



**The Gold Standard**  
Premium quality carbon credits



Industrialised and developing countries, energy developers, emitters and NGOs all have good reason to trust the Gold Standard. It's the benchmark the CDM and JI need.



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Certainty for investors



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scrutiny



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Gold Standard

“The Gold Standard will be *the* international quality label for JI and CDM projects. **Adopting the Gold Standard is an investment in your reputation and an assured means of contributing to long-term climate protection and sustainable development.**”

Jürgen Trittin, German Federal Minister for the Environment,  
Nature Conservation and Nuclear Safety



**Carbon credits are a new international commodity whose trade will generate billions of dollars. But at present, the carbon market is immature. Opportunities are masked by threats and there are more risks than certainties.**

The Gold Standard brings much-needed certainty to this market: the greater the certainty, the lower the risk; the lower the risk, the more stable your investment and the more secure your reputation.

By following the Gold Standard, you have an assured and trusted means of generating carbon credits and reducing emissions. Environmental integrity is at its heart.

- Purchasers of Gold Standard credits – be they governments or corporations – can be sure their assets have value and are sourced from projects which make a genuine contribution to sustainable development.
- Project developers following Gold Standard procedures can be sure their credits will command a fair price.
- Host governments and local communities can be sure projects reflect their priorities and make a lasting contribution to sustainable development.
- Respected and welcomed by host governments and NGOs across the world, the Gold Standard will save you time and money.

For projects large or small, the Gold Standard is the mark of premium quality carbon credits.

“In our country's dynamic pursuit for sustainable development, the Gold Standard is seen as a vital instrument in this endeavour through the development of our potential for renewable energy and energy efficiency.”

Honourable Elisea G. Gozun, Secretary  
Department of Environment and Natural Resources, Republic of the Philippines



### Case study 01 Hydro power in Sri Lanka

Evelop, an international renewable energy project developer is following the Gold Standard in two small-scale hydro projects in Sri Lanka. The 12MW and 3MW power plants in central Sri Lanka are located on free-flowing rivers. They will bring power to thousands of households and replace electricity generated by fossil fuel.

By using the Gold Standard, Evelop believes that the risks associated with CDM project development can be reduced and that by following the Gold Standard, the carbon credits from its CDM projects can be more attractive to potential purchasers. For buyers of carbon credits, the Gold Standard can give confidence that their carbon credits are real and valuable.

## Uncertainty and risk cost time and money. The Gold Standard provides a trusted, credible and cost-effective means of reducing greenhouse gas emissions through carbon credits.

Businesses know that quality does not come cheap. Short-term fixes are tempting, but are rarely cost-effective solutions.

Developed by WWF in collaboration with governments, NGOs and corporations around the world, the Gold Standard has long-term environmental and social integrity at its heart.

With so much uncertainty over the future of the carbon market, it makes sense to invest in a quality product. Gold Standard carbon credits are the best because they are designed to withstand the highest NGO, government and market scrutiny. The Gold Standard is rigorous but easily adapted to changing rules and markets.

Based on a simple but comprehensive screening process, the Gold Standard bolsters the foundations of credible project-based emissions trading. Tradable credits from international emission reduction projects – if properly constructed – will provide corporations and governments with the flexibility to protect the climate at minimum cost while they develop the means to reduce their own domestic emissions.

But if the environmental and social integrity of these projects is undermined, the credibility of emissions trading will also be undermined and the carbon market's foundations could be shaken. The Gold Standard – an independently audited best practice benchmark for emission reduction projects – will ensure that emissions credits are sourced from credible and environmentally-friendly activities, supported by the communities they directly affect.

Many CDM project methodologies have been rejected by the market regulator, the CDM Executive Board, because of their low environmental integrity, leaving their developers and buyers with meaningless pieces of paper and damaged reputations.

Gold Standard carbon credits are specifically designed to exceed the environmental standards demanded by the market regulator and governments. That's why they enjoy a lower risk profile, command a price premium and significantly reduce the reputational exposures of both developer and buyer.

