



Net-Zero Asset Owner Alliance Financing Transition – All Members Call

UN-CONVENED **NET-ZERO**
ASSET OWNER ALLIANCE

June 16th 2021



 United Nations-convened Net-Zero Asset Owner Alliance



By your side, for life



AGENDA

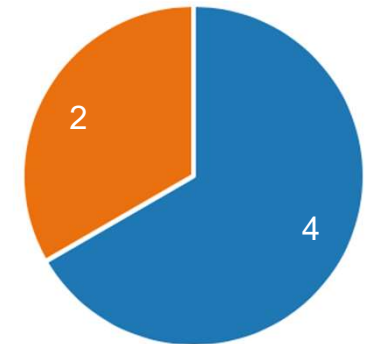
1. **Financing Track Target Setting/Reporting**
 - **Share Survey Results**
2. Sectors/Asset Classes
 - Update - Tender for a Digital Round Map – for climate solution investments
3. Vehicles/Instrument
 - Carbon Credits
 - TSVCM – Public consultation and public letter to the task force
 - Blended Finance Call to Action to Asset Managers
 - Next steps
 - Workshop with Convergence 8th of June – now discussing collaboration
 - Planned – Open Letter/Position “Scaling Blended Finance”
 - Update Sub Track Climate Indices/Benchmarks

Appendix

UPDATE ON FINANCING TRANSITION TARGET

For now the Climate Solution Investment Target states: “Report on progress on positive trend in climate solution investments (without a specific quantitative progress target)”. Do you still agree to this target or do you propose to introduce a quantitative target, individually stated by the Alliance member setting a Financing Target?

- Introduce a quantitative target for Alliance members
- Remain with the current protocol

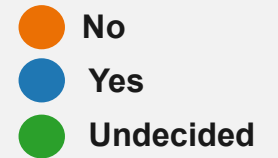


Financing transition - Target setting

Targets	1. Report on progress on positive trend in climate solution investments (without a specific quantitative progress target) and 2. Number of contributions to activities enlarging the universe and building solutions eg. dialogues with DFIs, AMs and other stakeholders building vehicles, conducting round tables increasing the supply side of low carbon investments
Level of target setting	<ul style="list-style-type: none">▪ On Alliance level for external publication▪ Internal yearly AOs individual reporting for information, tracking and consolidation
Reporting on progress...*	<ul style="list-style-type: none">▪ Invested/committed value in climate solution investments▪ Avoided emissions (as data availability and quality allows)▪ Portfolio revenue share in green/brown activities respectively EU taxonomy compliant (as data availability and quality allows) <p>Report on OECD and non OECD countries</p>

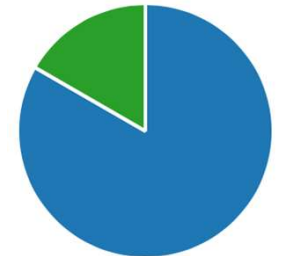
*details to be discussed

SURVEY RESULTS CLIMATE SOLUTION REPORTING



With the absence of a globally-agreed Climate Solutions framework, do you agree with the principle that Alliance members should decide what classification system for Climate Solution investments is most applicable to them, with the goal to converge these over time?

Comment: Convergence might be unnecessary if members are using credible external frameworks.

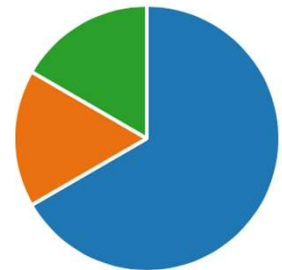


Do you agree with the 7 high-level reporting themes for a Climate Solution investment for the Alliance reporting, as presented in the track call?

Comment:

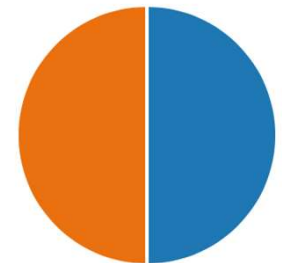
The classification is fine, just not sure whether we have sufficient data with good quality and capacity for reporting;

We agree on general principles but think one component should be added : (scientific) research, as it is the case with the EU Taxonomy that has a dedicated field : "Professional, Scientific and Technical Activities"



Do you think there should be any other regulatory or industry-based taxonomy or classification systems we should explore?

