

Code of Best Practice

For Carbon Management Services



Technical Specification

Glossary of Terms

Carbon credit	A tradable, non-tangible instrument representing a unit of carbon dioxide-equivalent (CO ₂ e) – typically one tonne - that is reduced, avoided or sequestered by a project and is certified/verified to an internationally recognized carbon accounting standard.
ICROA Executive Committee	The group of senior representatives from each ICROA member empowered by the ICROA Secretariat to make and implement major organizational decisions for ICROA.
ICROA Members	Entities listed under the “Who We Are” section of the ICROA Program and Policy Framework.
ICROA Secretariat	The administrative arm of the International Emissions Trading Association responsible for the day-to-day operation of ICROA.
Offsetting	The practice of compensating for greenhouse gas emissions by retiring carbon credits.
Retire	To permanently remove carbon credits from circulation through the use of a 3 rd party registry.

Introduction

Scientific knowledge on climate change and its likely impacts demands an urgent and substantial cut in greenhouse gas emissions. Achieving this reduction requires a comprehensive strategy of carbon management for individuals and organizations. Carbon management is the implementation of a thorough and transparent organization-wide process to measure greenhouse gas emissions, identify and implement actions to reduce internal emissions, and use carbon credits to compensate for unavoidable emissions. The ICROA Code of Best Practice – Technical Specification (“ICROA Code of Best Practice”) ensures ICROA members and their clients undertake carbon management strategies that are credible and sustainable.

The ICROA Code of Best Practice is written using terminology to enable ICROA to assess the compliance of ICROA members. The following terms are defined in accordance with established terminology of the international standards community¹:

- ▶ The term “shall” indicates a ‘requirement’ strictly to be followed, without deviation, in order to be in compliance.
- ▶ The term “should” indicates a ‘recommendation’ for a course of action that is preferred but not strictly required.
- ▶ The term “may” indicates a ‘permissible’ course of action within the limits of the Code.
- ▶ The term “can” indicates a ‘possible or capable’ situation that is actual or potential.

¹ Source: International Organization for Standardization (ISO) | International Electrotechnical Commission (IEC) Directives, Part 2, 2011 Annex H. The document is downloadable from www.iso.org.

Scope

The ICROA Code of Best Practice is applicable to the following voluntary carbon management services provided by ICROA members:

- ▶ Carbon Footprinting
- ▶ Greenhouse Gas Reduction Advice
- ▶ Offsetting
- ▶ Communication

Details of the requirements of these services are found in Section 1: Carbon Management Services.

For the sake of clarity, services not covered by this Code of Best Practice include, but are not limited to, services provided by ICROA members associated with compliance and pre-compliance activities such as the provision of carbon credits and non-project-based carbon instruments (e.g. allowances) in connection with clients' current or future regulatory obligations. It does not cover environmental instruments or activities when they are not used to offset a client's footprint (e.g. tree planting services, Energy Attribute Certificates (EACs) and carbon credits traded as environmental commodities). EACs are proof of ownership of zero-emission electricity and shall therefore not be used for offsetting but as an accounting tool to lower emissions in 'Scope 2' (see Section 1.1.3). Consequently, EACs are not in the scope of this Code of Best Practice.

In accordance with ICROA's Program and Policy Framework (2011), ICROA members commit to adhere to the requirements for a comprehensive carbon management strategy according to internationally recognized best practices, as detailed below. In cases where an ICROA member does not deliver certain elements of a carbon management strategy (e.g. carbon advisory services) then that ICROA member is not required to adhere to the corresponding requirements for that element of the Code of Best Practice.