At the same time, the Gold Standard will assure host countries that projects truly contribute to their sustainable development.

The Gold Standard will bring clean energy technologies such as wind, small hydro and biomass to the developing world and economies in transition. Adopting the Gold Standard is both an assured means of reducing emissions and a cost-effective compliance tool.

### The Gold Standard Features

- Wide stakeholder support
- Global – readily applicable in local contexts across different continents
- Environmental and social integrity
- The only clear and complete methodology for project developers and verifiers
- Low transaction costs, minimum red tape
- Compatibility with CDM and JI project cycles;
- Simple procedures for CDM operators, developers, verifiers and local NGOs
- Applicable to large or small projects

“South African Climate Action Network (SACAN) has endorsed the Gold Standard and urges the South African government to use this tool for assessing individual projects. Rigorous application of the Gold Standard will provide assurance that projects really do serve the twin objectives of the CDM, i.e. sustainable development and reduction of greenhouse gas emissions.”

Richard Worthington, SACAN Co-ordinator

You're being watched... The CDM Executive board, auditors and accountants, NGOs, consumers and governments at home and abroad need to be persuaded that your carbon credits are genuine. Their scrutiny cannot be escaped.

Too many project developers and corporations are learning the hard way that skipping awkward questions wastes time and money. Several projects have already faced lengthy delays or been cancelled as a result of poor design.

**Questions must be answered.**



**Do your carbon credits contribute to long-term climate protection?**

Investments in genuinely sustainable energy offer a long-term solution to climate change. The Gold Standard promotes the technologies and practices which are supported by all stakeholders due to their undisputed benefits.

**Do they further sustainable development?**

All carbon credit projects must show they contribute to sustainable development. The Gold Standard does not seek to interfere with the host government's sovereign right to define sustainable development and accept or reject projects on this basis. Rather it offers a framework for assessing this. By following the Gold Standard's simple procedures you can be certain you meet any government's criteria of sustainable development.



**Are they really additional?**

'Additionality' is the key issue in the CDM. Fourteen out of fifteen of the first CDM project methodologies put forward were rejected by the regulator because they did not meet additionality requirements. The Gold Standard offers a simple but effective additionality test. It was designed with the advice of the same independent experts responsible for approving CDM methodologies.

Scrutiny of carbon credit projects from host governments and NGOs is high. So it should be. If they are to be successful, developers and investors must source their credits from projects with clear benefits to the environment and to host countries.

The Gold Standard sets the record straight. It provides real emission reductions and real increases in sustainable energy investment.

For credits to have value they must be recognized by the UN's CDM Executive Board. Otherwise they are worthless. The Gold Standard not only meets the UN's requirements. It exceeds them.

**Why?**

Because Gold Standard Carbon Credits are premium quality.

**Have local communities been consulted and are they on board?**

If not, then you face problems down the line. Planning consent, ancillary services, permits – everything you need to operate – can be thrown into jeopardy – not to mention your reputation as a responsible investor – if you haven't consulted local communities. The Gold Standards builds in consultation from the outset. Follow it and you'll be fine.

“Some buyers want more than just carbon from their projects: the Gold Standard helps to streamline stakeholder consultation and assures buyers that they are making a strong contribution to sustainable development.”

Steve Drummond, CEO, CO2e.com



### Case study 02 Biogas in Nepal

The Biogas Support Programme (BSP) has promoted family biogas plants in Nepal since 1992, resulting in some 110,000 families using improved energy for cooking. In addition to providing substantial health and social benefits, household biogas plants in Nepal have excellent environmental benefits. They reduce deforestation and greenhouse gas emissions estimated at around five tons of CO<sub>2</sub> per plant per year. BSP plans to build 200,000 new plants from 2003-09 as a CDM Gold Standard project.

Revenue from sales of Gold Standard Certified Emissions Reductions (CERs) would be used to provide support to prospective biogas users in remote rural areas. BSP believes that registering this project with the Gold Standard will allow it to market its CERs to discerning buyers who put a premium on projects with high social and environmental benefits at the local level.