Comment: Bloomberg ISS Sustainalytics, EU Taxonomy



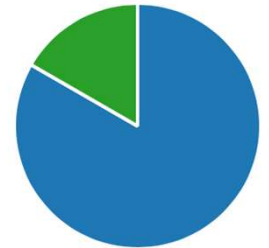
Do you use any third-parties in your own classifications, and if so please outline?

If Yes, please outline: CBI, Trucost, MSCI, Bloomberg

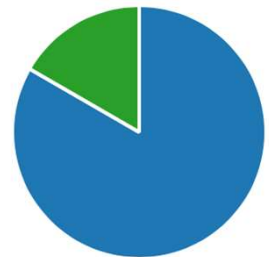
SURVEY RESULTS CLIMATE SOLUTION REPORTING



Overall, do you agree with the updated Climate Solutions Reporting Framework outlined in the tab 'Alliance Inventory (Proposed)'?



Is the Excel document and PDF guidance on Climate Solutions investment of use for your organisation?



How could it be improved and are there any additional areas that may be useful to explore/provide guidance on?

- Greater use of case studies/examples. I think the presentation and excel do an excellent job of collating and presenting lots of information. But most of the frameworks are quite dry and dense - any ways to simplify and bring to life some of the material would be welcome.
- We use CBI's green and transition taxonomy
- We understand this is work in progress but we expect the final output to contain clear summary of how to implement all of these frameworks in practice.

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DIGITAL ROADMAP – TENDER AND NEXT STEPS

- Tender for Digital Road Map
- Current status of applications:
12 platforms / data providers applied up to date

Paneltech.US	Net Purpose
Cleantech Group	Arabesque
Cardo AI	Earth Labs Group
Evercity	2° Investing Initiative
Phenix Capital Group	Capital for Climate
Clarity AI	Drawdown Europe

- First screening process finalized
- Now calls/bi-lateral alignment with all relevant candidates to follow – started but not finalized
- Consultant will be hired
- Selected partners to be connected & kick-off of content work

Join us for the bi-lateral alignment calls.
We are looking forward to enlarge the team!

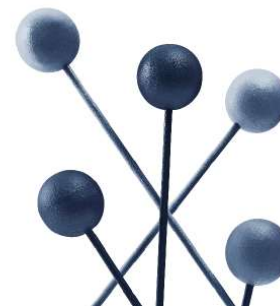
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Appendix

TSVCM – TASKFORCE FOR SCALING VOLUNTARY CARBON MARKETS

- Public Consultation launched on phase II final report on 21st May (deadline for replies by 21st June)
- Two ways to respond (<https://www.iif.com/tsvcm>):
 - Structured survey (degree of agreement, open text)
 - Public letter to the task force



Taskforce on Scaling Voluntary Carbon Markets

Public Consultation Report
May 21st, 2021

→ Details see appendix and report attached to the material shared

- **Steps:**
 - Survey on Public Consultation open until 10th of June – only one reply, survey results attached to the material
 - Draft public letter -> see next page
 - **Any feedback (to consultation questions and the public letter) from you side – please send by Thursday 17th noon CET**
 - Alignment with GISD by Friday 18th eob
 - Final comment to be submitted by 21st June

RESPONSE TO TSVCM'S PUBLIC CONSULTATION – PUBLIC LETTER

NZAOA – the Alliance – warmly welcomes the TSVCM's efforts to create a global standard for high-quality carbon credits. Putting a 'fair' price on carbon, ie a price that accurately reflects the tight remaining global carbon budget, is one key instrument to limit global warming. At the same time the Alliance shares concerns voiced during the Task Force's phase 1 survey with regards to credits traded in voluntary carbon markets today being partially of inferior quality as well as sometimes lacking integrity incl. risks with regard to double-counting of one credit. The Alliance stresses that "greenwashing" though use of sub-quality carbon credits must be avoided.

