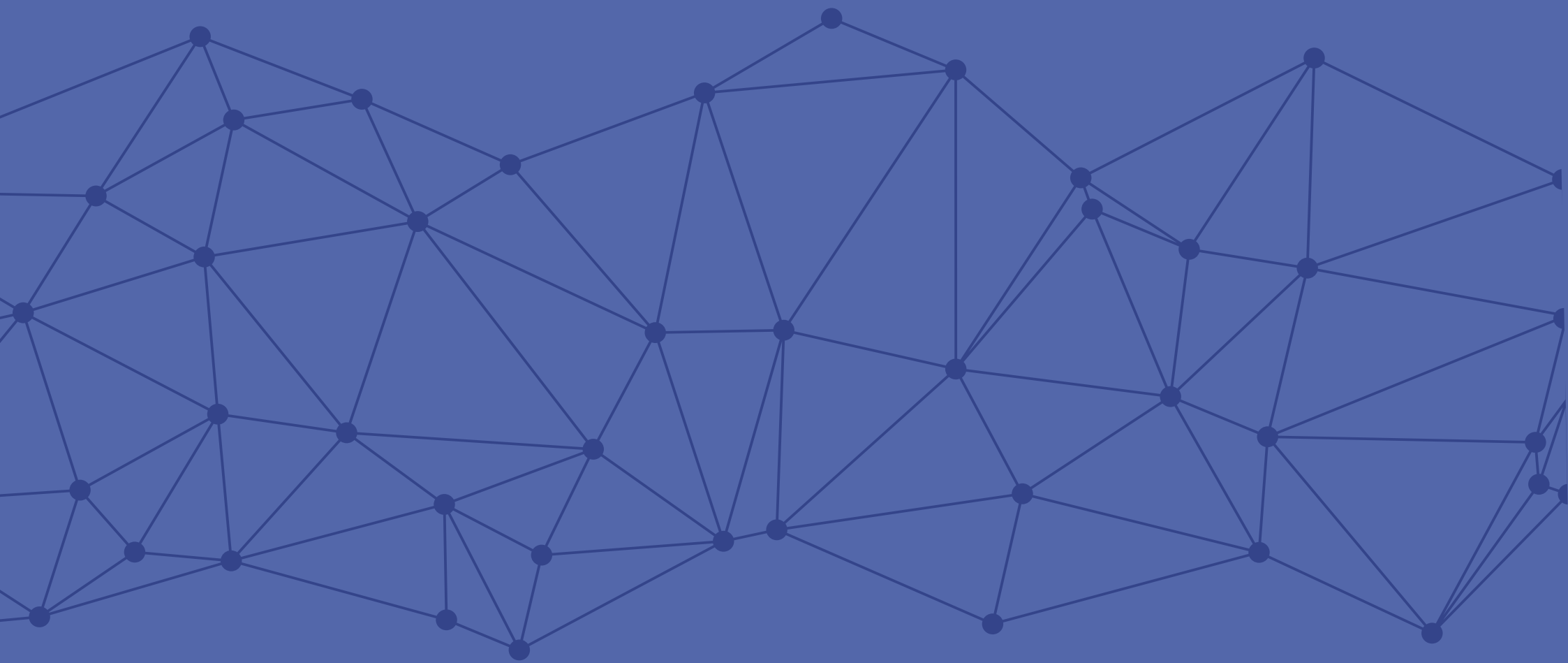


The Standardized Crediting Framework

A lower cost, timesaving, country-owned emissions reduction
crediting framework





What is the Standardized Crediting Framework?

The Standardized Crediting Framework (SCF), developed and supported by the **Carbon Initiative for Development** (Ci-Dev), is a streamlined, country-owned emissions reduction crediting framework. It improves transparency of national crediting decision making, reduces transaction costs, and shortens the time it takes to generate emissions reductions, ultimately enabling faster payments.

Following successful pilots in Senegal and Rwanda, Ci-Dev will offer the SCF to the other countries where the Ci-Dev portfolio is active. It will also be offered to all new programs as the portfolio develops.





A New Model

The year 2020-21 marks an important moment in the development of carbon markets. This is when the Paris Agreement, particularly its Article 6, will replace the Kyoto Protocol in overseeing international market mechanisms for greenhouse gas (GHG) emissions reductions. Current carbon crediting programs will need to adjust in order to continue generating compliance credits under the regulatory terms of the new agreement.

The SCF builds on the lessons learned from experiences with the Clean Development Mechanism (CDM) model, which was developed and used under the Kyoto Protocol. The CDM is one of the main international systems for enabling conversion of emissions reductions into carbon credits. The CDM is effective in many ways, but its complex processes and demanding data monitoring, reporting, and verification requirements have burdened many of the world's poorer countries and slowed their entry into the carbon marketplace.

Less Paperwork, More Payments

The SCF makes it easier for countries—particularly low-income ones—to access results-based climate finance and carbon markets and reap the rewards of reducing GHG emissions.

