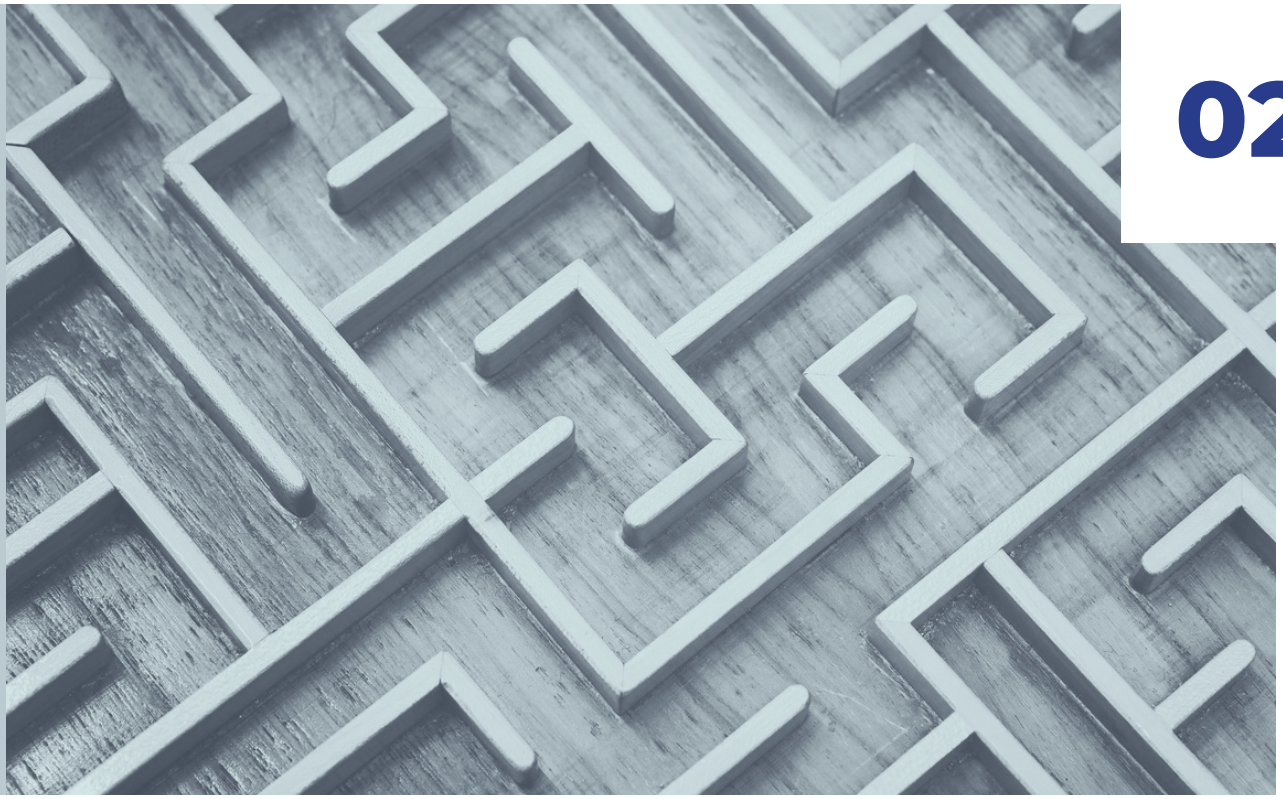
LOST IN DOCUMENTATION

Transparency in voluntary carbon market registries

March 2024



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Executive summary

Transparent and accurate information is vital to ensuring that the unregulated voluntary carbon market functions fairly and effectively. Carbon standards play a pivotal role in establishing and enforcing rules for information disclosure, yet not a single one of the main standards provides full disclosure, though they vary widely in their level of transparency.

This analysis assesses the public availability of project documentation across the four main voluntary carbon market registries: Verified Carbon Standard (VCS), Gold Standard (GS), American Carbon Registry (ACR), and the Climate Action Reserve (CAR). These standards were selected as they collectively issue the majority of the world's (voluntary market) carbon credits.

