

ÍST TS 92:2022

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Eigandi þessa skjals hefur heimild til þess að nota það á einni vinnustöð skv. samningskilmálum Staðlaráðs Íslands. Dags. 28.09.2022

Introduction

On the 26th of October 2020 the Icelandic Climate Council issued a statement emphasizing the need to implement the following:

1. Internationally recognised methodologies for mitigation measurements and issuance of carbon credits.
2. Central registration, transaction, and retirement of carbon credits in voluntary carbon markets (VCMs).
3. Requirements for responsible declarations regarding carbon offsetting, both in competitive markets and the public sector.

This TS is intended to create a useful framework for carbon offsetting in Iceland by means of compensating for GHG emissions at the organizational level. The document aims to mitigate challenges that have hindered Iceland's progress on the path towards responsible greenhouse gas (GHG) emissions reduction measures and issuance of electronic carbon credits, that meet international standards addressing the call for action from the Icelandic Climate Council. Specific actions and procedures are outlined in this TS that are needed to overcome these obstacles, resulting in establishment of credible carbon market in Iceland that meets international standards, to the benefit of the country as a whole.

The three dimensions of sustainable development are social, economic, and environmental, all of which must be considered in balanced and integrated manner. The objectives of this TS are strongly aligned, not only by reducing/preventing GHG emissions but also through other social and/or environmental benefits. The TS sets out clear principles, requirements and guidance for the issuance of carbon credits in the VCMs. As such, the document will support achievement of the United Nations Sustainable Development Goals (SDGs), in particular goal 13, which calls for urgent action to mitigate climate change.

By doing this, voluntary climate actions can support signatories to the UNFCCC in achieving the goals of the Paris Agreement, which Iceland along with other nations ratified to strengthen the global response to the threat of climate change by keeping global temperature rise this century well below 2° C, preferably to 1.5° C, compared to pre-industrial levels.

Note to entry: Goal 13 is to take urgent action to combat climate change and its impacts

VCMs are essential to support both organizations and nations in achieving objectives and NDCs respectfully. VCMs however need to be founded upon a robust framework developed based on ISO standards. To ensure the reliable issuance of carbon credits, the credits need to represent additional mitigation efforts (emission reductions and/or removals) that can be demonstrated to have genuinely taken place applying recognized measurement tools against a credible emissions baseline. One carbon credit equals one metric tonne (1000 kg) of CO₂ equivalent (CO₂-eq) mitigated and issued and registered in a transparent and credible manner. The emission mitigations must be verified by an independent, third-party validation and verification body. The carbon credit must represent emission mitigations for a specified time-period (with a specified permanence). Organizations can then use such carbon credits generated by GHG projects for the purpose of offsetting unavoidable GHG emissions in order to take responsibility of their share towards climate change and for supporting climate actions outside their organizational boundary.

It is paramount that organizations always prioritize reducing and preventing own emissions first and only rely on offsetting remaining unavoidable emissions by retirement of carbon credits. However, ensuring transparency and reliability of carbon credits generated and traded in Iceland, with support from organizations offsetting their emissions, will help speed up the progress on reducing the impacts of climate change and accelerate and scale climate actions through collaboration and cooperation and will in turn support our pathway towards sustainable low carbon economy.

