Interim guidance for voluntary climate change mitigation

Ministry for the Environment
Manatū Mō Te Taiao

Te Kāwanatanga o Aotearoa
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Executive summary

This document updates guidance on voluntary climate change mitigation action by organisations and individuals in Aotearoa New Zealand. It replaces the guidance published in August 2020, titled *Guidance for voluntary emissions offsetting – updated and extended until 31 December 2021*. This previous guidance has expired.

Voluntary climate change mitigation action in this guidance refers to voluntary actions undertaken to reduce or remove greenhouse gas emissions outside of an organisation's operations or borders, that otherwise would not have occurred. This guidance is intended to encourage and help organisations taking such action to make a credible claim.

Before making claims of voluntary climate change mitigation, organisations should first measure their emissions, commit to an emissions reductions plan, and continue to take action to reduce their emissions in accordance with their plan.

Organisations can then claim voluntary climate change mitigation from reducing or removing emissions outside the boundary of their operations or borders.

For voluntary climate change mitigation to be considered credible, it must take account of the following principles:

1. Information on the mitigation must be transparent, clearly stated, and publicly available
2. Mitigation must be real, measurable and verified
3. Mitigation must be additional to business-as-usual activity
4. Mitigation must not be double used[1]
5. Mitigation must not result in leakage of emissions elsewhere
6. Mitigation must be permanent.

The updated guidance is intended to enable and encourage voluntary climate action to continue noting that more detailed best practice, and terminology for voluntary carbon markets are evolving with the transition into the Paris Agreement era. The guidance is interim and will be reviewed to ensure it remains relevant for organisations in New Zealand undertaking voluntary climate change mitigation.

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[1] In this guidance 'double use' refers to:

- multiple organisations using the same units representing voluntary climate change mitigation to meet their own organisational targets, or
- an organisation using the same units representing voluntary climate change mitigation for their mandatory compliance obligations *and* making a claim of voluntary action.

In this guidance double use does not refer to mitigation claimed at the organisation and country level. Units representing voluntary climate change mitigation used towards a country's Nationally Determined Contribution should be transparently disclosed in the claim made by the organisation.

Purpose of this guidance

This guidance encourages organisations and individuals in Aotearoa New Zealand to undertake voluntary climate change mitigation, and outlines best practice for claims by organisations or individuals who supply or use greenhouse gas emissions offsetting services in New Zealand.

This guidance replaces and updates Ministry guidance which expired on 31 December 2021. The guidance is interim and will be reviewed and updated to reflect evolving international best practices following final agreement on the rules of international carbon markets under the Paris Agreement.

Best practice approach for voluntary climate change mitigation

Voluntary climate change mitigation means voluntary actions that are intended to reduce or remove greenhouse gas emissions.

A public claim of voluntary climate change mitigation can be made by an organisation for actions that take place outside of their operations or borders, but which they have funded or otherwise supported.

Long-standing best practice recommends that before making a claim of voluntary climate change mitigation, an organisation should:

- calculate their own emissions and disclose the boundary for which emissions have been. calculated[2] and the types of emissions[3] included in their measurement[4]
- take as much immediate action as practicable to reduce their emissions and commit to an emissions reduction plan for on-going emissions reductions over time.

Organisations can then finance voluntary climate change mitigation in the form of emissions reductions or removals outside the boundary of their organisation.

This can be done through funding voluntary climate change mitigation projects directly or through purchasing units from the market, generated from reputable existing emissions reduction or removal projects.

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2 For example, an organisation should clearly disclose whether the emissions take into account their entire business operations, full value chain, or a subset, such as emissions from an organisation's head office or direct emissions only.

3 Whether the calculations include scope 1, 2 and/or scope 3 emissions and how they are defined.

4 Verified emissions factors should be used for calculating an organisation's emissions. For example, those published or recommended in the Measuring Emissions: A Guide for Organisations, or by a professionally verified unique emissions factor.

Principles to be met for claims of voluntary climate change mitigation

Claims of financing voluntary climate change mitigation should adhere to the following six principles.

Principle 1: Transparent

The details of the source of voluntary climate change mitigation and how the voluntary action meets the other five principles for claiming voluntary climate change mitigation should be clearly stated and publicly available.

The organisation claiming the voluntary climate change mitigation should also transparently disclose whether the action taken contributes towards a national level target (ie, helps New Zealand meet its Nationally Determined Contribution (NDC)[5]) or goes further.