## The Gold Standard secures CDM value

The Gold Standard is the product of nearly two years of unprecedented consultation among all those with a stake in the carbon market. It's been worth it. You can trust the Gold Standard.

The Gold Standard's independent Advisory Board is made up of leading authorities on emission reduction projects. It includes some of those involved in the development of the CDM itself. The Advisory Board has given the final seal of approval to Gold Standard procedures.

The Gold Standard is not a prototype. It's live and is being used.

Host country groups – NGOs and governments – have contributed to the Gold Standard's development. Key market participants – brokers, insurance companies, accountants, lawyers and validators – helped ensure that not only does it guarantee environmental integrity, but also that it will actually work efficiently in the market.

As a result of this consultation, the Gold Standard has balanced concerns about environmental integrity with the need for practical and straightforward procedures.

The Gold Standard is endorsed by all parties with a stake in the carbon market's efficiency and integrity. The Gold Standard is not a WWF product. Still less is it a WWF aspiration. It belongs to all those who support it.

### Gold Standard genesis

Over a period of two years a series of events and direct consultations were held in order to have input from as wide a range of stakeholders as possible. These included:

- Initial interviews with a selection of around twenty influential carbon market participants
- Presentations to NGOs, government representatives and private sector companies
- Workshops with NGOs in Japan, South Asia, South East Asia and Europe, and direct consultations with groups from over thirty countries.
- A workshop with project development consultants, brokers and validators
- A five-month open consultation process from which over ninety comments were received and incorporated into the final documentation.

## Carbon Credits The Facts

Investment is beginning to flow into greenhouse gas (GHG) emission reduction projects. After delays and confusion, the first Clean Development Mechanism (CDM) projects are expected to be approved soon. Joint Implementation (JI) projects are coming on stream.

Private sector and development banks are setting up 'carbon funds' to invest in such projects. By October 2003, more than 30 projects had been proposed for CDM registration and a number of voluntary schemes were already under way.

The Kyoto Protocol allows for investors in CDM projects in the developing world and in JI projects in the industrialised world to earn 'carbon credits' to the extent that the project reduces or avoids GHG emissions. These credits can be used by companies or governments to count towards their reduction targets.

Regional, national and even sub-national schemes are planned or proposed that will incorporate similar project-based reduction schemes.

“China is looking for CDM projects with real sustainable development benefits. The Gold Standard will help us achieve this.”

Lu Xue Du, Director of Division of Resources and Environment,  
Chinese Ministry of Science and Technology

**It's practical, rigorous and easy to follow – the Gold Standard gives the CDM and JI a good name.**

The Gold Standard is designed to provide a benchmark for rigour and quality in CDM/JI project design and implementation. With three simple screens it builds on and clarifies the guidance given by the CDM Executive Board and its Project Design Document.

By closely following CDM and JI procedures and with assessment taking place at the same time as standard CDM/JI processes, additional transaction costs are kept to a minimum. Indeed, the Gold Standard was developed in line with a set of general principles that balance environmental integrity with simplicity and wide applicability in both large and small projects.

In order to meet the Gold Standard, projects must pass through three basic screens:

#### **A Project Type screen**

Comprising the sustainable energy technologies needed for long-term climate protection (see circle: Project Types);

#### **An Additionality and Baseline screen**

To ensure that carbon credits are backed by bona fide emissions reductions (see circle: Additionality and Baselines);

#### **A Sustainable Development screen**

Based on tried and tested rapid appraisal methods and direct public consultation, ensuring that projects contribute towards sustainable development and meet the needs of local stakeholders (see circle: Sustainable Development).

Project developers wishing to have projects validated and verified under the Gold Standard should follow the same procedures as any other CDM or JI project. However,

### The Gold Standard Project Types

The Gold Standard is restricted to the following types of project:

#### Renewable energy

- Photovoltaic (solar) power generation
- Solar thermal
- Ecologically sound biomass: energy crops; forest and agricultural waste; and agro-processing residues
- Wind
- Geothermal
- Small, low-impact hydro
- Ecologically sound biogas

#### End-use energy efficiency improvements in the following sectors

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

they should instruct the Operational Entity they employ to base their work on the Gold Standard Project Design Document (GS-PDD) and technical appendices, instead of the basic CDM Project Design Document (CDM PDD). The aspects that need to be validated and verified are clearly indicated in the GS-PDD.