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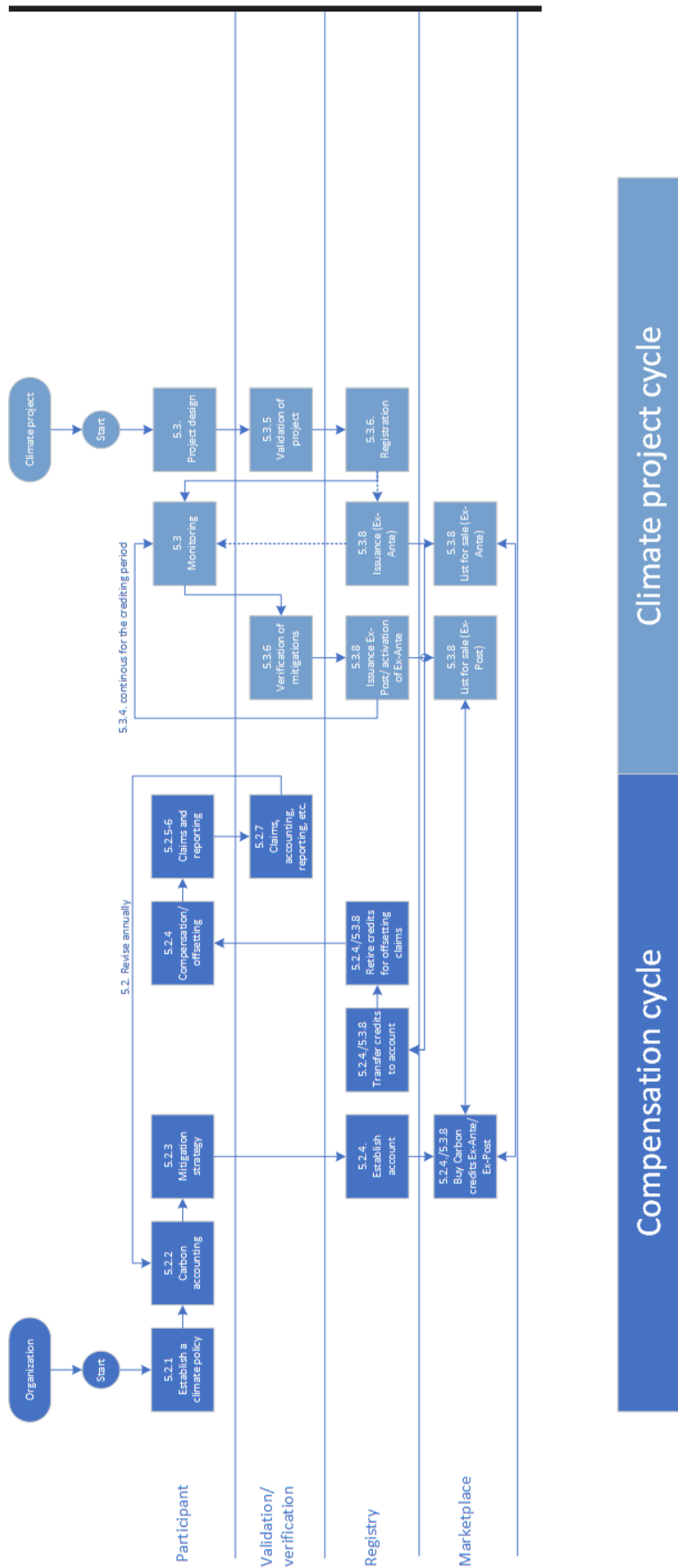


Figure 1: GHG project cycle and compensation cycle

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1 Scope

This document relies on ÍST EN ISO 14064 series of standards and further specifies principles, requirements, and guidelines at the organizational level for the quantification and reporting of GHG emissions and removals, emission reductions, and compensating and further offsetting unavoidable emissions. (Shown in Figure 1) It includes requirements for the design, development, management, and reporting of an organization's GHG inventory as well as mitigation actions according to ÍST EN ISO 14064-1. Furthermore, principles and requirements not established in ÍST EN ISO 14064-1, for the purpose of this TS, are set forth in these Special Criteria and outlined in section 5.2, along with requirements for validation and verification according to ÍST EN ISO 14064-3.

This document further specifies principles and requirements for GHG projects intended to generate additional GHG emission reductions or removal enhancements for the purpose of issuing carbon credits that can be used by organizations to support claims for carbon offsetting. It relies on requirements established in ÍST EN ISO 14064-2 for planning a GHG project, identifying and selecting GHG sources, sinks and reservoirs (SSRs) relevant to the project and baseline scenario, monitoring, quantifying, documenting, and reporting GHG project performance and managing data quality, apply to GHG projects. Principles and requirements not established in ÍST EN ISO 14064-2 are set forth in these Special Criteria and outlined in section 5.3, along with requirements for validation and verification according to ÍST EN ISO 14064-3.

2 Normative references

This technical specification is based on:

ÍST EN ISO 14064-1 and ÍST EN ISO 14064-2 approved by the European Committee for Standardisation (CEN) as European Standards (EN).

Decision 3/CMP.1 Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol.

Decision 3/CMA.3 Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

Decision -/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

The following international standards are indispensable for the application of this Technical Specification document:

ÍST EN ISO 14064-1 – Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

ÍST EN ISO 14064-2 Greenhouse gases – Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements

Further the following international standards provide requirements and guidance for validations and verification of ÍST EN ISO 14064-1 and ÍST EN ISO 14064-2.

