

High Ambition Markets Accelerator (HAMA)

Scoping Meetings – December 9th and 10th, 2020

MEETING REPORT

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1. Background and goals

The commitment to Net Zero by 2050 has renewed corporate interest in the Voluntary Carbon Market (VCM) as a tool to support flexible pathways for decarbonisation. If managed well, the VCM has huge potential to channel significant funding into additional mitigation, including emission-reducing technologies and nature-based solutions. But there are concerns that without clear and coherent guidance on how engagement in the VCM relates to corporate net zero transitions, the VCM could undermine the goals of the Paris Agreement and the credibility of those participating in it.

Several private sector and civil society initiatives are focused on scaling the VCM and improving its quality and integrity (Annex 1). But a lack of coordination is causing confusion for companies looking to engage in the VCM as part of credible net zero transition plans. Initiatives – and prospective buyers – would benefit from an umbrella platform to connect initiatives, amplify efforts, and bring coherence to corporate guidance for net zero-aligned VCM engagement. This should link with supply-side perspectives and be accompanied by a robust framework that enables accountability and recognition for those entities truly committed to high ambition.

There is an urgency to get this right. With increasing interest from corporates, and efforts to scale the VCM underway, clarity over how the VCM can contribute to the goals of the Paris Agreement is needed quickly to maintain trust and credibility in the market. COP26 provides a milestone for launching robust guidance on the use and claims of carbon credits to ensure that voluntary crediting contributes towards the Paris Agreement temperature goals.

We must not pre-judge the outcomes of Article 6. This initiative must remain an independent process, moving in parallel with any work on Article 6.

On the 9th and 10th of December 2020, CIFF and Trove Research held meetings with Civil Society and Corporate actors to understand whether a High Ambition Market Accelerator [working title] initiative could fill this gap. These meetings sought to test high-level objectives and a skeleton proposal for HAMA. These included: (i) consolidating common principles for high-quality demand, (ii) forming a leadership group of companies and a process for recognising ambitious action, (iii) creating a platform for aggregating, coordinating and mapping guidance from other sources, and (iv) undertaking supporting research and analysis.

2. Key points from Civil Society meeting

Reflections on the goals:

- **Strong consensus of the value** for such an initiative.
- “**North star**” has to be a VCM for mitigation, in support of the decarbonisation transition.
- Should focus on how carbon markets can generate the **greatest benefit for the climate, people and nature**. Will be important to build a collaborative and inclusive approach which brings in voices from supply-side countries.

Scope of engagement

- On **corporate sector scope**: Optically, it will be important to start with a tight group of leadership companies with clear high sustainability standards and credible net zero transition pathways. Difference between engagement and participation: high bar destination does not exclude engagement in the journey. But participation has to include a credible, demonstrable commitment and action to net zero.
- On **civil society scope**: Request that this is kept to non-market players.
- This **process is independent**: Will not be captured by any vested interests; and **will not pre-judge the outcomes of Article 6** – it will remain an independent process in complement to international discussions.

Scope of action

- **Should clarify and build consensus around how high-quality demand is defined for voluntary net zero targets**. This should include clear guidance for how corporates can use and claim carbon credits; and the kinds of credits that can be used for those claims.
- **Should set out the guidelines**, and support tools and approaches to ensure accountability. Some participants raised the potential for a longer-term role of independent assessment to support trust and credibility in the use of VCM to support net zero targets.
- **Analytical questions that this initiative could reach agreement on:**
 - Defining and agreeing credible corporate claims.
 - Ensuring appropriate use of high-quality (including environmental and sustainable development criteria) and matching credits to claims including: guidance on nature-based credits, removals vs reductions and guidance over removals technologies.
 - Sector specific guidelines.
- **Much of this analysis has been/is being done with others**. Should build on existing efforts, including SBTi guidance, Oxford Principles, WWF & WBCSD, EDF, WWF. Should not duplicate but bring together for coordination and mapping.

3. Key points from Corporates meeting

Reflections on the goals:

- **There is appetite for an initiative that can achieve consensus with civil society** on net zero definitions, claims to carbon credits, and on what integrity looks like – all endorsed by civil society, and it would add additional value if it were backed by government(s).
- **There is demand for clear and simple guidance for using credits to credibly support net zero transitions.** Need to bring high level backing, coordination and coherence to what's out there. Currently struggling with the detail and complexity of the space. Confusion is delaying decision making.

Scope of engagement

- If the bar is set high, we should try and bring as many high-profile companies in as possible. The initiative should move quickly otherwise there is a risk that others will set the bar lower.

Scope of action

- Reach **convergence with civil society** on what 'good' use of carbon credits is – civil society endorse a 'threshold' for the market that is credible for supporting net zero. This should link in with supply-side perspectives.
- Key focus should be on **claims** – if companies claim net zero how does that fit into their transition plans and what kinds of credits should they purchase?
- Important to be clear on the **value add of taking a net zero position** – it will be more expensive so there must be confidence that outcomes are robust and recognised.
- Helpful to **educate companies** – this is a complex space and we need very simple messages that are underpinned by the robust analysis and not bogged down by complexity.
- Should work with what is already there and avoid **fragmenting the landscape**. We should learn from what's come before, and able to **"sync" with post Paris architecture**.
- **Need to be clear on how this interacts with Carney's Taskforce on Scaling the VCM (TSVCM):** The different focuses of the two initiatives – TSVCM on scale and market mechanics, and HAMA on net zero alignment, means there is strong potential for complementarity. Should be links between the two to ensure synergies are exploited and duplication avoided.

Annex 1: Existing initiatives

A number of initiatives have been created to help companies think through the challenges of setting decarbonisation targets and the demand-side use of carbon credits. These include *inter alia*:

- The *Science Based Targets initiative* has become a focal point for translating climate science into emissions targets, and offering guidance on how and when carbon credits might be used.¹
- The *Oxford Principles for Net Zero Aligned Carbon Offsetting* propose how voluntary offsetting can be made compatible with net zero emissions claims, and how the relative mix of offsets could evolve over time as organisations approach their net zero dates.²
- The *Natural Climate Solutions Alliance* brings a multi-stakeholder group together to identify opportunities and barriers to investment into carbon credits to increase financing for natural climate solutions.³
- The *COP26 High Level Champions* are working with numerous stakeholders including businesses, organisations and investors to drive action on climate change and ensure coordination with governments and UNFCCC parties.⁴
- The *Environmental Defense Fund, World Wide Fund for Nature and Oeko-Institut* have proposed six “quality objectives” for carbon credits to help guide buyers and ensure only high quality credits are purchased.⁵

There are also several investor-backed initiatives encouraging corporates to adopt greater climate goals and report on their strategies.⁶

¹ <https://sciencebasedtargets.org/>

² <https://www.ox.ac.uk/news/2020-09-29-oxford-launches-new-principles-credible-carbon-offsetting>

³ <https://www.weforum.org/natural-climate-solutions-alliance>

⁴ <https://unfccc.int/climate-action/marrakech-partnership/actors/meet-the-champions>

⁵ <https://www.edf.org/climate/carbon-credit-guidance-buyers>

⁶ For example: Carbon Disclosure Project, Institutional Investors Group on Climate Change, Climate Action 100+, Net Zero Asset Owners Alliance, Taskforce on Climate-Related Financial Disclosure, Transition Pathway Initiative.