The certificate of the Operational Entity that the Gold Standard has been met will be sufficient to demonstrate compliance. A sample of projects will be independently audited by the Gold Standard steering committee to ensure that validation and verification are being consistently carried out to the highest standards and that the Gold Standard's integrity is being maintained. Manuals offering guidance to project developers and Operational Entities will be published in early 2004.

## The Gold Standard Additionality and Baselines

The additionality and baseline screen is designed to ensure that credits are only awarded to genuine emissions reductions that would not happen anyway. Only in this way can increases in emissions elsewhere be truly offset by CDM and JI projects and host countries assured that the CDM and JI are bringing them new investments.

Project developers must answer two questions:

- Would the project activity occur in the absence of the CDM/JI?
- Will overall emissions be lower than they would have been without the project?

The answer to the first question must be NO, and to the second YES, using the guidelines provided in the Gold Standard PDD.

## The Gold Standard Sustainable Development

A project's contribution to sustainable development is assessed and ensured using three inter-linked procedures:

- An enhanced Environmental Impact Assessment
- Stakeholder consultation at the outset and before implementation that enables local concerns to be built into project design
- A qualitative sustainability matrix – based on indicators designed and road-tested by Helio International and SouthSouthNorth network – that guides stakeholder responses and guarantees that the overall impact is positive



### Case study 03 Te Apiti Wind farm

Meridian Energy, New Zealand's largest electricity generator plans to develop the Te Apiti Wind Farm on 1,150 hectares of North Island farming land. The project is expected to consist of fifty five 1.65MW wind turbines with a total capacity of about 90MW. The wind power will be sold into the National Electricity Market whenever it is generated, reducing the need for thermal generation and therefore offsetting greenhouse gas emissions. It will meet the annual power needs of up to 32,300 households.

Following the Gold Standard will assist in enhancing the value of the project's emission reduction units. Meridian Energy believes the development of the Te Apiti Wind Farm has utilised the world's best practice with regards to the consideration of all stakeholders and the environmental, social and economic impact of the project. Achieving the Gold Standard will give potential buyers confidence in the quality of the project's emission reductions and sustainable development value.

“There are a number of investors who want more than greenhouse gas emission reductions from their projects: the Gold Standard assures them that they are funding high quality projects making a strong contribution to sustainable development.”

Margot Wallström, EU Environment Commissioner

### **The Gold Standard is a reliable instrument for reducing climate change**

By adopting the Gold Standard, project developers and investors will be able to reduce their exposure to project risks.

#### **The benefits are:**

##### **Reduced risk of delay or disruption**

The Gold Standard significantly enhances the built-in CDM public participation requirements, making these more comprehensive and able to take local concerns and interests into account. Adherence to the Gold Standard can reassure local environmental and development groups that certified projects have sufficiently addressed environmental and social concerns. This in turn reduces the risk of project interruption.

##### **Enhanced credit delivery**

Gold Standard projects are also likely to offer lower credit delivery risk than uncertified projects. The Gold Standard emphasises conservative baseline assumptions, thus dramatically reducing the chance that the project will fail to deliver the expected number of emission reductions.

##### **Reduced reputational risk**

Substandard projects are likely to draw criticism from NGOs and governmental bodies scrutinising the companies claiming emissions credits. Those companies that have publicly embraced corporate social responsibility must ensure their actions match their words. Sourcing non-additional credits from controversial projects is likely to generate outrage from NGOs and significant negative publicity.

##### **Lower insurance costs**

The Gold Standard can add a further risk management process to the project development cycle. As such, some insurers say that Gold Standard projects will carry a lower risk profile than non-certified projects.