ÍST EN ISO 14064-3 – Greenhouse gases – Part 3: Specification with guidance for the verification and validation of greenhouse gas statements – General principles and requirements for bodies

ÍST EN ISO 14065 – General principles and requirements for bodies validating and verifying environmental information

Further the following international standards provide guidance on application of ÍST EN ISO 14064-1

ISO/TR 14069 – Greenhouse gases – Quantification and reporting of greenhouse gas emissions for organizations – Guidance for the application of ISO 14064-1

ÍST EN ISO 14044 – Environmental management – Life cycle assessment – Requirements and guidelines

3 Terms, definitions and abbreviations terms

For the purposes of this document, in addition to terms and definitions in ÍST EN ISO 14064 series, the following terms and definitions apply.

3.1 Abbreviations

AFOLU: Agriculture, Forestry and Other Land Use.

LULUCF: Land use, Land-Use Change and Forestry

UNFCCC: United Nations Framework Convention on Climate Change

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IPCC: Intergovernmental Panel on Climate Change

VCM: Voluntary Carbon Market

NDC: Nationally Determined Contribution

GRI: Global Reporting Initiative

SASB: Sustainability Accounting Standards Board

TCFD: Task Force on Climate-Related Financial Disclosures

EU Taxonomy: European Union Taxonomy

CSRD: Corporate Sustainability Reporting Directive

SFDR: Sustainable Finance Disclosure Regulation

ISSB: International Sustainability Standard Board

Defra: Department for environment, Food and Rural Affairs – United Kingdom

LCA: Life Cycle Assessment

ESG: Environment, Social, Governance

SDG: Sustainable Development Goals

ITMO: Internationally Transferred Mitigation Outcomes

3.2 Definitions

In addition to definitions that are defined in the ÍST EN ISO 14064 series.

3.2.1

carbon neutrality/net-zero

at the level of global emissions, carbon neutrality refers to a balance between (global) emissions and removals. At the organizational level, there is no internationally agreed upon definition of carbon neutrality/net-zero emissions at the time of preparing this technical specification. Currently there is ongoing work within TC 207 developing ISO 14068 that will provide a definition and requirements towards carbon neutrality at the organizational level. Organizations are encouraged to follow these developments. In the meantime, organizations seeking to set carbon neutrality/net-zero strategies should commit to good practice guidance.

Note to entry: Good practice guidance can come from a recognized origin, such as industry practices and associations, similar projects, benchmarking, GHG programme methods or others that are fit for purpose.

3.2.2

carbon offsetting

measures in order to compensate for significant outstanding GHG emissions with retirement of carbon credits after the organization has undertaken all reasonable reduction measures.

3.2.3

carbon registry

centralized electronic registry that provides registration of GHG projects and issuances of electronic carbon credits generated by such projects. Further transfers of such credits and retirement for offsetting emissions.

3.2.4

co-benefits

in addition to GHG emission mitigations, GHG projects may achieve a range of other environmental, economic, social, and cultural benefits, supporting other UN SDGs. This means that for organizations, carbon credits with co-benefits can offer additional value in meeting their sustainability commitments.

3.2.5

carbon credit/ex-post

a unique transferrable instrument issued electronically in a centralized registry representing a GHG emission mitigation in an amount of one (1) metric tonne of CO₂-eq, that has been verified in that its impacts are real and can be used for offsetting emissions by organizations.

3.2.6

ghg removal

A GHG removal enhancement process where CO₂ is removed from the atmosphere and sequestered in a GHG reservoir, e.g., in trees, soil, underground reservoirs with defined permanence.

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5.2.6 Disclosure of information

In addition to the information outlined in section 9 in ÍST EN ISO 14064-1 organizations shall publicly disclose following information supporting compensation and/or carbon offsetting claims.

- a) description of the organization's GHG policies, strategies, or programs.
- b) purchased or developed GHG emission mitigations from GHG projects, quantified in tons of CO₂-eq and issued in electronic carbon credits.
- c) retired GHG emission mitigations from GHG projects, quantified in tons of CO₂-eq and issued in electronic carbon credits and reference to retirement.
- d) inventory of GHG emission mitigations from GHG projects, quantified in tons of CO₂-eq and issued in electronic carbon credits that have not been retired and will be used for carbon offsetting claims later. The status of the carbon credits shall be aggregated for each vintage.