The Alliance strongly supports the TSVCM's "Reduce-Report-Offset" sequence by which corporates are encouraged to i) put highest priority on reducing own emissions, ii) transparently report about remaining emissions, and iii) offset remaining emissions. Alliance members are fully committed to reduce emissions in line with science to achieve a net zero state by 2050. As such, the Alliance – in line with recommendations issued by SBTi¹⁾ - believes that immediate efforts must prioritize cutting greenhouse gas emissions rapidly and deeply. To the extent that residual emissions can't be reduced further, removing a corresponding amount of emissions within or outside a company's value chain is a valid secondary option ('neutralization'). *In transitioning to a net zero state, although not in an end-state, also compensation strategies, ie avoiding or reducing emissions outside of a company's own value chain, are valid means to support climate action, subject to meeting high quality standards as those defined by the Taskforce.*

Therefore, the Taskforce's proposal to establish "Core Carbon Principles" as a global standard to define high-quality credits is very much supported by the Alliance, incl. setting-up of a governance body that hosts the CCPs. The Alliance especially welcomes the transparent set of "additional attributes" that will help buyers in this market to clearly distinguish 'avoidance & reduction' credits from 'removal' credits and 'nature-based' from 'technical' solutions, next to various other relevant distinguishing features.

1) Science Based Targets Initiatives: Foundations for Science-Based Net Zero Target Setting in the Corporate Sector, September 2020

RESPONSE TO TSVCM'S PUBLIC CONSULTATION – PUBLIC LETTER

Rightfully, the current draft Core Carbon Principles include strict requirements with regards to financial additionality, ie the profitability of projects issuing credits – before selling these credits – must be either negative or at least substantially below commensurate return-on-equity measures for projects of similar risks. The Alliance believes that financial additionality shall be demonstrated at project-level, while key parameters of this test shall be disclosed. It is acknowledged that certain – especially removal – credits today have no possibility of being financially viable stand-alone. As technologies will evolve, the profitability of such projects may rise in the future up to a point where, potentially, further support through selling credits becomes irrelevant. Therefore, the Alliance opines against excluding certain technologies or methodologies from having to pass financial additionality tests.

In order to achieve a net zero state, carbon removal technologies will likely have to play a decisive role, be it to neutralize unabated emissions by then or to enlarge the scarce remaining global carbon credit. The Alliance believes that more should be done to foster financial viability of relevant projects. Similar considerations have led to defining and creating so-called Paris-aligned benchmarks, which are efforts by the European Union Commission to create market standards for investments in listed instruments, taking both a net-zero end state, as well as a trajectory to achieving this end-state into account. For this reason, the Alliance recommends to the Task Force or to the future governance body to consider taking a position with regards to the appropriate percentage share of removal credits in the global CCP-aligned credit market at any future point in time, and to consider defining ex-ante trajectories as to how the percentage share of removal credits within the global CCP-aligned credit market shall be evolving over time. This would contribute to setting incentives for project developers to consider developing removal projects.

RESPONSE TO TSVCM'S PUBLIC CONSULTATION – PUBLIC LETTER

When it comes to defining principles how to compose the governance body's board, the Alliance recommends a significant representation of active market representatives on the board, to ensure that valid interests of both buying and selling parties in voluntary carbon markets are being heard. The Alliance acknowledges the Task Force's attempt to uphold highest standards of integrity by avoiding actual or perceived conflicts of interest. Balancing between both the legitimate goal to avoid these conflicts while still having market participants playing an active role in shaping the market place in which they interact, the Alliance recommends extensive transparency on voting behaviors by single board members.

Next to credit suppliers and parties wanting to offset own emissions, the Alliance stresses the importance of financial intermediaries and investors as potential participants in a voluntary carbon market. Interest from these 'financial players' to engage might be driven by the desire to offset emissions that these parties finance, or because of an investment motive. Having the historical ambiguity in compliance carbon markets in mind, the Alliance recommends that the Task Force or the future governance body liaise early on with legislators and regulators to clarify and define regulatory aspects of voluntary carbon credits. This includes questions including whether credits qualify as financial instruments, eligibility for investment by mutual funds and risk capital charges.

Any feedback (to consultation questions and the public letter) from you side – please send by Thursday 17th noon CET

BLENDING FINANCE VEHICLE – CALL TO ACTION TO ASSET MANAGERS

- 15 proposals received through the Call to Action; 6 reviewed so far, thereof: 3 shortlisted for discussion; 2 eliminated; 1 on long-list; rest currently under review (see next slide).
- Short-listed (reviewed) 3 proposals that meet the criteria of the Call to Action:

