

# Climate projects, due diligence, and standards





## What is a climate project?

Clean energy, improved and affordable cookstoves, clean drinking water, and light at any time of the day. More time, perhaps to go to school or earn money. Healthy forests with elephants, lions, and parrots. And a contribution to the fight against global warming as part of the bargain. These are just some of the benefits of ClimatePartner's climate projects.

Fundamentally, climate projects help other people in the world live more dignified lives. In addition, these projects demonstrably reduce or bind CO<sub>2</sub> from the atmosphere. Thus, for companies, contributing to the financing of climate projects is an important part of their climate action strategy, in addition to their own reduction of emissions.

Climate projects are based on various technologies that ensure that emissions are saved or bound. Examples are:

- **Nature-based solutions**, e.g. forest protection, afforestation, and reforestation
- **Renewable energy**, e.g. wind energy, solar energy, hydropower, biogas, biomass, and geothermal energy
- **Social impact**, e.g. clean drinking water, and improved cookstoves

Climate projects make a decisive contribution to mitigating global warming by demonstrably reducing greenhouse gases.





# A contribution to the Sustainable Development Goals



Often, the countries that are most affected by the impacts of climate change, lack the financial resources, know-how and infrastructure to make the necessary investments in sustainable development. Climate projects can help to close this financing gap.

Climate projects promote sustainable development in their local countries, such as by improving the supply of clean drinking water, building local infrastructure, or creating jobs.

The United Nations [17 Sustainable Development Goals](#) (SDGs) are a globally recognised benchmark for measuring these positive effects.

The United Nations (UN) adopted the 17 SDGs in September 2015 in order to jointly create peace and prosperity for all people - in line with the Earth's planetary boundaries. The SDGs are aimed at everyone: governments, civil society, the private sector, and academia. They comprise economic, ecological, and social aspects. The SDGs range from ending poverty and hunger to providing access to education to transitioning the global economy towards clean energy.

Our climate projects always contribute to SDG 13 (climate action) by reducing or binding emissions. In addition, they have many other positive impacts: Improved cookstoves, for example, not only save emissions by using less fuel. They also improve indoor air quality and thus people's health (SDG 3).



# What regulations are there?



## The Kyoto Protocol and the Paris Agreement – which international regulations apply to climate projects?

The United Nations Framework Convention on Climate Change (UNFCCC) is an international treaty aimed at combatting 'dangerous human interference with the climate system'. It entered into force on 21 March 1994 and has been ratified by 198 countries. The decision-making body of the UNFCCC is the Conference of the Parties (COP) which meets annually.

Important measures implemented by the UNFCCC are the Kyoto protocol and the Paris Agreement.

### The Kyoto Protocol

The idea of voluntarily supporting climate projects dates back to the mandatory carbon market that was established by the Kyoto Protocol. In the Kyoto Protocol of 1997, 192 signatories agreed that industrialised nations (known as 'Annex I countries') would reduce their emissions. As such, the mandatory market affects carbon-intensive industries in these countries. Under Article 12 of the Kyoto Protocol, governments and companies alike can finance or provide financial support to climate projects. This support is part of a climate action strategy and can contribute to accomplishing emission reduction targets, and promote sustainable development in the project areas.

Other companies and private individuals also wanted to help fight global warming and finance climate projects, and so the voluntary carbon market (VCM) came into being. It is based on the requirements of the mandatory market.

### The Paris Agreement

The Kyoto Protocol was succeeded by the Paris Agreement, which was signed by 196 nations in 2015. The objective of the Paris Agreement is specific: to limit global warming to well below 2 °C compared to pre-industrial levels, and preferably to 1.5 °C. To this end, the countries are free to set their own reduction targets and are expected to intensify their efforts every five years.

With the United Nations Framework Convention on Climate Change (UNFCCC), the international community recognises global climate change as a serious problem and commits to action.



To officially be certified as a climate project, four criteria must be met. These criteria are defined in the Greenhouse Gas (GHG) Protocol and by the International Carbon Reduction and Offset Alliance (ICROA).

1

**Additionality:** A project must lead to lower carbon emissions than without the project. Additionality also means that a project needs the financing from the sale of verified emission reductions or the project would otherwise not be feasible and the upfront investment would be too high for project developers.

2

**Exclusion of double counting:** The carbon reduction may only be counted once and may not be counted again elsewhere, so a verified emission reduction is retired once it has been used. This process is recorded in official registries.