Section 1: Carbon Management Services

1.1 Carbon Footprinting

- ▶ **1.1.1** ICROA members shall actively encourage clients to measure their carbon footprint.
- ▶ **1.1.2** If ICROA members perform carbon footprint measurement activities for clients or if ICROA members sub-contract these to a 3rd party, then; ICROA members shall measure carbon footprints in accordance with accepted standards and shall use publicly available and nationally relevant emissions factors from reputable and recognized sources, for example, the IPCC, and published Government data. ICROA members may outsource their carbon footprinting services to a subcontractor, and under such circumstances the subcontractor shall be contractually obligated to satisfy the requirements of the ICROA Code regarding the services performed by the subcontractor under contract to the ICROA member.
- ▶ **1.1.3** If ICROA members perform carbon footprint measurement activities for clients or if ICROA members sub-contract these to a 3rd party, then; ICROA members shall perform these activities in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (2015) and ISO 14064-1: 2018. The GHG Protocol Corporate Accounting and Reporting Standard includes the Scope 2 Guidance, which allows companies to credibly measure and report emissions from purchased or acquired electricity, steam, heat, and cooling. Consequently, carbon footprints performed by ICROA members shall be in line with the Scope 2 Guidance.

If ICROA members perform organizational carbon footprint activities or if ICROA members sub-contract these activities to a 3rd party, then; ICROA members shall advise clients to disclose which 'Scope 3' or 'Other Indirect' emissions sources have and have not been included in their carbon footprint.

If ICROA members perform organizational carbon footprint activities for clients or if ICROA members sub-contract these activities to a 3rd party, then; ICROA members shall ensure clarity with their clients regarding which organization footprint emissions are being offset with carbon credits supplied by the ICROA member.

- ▶ **1.1.4** If ICROA members perform product or service footprints or if ICROA members sub-contract these activities to a 3rd party, then; ICROA members shall determine these footprints on a life cycle basis². The PAS 2050, WBCSD-WRI GHG Protocol Product Life Cycle Accounting and Reporting Standard (2011), Greenhouse Friendly Program, Bilan Carbone documents and ISO14067:2018 provide guidance on how to estimate product and service emissions on a life cycle basis.
- ▶ **1.1.5** If ICROA members perform any footprinting measurement for air travel, then; ICROA members shall publicly disclose and justify (on their website) what Radiative Force Index (RFI) they apply when calculating air travel emissions.

² The WBCSD-WRI GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) and WBCSD-WRI GHG Protocol Product Life Cycle Accounting and Reporting Standard (2011) provide international requirements and guidance, however, these documents are being considered by ICROA and are not incorporated explicitly into the ICROA Code of Best Practice.

1.2 Greenhouse Gas Reduction Advice

- ▶ **1.2.1** ICROA members should encourage clients to set emission reduction targets that challenge clients to go beyond business-as-usual practices.
- ▶ **1.2.2** ICROA members should encourage clients to perform a comprehensive assessment of opportunities to reduce emissions internally and externally.
- ▶ **1.2.3** ICROA members should encourage clients to prioritize cost effective reductions to meet those targets through internal and external reductions, including renewable energy and offsetting.
- ▶ **1.2.4** ICROA members may outsource the assessment of internal emission reduction opportunities to a subcontractor, and under such circumstances the subcontractor shall be contractually obligated to satisfy the requirements of the ICROA Code.

1.3 Offsetting

- ▶ **1.3.1** In accordance with Section 2, ICROA members shall use credible carbon credits that meet international standards when offsetting greenhouse gas emissions on behalf of a client.
- ▶ **1.3.2** ICROA members shall retire carbon credits used for voluntary offsetting in a third-party registry or permanently remove the carbon credits from the market.
- ▶ **1.3.3** ICROA members should use documented Terms and Conditions with clients stating the purpose and nature of the instrument in cases where the carbon credits are not retired by the ICROA member.

1.4 Communication

While considering the client's rights to confidentiality, ICROA members should encourage clients to communicate the client's carbon status and footprint, which includes the following:

- ▶ **1.4.1** The client's total emissions associated with the organization, product, service or event.
- ▶ **1.4.2** All other actions being taken by the client to reduce greenhouse gas emissions.
- ▶ **1.4.3** Any emissions that are being offset for the client, and details of the project(s) generating the offset (for example, if a portfolio approach is used).
- ▶ **1.4.4** A link to the registry where the carbon credits have been retired.
- ▶ **1.4.5** Any uncertainties or risks associated with the carbon footprint or internal or external emission reductions.