Organizations may disclose different nature of carbon credits retired or within their inventory.

5.2.7 Verification and validation

For organization claiming carbon offsetting shall have its GHG boundary assessment according to the requirements of ÍST EN ISO 14064-1 validated by a validation body having accreditation for ÍST EN ISO 14065. The validation body shall independently assess conformity to the requirements set out in ÍST EN ISO 14064-1 and the special criteria set out in section 5.2.

Validation shall be according to ÍST EN ISO 14064-3 and the validation criteria, the requirements of ÍST EN ISO 14064-1 and the requirements in section 5.2.

The organization shall have the carbon accounting and its GHG emissions mitigations and use of carbon credits to offset remaining significant GHG emissions mitigation outcomes verified by a verification body having accreditation for ÍST EN ISO 14065. The verification body shall independently assess and determine quantification of the GHG quantification, implementation of objectives, and any emission mitigations achieved by the organization and use of carbon credits to compensate for unavoidable remaining GHG emissions and further conformity to ÍST EN ISO 14064-2, and the requirements in section 5.2.

5.3 GHG projects

In addition to the requirements set out in ÍST EN ISO 14064-2 GHG projects shall, in order to be eligible for registering as a GHG project and issue carbon credits, conform to the integrity principles in section 4 and the requirements set out in this section 5.3.

For clarity, requirements outlined below are project specific requirements. However, project proponents may develop methodologies for application at the project level. Methodologies shall be validated for conformity to ÍST EN ISO 14064-2 that their application will conform to the requirements in ÍST EN ISO 14064-2 and the requirements set out in this section 5.3.

Methodologies shall encourage ambition over time; encourage broad participation; be real, transparent, conservative, credible, below 'business as usual; avoid leakage, where applicable; recognize suppressed demand; align to the long-term temperature goal of the Paris Agreement, contribute to the equitable sharing of mitigation benefits and contribute to reducing emission levels and align with NDCs, and applicable, long-term low GHG emission development strategy and the long-term goals of the Paris Agreement.

Methodologies shall include relevant assumptions, parameters, data sources and key factors and consider uncertainty, leakage, policies and measures, and relevant circumstances including social, economic, environmental, and technological circumstances and address reversals where applicable.

GHG projects:

- a. Shall be designed to achieve mitigation of GHG emissions that is additional, including reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans, and not lead to an increase in global emissions.

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- b. Can be a project or programme of activities.
- c. Shall be designed according to ÍST EN ISO 14064-2 and achieve GHG emission mitigations.
- d. Deliver real, measurable, and long-term benefits related to emission reductions.
- e. Minimize the risk of non-permanence of GHG emission mitigations and, where reversals occur, ensure that these are compensated in full.
- f. Minimize the risk of leakage and adjust for any remaining leakage in the calculation of emission reductions or removals.
- g. Do not cause net negative impacts to environmental and social factors and where applicable, biodiversity.
- h. Shall undergo local stakeholder consultation.

5.3.1 Additionality

Projects shall be additional and can only be considered as such if they had not taken place or had become operational without incentives from VCMs.

Demonstrating additionality shall include an assessment showing that the project would not have occurred in the absence of the incentives from offsetting mechanisms, considering all relevant statutory requirements.

The assessment shall illustrate that the proposed activity is not legally required by a governing body or that non-enforcement with the legal requirements is common practice.

An investment analysis shall illustrate whether the project is financially viable without income from the carbon credits generated.

Alternatively, a barrier analysis shall illustrate that there are barriers preventing activities leading to the emission mitigations from going forward and that the revenues by the sale of the carbon credits generated reduces those barriers.

Projects may follow additionality testing procedures established by the UNFCCC.

5.3.2 Permanence

Permanence refers to a specified amount of time that emissions reductions or carbon sequestration will last. Ideally, emissions reductions should last forever, and sequestration should last for as long as possible, at minimum 50 years. However, the project shall define the permanence period. For each project, a risk analysis of the non-permanence/reversal of CO₂ eq mitigation shall be performed, documented, and reported. Based on the risk analysis findings, a corresponding number of buffer carbon credits shall be determined and set aside transparently. Mitigation measures with a specified permanence shall be renewed once the specified time span has passed.

