



Differential offset eligibility & AFOLU engagement

WWF inputs for the Treasury Carbon Tax Workshop
November 2016



Overview

- Developing the positive list
- AFOLU offsets
- Sectoral eligibility
- Other comments

Carbon offsets are not created equal

- *“Carbon offset projects can also potentially generate sustainable development benefits within South Africa, including channelling capital to projects that facilitate rural development, create employment, restore landscapes, reduce land degradation, protect biodiversity, and encourage energy efficiency and low carbon growth”* Carbon tax policy paper, 2013
- Not the primary focus, but important in the SA context.
- Issues affecting credit “worthiness”
 - Additionality
 - Quantification certainty
 - Developmental risk/value
- Develop a “positive list” through a standardised approach

(Explanatory Note & Carbon Offsets Paper)

Additionality

| All else being equal, a project or activity type is likelier to be additional if... | All else being equal, a project or activity type is likelier to be non-additional if... |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The activity is not common practice | The activity is common practice, or is considered “business as usual” in many contexts |
| There are few or no reasons for undertaking the activity aside from generating GHG reductions | There are often multiple compelling reasons for undertaking the activity, including cost savings or revenue generation from sources other than carbon offset sales |
| The activity produces no revenue streams apart from carbon offset sales | Other revenue streams associated with the activity are often significantly larger than the potential revenues from selling offsets |
| Carbon offset revenues are sufficient to cover the full costs of undertaking the activity | Potential carbon offset revenues cover only a small fraction of the activity’s overall cost |

Quantification

- Three kinds of uncertainty in quantification
 - Baseline uncertainty
 - Measurement uncertainty
 - Unintended indirect effects
- Combining additionality and quantification certainty gives a measure of environmental integrity



Sustainable Development



TRANSFORMING OUR
WORLD:
THE 2030 AGENDA FOR
SUSTAINABLE
DEVELOPMENT

1 NO
POVERTY



2 ZERO
HUNGER



3 GOOD HEALTH
AND WELL-BEING



4 QUALITY
EDUCATION



5 GENDER
EQUALITY



6 CLEAN WATER
AND SANITATION



7 AFFORDABLE AND
CLEAN ENERGY



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



11 SUSTAINABLE CITIES
AND COMMUNITIES



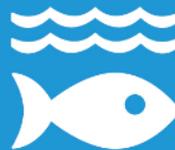
12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



14 LIFE
BELOW WATER



15 LIFE
ON LAND



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



17 PARTNERSHIPS
FOR THE GOALS





SEI rankings

| | | Environmental integrity | | |
|----------------------------------------|---------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Higher Confidence | Medium Confidence | Lower confidence |
| Sustainable development effects | Potential Benefits | Methane avoidance; landfill gas | Energy efficiency – households (incl. cookstoves); energy efficiency – services; hydro – small; mixed renewables – small; energy distribution; geothermal; municipal solid waste gasification/combustion | Transport; wind – small; conservation agriculture; biomass energy; energy efficiency – industry; forestry (afforestation, reforestation, avoided deforestation, improved forest management, agroforestry); mixed renewables – large; wind – large |
| | Neutral effects | CO ₂ usage; N ₂ O nitric acid elimination | Perfluorocarbons, SF ₆ elimination | Cement; fugitive gas - charcoal production |
| | Potential risks | Coal mine methane - ventilation air methane | Coal bed methane, coal mine methane | Fossil fuel switch; fugitive gas - large hydropower |

Indicative positive list

| Sector | Eligible projects |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Energy | |
| <i>Energy Efficiency (except projects claiming the energy efficiency tax incentive / 12L)</i> | <ul style="list-style-type: none"> • Energy efficiency in the residential and commercial sector • Energy efficiency in buildings • Community-based and municipal energy efficiency and renewable energy • Fuel-switching projects • Electricity transmission and distribution efficiency |
| Transport | <ul style="list-style-type: none"> • Public transport • Transport energy efficiency |
| Agriculture, forestry and other land use (AFOLU) | <ul style="list-style-type: none"> • Restoration of sub-tropical thicket, forests and woodlands • Restoration and management of grassland • Small scale afforestation • Biomass energy • Anaerobic biogas digesters • Reduced tillage |
| Waste | <ul style="list-style-type: none"> • Municipal waste projects |



REDD+?
SSEG (PV)?