Project design documents (PDDs), validation reports (VaRs), monitoring reports (MRs), and verification reports (VeRs) were evaluated for availability across the registries, as not only do these indicate depth of transparency but also contain virtually all information regarding the environmental and social impact of a project. The Integrity Council for Voluntary Carbon Markets (ICVCM) mandates that all relevant documentation related to climate mitigation activities is publicly available. Our analysis interprets how effectively carbon standards maintain transparency across their registries, aligning with the transparency requirements outlined by the ICVCM.

A total stratified sample of 140 projects were evaluated, drawing a maximum of seven projects representing the six largest methodologies by issuance volume from each of the four standards. Only projects that are registered and have issued credits were eligible for inclusion in the sampling. From this sample we uncovered notable limitations in transparency practices.

Discrepancies were found between the standards, divided into two main categories. Firstly, inadequate rule-setting, such as optional disclosure of specific document types. Notably, CAR does not mandate the public disclosure of monitoring reports, and ACR only requires it for reporting periods ending after July, 1st 2023 (which covers none of the projects in our sample). Secondly, insufficient enforcement of purposeful rules. This affected each standard but multiple projects in Gold Standard in particular were lacking in identifiable public documentation. Across our sample of 140 projects, a total of 444 project documents were missing. Furthermore, documents listed on registries are routinely mislabelled, mis-categorised, duplicated or otherwise lacking clarity. In certain cases, the project location was incorrectly displayed on project pages.

Feedback from rating agencies supports these findings. Rating agencies reported similar difficulties in accessing project documentation and data. However, they acknowledge improvements and efforts that have been made to address this issue.

Recommendations

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Availability of documents

Standards should make all project documentation accessible to the public on the relevant project listing page.

Clear communication channels

It is crucial for standards to establish clear communication channels and an open and transparent process to report missing documents.

Stronger quality assurance/quality control (QA/QC)

The incorporation of a robust QA/QC process would enable projects to align with standard requirements. This systematic approach can help not only to identify but also rectify errors in the data, improving consistency, and the reliability of information in project documentation. As a minimum, programmes should have procedures in place to ensure that no credits are issued until all documents are publicly available on the registry. This could be verified by a simple checklist.

Naming conventions

Streamlining document titles, with the labelling of consistent naming conventions would facilitate a more efficient way of locating the most up-to-date and relevant documentation, addressing issues where titles have been mislabeled or assigned to the wrong category.

Navigating the registries

Registries should conduct regular audits of their project document listing pages to ensure accurate and up-to-date labelling and alignment with the corresponding documents. Adopting a system where draft or duplicate documents are archived within the registry can contribute to a cleaner and more user-friendly interface. This ensures that only final and most up-to-date documents are prominently displayed, simplifying the process of finding key information for external users.

Project Developers

Project Developers should provide all relevant documentation to the standards, and be proactive in checking that all documents related to their project are properly listed and structured on their project page.

