fight against climate change and developmental aid.

This approach also opens the door to the development of quality projects within France, as a way of responding to increasingly significant demand among sectors of the economy that are not subject to the EU quota system (manufacturing, service sector) as well as regional governments that are seeking out local options (such as community projects) for reducing the impact of their activities on the climate.

## Appendix 5

### Information on the risk of duplication within national greenhouse-gas emissions inventories for projects developed in Annex 1 countries

Emissions prevented by a voluntary offset project developed in an Annex 1 country<sup>8</sup> are not currently subtracted from national greenhouse-gas emissions inventories.

- Voluntary offset projects developed in France

Within the Land Use, Land-Use Change and Forestry (LULUCF) sector, inventories are prepared using systematic databases (TERUTI / TERUTI-LUCAS). All emission reductions (e.g., those from sequestration through afforestation in France) are taken into account in the national greenhouse-gas inventory.

Thus, since emission reductions attributable to an afforestation-related voluntary-offset project in France are not currently subtracted from the national inventory, they may actually be counted twice: once as part of the voluntary project and again as part of the national inventory conducted for the United Nations Framework Convention on Climate Change (UNFCCC).

- Voluntary offset projects in non-Annex 1 countries

Non-Annex 1 countries cannot currently be required to ensure that emission reductions attributable to voluntary offset projects conducted within their country are subtracted from their national inventory. As a result, reductions in greenhouse-gas emissions can potentially be counted twice.

#### **The proposal by the Charter:**

Since for the moment it is not possible to address this concern comprehensively, the Charter of Best Practices (Article 3) reminds providers of the need to work closely with the appropriate bodies in each country<sup>9</sup> to prevent any duplication and reaffirms the need for each signatory to maintain a log as a first step in this process (Article 3.7).

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<sup>8</sup> The 24 member countries of the OECD, plus 14 countries in transition (Eastern Europe, Russia).

<sup>9</sup> For France, the *Centre interprofessionnelle technique d'études de la pollution atmosphérique* (CITEPA).

# Glossary

**Additionality**: Guarantees that the funded project is actually generating a reduction in greenhouse-gas emissions by comparison with the activities that would have been carried out without offsetting. A project that meets these conditions is described as "additional".

**Offset customer**: A natural or legal person that wishes to reduce its own impact on the climate by offsetting greenhouse-gas emissions.

**Carbon offsetting**: In generic terms, carbon offsetting is a funding mechanism whereby, in lieu of reducing its own emissions at the source, a natural or legal person purchases from a third party a quantity of carbon credits equivalent to all or a portion of its own emissions. The underlying principle behind carbon offsetting is that a given quantity of greenhouse gases generated at one location can be "offset" by reducing or sequestering an equivalent quantity of greenhouse gases at another site. This principle of "geographical neutrality" is at the heart of the mechanisms established by the Kyoto Protocol.

**Voluntary offsetting**: Voluntary offsetting is targeted more specifically at those who are not subject to regulatory restrictions on their greenhouse-gas emissions (as in the European Union system for trading emissions allowances, for example) or who would like to go beyond their obligations. Natural or legal persons may wish to offset their emissions in whole or in part by acquiring, for subsequent disposal, emission reduction or sequestration units generated by projects carried out by a third party. In the most common form of offsetting currently in use, the customer contacts a specialty provider from which it acquires a number of "carbon" units corresponding to the volume of greenhouse-gas emissions it wishes to offset. The amount paid for this purpose is used either directly or indirectly to help fund a specific emission reduction or carbon sequestration project. In its most tangible form, offsetting consists of the purchase and cancellation of greenhouse gas reduction units, also known as carbon credits.

**United Nations Framework Convention on Climate Change (UNFCCC)**: An international treaty that was adopted in 1992 at the Rio Earth Summit and took effect in March 1994. The treaty has been ratified by 188 nations, or virtually every country on earth, as well as the European Community. The Convention acknowledges the existence of climate change resulting from human activity and establishes, as an ultimate objective for governments, the "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system" (Article 2).