'Publicly available', in this context, means that the information is easily found and accessible by any member of the public. This may mean the business or organisation making a claim has published:

- the details of how the other principles of voluntary climate change mitigation have been met, if the organisation has undertaken the voluntary action themselves, or
- the name of a third-party organisation or broker who has conducted or facilitated the voluntary climate change mitigation on their behalf. This third-party organisation or broker has published the details of how their organisation meets all the principles of voluntary climate change mitigation.

In either of the above cases, these details could be published on their website for example, or in a public disclosure statement or in their annual report.

We recommend New Zealand organisations claiming voluntary climate change mitigation publish this information using the template examples provided in the appendix of this guidance or equivalent manner.

Principle 2: Real, measurable and verified

The voluntary climate change mitigation claimed as the offset represents a tonne of carbon dioxide (CO_2) (or equivalent) emissions reduced or removed from the atmosphere, from tangible activities that have been implemented.

The reduction or removal is supported by evidence from credible monitoring and reporting and should be verified by a third party to a reputable, and publicly disclosed, carbon standard (including the New Zealand Emissions Trading Scheme).

5 Under the Paris Agreement, country level climate change targets are referred to as Nationally Determined Contributions (NDCs).

Important notes on verification

- It is the responsibility of the organisation to ensure the voluntary climate change mitigation is based on valid activity to reduce or remove greenhouse gases.
- Valid means the voluntary climate change mitigation is a real, measurable and verified emissions reduction or removal of one tonne of CO_2 or equivalent greenhouse gas.
- We recommend ensuring that the voluntary climate change mitigation can be tracked using credits in a registry, or other public account, allowing for a clear and transparent chain of ownership for claims.

Principle 3: Additional

The greenhouse gas (GHG) emissions reductions or removals are due to a specific intervention and would not have occurred under business as usual. This means the voluntary climate change mitigation cannot be an action or activity that was going to happen anyway, something that is already required under existing regulation, or incentivised by other policy measures.

Fulfilling compliance obligations (ie, surrendering New Zealand Emissions Trading Scheme (NZ ETS) units) is legally required .

Business-as-usual management of a pre-1990 forest is likely to sequester carbon. Only measurable carbon benefits in a pre-1990 forest that result directly from a specific **new** action could be considered additional.

Principle 4: Not double used

Organisations must ensure the GHG emission reductions or removals are only used *once* to achieve emissions reduction targets or for compliance.

Ensuring that a unit used for claims of voluntary climate change mitigation is registered and cancelled only one time in a registry means the associated claim of emissions reduction cannot be reused elsewhere by the same or another organisation and evidence of its cancellation is available for transparency.

Note, double use does not refer to climate change mitigation claimed at the organisation and country level. Units representing voluntary climate change mitigation which also contribute towards a country's NDC, should be transparently disclosed in the claim made by the organisation.

Example of double use

A unit is used for a claim of voluntary climate change mitigation but not cancelled. That same unit is then subsequently surrendered to meet a compliance requirement or cancelled to make a second claim of voluntary climate change mitigation.

Principle 5: Address leakage

The activity of reducing or removing emissions within the boundary of the voluntary climate change mitigation activity does not result in increases to emissions elsewhere. If leakage does occur, the project should be measuring and deducting any leakage related emissions from the total voluntary climate change mitigation claimed.

Examples of leakage

- A company reduces its car fleet to reduce their emissions from transport. However, this has resulted in more staff taking short flights than they otherwise would have because there are no fleet cars available. By reducing emissions in vehicle use, the company has unintentionally increased its emissions elsewhere.
- A company purchases productive land and establishes a native forest on that land with the intention of selling the units generated from that forest. However, the previous landowner still requires land for grazing their stock and as a result of the land sale deforests a different area on their land for conversion to grazing land.

Principle 6: Permanent

Reductions or removals must be maintained over time and be unlikely to be reversed. Any subsequent reversal of credited climate change mitigation must be fully compensated for.

An organisation will need to consider how their claimed voluntary climate change mitigation demonstrates permanence and state how the voluntary climate change mitigation will be managed if, for unforeseen circumstances, the voluntary action is reversed.

This will differ depending on the activity being claimed.

Example of permanence

If a permanent forest is used for claims of voluntary climate change mitigation the organisation can ensure permanence through land covenants. If a natural disaster, such as a fire burns the forest down, the organisation[6] would be obligated to undertake further activity that will result in the emissions that were released during the fire to be sequestered[7] or removed somewhere else.