	BlackRock Climate Finance Partnership	SunFunder Gigaton Fund	EverSource Green Growth Equity Fund
Overview of Strategy	<ul style="list-style-type: none"> PE strategy focused on financing renewable energy developers and projects in EMs. Focus on greenfield. USD 500m 	<ul style="list-style-type: none"> Private debt strategy focused on lending to off-grid clean energy solutions (including C&I), smart food systems and nature-based solutions in Asia and Africa. USD 350m+ 	<ul style="list-style-type: none"> Private equity strategy focused on financing climate mitigation projects in India (energy, e-mobility, waste/water). Focus on greenfield. USD 800m
Structure	<ul style="list-style-type: none"> Fund structured with junior (EUR 100m) and senior equity tranches (EUR 400m). Adjusted PE waterfall with priority returns to senior investors until a preferred hurdle is met (USD 5%). 	<ul style="list-style-type: none"> TBD – likely a three-tiered fund with first loss, mezzanine and senior tranche. Senior investors compensated at fixed or floating rate. 	<ul style="list-style-type: none"> Fund structured with junior and senior equity tranches. Adjusted PE waterfall with priority returns to senior investors until their hurdle is met (USD 8%).
Status	<ul style="list-style-type: none"> Fully structured. Fundraising. 	<ul style="list-style-type: none"> Concept stage. Manager wants to collaborate with investors in structuring the vehicle and to raise the first loss. 	<ul style="list-style-type: none"> Fully structured. Fundraising.

BLENDING FINANCE VEHICLE – CALL TO ACTION TO ASSET MANAGERS

- Following 3 proposals prioritized for discussion with the fund managers in the next two weeks; further 2-3 out of 6 on the long-list to be revisited over the coming weeks.

	Tikehau	New Forests	AllianzGI
Overview of Strategy	<ul style="list-style-type: none"> Private debt strategy focused on lending to ESCOs and OEMs across energy generation, industry, waste, mobility, buildings and agriculture sectors in Europe and North America. USD 500m – 1bn 	<ul style="list-style-type: none"> Private equity strategy focused on sustainable forestry in Southeast Asia; primarily forest plantation investments, with opportunistic approach to processing, forestry-related infrastructure and environmental projects. USD 300m 	<ul style="list-style-type: none"> Private debt strategy focused on senior lending to climate mitigation and resilience projects / corporates in EMs. Deals originated by a network of MDBs / DFIs and syndicated to the vehicle. USD 1bn
Structure	<ul style="list-style-type: none"> Fund structured with junior (USD 100m) and senior tranches. Investors in senior tranche benefit from priority distributions until they get their capital back plus a preferred return (USD 4%). 	<ul style="list-style-type: none"> Fund structured with junior and senior tranches. No details on sizing and mechanics of the first loss presented to date. 	<ul style="list-style-type: none"> Fund structured with a junior and senior tranche. Private investors participate in senior tranche and achieve investment grade rating for their investments thanks to first loss piece of 15-20% of the fund size.
Status	<ul style="list-style-type: none"> Fully structured. Fundraising. 	<ul style="list-style-type: none"> Fully structured. Fundraising. 	<ul style="list-style-type: none"> Structuring. Fundraising for first loss.

- Following above discussion, shortlisting of a total of 5-6 proposals, reflecting various asset classes and sectors as well as the depth of responses to the Call to Action, targeted for the first round of publication on the Alliance’s website by mid/end of July.

BLENDED FINANCE VEHICLE – COLLABORATION WITH CONVERGENCE



- Workshop 8th of June – ***feedback?***
- We now discuss an official **collaboration with Convergence**
- Main value add for the Alliance:
 - Close connection to blended finance vehicles – investment opportunities
 - Connect not fully structured promising vehicles with donors for concessional capital
 - Convergence can organize joint workshops between donors and the Alliance
 - Give the Alliance opportunity to communicate its position on blended finance and how vehicles could be structured more effectively to mobilize private institutional capital at scale.