Introduction

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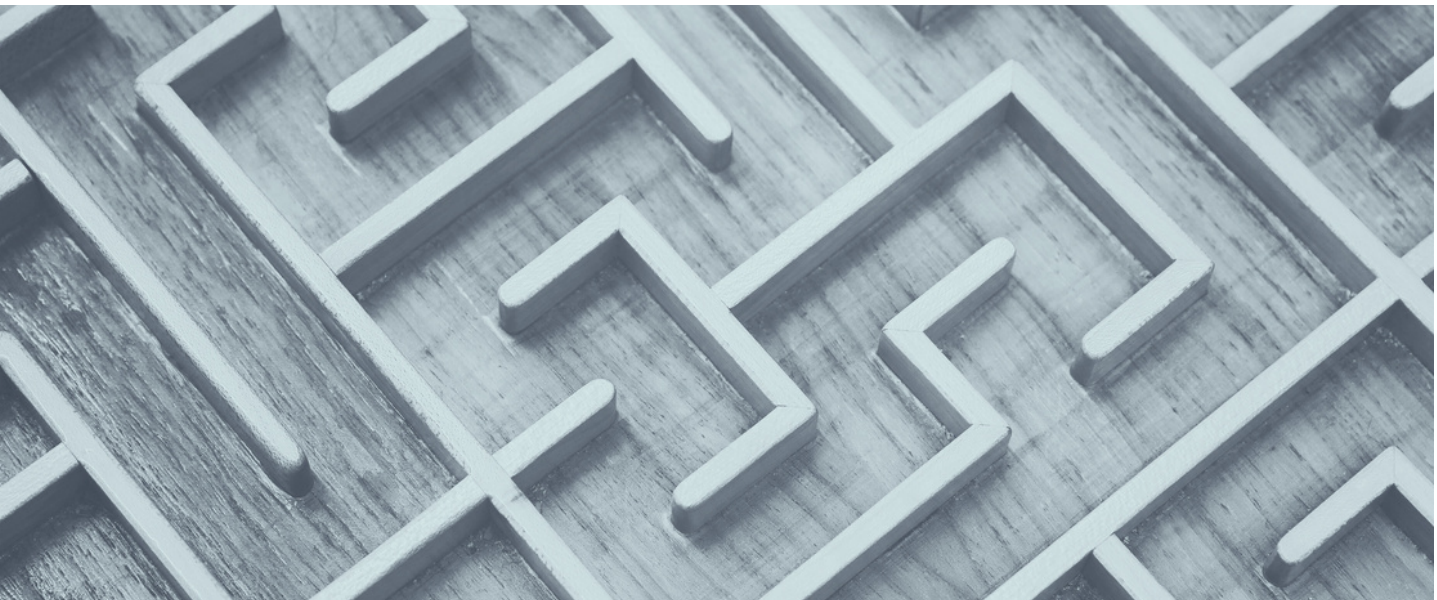
Carbon standards are crucial in ensuring and measuring transparency in the unregulated voluntary carbon market, establishing frameworks, criteria and rules for public disclosure of project documentation. It is fundamental for these standards to make all relevant information accessible to the general public, so that external reviewers can accurately and independently assess the quality of carbon credits.

How well carbon standards uphold the principles of transparency across their registries, is a fundamental requirement put forward by the Integrity Council for Voluntary Carbon Markets (ICVCM) (Assessment framework criteria 3.1): "[programmes shall ensure that] all relevant documentation relating to the mitigation activity is made publicly available (subject to confidentiality and proprietary, privacy and data protection restrictions) including: 1) all necessary information, such as spreadsheets used for calculations, to enable third parties to assess the social and environmental impacts of the mitigation activity and to replicate the GHG emission reduction or removal calculations (including baseline quantification), and assessment of additionality; 2) a mitigation activity design document". Our exploration serves not only as an evaluative exercise but as a call for greater accountability and openness within the voluntary carbon market.

This report focuses on the information currently available on registries, with a particular emphasis on project documentation. The overarching goal based on the availability of documents, is to provide recommendations for improving public access, which isn't merely a procedural requirement, but is essential for ensuring the market functions as it should, fostering market confidence, and to enable various stakeholders, including watchdogs, investors, project developers, intermediaries and buyers to make informed decisions and/or hold market players to account.



The study: Assessing and comparing availability of documentation across voluntary carbon market standards

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Methodology

The four major voluntary carbon market registries, issuing most of the world's carbon credits, were assessed: Verified Carbon Standard (VCS), Gold Standard (GS), American Carbon Registry (ACR) and the Climate Action Reserve (CAR).

This analysis focused on the public availability of project design documents (PDDs), validation reports (VaRs), monitoring reports (MRs) and verification reports (VeRs) across the four registries. It is noteworthy that despite ICVCM requirements, CAR does not mandate the public disclosure of monitoring reports, and ACR only requires it for monitoring periods ending after July, 1st 2023. None of the projects assessed in our sample issued credits for a reporting period ending after that date, and hence the new ACR requirement did not apply to any of the projects in our sample. In other words, ACR does not require the publication of monitoring reports for the credit batches covered in our sample. Additionally, the publication of a separate validation report is not considered a requirement by CAR[1] and only in selective instances by ACR.[2] In these cases, project validation is assessed during the first verification process, and information that would typically be contained in a validation report is actually included in the first verification report. Differences in document names between standards can be found in the appendix.