Carbon tax offsets

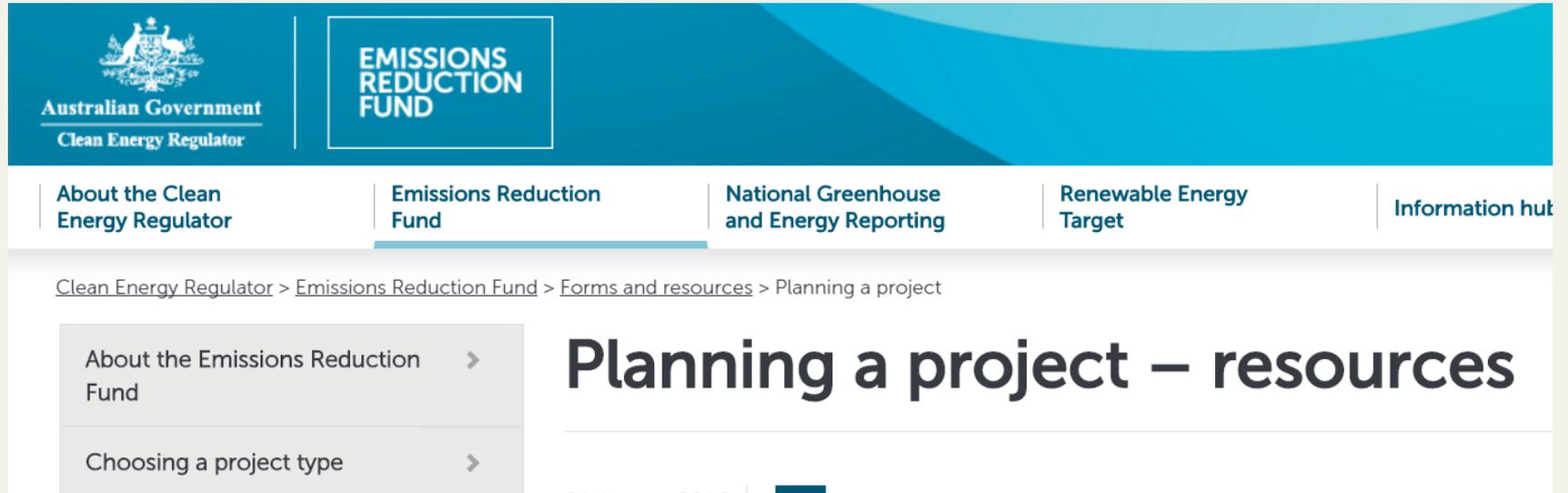
WWF-SA's perspective

Will AFOLU fly?

| | AFOLU (Afforestation, SLM) | Methane elimination |
|-----------------------|-----------------------------------------------------------------------------------|-------------------------------------|
| Project development | PD development, legal advice, landowner agreements, baseline sampling | Similar, without baseline sampling |
| Validation | International DOE | South African DOE |
| Verification | International DOE | South African DOE |
| Capital costs | Moderate to high | High physical infrastructure |
| Monitoring costs | Multiple samples per site, including biomass/soil carbon/biodiversity (if CCBA) | Single instrumental measurement |
| | High expertise, multiple fields (MSc, PhD level), as well as labour and transport | Single trained technician |
| Operational costs | High | Moderate to low |
| Credit return period | Slow (low rate, multiple years) | Annual |
| Potential implementer | Farmer? Landowner, local community | Municipality, large business entity |