Section 2: Sourcing and use of carbon credits for offsetting

2.1 Principles

Carbon credits retired by ICROA members for the purpose of offsetting their clients' greenhouse gas emissions shall be in accordance with the following principles:

- ▶ **2.1.1 Real:** All emission reductions and removals and the project activities that generate them shall be proven to have genuinely taken place.
- ▶ **2.1.2 Measurable:** All emission reductions and removals shall be quantifiable, using recognized measurement tools (including adjustments for uncertainty and leakage), against a credible emissions baseline.
- ▶ **2.1.3 Permanent:** Carbon credits shall represent permanent emission reductions and removals. Where projects carry a risk of reversibility, at minimum, adequate safeguards shall be in place to ensure that the risk is minimized and that, should any reversal occur, a mechanism is in place that guarantees the reductions or removals shall be replaced or compensated. These conditions shall be superimposed on emissions reductions and removals validated and verified by any ICROA-approved offset standard that requires additional permanence conditions. The internationally accepted norm for permanence is 100 years.
- ▶ **2.1.4 Additional:** Additionality is a fundamental criterion for any offset project. ICROA members acknowledge and support the offset standards stated below in Section 2.2 as the best available tools for assessing additionality. ICROA members shall interpret and use these tools in good faith and shall require that all projects' successful implementation and operation be dependent on the availability of carbon finance. ICROA members shall demonstrate adherence to the following requirements by demonstrating carbon credits are from projects in accordance with the offset standards listed in Section 2.2.
 - a) Project-based emission reductions and removals shall be additional to what would have occurred if the project had not been carried out.
 - b) ICROA members shall demonstrate the project would not have occurred without the availability of carbon finance.
- ▶ **2.1.5 Independently verified:** All emission reductions and removals shall be verified to a reasonable level of assurance by an independent third party verifier accredited under one of the ICROA-approved offset standards in the sector in which the project is taking place.
- ▶ **2.1.6 Unique:** No more than one carbon credit can be associated with a single emission reduction or removal as one (1) metric ton of carbon dioxide equivalent (CO₂e). Carbon credits shall be stored and retired in an independent registry.

2.2 Offset Standards

ICROA (the organization rather than the members) completes a technical and policy review of offset standards (and protocols, methodologies, etc.) from time to time to determine which offset standards are consistent with the principles listed in Section 2.1 and are generally considered to be credible and robust. As part of these reviews, the ICROA Secretariat shall apply the ICROA Benchmark Review Criteria to offset standards and protocols that use performance benchmarks to confirm they ensure additionality.

When offsetting, or contracting to offset, greenhouse gas emissions on behalf of a client, ICROA members shall only use carbon credits sourced from offset projects that are or will be validated, verified and registered under the following offset standards³ approved by ICROA:

- ▶ Clean Development Mechanism (CDM)
- ▶ Climate Action Reserve (CAR)
- ▶ Gold Standard
- ▶ Joint Implementation (JI)
- ▶ Verified Carbon Standard (VCS)
- ▶ American Carbon Registry (ACR)
- ▶ Emissions Reduction Fund (ERF) of the Australian Government
- ▶ UK Woodland Carbon Code (WCC)
- ▶ Architecture for REDD+ Transactions (ART) The REDD+ Environmental Excellence Standard (TREES)
- ▶ Global Carbon Council (GCC)

If the carbon credits sourced from these offset standards are not in accordance with the principles of Section 2.1, they shall not be used to offset greenhouse gas emissions on behalf of a client⁴. For the avoidance of doubt, ex-ante carbon credits cannot be used to offset GHG emissions on behalf of an organization.

Special Exceptions: Government-Approved Schemes: Offsets from approved Government schemes may be provided by ICROA members to their clients, on the strict condition that Government scheme certified offsets shall only be used within the context of the Government scheme and shall not be sold as voluntary offsets outside the context of the Government scheme, unless these methodologies have been separately approved by ICROA.