We identified the six largest methodologies by issuance volume from the four main standards, and selected seven projects [3] at random from each of these methodologies. This gave us a total (stratified) random sample of 140 projects across our sample of assessed methodologies. Only projects that have issued credits were eligible for inclusion in the sample. Certain methodologies and project types were excluded from our assessment due to their distinct document requirements and availability criteria. As our research is focused on reporting practices in unregulated voluntary carbon markets, ARB (California Air Resources Board) Protocols were omitted due to the regulated documentation requirements mandated by the California Cap-and-Trade Regulation.[4] Projects under the Gold Standard Programme of Activities (PoAs)[5] were also omitted from the study, because the inclusion of multiple projects within a single programme adds complexity that is incompatible with this analysis.

Finally, for each of the projects selected, we checked the availability of documentation on the registries. In addition to our "random sample" analysis, we have collected feedback from rating agencies' experience, which is summarised in the final section of this briefing.

1. Reserve Offset Program Manual
2. ACR VALIDATION AND VERIFICATION STANDARD
3. Some methodologies had fewer than seven projects registered or projects which had not yet issued credits, therefore the sample size varied between registries.
4. As a regulatory agency rather than a standalone carbon market standard, the ARB collaborates with established voluntary carbon market registries such as ACR (American Carbon Registry), CAR (Climate Action Reserve), and VCS (Verified Carbon Standard) to undertake essential registry functions, including third-party verification, validation, and issuance.
5. Multiple similar emission reduction activities which alone are too small to apply the costly process of carbon credit certification, are grouped together under a single programme which share certain characteristics, methodologies, and documentation processes.

The study: Assessing and comparing availability of documentation across voluntary carbon market standards

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Project documents

For a project developer to issue carbon credits, it must follow guidance set by a specific certifying standard. While there can be variations in specific document names and requirements between different certifying standards, the general framework tends to follow similar steps.

Project Design Document

Project Design Documents or equivalent documents, illustrated in the appendix, serve as a detailed blueprint for carbon projects, providing comprehensive information about the project's design, objectives, requirements, methodology, and anticipated climate and environmental benefits.

Validation Report

The validation report contains the assessment, conducted by an independent third-party auditor, of information found in the PDD. This includes an evaluation of a project's adherence to a chosen methodology or protocol, and whether it meets the requirements set by the relevant carbon standard.

Monitoring Report

The monitoring report compiles information and data about the project's activity, collected by the project owner throughout project implementation. This includes an evaluation of the project's performance in reducing emissions over a given period of time.

Verification Report

The verification report contains the assessment, by an independent auditor, of the information contained in the monitoring report. It also forms conclusions about the project's performance, based on the initial plan and the data from the monitoring report.

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The results: Assessing availability of documents in VCM registries

Findings

The two main problems identified in our assessment are: 1) different voluntary carbon standards fail to satisfy public disclosure of documents requirements; and 2) different voluntary carbon standards that require public disclosure of documents fail to implement that requirement in practice.

In addition, we also found that many documents were mis-labelled, duplicated, or placed in categories in which they did not belong (for example a monitoring report labelled as a validation report). We also found errors in maps showing project locations on the registry project pages of Gold Standard.

