

Infosheet

Certificate types, double counting & climate claims - How companies can support climate reforestation in Germany

Notes

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Development

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Certificate types, double counting & climate claims

How companies can support climate reforestation in Germany

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Sale of dynamic EVA certificates

EVA certificates from reforestation and forest conversion are "dynamic certificates". Their status changes from "validated" to "verified" as the storage capacity of the growing forest increases. The validated EVA certificate stands for a predicted storage capacity that will only be achieved in the future. Once the CO₂ storage capacity has actually been achieved, the EVA certificate is verified. This dynamic adjustment takes into account the need for pre-financing for forest owners and the need for tradable certificates for companies.

Validated certificates provide forest owners with the necessary financing for reforestation and forest conversion right from the start. With the validated certificates, companies immediately contribute to the climate-friendly reforestation of regional forests in line with Germany's climate targets. They can later neutralize their own emissions with verified certificates.

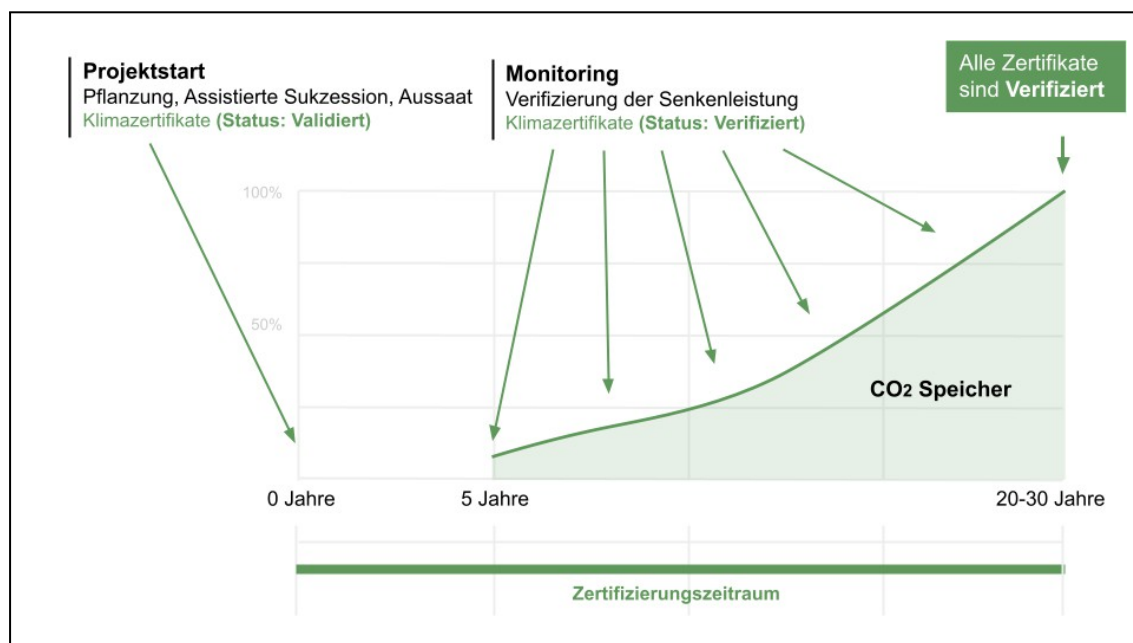


Figure: Forest climate certificates change their status over the course of the project in line with the actual sink performance and thus also their usability for offsetting unavoidable emissions.

Voluntary performance and state regulation

In recent years, the voluntary carbon market has made billions of euros in funding available to combat climate change and is making an indispensable contribution to achieving the 1.5 degree target.

While the Paris Agreement is groundbreaking in many respects, there are still different interpretations of the role of the voluntary carbon market in achieving global climate targets. In particular, there is great uncertainty regarding the question of how climate services can be traded in the voluntary carbon market that are also counted in a national greenhouse gas registry (double claiming).

This uncertainty is currently making many companies reluctant to make purchases and is often preventing the launch of urgently needed climate protection projects that would be dependent on income from the carbon market.

EVA has therefore decided to derive a recommendation from the current debate on how companies can communicate publicly about the purchase of EVA climate certificates.

Avoidance of double counting

The German Emissions Trading Authority (DEHSt) distinguishes between three forms of double counting:

1. Multiple issuance of climate certificates (double issuance)

All EVA certificates are issued and managed in EVA's registry. The registry is forgery-proof and at the same time provides maximum transparency for all parties involved. EVA also plans to make the registry entries accessible to the German authorities. Even if there is no obligation to do so, EVA wants to ensure full transparency towards the authorities.