Non-carbon Accounting Standards: ICROA members may use units issued under the Clean Development Mechanism (CDM) and qualifying Verified Emission Reductions (VER) carbon accounting standards that have been combined or “tagged” with the CCB Standard and SOCIALCARBON Standard.

VER+: Selected VER+ credits may be accepted under ICROA's grandfathering rules provided that certain criteria are met: to accept into the ICROA Code of Best Practice those projects that committed themselves to the VER+ standard prior to the launch of VCS Version1 [i.e.

³ Endorsed Standards are required to proactively inform ICROA of any updates or changes on an annual basis before Q3 of each year, along with the supporting documentation for an official technical review. Failure to do so may result in exclusion from the Code.

⁴ As a consequence, units such as:

- Forecast Mitigation Units issued by the Climate Action Reserve and forward carbon credits issued under Gold Standard's forestry projects are not considered valid because they do not meet the requirements of Section 2.1.1 and 2.1.5.
- Temporary CER (t-CER) are not considered valid because they do not meet the requirements of Section 2.1.3.

before March 2007]; generate less than 100,000 tons of emission reductions per annum; and are based on technology types other than large hydropower and industrial gases.

Australian Carbon Credit Units (ACCU): For the use ACCUs generated under the ERF to be permitted, ICROA members are required to provide the following documentation during the annual audit:

- a) Project documentation including; project plan (document equivalent to the PDD), proof of project registration and/or ERF Project ID, relevant verification report(s), proof that verifier is accredited (or equivalent) under the CFI; and
- b) Details of all ACCU transactions and retirements, such as screenshots from ANREU accounts and serial number/identification data of carbon credit(s)

2.3 Sustainability

Most offset projects have a net positive or at least neutral impact on social, economic and environmental factors. However, there is potential for some projects to have negative impacts and ICROA members are encouraged to promote sustainable development in the projects that they develop and provide. ICROA members shall disclose whether and how they have assessed the sustainability impacts of their projects/carbon credits.

2.4 Delivery Assurance for Reductions Sold in Advance of Verification

When contracting to offset greenhouse gas emissions on behalf of a client occurs in advance of verification and issuance of the carbon credits (herein referred to as "Reductions Sold in Advance of Verification"), ICROA members shall provide clients with appropriate and transparent levels of delivery assurance.

- ▶ **2.4.1** At a minimum, such ICROA members shall⁵:
 - a) Provide a contractual guarantee of delivery or replacement, by demonstrating the financial viability to underwrite such guarantee, i.e. Contractual Financial Guarantee, or by having in place 'Contractual Appropriate Safeguards' to minimize the requirement for replacement and protect the guarantee; or
 - b) When a delivery guarantee is not provided, have in place 'Appropriate Safeguards' to minimize the risk of project under-performance. "Appropriate safeguards" means the minimization of, and insurance against, risks by reserving a portion of the project portfolio as a 'buffer', to the extent and as long as reasonably required to safeguard performance adequately. ICROA members using such safeguards shall adjust their reservation practices based on experience and industry best practice where available.
- ▶ **2.4.2** At the point of sale, ICROA members shall transparently disclose if the delivery is guaranteed, the measures that are in place to minimize the risk of project under-performance and what sources of reductions and/or removals are eligible replacements, as applicable.

⁵ ICROA members should refer to the assessment manual for guidance.

- ▶ **2.4.3** At the point of sale, ICROA members shall make reasonably available⁶ the current development or operational status of the project and the expected date or dates of future verification and issuance.
- ▶ **2.4.4** ICROA members shall make reasonably available to the client, directly or on the client's website as applicable, the actual dates of verification and issuance; any deficiency in the verified volume relative to the volume actually sold to such clients; and, the sources of any replacements.
- ▶ **2.4.5** Where Appropriate Safeguards have been implemented, ICROA members shall include in the member's annual report to the Executive Committee, and shall make reasonably available to the public on the member's website at least annually, any deficiency in the verified volume relative to the volume then anticipated to have been verified from the portfolio, as sold across the entire portfolio, and the reservations practices applied to the portfolio.
- ▶ **2.4.6** ICROA members shall provide clients that purchase carbon credits with clear and easy to understand communications materials and shall encourage them to communicate the nature of their carbon credit purchases accurately.