**Carbon credit**: generic unit equivalent to one tonne of prevented or sequestered CO<sub>2</sub>. Carbon credits are expressed in tonnes of CO<sub>2</sub> equivalent, written as tCO<sub>2</sub>e, based on the ISO 14064 standard. (One tonne of CO<sub>2</sub> is equivalent to 0.2727 tonne of carbon.)

**Project developer**: The entity responsible for implementing a greenhouse-gas emission reduction or sequestration project. The project developer may sell the credits it generates on its own behalf or it may act as an intermediary between the actual owner of the project's credits and a potential buyer.

**Project design document (PDD)**: An official document required by the CDM Executive Board that contains detailed project information, including a description of the project, information on promoters and other participants, an explanation of the additionality and the baseline scenario and a monitoring plan.

**Emissions trading system**: Under the emissions trading system set out in Article 17 of the Kyoto Protocol, the Parties defined in Annex B of the Protocol may acquire assigned amount units (AAU) from other Annex B Parties. To coincide with the Kyoto Protocol's first commitment period, the European Union established a Directive for greenhouse gas emission allowance trading in 2003, which created a CO<sub>2</sub> trading scheme for energy-intensive industries.

**Additional or enhanced greenhouse effect**: The intensification of the natural greenhouse effect when greenhouse gases caused by human activities are discharged into the atmosphere. This added effect is dangerous and leads to greater warming of the earth's surface. This finding was confirmed and refined by the Intergovernmental Panel on Climate Change (IPCC) in its fourth report, published in 2007.

**Energy efficiency:** The energy output of a process or device with respect to its energy input. For example, good energy efficiency in a household appliance is defined as lower energy consumption for the same service provided.

**CO<sub>2</sub>-equivalence:** A method of measuring greenhouse-gas emissions that takes into account the warming capacity of each gas relative to that of CO<sub>2</sub>.

**Greenhouse gases:** Gaseous components in the atmosphere, both natural and artificial, that absorb and re-radiate the earth's infrared radiation. They help to maintain warmth in the earth's atmosphere. The principal greenhouse gases are as follows: water vapour (H<sub>2</sub>O), carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), ozone (O<sub>3</sub>), fluorinated gases (HFC, PFC, SF<sub>6</sub>), etc. Water vapour and ozone are not covered by the Kyoto Protocol because their lifecycle is too short. Greenhouse gases are generally measured in overall warming capacity expressed in CO<sub>2</sub>e (CO<sub>2</sub> equivalent).

**Flexibility mechanisms:** Economic mechanisms founded on market principles that can be used to enhance the cost-effectiveness of national policies to combat climate change at the international level. The two primary mechanisms contained in the Kyoto Protocol are project-based (the Clean Development Mechanism, or CDM, and Joint Implementation Mechanism, or JI), while the third establishes an international emissions trading system.

**Clean Development Mechanism (CDM):** One of the flexibility mechanisms contained in the Kyoto Protocol. It allows Annex 1 countries to fund projects that reduce emissions or sequester greenhouse gases in developing countries and, in return, receive certified emission reductions (CERs) that they can count towards meeting their own emission reduction obligations. CDM projects can be carried out beginning in 2000 and are aimed at encouraging the transfer of environmentally friendly technology to and promoting sustainable development in non-Annex 1 countries.

**Joint Implementation:** Under Article 6 of the Kyoto Protocol, any Annex 1 Party may transfer to any other party having the same status, or may acquire from it, emission reduction units (ERUs) arising from projects aimed at reducing greenhouse gas emissions.