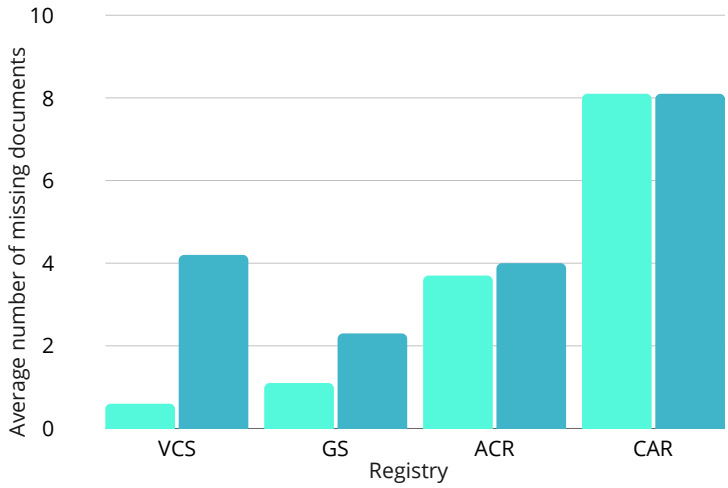
Key findings and recommendations from our research are described below.

Table 1: Number of missing documents across registries

	Number of projects assessed	Share of projects with a missing project design document	Share of projects with a missing validation report	Total number of missing documents	Average number of docs missing per project	Average number of docs missing for projects which are missing at least one document
VCS	36	8.3%	11.1%	21	0.58	4.20
GS	42	2.4%	28.6%	44	1.05	2.32
ACR	28	3.6%	14.3%	103	3.68	3.96
CAR	34	17.6%	0.0%	276	8.12	8.12

* For CAR and in some instances ACR, the validation report is assumed to be included in the first verification report, as this is the standard practice for these programmes. Therefore, a validation report is marked as missing if the first verification report is missing.

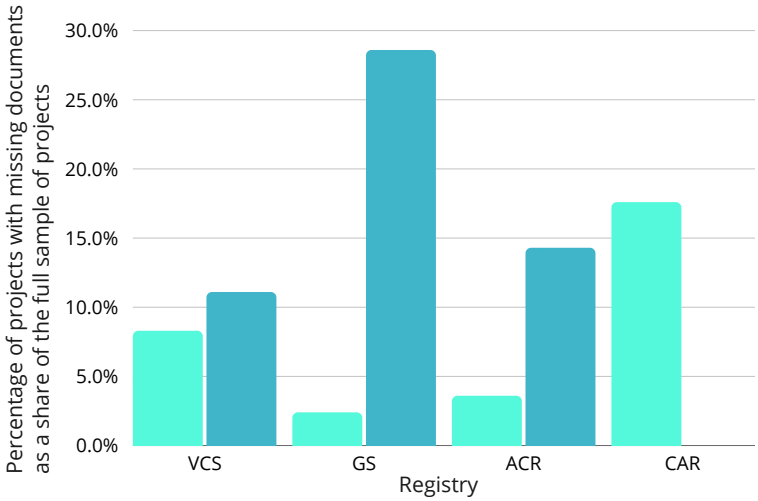
Figure 1: Average number of documents missing per project



Average number of docs missing per project

Average number of docs missing for projects which are missing at least one document

Figure 2: Portion of projects with unavailable project design documents (or equivalent) or validation reports across registries

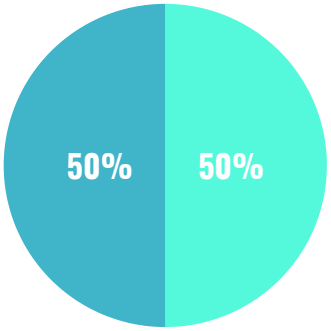


Number of missing doc's	PDD's (3) VaR's (4)	PDD's (1) VaR's (12)	PDD's (1) VaR's (4)	PDD's (6) VaR's (0)

Share of projects with a missing PDD

Share of projects with a missing Validation Report

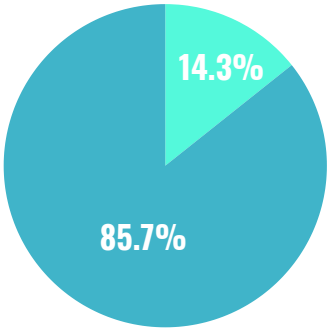
Figure 3: Projects for which monitoring reports do and do not cover the full issuance periods



Projects for which the monitoring reports do not cover the full issuance periods (70 projects)

Projects for which the monitoring reports do cover the full issuance periods (70 projects)