Section 3: Compliance

3.1 Adhering to the ICROA Code of Best Practice

- ▶ **3.1.1** To demonstrate compliance with the Scope of the ICROA Code of Best Practice (described at the top of this document), ICROA members shall provide annual reports using the ICROA compliance self-assessment form, demonstrating how the member complied with the requirements of the ICROA Code of Best Practice.
- ▶ **3.1.2** ICROA members shall submit an externally audited compliance self- assessment form to the ICROA Secretariat on an annual basis. ICROA members shall submit a statement from the primary auditor confirming that the member's compliance self-assessment form has been externally audited. The audit of the ICROA compliance self-assessment form may be organised to fit in with members' financial audits.
- ▶ **3.1.3** The secretariat's response shall be made publicly available on the ICROA website.
- ▶ **3.1.4** ICROA members shall comply with the disclosure requirements adopted by ICROA in subsequent versions of the Code.

⁶ For the purposes of this document, "Reasonably available" will be taken to mean the following: in the instance of sales to the public (also known as "consumer sales"), information will be considered to be "reasonably available" when made publicly available on a member's website or other publicly available materials/ collateral. In the instance of corporate, or business-to-business, sales, information will be considered to be "reasonably available" when included in written communications or documents (e.g. contractual documents) pertaining to the appropriate sale, either at the behest of the member or the member's client.

3.2 Audit Deadlines

- ▶ **3.2.1** Existing ICROA members must complete their annual audit by 31st August each year⁷. Applicants are required to complete their audit to be accepted and confirmed as ICROA members. The ICROA Executive Committee votes on new member applications and sets a bespoke deadline for completion of their audit; usually 3 months after the application has been approved through the vote. New members which have completed their audit within 6 months of 31st August are not required to complete a second audit for that reporting year.
- ▶ **3.2.2** Members which have not met their reporting requirements within two months of the deadline, and without prior Executive Committee approval, will be suspended from ICROA. Suspended members are not entitled to participate in ICROA activities (including, but not limited to Working Group meetings, Executive Committee meetings, and representing ICROA at external events), and will not have access to the ICROA members' website. A member's suspension will be lifted following successful completion of the reporting requirement.
- ▶ **3.2.3** If a Member has still not completed their reporting requirements six months after the deadline, and without prior Executive Committee approval, will be expelled from ICROA. The member in question will be given one month's notice that expulsion is imminent. If a member is expelled from ICROA, it shall subsequently need to reapply for ICROA membership if it wishes to reassume membership.
- ▶ **3.2.4** Any and all fees and payments in favor of ICROA (or IETA) are not refundable in part or whole if a member is suspended or expelled.

3.3 Sanctions and Appeals Process

- ▶ **3.3.1** If an ICROA member becomes aware that it has failed any requirement of the ICROA Code of Best Practice then it shall inform the ICROA Executive Committee at the soonest possible opportunity.
- ▶ **3.3.2** If an ICROA member fails to comply with the ICROA Code of Best Practice then its case may be referred to the ICROA Executive Committee for review.
- ▶ **3.3.3** The ICROA Executive Committee shall establish individual conditions, based on the nature of the case, for the resolution of the non-compliance infraction of the ICROA Code of Best Practice.
- ▶ **3.3.4** If an ICROA member fails to resolve the non-compliance infraction within the specified timeframe, its membership shall be terminated and it shall be excluded from ICROA. If an ICROA member is excluded from ICROA, it shall subsequently need to reapply for ICROA membership if it wishes to reassume membership.
- ▶ **3.3.5** ICROA members may also be excluded from ICROA:
 - a) For non-payment of membership fees, or
 - b) For bringing ICROA or its members into disrepute

⁷ It is strongly and highly recommended to complete the audit report before the end of May, in order for the official audit cycle to be complete by or before August 31st.

- ▶ **3.3.6** The ICROA Executive Committee shall determine if and when such conditions have occurred and the appropriate course of action.

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