[6] If you are purchasing units through a provider or landowner, it is suggested there is a contract provision to specify who is legally responsible for any emissions reversals. If it is the unit supplier or landowner who has this responsibility, the buyer of the units should be aware of this mitigation plan before purchasing the units.

[7] Where carbon dioxide is removed from the atmosphere and stored in a natural form (eg., carbon stored in a tree).

Compliance and voluntary carbon markets

As the name suggests, undertaking voluntary climate change mitigation is voluntary. It is an action that goes further than mandatory requirements (such as the NZ ETS).

Surrendering units as part of a legal requirement under the NZ ETS is not voluntary climate change mitigation, regardless of whether that NZ ETS unit was purchased, freely allocated, or generated from a rotational or permanent forest.

An organisation should not make claims of voluntary climate change mitigation for surrendering units that are part of its compliance requirements under the NZ ETS.

Surrendering NZ ETS units as part of an organisation's legal obligation is not voluntary and cannot be claimed as such.

Can I make a claim of voluntary climate change mitigation by cancelling NZ ETS Units above my compliance obligations?

Entities have the option to 'cancel' New Zealand Units (NZUs) by transferring them to a cancellation account. This removes the unit from trade without meeting a surrender obligation. Removing the unit from trade does not guarantee a reduction of emissions in New Zealand.

If significant unit cancellations occurred, reducing unit supply and increasing price, there is a risk that the NZ ETS cap-setting system could inadvertently respond by increasing supply, enabling an increase in emissions from other NZ ETS participants.

We recommend that entities do not use the cancellation of an NZU in the New Zealand Registry as the only basis of any claim of voluntary climate change mitigation. Units being cancelled should ensure transparent disclosure of the unit provenance, and the activity which generated the unit should meet **all** six principles described above.

If using cancellation in the New Zealand registry as part of the process to demonstrate transparency and ensure no double usage of the action, organisations should carefully consider the nature of the claims they make on this basis.

What type of NZUs should not be used for voluntary claims?

There are some units freely allocated by the Government that were not earned by undertaking specific emissions reduction or removal activities. These units include:

- emissions-intensive, trade-exposed allocation (NZU_EITE)
- pre-1990 forestry allocation plan (NZU_FA)
- fishing allocation (NZU Fishing)
- NZUs sold by auction (NZU_AUC).

These units should not be used for claims of voluntary action because they do not meet the six principles outlined above.

Co-benefits of voluntary climate change mitigation

We highly encourage organisations to finance and support voluntary climate change mitigation which results in other environmental and social co-benefits. For example, funding native forest restoration also has co-benefits for biodiversity, soil health, and water quality.

We welcome organisations to make additional claims on the co-benefits they have funded provided they are transparent and based on good information and evidence.

Voluntary climate change mitigation from sectors outside of New Zealand's NDC accounting framework

Not all emissions and removal activities have to be included within a country's NDC. New Zealand's NDC includes emissions and removals from almost all sectors of the economy, except for emissions and removals from non-forest land-use classes[8].

It is likely that New Zealand's NDC accounting coverage will expand in the future once data is available to enable accurate monitoring and reporting of emissions or removals from additional land-use classes at a national level[9].

Undertaking voluntary climate change mitigation in land-use classes which are not yet included within New Zealand's NDC coverage will mean the action will not be double claimed by the Government and the project developer.

There are opportunities for improving climate and biodiversity outcomes by undertaking action in these land-use types.

However, organisations financing this type of voluntary action should be aware that:

- the measured emissions reductions or removals that are occurring currently have high uncertainty. This may change with time as data collection and verification methods improve
- there is little country-level data available on the permanence of these activities and whether the emissions reduction or removal can be maintained through time.

Such an activity may be included in the coverage of New Zealand's NDC accounting in the future. We encourage voluntary action in these activities whether or not they are included within our NDC coverage. Organisations supporting such actions should transparently communicate whether they are in the NDC coverage, and if this changes.

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8 This includes emissions and removals from cropland, vegetation occurring on farms and pasture which doesn't meet the 'forest' definition and wetlands and which land was not in forest prior to 1990. Note that soils on forest land (or land that was forested at 1990) is included in our NDC.

9 Note that emissions and removals from some activities, such as international aviation and shipping, are excluded from country level NDCs. Reporting on international aviation is covered separately by the International Civil Aviation Organisation.