Figure 4: Projects for which verification reports do and do not cover the full issuance periods



Projects for which verification reports do not cover the full issuance periods (20 projects)

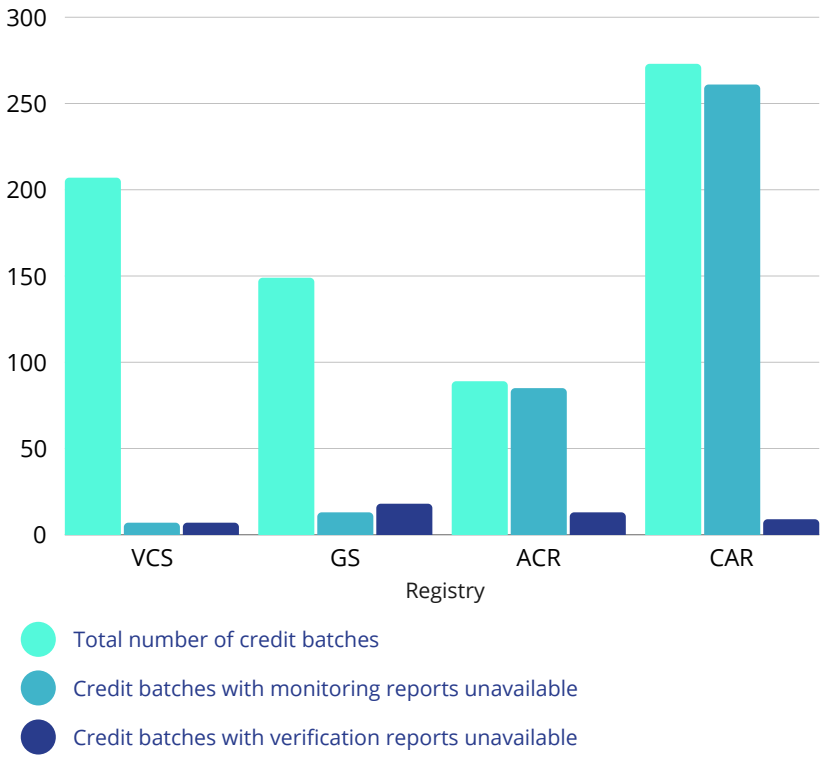
Projects for which verification reports do cover the full issuance periods (120 projects)

Table 3: Credit batches* with monitoring reports and verification reports unavailable

	Total number of credit batches	Credit batches with monitoring reports unavailable	Credit batches with verification reports unavailable	Share of credit batches without a monitoring report	Share of credit batches without a verification report
VCS	207	7	7	3.4%	3.4%
GS	149	13	18	8.7%	12.1%
ACR	89	85	13	95.5%	14.6%
CAR	273	261	9	95.6%	3.3%

* A credit batch refers to a set of credits that have been issued, and are associated to emission reductions or removals achieved within a specific timeframe.

Figure 5: Credit batches with monitoring reports and verification reports unavailable



What do the numbers show?

All standards display some project documents, not all, and their availability on the registry varied across the board. Table 1 which assesses all project documentation, including documents deemed non compulsory by standards, shows that ACR and CAR do not provide many documents, in particular monitoring reports that are considered important when evaluating transparency, and which are published by other standards.

While a lack of disclosure by CAR and ACR does not breach standard requirements there is a stark contrast between registries. When considering only documents mandated for disclosure by all standards (Project Design Documents, Validation Reports[6] and Verification Reports) the best performing standard is VCS (0.39 missing document per project), followed by CAR (0.44), ACR (0.64) and GS (0.74). Rules implemented are insufficient, and indicative of a structural transparency limitation within CAR and ACR, which has now been partly addressed by ACR which requires disclosure of monitoring reports for reporting periods that end after July, 1st 2023 (the change is not retroactive to previous reporting periods).

This is further demonstrated when analysing the availability of all monitoring reports (as shown in Table 3) - an average of 51% of credit batches lacked a corresponding monitoring report. However, when considering only the monitoring reports that are mandated to be made public by standards, i.e. limiting the sample to GS and VCS only, this percentage decreased to 5.6%. While no standard is fulfilling their own document availability rules, neither CAR nor ACR have adequate rules in the first place, which is the priority issue for them to address.