**Carbon neutrality:** Carbon neutrality is the result of a process to reduce greenhouse gas emissions and offset the remaining emissions in their entirety. As soon as the direct emissions of a natural or legal person have been effectively offset, the reductions or sequestrations funded at one location balance out the emissions generated at another location, and consequently the programme's overall emission status is neutral. As with offsetting, the concept of carbon neutrality can be applied to an individual or corporation (e.g., on an annual basis) or to an event, a move, etc., as it occurs.

**Offset provider:** A natural or legal person that purchases or generates carbon credits, records them in a log and cancels them at the request of its customers, with the goal of offsetting all or a portion of their greenhouse gas emissions.

**Annex 1 and B countries:** The Annex 1 countries are the industrialized countries that appear in the first annex to the United Nations Framework Convention on Climate Change. The list includes the 24 member countries of the OECD, plus 14 countries in transition (Eastern Europe, Russia). The Annex B countries are the 39 most industrialized nations, including France, which are subject to the binding obligations contained in the Kyoto Protocol for controlling their greenhouse gas emissions. By 2012, these countries are expected to have reduced their greenhouse gas emissions by 5.2% from the levels recorded in 1990.

**Developing countries:** The UNFCCC divides the international community into two groups: industrialized countries (those indicated in Annex 1) and developing countries. The latter include a wide range of countries, from small island nations to major countries such as Brazil and China, as well as the least developed countries and the OPEC countries.

**Emission permits:** See Emission allowances.

**Kyoto Protocol:** Signed in 1997, this protocol represented an essential step in implementing the Convention. The Protocol came into force in February 2005 and has been ratified by 175 countries, including the European Community. Annex B of the Protocol defines quantified greenhouse-gas emission reduction and limitation commitments for the relevant industrialized nations over what is known as the first commitment period, 2008-2012. To meet these commitments, the countries must develop national policies and measurements for combating climate change. The Protocol also provides for the possible use of flexibility mechanisms in conjunction with these commitments, and defines the basic principles behind these mechanisms.

**Emission allowances:** Emission allowances are the basic unit used in the **emission permit** or allowance trading system. Allowances represent a quantity of greenhouse-gas emissions (expressed in tonnes of CO<sub>2</sub> equivalent) that may not be exceeded over a given period. These allowances are issued to a country or economic entity by an administrative authority (an intergovernmental organization or government agency). Emissions trading: Each year, the government allocates CO<sub>2</sub> emission allowances to the relevant companies. As of 30 April of each year, the tally of CO<sub>2</sub> emissions discharged in the years since the start of the period in question must show that emissions are lower than or equal to the allowances the company received or acquired.

**Emission Reduction Units (ERU):** These are marketable units produced by projects in developed countries (i.e., Annex 1 countries) as part of the Joint Implementation (JI) mechanism. ERUs can be converted into AAUs, and countries can count them towards compliance with their emissions targets. Each ERU is equal to one tonne of CO<sub>2</sub>-equivalent gas.

**Certified Emission Reduction units (CER):** These are marketable units produced by projects in developing countries as part of the Clean Development Mechanism (CDM). Annex 1 countries that have ratified the Kyoto Protocol can count these units towards their emission reduction commitments (for both the UNFCCC and the European Union). A unit is equivalent to one tonne of CO<sub>2</sub>-equivalent gas.

**Verified Emission Reduction units (VER):** These are marketable units produced by projects that reduce or sequester greenhouse-gas emissions and comply with the UNFCCC's methodological tools. These units are intended for the voluntary market and cannot be used to fulfil regulatory obligations. A unit is equivalent to one tonne of CO<sub>2</sub>-equivalent gas.

**Assigned Amount Units (AAU):** The quantity of greenhouse-gas emissions allocated to Annex 1 countries for the period 2008-2012.

**Removal Units (RMU):** Emission allowances generated by the national forest inventory in each Annex 1 country in light of the country's carbon sink activities.

**Offset vehicle:** A natural or legal person that encourages its customers to take part in voluntary offsetting without itself managing credits (unlike a provider) or taking part in offsetting (which is the role of the customer).