OPEN LETTER/POSITION/EVENT “SCALING BLENDED FINANCE”

Idea / Approach:

- Drafting a position on “**How to Scale Blended Finance**”.
- **Status:**
 - **First draft now broadened** – including equity view, finance clean tech via blended finance not only for funding EM, balance between various parties (AMs, AOs, Donors, DFIs, sourcing bankable projects)
- **Collaboration with GISD Alliance** (Global Investors for Sustainable Development Alliance)?
- Public consultation envisioned
- Proposed time line
 - 18th of June – first draft version -> new target 25th of June
 - 1st of July finalized and aligned within FinTrack/Policy Track -> new target 15th of July
 - 23rd of July alignment with the Alliance (and GISD) -> new target 30th of July
 - Beginning of September – finalize consultation questions
 - New York Climate Week (20.-26. September) – introduce for public consultation
- ***Any questions? Remarks? Are you fine with this approach?***
- ***Who wants to join this group drafting the position and organizing the publication and an event possibly during COP26?***

CLIMATE BENCHMARK WORKING GROUP – STATUS UPDATE

- Sub work track conducted a **survey on climate benchmarks** addressing to all Alliance members – responses now compiled and assessed.
- We are aware that the EU has a definition of **Climate Transition Benchmark (CTB)**
 - We have questions around their methodology (why 30% or 50% etc.)
 - There are many benchmarks that have a reduced CO2e emissions number.
 - Some will comply some won't but the ones that don't may still be suitable for some members.
 - We are conducting a **survey of the index providers**:
 - exclusions, different approaches, and reduction of universes
 - how is transition, forward looking metrics captured
 - third party data used – transparency?
 - how is real world change captured?
 - not one size fits all – which approach might fit for which focus, pros/cons
 - financials – tracking error, performance, turn over, constituents,...
 - Additional idea: Talk to fund managers for their experience

Possible goals of this work stream:

- Create a common understanding of
 - how these benchmarks are constructed
 - if in line with the Alliance key philosophy of engaging and “financing transition pathways to net zero”
- Engage with EU Commission
- Engage with index providers

APPENDIX

PRINCIPLE BASED CLIMATE SOLUTION INVESTMENT REPORTING

Status of Discussion:

The Sub Track is working on **guiding principles** – see current agenda proposal (draft document see UNEPFI Extranet), including planned deadlines:

1. **Executive Summary – Guidance to AOs how to use these Principles and this Booklet**
2. **Comparison and assessment – of Principles/Standards**
3. **Mapping Asset Classes to existing principles – NEW - DRAFT**
4. **Guidance for listed equity, listed bonds, private equity and dept (also case studies in a separate document)**
5. **Principles**
 - 5.1 ICMA – International Capital Market Association
 - 5.1.1 Green Bond Principles
 - 5.1.2 Climate Transition Finance Handbook
 - 5.1.3 Handbook – Harmonized Framework for Impact Reporting
 - 5.1.4 Green Loan Principles
 - 5.2 Climate Bond Initiative
 - 5.2.1 The Standard
 - 5.2.2 Taxonomy
 - 5.2.3 Sector Criteria
 - 5.2.4 Transition Principles
 - 5.3 EU Green Bond Standard - **NEW**
 - 5.4 EU Taxonomy Real Estate – Energy Performance Certificate (EPC)
 - 5.5 **Forestry**
6. **Taxonomies**
7. **Regulations**
 - 7.1 **EU Sustainable Finance Disclosure (DRAFT – work in progress)**

