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leiðbeiningum**

**Carbon offsetting:
Specification with guidance**



Íslenskir staðlar

Notkunarheimild:

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

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Foreword

This IST Technical Specification was developed in accordance with “IST rules on Technical Specifications, Technical Reports and Workshop Agreements”. The TS (Technical Specification) was prepared by the technical committee of carbon offsetting following a public call of participants within the committee. Working groups draft was sent to the technical committee and approved on a technical committee meeting on the 18.08.2022.

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The text of ÍST TS 92 was based on the work of following specialists working in the technical committee for carbon offsetting in Iceland chaired by Guðmundur Sigbergsson, in cooperation with the consultant Sveinn Ólafsson and the secretary of the technical committee Haukur Logi Jóhannsson.

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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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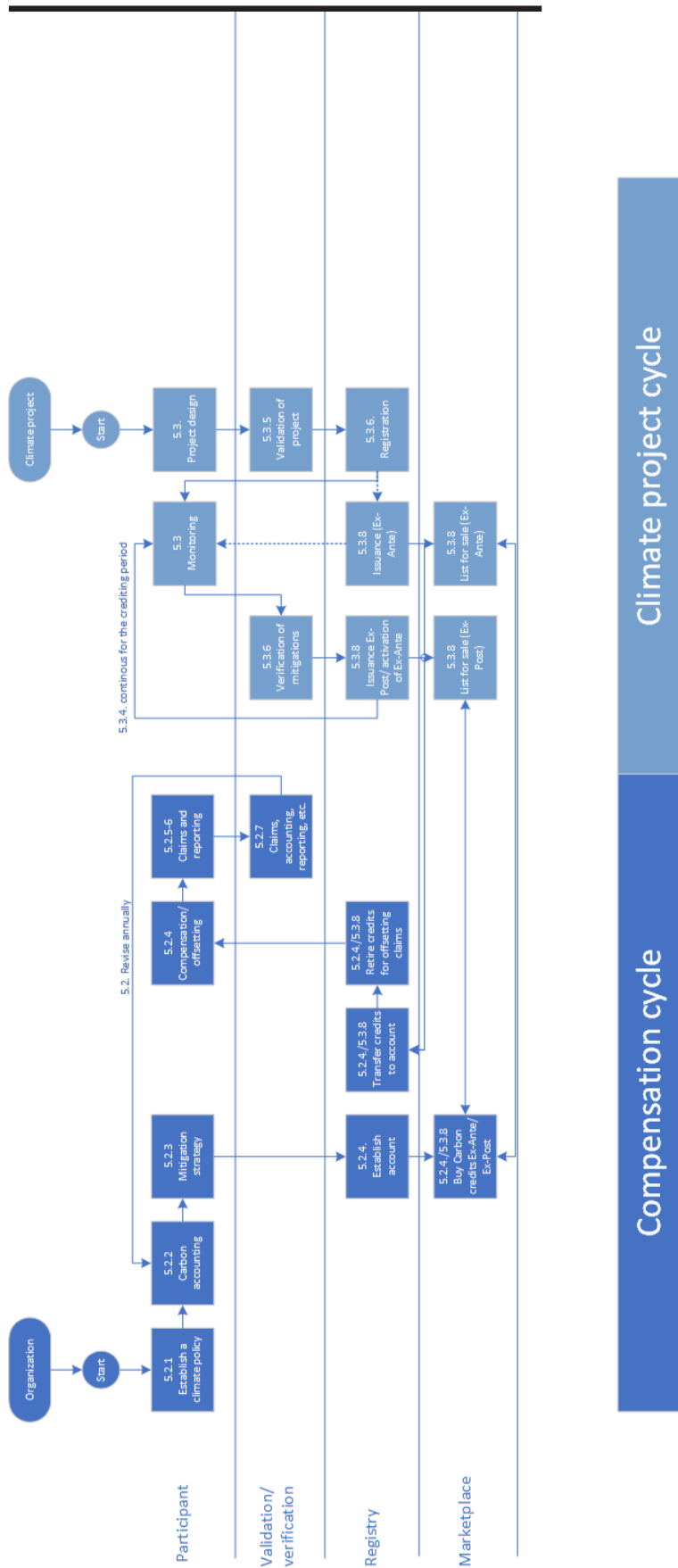


Figure 1: GHG project cycle and compensation cycle

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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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3.2.7**compensation of emissions**

Compensation involves actions by organizations to compensate for their unavoidable remaining GHG emissions by:

- 1) Offsetting their GHG emissions (see definition of carbon offsetting).
- 2) Purchasing pending carbon credits that are later used to offset emissions, once they fulfil all necessary requirements,
- 3) Implementing and operating GHG removal project according to ÍST EN ISO 14064-1 following ÍST EN ISO 14064-2 and section 6.3 within or outside of its organizational boundary.
- 4) Directly supporting climate actions outside their organizational boundary, that do not fulfil the requirements of carbon offsetting.