Our analysis of publicly required documents (Project Design Document, Validation Reports[7] and Verification Reports) found 6.5% of credit batches without a corresponding verification report, 7.9% of projects lacking a Project Design or equivalent document and 14.3% without a validation report.

The availability of all project documents is the key to ensuring transparency. They enable stakeholders and external reviewers to assess the credibility and environmental impact of a project. If absent this hinders these actors from making informed decisions, and potentially prevents finance from being assigned to projects in need of funding.

6. For CAR and in some instances ACR, the validation report is merged within the first verification report. Therefore, the availability of a first verification report on the registry's project document page has been interpreted as having a validation report available.
7. Same as footnote 6

12 Insights from rating agencies

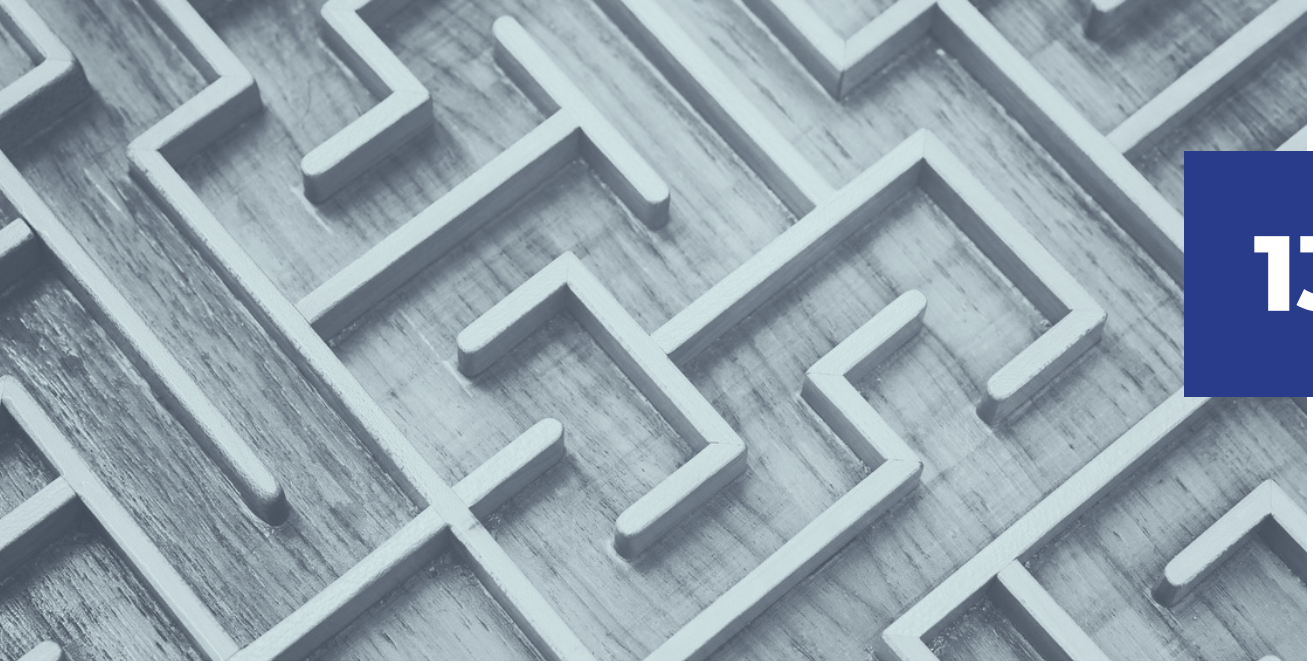
This analysis is complemented by feedback from the three main rating agencies active in the voluntary carbon market: BeZero, Calyx Global and Sylvera. These organisations have in-depth knowledge of the positive and negative aspects of programme registries and project documentation, as their ratings work requires them to analyse project documents in detail. In this section, we have summarised feedback received from these agencies. To prevent any potential bias in the report, feedback is not attributed to any agency in particular and the below opinions should not be interpreted as formally representing the views of these rating agencies.