Green: open

PRINCIPLE BASED CLIMATE SOLUTION INVESTMENT REPORTING

- Mapping of Taxonomies
- Category Mapping

CLIMATE TAXONOMIES - COMMONALITY

	HIGH LEVEL CATEGORY	ENERGY		POLLUTION, WASTE & WATER			SUSTAINABLE LAND & MARINE		TRANSPORTATION	MANUFACTURING & INDUSTRY		BUILDINGS	ICT
Existing Regulatory taxonomies	EU Taxonomy	D - Electricity, gas, steam and air conditioning supply		E - Water Supply; sewerage, waste management and remediation activities			A - Agriculture, forestry and fishing		H - Transporting and storage	C - Manufacturing		F - Construction; L - Real estate activities	J - Information and communication
	People's Bank of China Green Bond Endorsed Project Catalogue	Clean energy	Energy Efficiency Improvement	Pollution Prevention; Pollution Prevention & Treatment	Integrated Utilization of Resources	Water-saving and non-conventional water resources	Green agriculture; Ecological agriculture	Ecological protection and construction	Green transportation	Green Services	Integrated Utilization of Resources	Sustainable Buildings	N/A - not outlined in taxonomy
Industry Based Principles	ICMA - Green Bond Principles	Renewable Energy	Energy Efficiency	Pollution Prevention & Control		Sustainable water and wastewater management	Environmentally sustainable management of living natural resources and land use	Terrestrial and aquatic biodiversity conservation	Clean transportation	Eco-Efficient and/or circular economy adapted products, production technologies & processes		Green Buildings	N/A - not outlined in taxonomy
	Climate Bonds Initiative	Energy		Waste & pollution control		Water	Land use & marine resources		Transport	Industry		Buildings	ICT
Commonly used third party providers (to be)	MSCI Internal Taxonomy	Renewable Energy	Energy Efficiency	Pollution Prevention & Control		Sustainable water and wastewater management	Environmentally sustainable management of living natural resources and land use		Clean transportation	Eco-Efficient and/or circular economy adapted products, production technologies & processes		Green Buildings	ICT
Applicable sectors (as determined by the EU Taxonomy)	NACE	D - Electricity, gas, steam and air conditioning supply		E - Water Supply; sewerage, waste management and remediation activities			A - Agriculture, forestry and fishing		H - Transporting and storage	C - Manufacturing		F - Construction; L - Real estate activities	J - Information and communication
	GICS	55 - Utilities; 10 - Energy		55 - Utilities; 20 - Industrials			15 - Materials; 30 - Consumer Staples		10 - Energy; 20 - Industrials	10 - Energy; 15 - Materials; 20 - Industrials; 25 - Consumer Discretionary; 30 - Consumer Staples; 35 - Health Care; 45 - Information Technology; 50 - Communication Services		20 - Industrials; 60 - Real Estate	20 - Industrials; 45 - Information Technology; 50 - Communication Services
Other classifications adopted by AOs/ to explore							Forestry - sustainable certifications such as SFI, FSC				EPC Ratings (>B); BREEAM; LEED; Energy Star; CREEM		

TSVCM - PUBLIC CONSULTATION

See next 4 pages

SURVEY QUESTIONS FOR THE PUBLIC CONSULTATION (1/4)

B | Governance

All questions are optional: You may answer all questions or a sub-set of questions

Topic	Survey questions
Critical governance needs for the VCM	<p>B.1) Do you agree with the recommendations for improved governance of existing bodies to address pain points in the voluntary carbon market?</p>
Mission and mandate of the new umbrella governance body	<p>B.2) Do you agree that the mandate of the body is suited to address the governance needs of the VCM?</p> <p>B.3) Do you agree with the phased approach for the roll-out of the governance body (i.e., focusing first on establishment of CCPs, incl. initial assessment of standards and development of credit eligibility guidelines)?</p> <p>B.4) Which specific linkages should the governance body have to financial regulators, expert bodies, standard setters for corporate claims, legal and accounting firms, governments and regulators of compliance markets, and other bodies?</p>
Organizational design	<p>For Board of Directors, Expert Panel, Executive Secretariat and member consultation group:</p> <p>B.5) Do you agree with their tasks?</p> <p>B.6) Do you agree with the target mix of stakeholders in each group?</p> <p>B.7) Do you agree with the steady state nomination process?</p> <p>The governance body needs to balance the need to capture the expertise and ensure sufficient engagement from market participants with the need to avoid real and perceived conflicts of interest. Input from market participants is particularly valuable to inform decisions on the CCPs. However, final decisions should be taken by individuals with minimal conflicts of interest to ensure the integrity and authority of the governance body. Hence, the body needs to find a balance to ensure that market participants and their interests are overall adequately represented in the Expert Panel and on the Board of Directors.</p> <p>B.8) How should the governance body balance the need to avoid conflicts of interest with the need to represent interests of market participants on the Board of Directors?</p> <ul style="list-style-type: none"> a) No market participants allowed on the Board of Directors b) Set guardrails for representation of market participants: <ul style="list-style-type: none"> i. Timing rule (ToR hypothesis): Market participants allowed after a cooling off period (e.g., 2 years) ii. Composition rule: Market participants allowed a maximum number of Board seats (e.g., 2 seats) iii. Equity rule: Market participants allowed if they have no equity interest (e.g., holding shares in company that is an active market participant) c) No rules for market participants (as many representatives allowed as desired)

I Terms of Reference

SURVEY QUESTIONS FOR THE PUBLIC CONSULTATION (2/4)

All questions are optional: You may answer all questions or a sub-set of questions

B | Governance

Topic

Survey questions

I

Terms of Reference

Organizational design (continued)