Note for entry: Number 3) and 4) are not applicable for carbon offsetting but can compensate for GHG emissions.

3.2.8**crediting period**

project crediting period is the period for which net GHG emissions reductions or removals will be verified for the purpose of issuing carbon credits, which may be equivalent to the project lifetime.

3.2.9**corresponding adjustment**

Adjustment effected through a subtraction for GHG emissions mitigation, e.g., ITMOs, transferred and an addition for GHG emissions mitigation e.g., ITMOs acquired in national GHG accounting towards NDCs.

3.2.10**double claiming**

Occurs when the same mitigation outcome is claimed by two different parties towards achieving its targets, e.g., once by the country in which the mitigation outcome occurs, and once by the party using a carbon credit.

3.2.11**double counting**

Occurs when mitigation outcome is counted more than once. Double counting can occur through double issuance, double use, and/or double claiming

3.2.12**double issuance**

Occurs when more than one carbon credit is issued for the same mitigation outcome, e.g., when the same mitigation activity is registered under two different crediting standards.

3.2.13**double use**

Occurs when the same carbon credit is counted twice towards achieving climate change objectives, e.g., if a party uses the same carbon credit to meet two different objectives.

3.2.14**GHG emissions mitigation**

measured reduction of GHG emissions and/or the mass of GHGs removed from the atmosphere over a specific period relative to a baseline.

3.2.15**internationally transferred mitigation outcomes (ITMO)**

as defined in 1/CMA.3 Glasgow Climate Pact Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)

3.2.16**methodology**

specific set of criteria and procedures, which apply to specific project activities, for identifying the project boundary, determining the baseline scenario, demonstrating additionality, quantifying net GHG emission reductions and/or removals, and specifying the monitoring procedures.

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3.2.17

nationally determined contribution (NDC)

efforts by each country to the Paris Agreement to reduce national emissions and adapt to the impacts of climate change and updated every five years.

3.2.18

pending carbon credits/ex-ante

carbon credit issued for projected volume of GHG emissions mitigation over the project lifetime in part or full (crediting period). Pending/Ex-ante carbon credits become Ex-post credits after GHG emissions mitigation impacts have been verified. Ex-ante credits may not be retired and used for carbon offsetting.

3.2.19

programme of activities

programme of activities (PoA) allows for coordinated implementation of a policy, measures or goals that leads to GHG emission mitigations. Once a PoA is registered in a carbon registry, an unlimited number of component project activities (CPAs) may be added without undergoing the complete project cycle.

3.2.20

retired carbon credit

carbon credits that have been used to offset the equivalent amount of GHG emissions by an organization e.g., to support carbon offsetting claims. Retired carbon credits can never be used again for environmental mitigation claims (i.e., double counting).

3.2.21

significance/material threshold

determined by the significance criteria set by the organization.

3.2.22

voluntary carbon market (VCM)

markets emerged under the Kyoto protocol with the objective of supporting financially unbeneficial climate solutions with offsetting emissions from organizations.

3.2.23

vintage

the year in which the GHG project mitigation outcomes are generated based on validated estimation of GHG mitigation outcomes for pending carbon credits (Ex-Ante) or as verified by a for carbon credits (Ex-Post).

4 Principles

The purpose of carbon offsetting is to compensate for GHG emissions occurring within an organizational boundary of an organization in order to mitigate direct and indirect emissions by supporting climate action that takes place outside of the boundary of the organization.

a) **Additional**

GHG project shall result in GHG emissions mitigations that are unlikely to occur in the business-as-usual course, including due to any existing commitment or target publicly agreed by the entity responsible for issuing carbon credits.

b) **Permanent**

GHG project must result in and represent permanent mitigation in GHG emissions. In the case of sinks, this requires that the carbon stored is sequestered and will not be released into the atmosphere within a defined period or 50 years at minimum.

c) **Measurable**

Methods used to quantify the amount of GHG emissions mitigations generated must be supported by clear and convincing evidence, further demonstration on how much GHG emissions would have occurred without the GHG project implementation.

