



The Gold Standard

Quality Standards for CDM and JI projects

Final Draft for Consultation

December 2002





General Principles

- The Gold Standard deploys a set of criteria to ensure that CDM projects deliver on climate protection and sustainable development objectives. These criteria are grouped into Project Type, Additionality and Baselines and Sustainable Development criteria.
- All components of a CDM project must meet the criteria to achieve the Standard.
- The Gold Standard is designed to be compatible with and build on the CDM Project Design Document Version 01. Only those conditions that are supplementary to those required under the CDM are shown.
- The Standards in this document have been agreed by the Gold Standard Advisory Board as the basis for final public consultation.



Project Type Principles

- Paradigm shifting energy technologies
- Inherent additionality and sustainability attributes
- Widespread environmental NGO support



Project type screen: is your project on the following list?

Renewable Energy

- Photovoltaic (PV)
- Solar thermal
- Ecologically sound biomass:
 - Energy crops (FSC certified)
 - Forestry (FSC certified)
 - Agro-processing residues
- Wind
- Geothermal
- Small, low impact Hydro
- Ecologically sound biogas/Landfill gas (LFG)

End use energy efficiency in the following sectors

- Industrial
- Public
- Commercial
- Residential
- Agricultural
- Transport

Each project activity of a bundle must be on this list. All project activities that are part of a bundle must be considered.



Project Types to be reviewed

The following Project Types will be reviewed by the Gold Standard Advisory Board and a recommendation made as to suitability for inclusion in the Gold Standard Project List in the future:

- Cogeneration
- Fuel Cells



Additionality and Baselines - Principles

The Additionality and Baselines screens are designed to address two fundamental questions:

Q1. Would the project have occurred in the absence of the CDM?

Q2. Will the project result in lower greenhouse gas emissions than would have occurred in the absence of the project?

The answer to Question 1 must be NO while the answer to Question 2 must be YES for a project to meet the Gold Standard.



Additionality and Baselines

Question 1

To address Question 1, project developers must show that the answer is NO to each of the two questions on this slide. Projects should also satisfy the requirement on the following slide.

- Have similar projects in terms of technology, fuel, size, site and process been commercially implemented, without carbon finance, in the region in the previous 5 years?
- Has there been a public announcement of the project going ahead without the CDM, prior to any payment being made for the implementation of the project, except in cases where the project was subsequently cancelled?



Additionality and Baselines

Question 1

The project should include at least one of the following reasons why the project would not be financed or implemented without the CDM.

REASON

- To offset country risk
- To offer competitive pricing
- To improve project economics to meet internal hurdle rates
- To improve project economics since there is a lack of locally available credit
- To improve project economics where market distortions exist
- To overcome internal institutional barriers
- Are there other barriers to the investment that the carbon finance will be used to overcome?

PDD B.4.

JUDGED USING:

- Standard country risk numbers
- Must show the tariff calculation in business plan and information on local pricing
- Is the hurdle rate reasonable? Do the CERs take the project over the hurdle rate?
- IFI references, other country credit ratings
- Must show publicly available data on prices and financial analysis of market distortion
- Demonstrate through existing research and analysis
- If the first 5 are answered with NO, then the project developer should put forward a clear justification for the additionality of his project.



Additionality and Baselines

Question 2

Project developers must use conservative estimates of the GHG emission reductions caused by the project.

- Unless project developers can make a convincing case for their choice of baseline methodology and technical assumptions (e.g. emission factors) and why they are conservative, *the alternative approved methodology that results in the lowest emissions must be used.*



Additionality and Baselines

Question 2

- Leakage issues are to be addressed as part of the baseline and project boundary as stated in the CDM PDD

PDD E.2.



ODA issues

- In case public funding from Parties included in Annex I is involved, please provide in Annex 2 information on sources of public funding for the project activity, including an affirmation that such funding does not result in the use of official development assistance and is separate from and is not counted towards the financial obligations of those Parties



Sustainable development screen (1): EIA issues

- In the absence of host country legal requirements for a best practice EIA, the project proponent will check the project against the Standard's requirements for an EIA based on the following criteria:
 - project location and ecosystem vulnerability;
 - technology (covered in project eligibility screen);
 - size;
 - public consultation;

If as a result an EIA is necessary this shall be carried out on the basis of best practice guidelines and shall include a clear reference to the social impact of the project. The EIA shall examine the project's compliance with local and national environmental regulations.



Sustainable development screen (2)

Sustainability Matrix

- The project proponent will appraise the project using the proposed sustainable development indicator matrix.
- A score between -3 and +3 will be assigned to the project's contribution towards each indicator of sustainability (+3 being a very positive contribution, 0 being no change, -3 being a very negative contribution).
- The total score should be positive. Each of the three sustainable development components must be nonnegative for the project to meet the Gold Standard.



Sustainable development indicators matrix

Indicators	Score -3 to +3
Local/global environment <ul style="list-style-type: none">✓Water availability and quality✓Air quality (emissions to air other than GHGs)✓Soil condition (quantity and quality)✓Biodiversity	
Social sustainability and development <ul style="list-style-type: none">✓Employment (quality)✓Livelihoods of the poor (changes in income/income distribution, education, health, gender and local institutional capacity)✓Access to affordable energy services	
Economy and technology <ul style="list-style-type: none">✓Employment (numbers)✓Sustainability of the balance of payments✓Hard currency expenditures on technology and replicability	



Sustainable development (3)

Stakeholder consultation

- In addition to the stakeholder consultation requirements contained in the CDM PDD, in order to improve the effectiveness at a minimum the following steps must be taken prior to validation:
 - Full documentation should be made available and consultation should be carried out in the local language
 - At least one oral hearing organised and advertised in local media
 - Comments actively invited, fully documented and disseminated
- Consultation must include (but not be limited to):
 - Local NGOs
 - Local people impacted by the project
 - Local policy makers

Cf. Guidance for stakeholder consultation