3

**Permanence:** The criterion of permanence ensures that carbon savings or removals are ongoing and do not occur just once. This guarantees a long-term benefit for the climate. The minimum duration of a project depends on the underlying project technology.

4


**Regular audits:** Climate projects must be audited regularly by independent auditors such as TÜV Nord. These auditors verify that the project is in compliance with the relevant standards, they also determine the volume of carbon emissions that have actually been saved or removed.



### Why are there only a few internationally recognised climate projects in the EU?

For projects in the EU, financial additionality in particular pose a hurdle: projects may not be additional because funding programs are already in place. For example, renewable energy expansion projects already exist, making these projects economically attractive.



A smiling woman with long brown hair, wearing a dark blue t-shirt and a gold necklace, is holding a small evergreen tree sapling in a forest. She is wearing green gardening gloves. The background is a lush green forest.

## Combined projects: international climate action meets regional commitment

Combined projects give ClimatePartner an opportunity to combine verified emission reductions done by an international certified climate project with an additional and voluntary regional commitment, such as tree planting in Germany.

As things stand, there are no certified climate projects in Germany and many other European countries that meet the market's customary standards or the criteria of ClimatePartner. The criterion of additionality poses particular challenges (see page 5).

Nevertheless, we would like to get involved in regional nature conservation and therefore combine regional projects including reforestation and soil humus regeneration projects or the protection of peatlands and other ecosystems. This enables us to offer our label to companies.

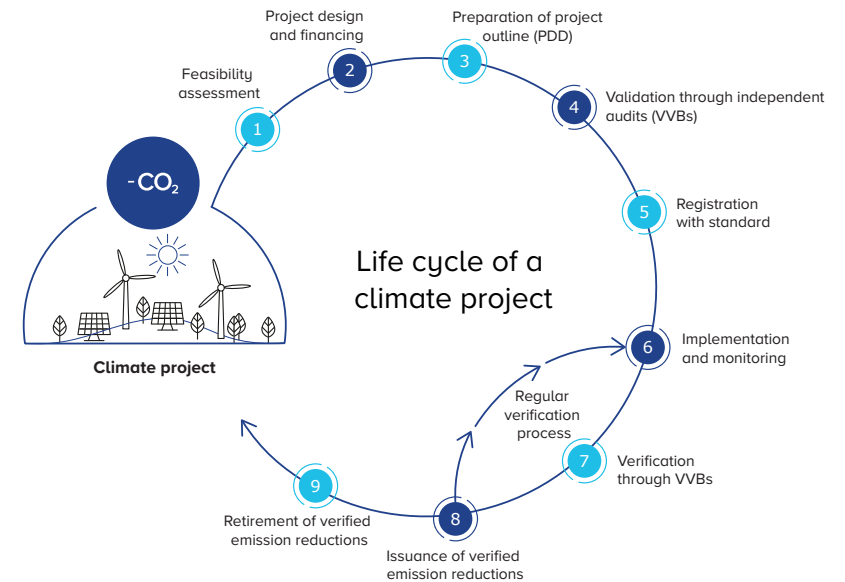
That is why we provide what are known as combined projects. With the combined projects, companies finance a certified climate project. For every tonne of CO<sub>2</sub> saved through the contribution to this climate project, a regional initiative in Germany or Europe is also supported.





## The life cycle of a climate project

A climate project has a set life cycle consisting of various phases, from the feasibility assessment to the retirement of verified emission reductions.



### Project planning phase (1-3)

In the first two phases, the project developer reviews the general feasibility of the project, the project design, and the financing. Then, the so-called Project Design Document (PDD) is prepared, which contains all the basic information about the project, such as the project objective, the location, when the project is to be implemented, and the project duration. The PDD is a plan, similar to a business plan.



#### **Validation (4)**

In this phase, independent auditors examine the PDD and the information it contains. This phase often also involves field visits with on-site interviews and analyses. Auditors are accredited, impartial assessors who have to be approved as a validation and verification body (VVB) by the standards body. TÜV Nord/Süd, S&A Carbon LLC., and SCS Global Services are just some examples of validation and verification bodies.

#### **Registration (5)**

Once validated, the project can be registered with a standard such as the Verified Carbon Standard or the Gold Standard. See the following pages for more information about project standards.