Lowering the barriers

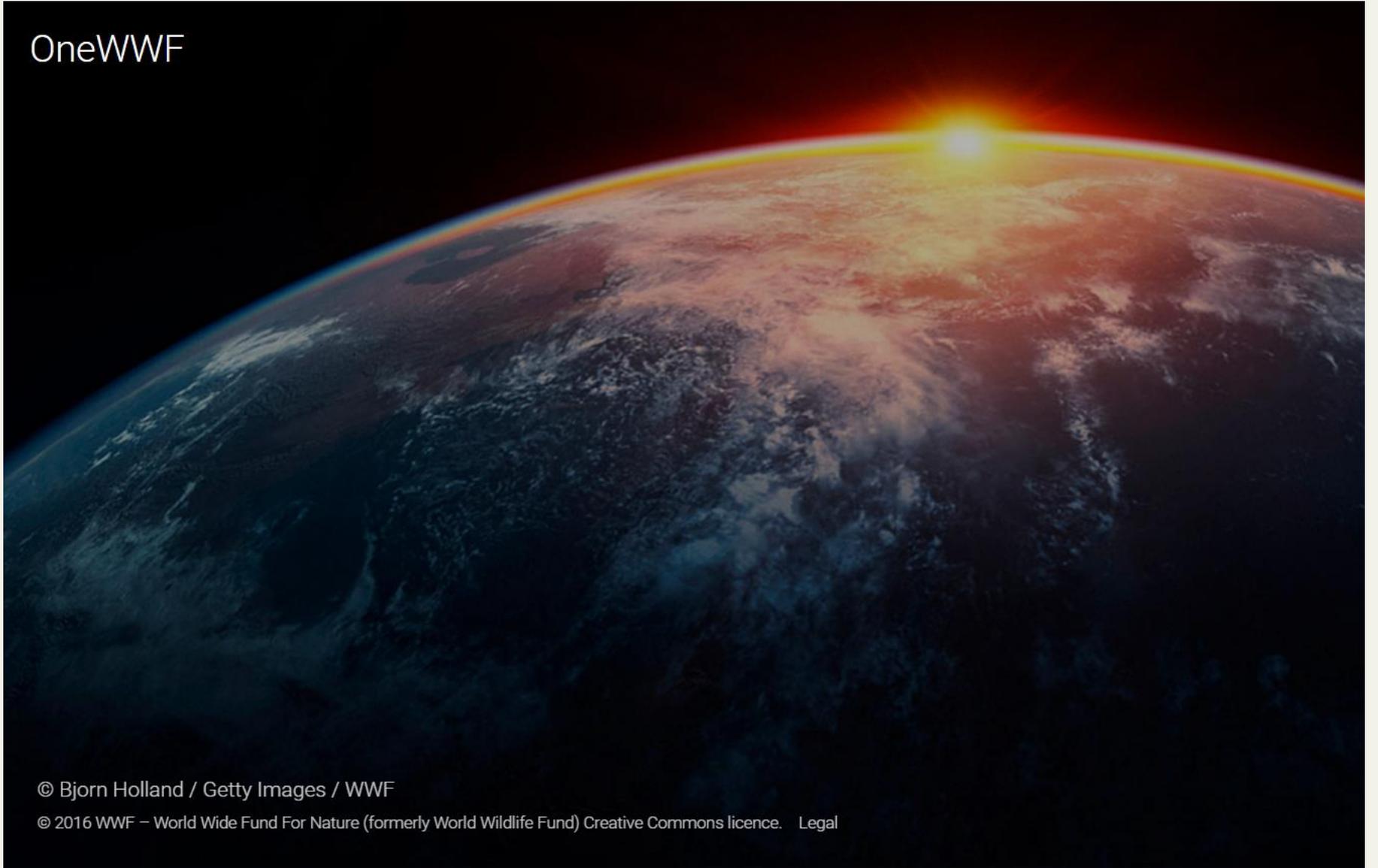


The screenshot shows the Australian Government Clean Energy Regulator website. The header includes the Australian Government logo and the Emissions Reduction Fund logo. The navigation menu includes: About the Clean Energy Regulator, Emissions Reduction Fund (highlighted), National Greenhouse and Energy Reporting, Renewable Energy Target, and Information hub. The breadcrumb trail is: Clean Energy Regulator > Emissions Reduction Fund > Forms and resources > Planning a project. The main heading is "Planning a project – resources". A sidebar menu on the left includes: About the Emissions Reduction Fund and Choosing a project type.

- Local standard
- Grouped projects
- Simplified methodologies with SOPs for monitoring & reporting
- Easy registration
- Local auditors



OneWWF



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