5.3.3 Stakeholder consultation

GHG projects shall include local stakeholder consultations and local stakeholders shall have access to a grievance mechanism in case they have issues with the project and its implementation. All comments received shall be addressed with revision on project design and/or demonstrating their irrelevance.

5.3.4 Crediting Period

Crediting period of a non-GHG removal project for the issuance of carbon credits shall be a maximum of five years, renewable a maximum of twice, or a maximum of 15 years with no option of renewal. For GHG removal projects a crediting period shall be a maximum of 15 years renewable maximum of twice, or a maximum of 45 years, that is appropriate to the activity.

For renewal of a crediting period the project design shall be updated and followed by an assessment by a validation body to determine necessary updates e.g., to the baseline, the additionality, and the quantification of emission mitigations.

5.3.5 Validation

For projects to be eligible for issuing carbon credits project proponents shall have the project validated by a validation body having accreditation for ÍST EN ISO 14065 for the sectoral scope of the project activities. The validation body shall independently assess the project activity against the requirements set out in ÍST EN ISO 14064-2 and these special criteria in section

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6.3 and further relevant applied requirements.

Validation shall be according to ÍST EN ISO 14064-3 and the validation criteria, the requirements of ÍST EN ISO 14064-2 and the requirements herein. The validation body shall provide written assurance of the GHG project in a validation report.

If the project implementation is following a methodology the methodology shall be validated by an accredited validation body having accreditation for ÍST EN ISO 14065 for the sectoral scope of the applicable project activities.

5.3.6 Verification

For GHG emission mitigations resulting from projects activities to be eligible for issuance of carbon credits, project proponents shall have the GHG emission mitigation outcomes verified by a verification body having accreditation for ÍST EN ISO 14065 for the sectoral scope of the project activities. The verification body shall independently assess and determine the implementation of, and the GHG emission mitigations achieved by, the activity during the monitoring period conforming to the requirements set out in ÍST EN ISO 14064-2, and the requirements set out in section 6.3 and further relevant applied requirements. The verification body shall provide written assurance of the verified mitigations in a verification report.

5.3.7 Registration

Projects and carbon credits generated by the GHG projects, validated, and verified, shall be registered on purpose-made registry systems that ensure documentation of ownership, transfer and retirement of carbon credits generated by GHG projects. The registry system shall preferably be operated by a third-party. It shall be electronic and assign unique registration to projects and unique serialization to carbon credits and their vintage. The system shall track the transfer and ownership of carbon credits, and record the purpose of their use, retirement, and cancellation when relevant.

For transparency, documentation according to section 6.13 in ÍST EN ISO 14064-2 shall be made available to the public within the registry platform. These shall include information on the project, as its boundaries, assessment boundary and how it is monitored.

The carbon registry system shall apply robust methods to prevent double counting of carbon credits. The registry system shall clearly record the purpose of any carbon credit retired in its registry, including on whose behalf the retirement was made.

A project shall disclose to which electronic registries its carbon credits are issued. Carbon credits shall demonstrate if they are pending carbon credits (Ex-Ante) and only be retired when GHG emission mitigations have been verified.

The project proponent must possess legal attestations asserting exclusive claims to any credited GHG emission mitigations generated and agree to legally convey such claims to the buyers of carbon credits. If a project proponent intends to implement a GHG project with GHG emission mitigations eligible for use for international transfer mechanisms requiring a corresponding adjustment, e.g., ITMO, CORSIA, they shall acquire a letter of authorization issued by national authorities.

Note for entry: Pending carbon credits are not considered eligible for international transfer.

5.3.8 Issuance of carbon credits

Subject to successful validation of a GHG project the project proponent is eligible for issuing pending carbon credits (Ex-Ante). Subject to successful verification of monitoring, the GHG project is eligible for issuance of carbon credits (Ex-Post) or confirming pending carbon credits as Ex-Post according to the findings of GHG emission mitigations in the verification report. The project proponent shall not transfer any pending carbon credits (Ex-Ante) in excess of 50% of estimated mitigation outcomes. Any reduction from estimated mitigation outcomes during monitoring and verification shall be reflected in activated carbon credits (Ex-Post).

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