#### **Monitoring (6)**

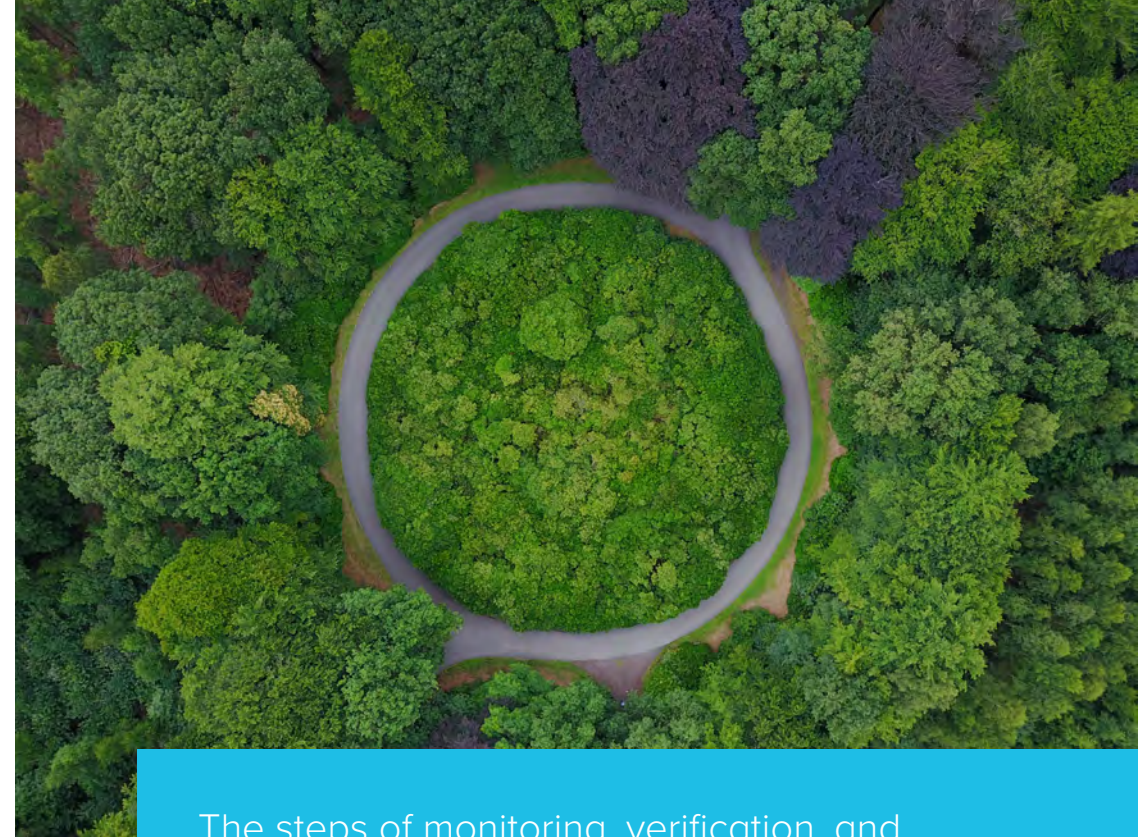
After the climate project has been registered, the monitoring phase begins. Here, the project developers monitor and document the data of the project activities and progress. The duration of the monitoring phase varies from project to project, it can cover two years, but documentation over five or seven years is also possible.

#### **Verification (7)**

At the end of each monitoring phase, a validation and verification body checks and assesses whether the values and project activities stated in the monitoring report are correct and verifies them. As with validation, visits to the project site are often part of the verification process.

#### **Issuance of verified emission reductions (8)**

Once verified, the emission reductions that were confirmed in the verification phase can be issued as verified emission reductions.



The steps of monitoring, verification, and issue of verified emission reductions are repeated regularly and are therefore considered as a cycle.

#### **Retirement of verified emission reductions (9)**

Once a verified emission reduction is used, it must be retired. This process is also reflected in the relevant registry. If the financing of a climate project is done via ClimatePartner, the verified emission reductions are bundled in a system certified by TÜV Austria and are then retired on a regular basis. This ensures that each verified emission reduction can no longer be sold and is only used once, thus preventing double counting.




## Project standards

A comprehensive process is in place to ensure that climate projects meet predefined standards and are consistently monitored and regularly audited.

All climate projects are based on international standards such as the Verified Carbon Standard (VCS), the Gold Standard (GS), the Plan Vivo Standard, and the Clean Development Mechanism (CDM). These standards set out rules and requirements that all climate projects must meet in order to be recognised as a proven method of reducing carbon emissions.

Standards ensure the comparability of verified emission reductions – both on the voluntary and the mandatory carbon markets.



International standards form the framework for the design of the project, carbon accounting, and the monitoring of a climate project.