International context

International norms and requirements for claims of voluntary climate change mitigation are evolving with the transition into the Paris Agreement era.

The recent decisions on international carbon markets reached at the 26th Conference of the Parties (COP26) in Glasgow allow for two tracks of climate change mitigation. These tracks are also available to the voluntary carbon market.

The two tracks of voluntary climate change mitigation action available are:

- voluntary action that contributes to the NDC of the country in which the voluntary emissions reduction or removal occurs
- voluntary action that is *additional to and goes further* than the NDC of the country in which the voluntary emissions reduction or removal occurs.

Both types of voluntary action are recognised as positive climate action that are highly encouraged and beneficial for the environment. However, their associated claims differ and need to be clear.

Terminology for voluntary action that contributes to the NDC of the country in which the voluntary emissions reduction or removal has occurred is still emerging internationally. However, these are often referred to as 'contribution claims'.

Up until the end of 2020 claims of carbon neutrality for voluntary climate change mitigation could not be double claimed against national targets. This was included in the principles outlined in our previous guidance *Guidance for voluntary carbon offsetting – updated and extended until 31 December 2021*. In the Paris Agreement era, we are seeing internationally that the terms 'carbon neutral' and 'net zero' are increasingly associated with actions that go further than NDCs.

In recognition of this international context, we recommend practicing caution and ensuring full transparency around any claims of voluntary action, in particular those of 'carbon neutrality' or 'net zero' for voluntary climate change mitigation that contributes to a country's NDC. To ensure claims are seen as having environmental integrity in the long term, we recommend that organisations publicly and transparently disclose the action behind any voluntary carbon claims being made. This will avoid any perception of misleading claims. The Government encourages funding and supporting any credible voluntary climate change mitigation which reduces or removes emissions and helps New Zealand, or another country, meet or exceed its NDC.

We will review and update this guidance with more detailed recommendations, best practice, and terminology for the private sector and voluntary carbon markets as these emerge internationally.

New Zealand generated climate change mitigation

Under the Kyoto Protocol and New Zealand's pre-2020 climate change targets, units could be cancelled to make an adjustment to the Government's national emissions accounts.

New Zealand will not be carrying over any surplus units generated pre-2020 into the Paris era, including for use towards our 2030 climate change target.

Offshore voluntary climate change mitigation

Organisations may choose to undertake offshore voluntary climate change mitigation through international organisations or use of international units.

Financing emissions reductions or removals in developing countries can enable good climate outcomes. Some countries have a NDC which only includes a few sectors of their economy. It is intended that countries will increase their NDC ambition and coverage through time as their capabilities to do so increase.

Organisations who make a commitment to supporting action in developing countries should anticipate and support the increase of NDC ambition and coverage of these countries over time.

This support should include transparency in any communications concerning claims from this voluntary climate change mitigation activity.

Not all programmes are equal in their standards or integrity. We strongly recommend thorough due diligence when funding voluntary climate change mitigation offshore by ensuring the claimed activity adheres to the six principles outlined above. This can be done by ensuring the action has been verified by a reputable provider.

Can I ensure that my voluntary climate change mitigation does not result in any unintended, harmful consequences?

In addition to the six principles for voluntary climate change mitigation outlined in this document, organisations should also ensure the action they are funding adheres to the United Nations Sustainable Development Goals.

For example, if a voluntary climate change mitigation is undertaken overseas, the third-party provider should ensure foreign labour laws and human rights standards are adhered to, and that indigenous people and local communities are not being harmed due to the voluntary climate change mitigation project in the short or long term.

Appendix: Disclosure of voluntary action being claimed – examples

The examples below are intended as a guide only and demonstrate a template and the types of disclosures that should be made surrounding claims of voluntary climate change mitigation.