- B.9)** How does the governance body ensure capturing expertise from market participants on the Expert Panel while avoiding conflicts of interests?
- No market participants allowed on the Expert Panel – inputs as member organizations only
 - Set guardrails for representation of market participants on the Expert Panel:
 - Timing rule (ToR hypothesis): Market participants allowed after a cooling off period (e.g., 2 years)
 - Composition rule: Market participants allowed a maximum number of Expert Panel seats (e.g., 4 members)
 - Equity rule: Market participants allowed if they have no equity interest (e.g., holding shares in company that is an active market participant)
 - Include market participants in the Expert Panel as a sub-committee without guardrails
- B.10)** Do you agree that the Executive Secretariat Host cannot be a Founding Sponsor?
- B.11)** What nature of Board seat should the Executive Secretariat have?
- No representation on the Board
 - Standing observer to the Board without voting rights (ToR hypothesis)
 - Full Board seat

Funding

- B.12)** Do you agree that the governance body could cover steady state funding needs of Expert Panel and Executive Secretariat through membership and / or user-based fees (e.g., based on credit issuance / retirement)?

Transparency and grievance mechanisms

- B.13)** Do you agree with the mechanisms to ensure transparency of procedures and trades as described in the detailed ToR?
- B.14)** Is there any other information that needs to be provided by the governance body and / or market participants on the following points to ensure full transparency? What is the best way of providing this information (e.g., should it be in real-time)?
- Procedures and decision-making of the governance body
 - Projects and transactions in the market
 - Other issues
- B.15)** Do you agree with the grievance mechanisms to address complaints about the governance body and conflicts among market participants as described in the detailed ToR?
- B.16)** Are there other grievance mechanisms that the governance body should put in place? Are there good examples of other relevant governance bodies that adopted these mechanisms?
- B.17)** Should there be Key Performance Indicators (KPIs) to measure the success of the governance body (e.g., fraction of CCP credits in market, percentage of spot checks on CCPs confirming adherence to principles, etc.)?
- B.18)** Which KPIs do you suggest?

II

Call for initial engagement

Recommendation guidelines

- B.19)** Do you agree with the recommendation guidelines for who could be Founding Sponsor, Independent Board Member, Expert Panel Member and Executive Secretariat Host?

SURVEY QUESTIONS FOR THE PUBLIC CONSULTATION (3/4)

All questions are optional: You may answer all questions or a sub-set of questions

C | Legal principles and contracts

Topic	Survey questions
I Use cases and underlying contract mechanics	C.1 Do the use cases reflect how you would like to trade CCPs in the future?
II Operational requirements for Standards' Terms of Use	C.2 Do you support a greater degree of standardization of Standards' Terms of Use? C.3 Do you agree on the specific recommendations proposed? Why / why not? C.4 Would you like to give comments on any specific operational requirements? [Possibility to comment on each one]
III Key general trading terms	C.5 Do you support developing updated general trading terms to facilitate scaling of the market? C.6 Do you agree on the specific elements and language proposed (including for compliance linkages)? Why / why not? C.7 Would you like to give comments on any specific general trading terms? [Possibility to comment on each one]

SURVEY QUESTIONS FOR THE PUBLIC CONSULTATION (1/2)

D | Credit-level integrity

All questions are optional: You may answer all questions or a sub-set of questions

Topic	Survey questions
<p>I</p> <p>Assessment Framework for Standards</p>	<p>D.1) Do you support the current proposal for an Assessment Framework for Standards?</p> <hr/> <p>D.2) Do you agree with the proposed requirements for additionality? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.3) Do you agree with the proposed requirements for permanence? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.4) Do you agree with the proposed requirements for leakage? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.5) Do you agree with the proposed requirements for baselines? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.6) Do you agree with the proposed requirements for monitoring, reporting and verification (MRV)? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.7) Do you agree with the proposed definition of “Real”? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.8) Do you agree with the proposed requirements for “Do No Net Harm”? Are there any additions or changes that we should take into account?</p> <hr/> <p>D.9) Do you agree with the proposed requirements for the further operational considerations to the Standards? Are there any additions or changes that we should take into account?</p>
<p>II</p> <p>Input to the Assessment Framework and the Credit-eligibility guidelines</p>	<p>D.10) Do you support the proposed ambition for the Credit-eligibility guidelines?</p> <hr/> <p>D.11) Do you agree with the set of suggested questions to submit to the governance body's expert panel? Are there any additions or changes that we should take into account?</p> <hr/> <p>Financial additionality assumes that access to carbon credit revenue is a decisive reason for pursuing projects to either avoid / reduce or remove emissions. This implies that the project faces either negative profitability or significantly lower rates of return than what a developer could otherwise obtain. Some TSVCMM experts argue for stringent definitions of financial additionality as critical to protect the integrity of the market, in order to limit the number of actors that receive carbon credit revenue for projects that would anyways have been carried out. Other TSVCMM experts argue against the requirement for financial additionality. These members argue that for many inherently profitable activities, there is in practice limited uptake (e.g. for new technologies, due to inertia, information barriers, split incentives). By allowing carbon credit revenue for these types of projects, it incentivizes further action than would otherwise have happened (or would have happened at slower pace). Because of this incremental positive impact, these practitioners claim that these credits demonstrate additionality. Another important consideration for the governance body to monitor going forward is how carbon credits eventually will be used by buyers, to make claims, used against carbon taxes or used as part of a cap-and-trade scheme, and whether these use cases will require credits with stringent financial additionality.</p> <hr/> <p>D.12) What is your perspective on CCP methodologies needing to be financially additional?</p>