The standards take on the following tasks:

- Definition of the technical requirements for climate projects
- Methodology to quantify verified emission reductions
- Verification of climate projects by independent third parties
- Registry for verified emission reductions



The standards play a crucial role in climate projects, supervising the projects from the very beginning and throughout their life cycles. This makes them a crucial means of guaranteeing the effectiveness of climate projects and ensuring that the projects make an effective contribution to the reduction of carbon emissions.

If a project developer wishes to realise a climate project, a Project Design Document (PDD) has to be generated (see chapter 'The life cycle of a climate project'). This is a prerequisite to being added to a standard's registry for the first time.



ClimatePartner is a member of the International Carbon Reduction & Offset Alliance (ICROA), a voluntary association of experts and companies that only accepts projects with leading standards.

Standards, together with independent auditors, help deliver effective climate projects.



ClimatePartner only accepts climate projects that work with leading standards. Our self-developed projects are also registered with leading standards. These include the Verified Carbon Standard (VCS), the Gold Standard (GS), the Plan Vivo Standard, and the Clean Development Mechanism (CDM).

#### Gold Standard (GS)



The [Gold Standard](#) for climate projects was developed with the participation of WWF and 40 other NGOs. The non-profit Swiss Gold Standard Foundation runs the secretariat for the standard. The standard sets particularly strict requirements with regard to sustainable development and the involvement of the local population.

Gold Standard for the Global Goals is an evolution of the standard since 2017 and takes a multidimensional approach to accelerate progress toward climate action and sustainable development. Through the certification according to the standard, projects provide measurable and verified evidence of their contribution to the Sustainable Development Goals in addition to their emission reductions.

Focus: Gold Standard projects focus on social development such as improved cookstoves, clean drinking water, agroforestry, reforestation, and also on renewable energy.

The Gold Standard, the Verified Carbon Standard and the Plan Vivo Standard are most widespread on the voluntary carbon market. The Clean Development Mechanism has also been applied to the mandatory carbon market.

#### Verified Carbon Standard (VCS)



Well over half of all voluntary emission reductions worldwide are validated and verified according to the [Verified Carbon Standard](#) (VCS). The standard contains clear specifications for determining the CO<sub>2</sub> emission reductions for the various project types. This standard was initiated by the standard setter Verra. The verified emission reductions generated from these projects are called Verified Carbon Units (VCUs).

Focus: VCS-projects mainly focus on forest protection projects (REDD+). However, afforestation, reforestation, and renewable energy projects are also included.

Although the Gold Standard and the Verified Carbon Standard have similarly strict requirements, they differ in terms of their technical focal points.





## Plan Vivo Standard



The [Plan Vivo Standard](#) supports rural communities and small farmers in the sustainable usage of their resources, their livelihoods, and the preservation of local ecosystems. The standard has its roots in a Mexican research project conducted in 1994 by ECCM (Edinburgh Centre of Carbon Management) and the British Department for International Development. Since 2013, clear guidelines have been included to involve the local population at an early stage and to share the proceeds from emissions trading with them. Income from the sale of verified emission reductions is distributed directly to the participating communities with the aim of reducing rural poverty and improving livelihoods.

The International Carbon Reduction & Offset Alliance (ICROA) has been officially supporting the Plan Vivo Standard since July 2022.

Introduced in 1994, Plan Vivo is the oldest standard on the voluntary carbon market. The standard focuses on projects that support small-scale farmers and local communities.



## Clean Development Mechanism (CDM)



### United Nations Climate Change Global Climate Action

The [Clean Development Mechanism](#) was initiated by the UNFCCC in 2004. The CDM is the first global system for environmental investments and credits. Under the CDM, climate projects in developing countries can issue Certified Emission Reductions (CERs).

Until the Paris Agreement came into force, CERs could be used by developed countries to meet part of their emission reduction targets under the Kyoto Protocol. Companies and individuals can still use CERs to meet voluntary targets.

Each CDM project must be approved by the host government and is registered in the United Nations CDM Registry.

Climate projects can also be certified under additional standards. These additional standards can only be applied in combination with the Gold Standard, the Verified Carbon Standard or the Clean Development Mechanism.

The Climate, Community and Biodiversity Standards (CCBS), the Social Carbon Standard, and the Fairtrade Climate Standard are just some examples of additional standards.





## ClimatePartner's due diligence



The high quality of the climate projects at ClimatePartner is made possible by our own extensive due diligence process.