##### **A price premium**

All the above arguments translate into higher quality credits, with clear sustainability benefits, from more reliable projects. With the expectation that a significant number of carbon buyers would favour such projects, they are likely to command higher prices than non-certified project credits.

Above all, however, the Gold Standard will ensure that projects are good for the climate and for sustainable development.



“The Gold Standard seeks to establish endorsement by key stakeholders of a CDM project’s environmental and social criteria and goals early in the design process. If done effectively, this will reduce the financial risk associated with unexpected objections to project design and increase certainty for participants relying on a flow of CERs to support compliance.”

Charles Eyre, Director, Climate Change Solutions, Aon Risk Consulting

#### **How do I follow the Gold Standard?**

The Gold Standard is an instrument for the CDM marketplace. Its project documents are available for downloading from [www.cdmgoldstandard.org](http://www.cdmgoldstandard.org) and from the websites of its many Supporters.

Remember, all you have to do is follow the Gold Standard Project Design Document rather than the CDM Project Design Document. Our documents cover all CDM requirements plus the three extra Gold Standard screens.

Once your project is complete you’ll need to contact your preferred certifier to validate compliance to the Gold Standard.

It’s not too late to apply the Gold Standard to projects you may already have begun. Call your developer, auditor, and validator, and tell them to follow the Gold Standard Project Design Document.

For further information contact:

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The future development and implementation of the Gold Standard will be overseen by a Steering Committee drawn from organisations that choose to give their formal endorsement, known as Supporters.

The Standards Advisory Board will support this Steering Committee on technical issues, in particular in ensuring that the integrity and credibility of the Gold Standard is maintained. A manager will also be hired to coordinate outreach and marketing activities, provide assistance to project developers, validators and Supporters and to update the website.

#### **Standards Advisory Board members**

The following are the members of the Gold Standards Advisory Board. All members act in their personal capacity.

#### **Mozaharul Alam**

Bangladesh Centre for Advanced Studies  
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#### **Bert Dalusung**

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#### **Steve Thorne**

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#### **Harald Winkler**

Energy and Development Research Centre  
University of Cape Town (South Africa)

#### **Steve Bernow**

Tellus Institute (USA) 1942-2003

"EcoSecurities views the Gold Standard as a useful tool for companies wanting to implement the highest standard of corporate social responsibility in the carbon market."

Pedro Moura Costa, Managing Director, EcoSecurities Ltd

"Independent, unbiased, comprehensive and easy to follow, the Gold Standard ensures sustainable development and local participation in project development and the decision-making process."

Jesada Luangjam, Ph.D.  
Department of National Parks, Thailand

"The Gold Standard can help increase investment into proven and sustainable energy services in the developing world. The REEEP supports the Gold Standard as a tool for ensuring that CDM and JI work to deliver renewable energy and energy efficiency projects on the ground."

Dr. Amal-Lee Amin, Director of Policy and Strategy  
Renewable Energy and Energy Efficiency Partnership

"The Gold Standard can be very useful for project developers to mitigate both CDM specific risks as well normal project development risks during the CDM project development cycle because the Gold Standard guarantees that the project is additional and contributes to Sustainable Development."

Jan-Willem Bode, Managing Director, Ecofys UK Ltd

"Denmark is in the process of conducting a call for CDM projects in Thailand. We intend to use the Gold Standard together with other criteria in the screening process before selecting a number of projects that we expect will meet the requirements of the Thai Government regarding sustainable development as well as the requirements of the CDM Executive Board."

Karsten Gasseholm, Royal Danish Embassy, Thailand

"The CDM Gold Standard represents a good approach to creating a premium market for high quality CERs. It thereby increases the chances of household energy and small power projects benefiting from CDM."

Binu Parthan, Director, IT Power India

The Gold Standard has received financial support from the European Commission, the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, and WWF Netherlands.

The Gold Standard is dedicated to the memory of our dear friend and colleague Steve Bernow (1942-2003), whose intellect, ideals and humanity were fundamental in developing the Gold Standard as part of the wider struggle for a clean and fairer world, free from the threat of dangerous climate change.

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