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d) **Transparent**

Consumers and other interested stakeholders must have access to information about the GHG project that generated the GHG emission mitigations, including applied methodologies, monitoring arrangements, validation and verification statements, etc.

e) **Address leakage**

The GHG project responsible for generating the carbon credit must provide deductions for any material increases in GHG emissions elsewhere which nullify or reduce the GHG emission mitigation that would otherwise be represented by the carbon credit.

f) **Independently validated and verified**

The GHG project generating GHG emission mitigations must be validated by an independent, appropriately qualified third party and conform to these integrity principles. All impacts resulting from the implementation and operation of the GHG project must be independently verified by appropriately qualified third party and conforming to these integrity principles

g) **Registered**

The GHG project and carbon credits generated must be listed and tracked in a publicly transparent carbon registry.

The purchase of carbon credits or directly supporting GHG projects that reduce or remove GHG emissions from the atmosphere supports the implementation of climate actions that would otherwise not be implemented. Many GHG projects deliver other positive outcomes than emissions mitigations. The organization may choose to support projects that align with their corporate goals or values or those that deliver specific social or environmental outcomes, e.g., SDGs.

5 Special criteria

Any organization that claims carbon offsetting, must adhere to requirements set out in ÍST EN ISO 14064-1 and in addition adhere to the special criteria stipulated in section 5.2 in this document.

Any GHG project that is implemented for the purpose of issuing carbon credits must adhere to the ÍST EN ISO 14064-2 standard and in addition adhere to the special criteria stipulated in sections 5.3 in this document.

5.1 General

This technical specification (TS) document aims to provide principles, requirements, and guidelines for organizations on setting climate policies, measuring greenhouse gas (GHG) emissions according to ÍST EN ISO 14064-1, setting objectives and strategies for emission reductions, and for compensating current and future unavoidable emissions with offsetting. It further, provides principles, requirements, and guidelines for GHG projects applying ÍST EN ISO 14064-2 to issue carbon credits in voluntary carbon markets (VCMs).

The objective of this TS is to ensure transparency and reliability of carbon credits generated and traded in Iceland and establish high integrity in offsetting practices. It includes requirements and guidelines for additionality, permanence, methodologies, validation, verification, registration, and issuance of carbon credits that are not readily set out in the ISO 14060 family of standards. It further includes requirements and guidelines for organizations claiming compensation of their emissions. Definitions of terms in this TS are based on ÍST EN ISO 14064-1, ÍST EN ISO 14064-2, and ÍST EN ISO 14064-3 with a few additional terms added under "Terms and definitions" of this document.

5.2 Organizations

To achieve and maintain a valid and credible carbon offsetting claim against the requirements set out in these special criteria, organizations shall at a minimum:

- Establish a climate policy
- Calculate GHG emissions and removals according to section 6.3 in ÍST EN ISO 14064-1 (set baseline)
- Develop and implement targets/objectives to reduce GHG emissions within a specific timeframe (action plan)
- Support climate actions through the purchase of carbon credits (Ex-Ante or Ex-Post) to compensate for remaining emissions
- Have carbon offsetting claims according to the requirements verified according to ÍST EN ISO 14064-3

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Organizations shall prioritize in reducing GHG emissions within its organizational boundary before offsetting.

5.2.1 Climate policy

Organizations shall establish, implement, and maintain a climate policy, approved by top management that:

- a) is appropriate to the purpose and context of the organization and supports its strategic direction in climate related actions.
- b) provides a framework for setting objectives for internal and external climate actions.
- c) includes a commitment to conform to applicable environmental and climate action requirements at a minimum.
- d) includes a commitment to continual improvement of management of climate actions within the organization. The policy shall be publicly available and communicated and understood within the organization.
- e) aligns with (or is part of) the organization's broader sustainability policy that considers environmental, social and governance (ESG) factors and with prevalent sustainability reporting standards such as GRI, SASB and TCFD. It is also important to comply with appropriate legislation for sustainability disclosures (e.g., EU Taxonomy, CSRD, SFDR and ISSB).

Note 1 to entry: Applicable environmental and climate action requirements refers to regulations or laws issued by the government or governmental agencies and are minimum requirements.

Note 2 to entry: Top management refers to the most senior staff of an organization or business, including the heads of various divisions or departments led by chief executive.