Our own due diligence process looks at additional factors on top of the requirements by the high-quality standards (see pages 11-13).

The purpose of our due diligence process is to get to know the contractual partners and the project, and also to identify and avoid risks. For example, the process involves an assessment of the contractual partners as part of a Know Your Counterparty (KYC) check and the examination of any reports that might have been published about the project. In some cases additional analysis are being carried out.

This is how ClimatePartner enables high-quality projects and supports its clients in a transparent commitment to climate action.



Before any new project is added to our portfolio, ClimatePartner performs at least one KYC check (an assessment of business partners) and a basic check covering the most significant risk factors.

The results of the checks are carefully analysed and may lead to a project being rejected.

The following information about potential business partners is examined in the KYC check: information about the company and its shareholders, politically exposed people, status on lists of sanctions, and shareholder structure. The parties also agree to adhere to a joint code of conduct.

Our due diligence process is designed to ascertain the quality of our climate projects.

The basic check involves research on the following risk factors:



#### Project area

- Natural disasters
- Political instability
- Human rights



#### Online research

- News
- Video clips
- Academic articles



#### Legal aspects

- Litigation
- Fraud
- Corruption
- Money laundering
- Terrorism





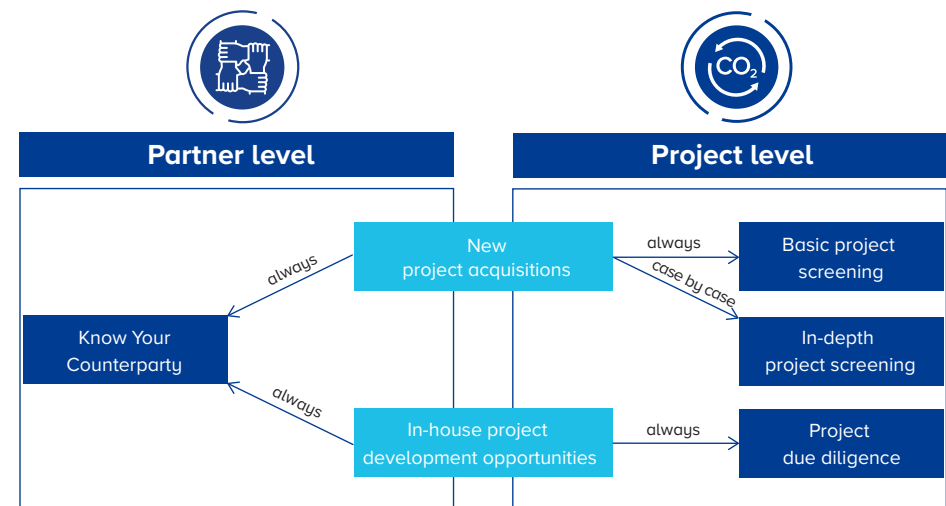


If necessary, ClimatePartner's project integrity team performs more extensive checks that could involve geodata analyses and field visits.

If required, ClimatePartner's project integrity team will intensify the checks in order to ensure the integrity of the project. This is then followed by an inspection of all available project documents. Additional documents and evidence may also be requested. The representatives of the project must answer any queries in sufficient detail and dispel any doubts before a project is added to the ClimatePartner portfolio. As an example, ClimatePartner always carries out this process for REDD+ projects.

ClimatePartner's in-house earth observation team can also lend its support with a geodata analysis by studying satellite images and independently verifying the claims made by the project relating to carbon emission reductions, the project area, the reference area, etc.

The diagram shows the various possible inspection processes relating to the project partner and the project.



## ClimatePartner Impact – your project development partner

Our dedicated project development unit ClimatePartner Impact develops long-term and certified climate projects for corporate customers and investors. These range from improved cookstoves to clean energy, and from sustainable agriculture to reforestation activities. Our experts manage projects in close cooperation with local partners and communities to create impact beyond carbon.

**Companies can develop their own projects with us.**  
**This offers various advantages:**



Close involvement in project design and implementation, creating verified impact contributions beyond climate action.



Climate stewardship and high levels of integrity in complying with international standards.



Price and volume stability for expected streams of verified emission reductions.



To exchange on how ClimatePartner Impact can help you develop your own project, please contact us at: [impact@climatepartner.com](mailto:impact@climatepartner.com).



Access to deep voluntary carbon market expertise and our extensive partner network.



State-of-the-art portfolio management and project controlling to ensure needed transparency.



Engagement and authentic communication on project progress.



## Your partner for climate action



Explore how your organisation  
can take climate action.

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