All agencies report the challenge of missing project documentation in VCM registries. This includes the absence of fundamental documents, such as PDDs, MRs, and Verification Reports (VeRs), as well as additional supplementary documents (e.g. KML files, non-permanence risk reports, and CDM transfer letters) from project listing pages. These issues persist even after credits are issued, with instances of corresponding Monitoring Reports or Verification Reports missing, which is particularly apparent in the Gold Standard registry. This complicates the task of rating a project, as documents are sometimes discovered to be outdated or absent after the rating has been finalised.

Raised concerns not only revolve around disparities in the availability of documentation but also inconsistencies and inaccuracies in data, mislabeling of documents, the presence of multiple versions of seemingly identical files and documents corresponding to different projects hosted on an unrelated project's listing page.

Notwithstanding these challenges, a trend of continuous improvement has also been observed. Some standards are taking steps to improve depth and quality of information through the application of digital tools, and others upon request regularly add project documentation to the project page on the registry, or on a separate website belonging to that project. However, the absence of a clear communication structure and process, including explicit contact information and timelines, for requesting such missing documents, was noted.

Finally, digitisation of registries was identified as a potential solution to several problems, in particular if combined with clearly defined processes for how project documentation is to be made available, and updated, on project registry pages.



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Conclusion

Carbon market standards fall short of achieving document transparency on their registries, resulting in challenges for independent reviewers and stakeholders who depend on this documentation to make informed decisions. For some standards, this is primarily because of an absence of requirement to make key documents publicly available. For others, it is due to a lack of effective implementation of existing rules. The absence of essential documentation raises concerns about the reliability and integrity of carbon credits, leading to a decline in trust and confidence in the market.

Through systematically evaluating the availability of project documents on registries, we've uncovered notable limitations in transparency practices. These limitations are underscored by the feedback from rating agencies which aligns with the broad conclusion that there are inconsistencies in both document and information disclosure across registries. This analysis highlights these inconsistencies, enabling the identification and correction of improper documentation requirements and the addition of any missing information or documentation. Repairing these faults is crucial in ensuring a robust and accountable framework for projects within registries.

We therefore recommend that standards prioritise improving the availability of documents and up-to-date date information, clearer communication channels, stronger quality assurance/ quality control (QA/QC), naming conventions, and regular audits of project document listing pages.

At a bare minimum, standards should aim to meet the high integrity criteria for carbon credits set by the Integrity Council for the Voluntary Carbon Market (ICVCM). Further research could focus on assessing shortcomings in access to information on registries, delving into the limitations and inaccuracies in project document data and availability of information.

Appendix

Re-classifying registry documents from multiple standards under a common nomenclature

	VCS	GS	ACR	CAR
Project Description	Project Design Document (CDM-v2-3), Project Description Document (VCS Standard v4.0 to v4.5)	Project Design Document (Principles and Requirements v1.2)	GHG Project Plan (Standard v1.0 - v8.0)	Project Submittal , Project Report (Reserve Program Program Manual v9.0)
Validation	Validation Opinion (CDM), Validation Report (from Standard v4.0 to v4.5)	Validation Report (Validation and Verification Standard v1.0)	Validation Report (Standard v3.0 - 8.0, Validation and Verification Standard v1.1)*	First Verification Report*
Monitoring	Monitoring Report (from Standard v4.0 to v4.5)	Monitoring Report (Principles and Requirements v1.2)	Monitoring and Verification Report, Monitoring Report (Standard v3.0 - v8.0)	Monitoring Report (not publicly available)
Verification	Verification Report (from Standard v4.0 to v4.5)	Verification Report (Validation and Verification Standard v1.0)	Verification Report (Standard v3.0 - v8.0, Validation and Verification Standard v1.1)	Verification Report

* For CAR and, in some cases ACR, the validation report is combined with the first verification report into a single document.

CARBON MARKET WATCH

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