

Funding climate-friendly soil management

Preventing double counting¹

1 Background

Definition: Double counting occurs if a single emission reduction or removal is counted more than once towards the achievement of a mitigation goal (Fearneough et al. 2020; Schneider et al. 2019).

Importance: Double counting can lead to higher global emissions, ultimately undermining the achievement of climate targets.

Relevance: Double counting is a particular risk for the land-use sector because land ownership, land use and land management often lie in the hands of different stakeholders with overlapping rights.² As a result, it may not always be straightforward for an entity to demonstrate that it has the sole right to claim the emission reductions or removals, raising risks that the same mitigation is claimed by multiple entities (Schneider et al. 2018; see Böttcher et al. 2022a). Double counting is therefore relevant for all types of soil carbon mitigation, including removals as well as emission reductions/avoided emissions. Double counting is particularly relevant for offsetting mechanisms³ as it can undermine the environmental integrity of such mechanisms.

2 Key issues

Types of double counting: Double counting can occur in three different ways (Prag et al. 2013; Fearneough et al. 2020; Schneider et al. 2015; Böttcher et al. 2022a; Schneider et al. 2022):

- ▶ **Double issuance of units** occurs if more than one carbon credit is issued for the same emission reduction or removal. If these credits are counted towards achieving mitigation targets, double counting occurs. Double issuance can occur due to double registration where a project is registered more than once under different carbon crediting programmes or due to indirect overlaps between different projects (e.g. where both the producer and the consumer of a biofuel issue carbon credits).
- ▶ **Double use** occurs if the same carbon credit is used twice to achieve a climate target or the same credit is cancelled twice.
- ▶ **Double claiming** occurs if the same emission reduction or removal is claimed both by the host country, jurisdiction or other entity that reports lower emission levels as well as by

¹ This factsheet was also published as part of the UBA report "Funding climate-friendly soil management", available at <http://www.umweltbundesamt.de/publikationen/Funding-climate-friendly-soil-management>.

² This mainly holds true for countries in the global South, while in jurisdictions with clear ownership to land, the risk of double counting may be lower than for other project types because all emission reductions or removals occur onsite rather than claiming indirect effects upstream or downstream.

³ Under offsetting approaches, the buyer is using the certificates for mitigation outcomes as a substitute for within value chain abatement or mitigation activities in their own sphere and counts it towards their own (voluntary) climate target.

another country or entity that purchases the carbon credit. Double claiming can occur with respect to the NDCs, if the host country reports lower emissions when accounting for its NDCs, and with respect to domestic climate policies, for example, if a project reduces emissions in an emissions trading system (ETS) or other regulatory schemes with quantified targets such as the EU LULUCF regulation.

Main challenges:

- ▶ It is particularly challenging to avoid double claiming of emission reductions and removals with **NDCs**. First, this is because countries' NDCs are defined in different ways (Schneider et al. 2019). For example, accounting for single-year targets poses particular challenges (Siemons and Schneider 2022). Second, rules for avoiding double claiming through the authorisation of mitigation activities and the application of so-called 'corresponding adjustments' under Article 6 of the Paris Agreement have only been adopted at COP26 in Glasgow in November 2021. Countries still need to implement these rules before they authorise carbon credits for Article 6 and implement corresponding adjustments. Therefore, carbon credits that are authorised under Article 6 – and for which thus double claiming with the host country is avoided – are not yet widely available on the market.
- ▶ When monitoring and claims to land and mitigation effects occur at multiple levels, such as project and jurisdictional or farmer and national level, the situation becomes more complex. In the context of the **land-use sector**, particular challenges arise from the fact that project level mitigation and jurisdictional approaches may overlap,⁴ which makes it more difficult to avoid double counting. Additionally, landowners and customary users of the land such as indigenous peoples or local communities might both claim emission reductions and removals realised (Böttcher et al. 2022a).⁵

Environmental integrity: Double counting is a risk to environmental integrity. If the same emission reductions or removals are counted towards two mitigation goals (e.g. to meet national climate goals as well as by a company using the resulting carbon credits as offsets instead of reducing their own emissions), this could lead to more carbon in the atmosphere than if the emission reductions or removals were only counted once. The specific effect depends on how different actors respond to a reduction in emissions resulting from the purchase of carbon credits (e.g. whether a private actor lowers its climate actions and whether a country decreases the level of ambition of its climate policy as a result of using carbon credits) (Fearnough et al. 2020).

Unless the risks associated with double counting are appropriately managed by a crediting programme and the host country, any related credits should not be used for reaching long-term mitigation targets through offsetting neither by private entities (e.g. companies) nor by public actors (states).

3 Examples

If two actors register the same peatland restoration project under two different carbon crediting programmes, this can lead to double issuance. To avoid this, the UK Peatland Code requires

⁴ See factsheet on jurisdictional vs. project-based approaches, <http://www.umweltbundesamt.de/publikationen/Funding-climate-friendly-soil-management>.