5.2.2 Carbon accounting

The organization shall define its boundary according to section 5 in ÍST EN ISO 14064-1 and quantify GHG emissions according to requirements set out in section 6.

For sake of transparency and consistency, the carbon accounting shall allow for comparison of GHG emissions over time. A base year provides a starting point for comparisons of GHG emission.

For carbon accounting purposes the best practice of emission factors is in no particular order:

- a) Country specific emission factors adapted to the country where operations take place.
- b) LCA according to ÍST EN ISO 14044
- c) In no specific order: IPCC guidelines for National Greenhouse Gas Inventories, Sector specific emission factors or Supplier specific emission factors
- d) In the case where a product specific LCA, according to ÍST EN ISO 14044, is available for organizations own production or purchased products, that should take precedence.

5.2.3 GHG emissions mitigations

The organization shall plan and implement GHG reduction initiatives to reduce or prevent GHG emissions within and beyond its organizational boundary. The organization shall set out short-term and long-term reduction objectives and strategy for both direct and indirect GHG emissions reductions.

Reduction objectives shall:

- a) Be consistent with the climate policy
- b) Be measurable
- c) Consider applicable requirements
- d) Be monitored
- e) Be communicated
- f) Be updated as appropriate

The organization shall quantify GHG emission or removal differences attributable to the implementation of GHG reduction initiatives for meaningful comparison.

12 Notkunarheimild:

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The organization shall document quantification and reported, GHG reduction initiatives and associated GHG emission or removal differences separately, and shall describe:

- a) the GHG reduction initiatives.
- b) the spatial and temporal boundaries of the GHG reduction initiatives.
- c) the approach (appropriate indicators) used to quantify GHG emission or removal differences.
- d) the determination and classification of GHG emission or removal differences attributable to GHG reduction initiatives as direct or indirect GHG emissions or removals.

NOTE to entry: Reductions referred to, do not include compensation referred to in section 5.2.4.

5.2.4 Offsetting

Organization seeking to offset their emissions shall retire carbon credits to offset unavoidable significant emissions that cannot be completely reduced through internal mitigations or supply chain management.

The organization may however approach offsetting for remaining emissions with two approaches or combination of both. (See also Figure 1)

a) **Forward compensation:** this involves where the organization has projected GHG emissions for coming years and its reduction and mitigation strategy involves removal of GHG emissions within or outside their organizational boundary. The organizations may support climate action directly where they are reimbursed with pending carbon credits. When their impacts have been verified and the carbon credits become active, they shall be retired accordingly. This shall be followed by an annual true-up process to ensure that the number of retired carbon credits is at least equal to actual measured significant GHG emissions subject to carbon offsetting.

b) **Annual offsetting:** this involves retiring carbon credits for the claim period.

When organizations approach offsetting with a) they shall not claim carbon offsetting until impacts have been verified and aggregated significant emissions, internal mitigation actions and retired carbon credits net to zero. They may however disclose their strategy towards long term carbon offsetting.

For remaining GHG emissions, that cannot be avoided, the organization shall report carbon credits (Ex-Ante and Ex-Post) purchased or developed for the purpose of offsetting GHG emissions short-term and long-term, the organization shall list such carbon credits (Ex-Ante and Ex-Post) and their retirements separately from GHG reduction initiatives.

The GHG project generating carbon credits being used for carbon offsetting shall be validated, and GHG emissions mitigations verified by independent validation and verification bodies through recognized GHG programs that fulfil integrity principles of carbon credits and/or the requirements set out in section 5.2.7.

Carbon credits eligible for use as part of a carbon offsetting claim shall at a minimum conform to the requirements set out in section 5.3 and ÍST EN ISO 14064-2.

Carbon credits shall be retired electronically in a carbon registry. The retirement should be clearly attributed to the carbon offsetting claim and the organization making the claim. The retirement of the carbon credit and the reference to the claim is important to prevent double counting.

The carbon registry used to retire carbon credits shall be publicly accessible and a reference to the retirement shall be included in public reporting documentation.

5.2.5 Claims

Organizations should disclose the nature of their compensation claims. Claims may be

- 1) supporting the NDC of host-country of the GHG project, i.e., non ITMO.
- 2) Supporting the NDC of the organizations domicile i.e., ITMO, or
- 3) not supporting NDCs when organizations voluntarily retire ITMO credits or
- 4) supporting GHG project implementations and credits generated lie outside of the scope of the host-country NDC.

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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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