The risk of EVA issuing multiple certificates can therefore be classified as very low.

2. Multiple use of climate certificates (double use)

EVA's tamper-proof and publicly accessible registry and the professional certification of projects by recognized inspection bodies offer the highest level of security that a project cannot sell its EVA climate certificates more than once.

The risk of multiple use can therefore also be classified as very low.

3. Multiple use of the climate benefit (double claiming)

Germany has set itself ambitious climate protection targets, and the forest ecosystem plays a key role in achieving them. It includes the climate performance of forests in its national climate targets across the board. Studies already show that these targets cannot be achieved with the current measures (Projection Report for Germany 2021 Link, p. 305, p. 307). There is an ambition gap.

German forest owners can market the carbon sink performance of their forest as an outflow of the ownership of their land. It can be monetized and traded in the form of EVA certificates. Forest owners prove in an additionality test that the climate-resilient afforestation of their land is not feasible without income from EVA certificates, despite state subsidies.

Companies buy EVA certificates and use them to co-finance the climate-resilient reforestation of regional forests. In this way, voluntary emissions trading helps to reduce the German government's ambition gap and makes an important contribution to achieving Germany's climate targets

If companies retire the EVA certificates they have acquired and use them to voluntarily **offset or neutralize** their own unavoidable emissions, this results in a **double claim on** climate performance. On the one hand by the German government, which offsets all the climate benefits of the forest against its climate targets, and on the other hand by a private company that voluntarily neutralizes its own residual emissions, for which there is no legal obligation. This double claim is **harmless to environmental integrity** for as long as this is the case:

- the additional EVA certificates generated by companies in Germany
 - **on German territory** and
 - be decommissioned for the **voluntary neutralization of** its own residual emissions
- the **German government is not reducing** its own ambitious climate targets due to the voluntary climate performance of forest owners.

To illustrate this, a comparison with gross domestic product is permitted: its calculation includes all goods and services produced within Germany by companies that also report these goods and services in their own balance sheets. Double counting would only occur if the services of foreign companies were also reflected in the German gross domestic product.

Corresponding adjustments (CA) therefore also make no sense for a voluntary carbon market within national borders. If a climate service from Germany is decommissioned in Germany, the German government would issue the CA for this climate service itself.

*The double use of climate performance is therefore **not seen as problematic** and should be communicated proactively and transparently to the outside world by companies. The voluntary neutralization of own unavoidable emissions in Germany with climate certificates from Germany makes an active contribution to achieving the German climate targets.*

Possible climate claims with EVA certificates

The positive influence of EVA certificates on the corporate carbon footprint enables companies to use various claims as part of their transparent sustainability communication.

Contribution Claim

Validated EVA certificates enable companies to use contribution and general neutralization claims immediately. Examples:

- "By purchasing EVA climate certificates, we are supporting the storage of greenhouse gases.
10,000 tons of CO₂ in an independently certified reforestation project and thus make a contribution to achieving Germany's climate targets."
- "By purchasing EVA certificates, we will achieve calculated climate neutrality at company level by 2035."

The contribution claim in particular is very susceptible to "greenwashing". To ensure maximum integrity, EVA recommends that companies always make it clear when communicating the contribution claim:

- The claim refers to a recognized climate standard and **has been certified**
- **How much** CO₂ has been saved through the company's involvement in a specific project
- The climate performance of Germany's forests is being aligned with the **country's climate targets**.
and only counted there and reported to the UNFCCC via the EU.

Compensation claim

From 5 years after the start of the project activities, the first climate protection effects can be measured with the accuracy required by the UNFCCC. From this point onwards, the status of EVA certificates will gradually change from validated to verified and companies can begin to use their verified EVA certificates for a detailed neutralization claim. Example:

- "In 2032, we will neutralize 20,000 tonnes of our previously unavoidable CO₂ emissions on a voluntary basis with EVA certificates."

To ensure the highest level of integrity, EVA strongly recommends that companies always make it clear when communicating the neutralization claim:

- EVA certificates are used for the **voluntary neutralization of emissions generated in Germany** (Scope 1 and possibly Scope 2) that **cannot be further reduced** and that are not counted in mandatory German or European emissions trading
- Voluntary neutralization is achieved by **offsetting** own CO₂ emissions against climate services provided by the German forest.
- The climate performance of Germany's forests is being aligned with the **country's climate targets**.
and only counted there and reported to the UNFCCC via the EU.

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