⁵ Finding ways to share the benefits will be necessary for these actors to participate in the credit revenue.

projects to exclusively register under the UK Land Carbon Registry which records all transactions with 'peatland carbon units' based in the UK and keeps track of ownership in its registry so that there can only be one owner at a time of a credit (McDonald et al. 2021).⁶

Under the German Federal Climate Change Act adopted in 2019 and revised in 2021⁷, measures to avoid double counting of mitigation actions towards the German emission reduction targets as well as towards the targets of other actors remain to be adopted.⁸

4 Relevance for the EU

In the context of the **Paris Agreement**, double claiming can occur if private actors purchase and claim credits from projects on the voluntary market, and the same removals/emissions reductions are claimed by EU Member States towards the EU's NDC. To avoid this form of double claiming, the EU would need to authorise these mitigation activities under Article 6 of the Paris Agreement and apply 'corresponding adjustments', i.e. by making additions to its reported emissions (Schneider et al. 2022).

At EU level, double claiming could occur if emission reductions or removals, e.g. by a project to restore wetlands, are accounted by a Member State to achieve its obligation under the **EU LULUCF Regulation (2018/841)** on the basis of reporting of emissions in its GHG inventory and are at the same time issued as a carbon credit and used by a private actor to achieve a mitigation target.⁹ To avoid this, the EU would need to put provisions in place to authorise issued carbon credits and cancel a respective amount of units under the EU LULUCF Regulation.

Under Joint Implementation under the Kyoto Protocol, some EU Member States established provisions for cancelling ETS allowances if emission reduction units (ERUs) were issued for reductions that occurred within the scope of the EU ETS (Böttcher et al. 2022a). Some carbon crediting mechanisms also have procedures in place that forbid the issuance of carbon credits which overlap with ETS, or they require that a respective amount of allowances be cancelled (Böttcher et al. 2022a).

In the context of the EU LULUCF Regulation, double counting in the land-use sector (but not specifically in the context of soil carbon mitigation approaches) can also occur in the context of **harvested wood products** (HWPs) at global level. The so-called production approach laid down in the EU LULUCF Regulation for accounting requires to include all HWPs from wood harvested in a country, ignoring imports and exports of wood and wood products. To avoid double counting by different countries, it is important to apply consistent approaches for accounting for HWPs on a global scale (Böttcher et al. 2022b). The introduction of new categories of carbon storage products as proposed by the European Commission's proposal to revise the LULUCF Regulation¹⁰ would exacerbate these challenges.

5 Addressing challenges

To avoid the different forms of double counting, several approaches need to be pursued:

⁶ See <https://woodlandcarboncode.org.uk/standard-and-guidance/2-project-governance/2-6-registry-and-avoidance-of-double-counting>.

⁷ See <https://www.gesetze-im-internet.de/ksg/BJNR251310019.html#BJNR251310019BJNG000200000>.

⁸ In §3a, the law specifies that the Federal Government is authorised to regulate crediting and accounting of units in accordance with EU law as well as to prescribe more detailed provisions on the methodologies and bases for comprehensive reporting of GHG emissions and removals in the LULUCF sector.

⁹ Double claiming between governmental actors and private actors is strongly related to the question of additionality of mitigation actions, see factsheet available at <http://www.umweltbundesamt.de/publikationen/Funding-climate-friendly-soil-management>.

¹⁰ See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0554>.

- ▶ To avoid double issuance, **projects need to be excluded** from registering under a funding mechanism when they are already registered elsewhere, or issued credits need to be cancelled. In order to do so, a procedure to check for any double registration and to document cancellations for the purposes of registering elsewhere needs to be in place. Also, procedures or requirements need to be in place to **ensure that project owners have the sole right to implement and profit from the project activity on the respective land** before credits are issued. Mechanisms can also require **legal attestations** from project owners that they will not engage in practices that lead to double counting. Procedures to **avoid indirect overlaps** between different projects should also be in place (ClimateWorks Foundation; Meridian Institute; Stockholm Environment Institute 2019; Schneider et al. 2015; Böttcher et al. 2022a).
- ▶ To avoid double use, a **publicly accessible registry** needs to be in place which allows clear identification of each carbon credit by means of a unique serial number. In the registry, the purpose for retiring or cancelling a carbon credit needs to be publicly disclosed and recorded (Böttcher et al. 2022a).

To avoid double claiming with host countries' NDCs, **'corresponding adjustments'** need to be applied, such that Parties to the Paris Agreement adjust their reported emission levels according to the emission reductions or removals sold or purchased. Carbon crediting mechanisms as well as countries also need to have rules in place to track emission reductions and removals that are authorised and transferred for Article 6 purposes. In the case of CORSIA, credits need to be earmarked for use under the scheme in the registries of carbon crediting mechanisms (Böttcher et al. 2022a).

6 Relevant literature

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