SURVEY QUESTIONS FOR THE PUBLIC CONSULTATION (2/2)

D | Credit-level integrity

All questions are optional: You may answer all questions or a sub-set of questions

Topic Survey questions

II Input to the Assessment Framework and the Credit-eligibility guidelines

Beyond the question of whether financial additionality is needed or not, there is also significant debate on what tests are appropriate to demonstrate it. Some TSVCM experts argue that a financial / investment analysis should always be required, in conjunction with other tests (e.g. common practice, performance or barrier tests). The rationale for requiring multiple additionality tests is that they increase the likelihood of true additionality. Other TSVCM experts argue that common practice, performance or barriers tests can be sufficient to demonstrate financial additionality. Arguments against requiring a financial additionality test are that it adds workload and costs for developers. There are also questions on the accuracy and objectivity of financial additionality tests, in particular the potential for developers to game these tests.

D.13) Can financial additionality be proved without financial analysis tests (e.g. through common practice, performance or barriers tests)?

In many cases, proving financial additionality for removal credits tends to be easier, as there are often limited / no financial benefits beyond the carbon credit revenue. However, some removal projects rely on a mixed funding model, including government subsidies or government agreements to act as a buyer of last resort. Some experts argue there should be no difference in treatment of reduction vs. removal credits when it comes to financial additionality. Others argue that in order to ensure funding for critically required permanent removals, financial additionality should not be required.

D.14) Which of the following provisions should define the financial additionality of removal CCP credits?

D.15) Should developers be required to publicly disclose financial parameters linked to their fulfilment of additionality tests?

We recognize that the debate on financial additionality extends beyond the detail that can be provided in these questions. We therefore encourage those wishing to engage further in the topic to read academic articles on financial additionality, among them:

- Martins Barata, Pedro. "[Carbon Credits and Additionality, Past, Present and Future](#)", Partnership for Market Readiness (May 2016)
- Trexler, Mark C., Derik J. Broekhoff and Laura H. Kosloff. "[A Statistically-driven Approach to Offset-based GHG Additionality Determinations: What Can We Learn?](#)" Sustainable Development Law & Policy, Winter 2006, 30-40.
- Cames, Martin., Harthan, Ralph O. Füssler, Jürg., "[How additional is the clean development mechanism?](#)", March 2016
- Schneider, Lambert. "[Assessing the additionality of CDM projects: practical experiences and lessons learned](#)", Climate Policy, 9:3 (2009), 242-254, DOI: 10.3763/cpol.2008.0533
- Carmichael, D.G., Lea, K.A. & Balatbat, M.C.A. "[The financial additionality and viability of CDM projects allowing for uncertainty](#)". Environ Dev Sustain 18, 129-141 (2016).

III Standard taxonomy of additional attributes

D.16) Do you support the implementation of a Standard taxonomy of Additional Attributes?

D.17) Do you agree with the initial proposal for five Standard Additional Attributes? Are there any additions or changes that we should take into account?

INFORMATION SHARING - HOUSEKEEPING

- **New file sharing tool:** <https://www.unepfi.org/alliance-extranet/> new password: AOAprivate
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Any general questions / remarks / ideas?

Thank you very much! Have a great evening/day!