Example 1: Undertaken planting and maintenance of a permanent native post-1989 forest	
Claim	Financed 200 tonnes of CO_2-e emissions removals which help New Zealand meet our climate change targets equivalent to the residual emissions from my organisation's activities.
Voluntary action undertaken (where/what/why)	Undertaken planting and maintenance of a permanent native post-1989 forest located [NAME LOCATION].
Does this action contribute to helping a country meet its climate change targets or does it go beyond a country level target?	Helps New Zealand to meet its climate change targets.
How is this action additional to compliance, policy or mandatory obligations and how does it go beyond your business-as-usual activities?	Planting a permanent post-1989 native forest is not part of normal business operations or part of any compliance or regulatory obligation. The action provides funding to native afforestation that otherwise would not have occurred.
How is the voluntary action measured and verified?	The action has been measured and verified by a third-party organisation [ORGANISATION'S NAME] which adheres to internationally recognised standards [NAME STANDARD].
How is double usage prevented?	The NZ ETS units generated from the native forest have been cancelled in the NZ ETS registry so that the units cannot also be used for compliance obligations or on-sold to another organisation for them to use again.
How is permanence assured?	The land is covenanted for a minimum period of 50 years to prevent deforestation or harvesting occurring and pest management is undertaken to ensure plant survival and forest maintenance. The landowner has also signed a contract with our organisation to ensure the forests permanence.
How is leakage addressed?	The planting and maintenance of this forest has resulted in a net decrease of emissions due to the land-use change from pasture to forest. The landowner has reduced stock numbers to ensure animal wellbeing is maintained on a reduced area of pasture. The planting of this forest has not resulted in the landowner converting a different area of land to pasture to compensate for the area that has been afforested. Therefore, emissions leakage has been minimised.

Example 2: Restoring a wetland	
Claim	Financed 200 tonnes of CO_2-e emissions reductions or removals equivalent to the residual emissions from my organisation's activities.
Voluntary action undertaken (where/what/why)	Rewetted a previously drained wetland and restored the wetland. The activity results in a prevention of CO_2 and N_2O emissions from the peat soil. CO_2 is also sequestered from the planting activities undertaken as part of the wetland restoration.
Does this action contribute to helping a country meet its climate change targets or does it go beyond a country level target?	Because wetlands are currently not included in New Zealand's target accounting, this voluntary climate change mitigation is currently additional to the target. However, in the future this action and land-use type may be included in accounting towards national targets.
How is this action additional to compliance, policy or mandatory obligations and how does it go beyond your business-as-usual activities?	Restoring a wetland is not part of normal business operations or part of any compliance or regulatory obligation, or already incentivised by an existing policy or measure. The action provides funding to restoring a wetland that otherwise would not have occurred.
How is the voluntary action measured and verified?	The action has been measured and verified by a third-party organisation [ORGANISATION'S NAME] which adheres to internationally recognised standards [NAME STANDARD].
How is double usage prevented?	The restoration project was registered in a reputable voluntary carbon market registry [NAME REGISTRY]. The units issued for the project have been cancelled to prevent double usage.
How is permanence assured?	A conservation covenant was signed by the landowner to ensure the restored wetland would be maintained and would not be drained in the future.
How is leakage addressed?	The restoration of the wetland has resulted in a net decrease of emissions. Although the wetland restoration has resulted in some methane emissions, the reduction of CO_2 and N_2O emissions results in an overall net reduction of emissions. There is no emissions leakage from this action.

Example 3: Installing equipment to capture and flare gas generated in a closed landfill site	
Claim	Financed 200 tonnes of CO_2-e emissions reductions which help New Zealand meet our climate change targets equivalent to the residual emissions from my organisation's activities.
Voluntary action undertaken (where/what/why)	Financed the installation of equipment to capture and flare gas generated in a closed landfill site. The emissions from this closed landfill are not included in the NZ ETS.
Does this action contribute to helping a country meet its climate change targets or does it go beyond a country level target?	It is included within the target.
How is this action additional to compliance, policy or mandatory obligations and how does it go beyond your business-as-usual activities?	Closed landfill sites are not liable for mandatory obligations under NZ ETS and there is no cost or penalty if they continue to emit. Therefore, installing this technology is not incentivised by an existing policy or measure and provides additional emissions reductions.
How is the voluntary action measured and verified?	The action has been measured and verified by a third-party organisation [ORGANISATION'S NAME] which adheres to internationally recognised standards [NAME STANDARD].
How is double usage prevented?	The landfill owner has signed a contract with [ORGANISATION's NAME] to guarantee that the emissions reductions that are the result of this technological upgrade can only be claimed by our organisation for the next 5 years, after which the additionality of the project will be reassessed. This ensures claims are not made for an activity which would in 5-years' time be considered business-as-usual.
How is permanence assured?	The emissions, once flared, cannot be reversed.
How is leakage addressed?	The installation of this technology has not decreased the landfills capacity and has not resulted in landfill waste being distributed elsewhere.