Efficiencies include:

Lower transaction costs—the framework can help countries to access climate finance at a lower cost;

Faster processing and decision-making—shortens the time it takes to generate emissions reductions, ultimately enabling faster payments;

Private sector engagement—by utilizing simple, transparent, fair and inclusive processes, the private sector will be able to support developing countries’ climate mitigation policies and plans while building vibrant markets in sectors like energy access;

Host country capacity improved—because the SCF is a country-led approach to emission reduction crediting, it helps to improve coordination among domestic entities and align climate change policy goals with sectoral ones—not just for emissions reductions but for climate policy and NDC implementation more broadly;

Opportunities to scale up and replicate—because national governments and institutions play a central role in overseeing and implementing the crediting approach, they develop the capacity to scale up and replicate the program across different sectors of the

economy – reducing costs even further and crowding in even more private finance towards the climate challenge.

Climate action plans and Nationally Determined Contribution (NDC) under the Paris Agreement supported—these support mechanisms can help countries to participate in emissions reduction crediting and to access results-based climate finance while ensuring environmental integrity is maintained.

Challenges Addressed:

The SCF addresses challenges faced by CDM programs in the current crediting system, especially those sectors (like energy access) and regions (like Africa and other low-income countries) that the CDM may have overlooked. These include:

Low capacity of emission reduction developers—through simplification of reporting requirements and helping standardize most of the monitoring parameters at the national level;

Interaction with domestic policies—by focusing on technologies with clear additionality and ensuring environmental integrity;

Data needs and the related transaction costs for monitoring—reduced by using more standardized approaches, using simplifications to the monitoring, reporting and verification system, and simplifying the project cycle.



Key Elements of the Standardized Crediting Framework

Simple, transparent, fair and inclusive.

Positive lists for additionality

The SCF offers robust yet streamlined approaches for assessing additionality, enabling a greater variety of project activities to be implemented.

Streamlined MRV approaches

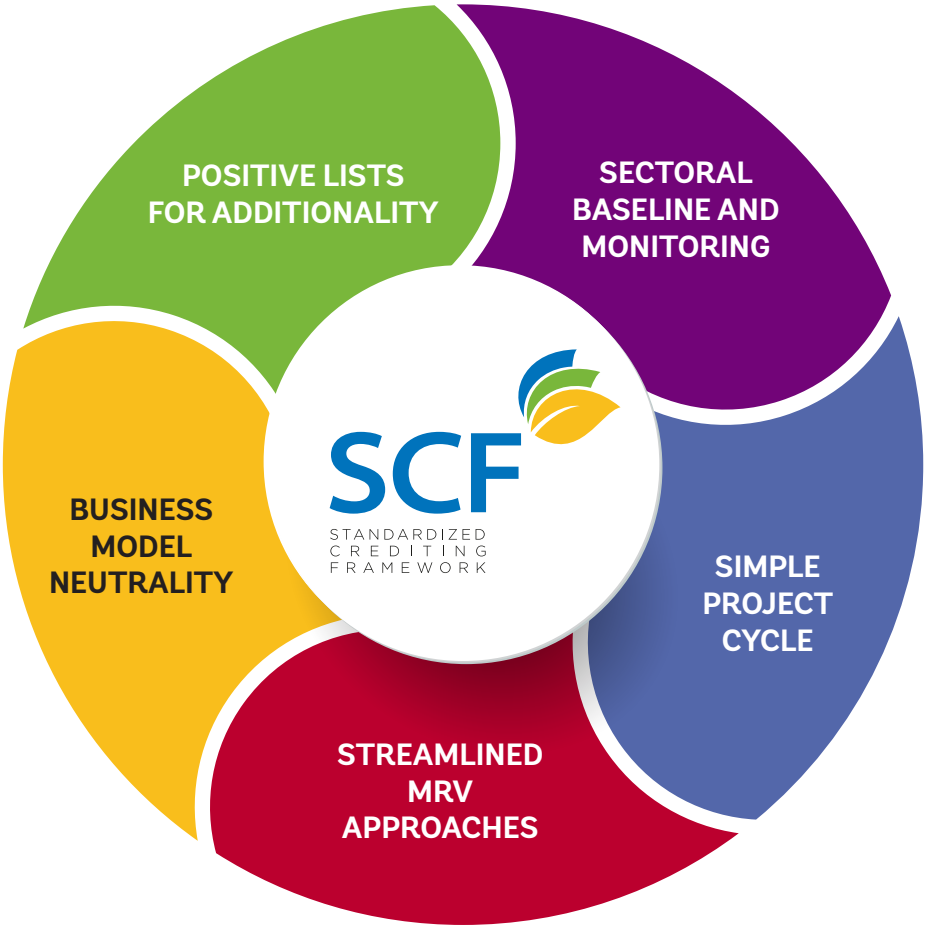
The SCF incorporates efficient monitoring, reporting, and verification approaches, such as a reduced need for site visits, use of local experts for auditing, faster timelines for checking documentation, tiered accuracy requirements, and calibration requirements appropriate to the country.

Efficient governance arrangements

The SCF helps reduce the administrative and financial burden on the national government by building on a country’s existing structures, as it is implemented through governance and institutional arrangements independent from the UNFCCC process. At the same time, this approach improves transparency and predictability of the decision-making, and ensures a more direct linkage to a country’s climate policies more broadly and its Nationally Determined Contributions (NDC) more specifically.

Simplified project cycle

The SCF builds on earlier proposals for streamlining the project cycle by eliminating the validation step, and instead combines verification of the project design, its compliance, and performance into a single ex-post third party audit.



The Standardized Crediting Framework in Action

From 2016-2020 a pair of Ci-Dev projects have put the SCF to the test with very positive results. Both pilots, a rural electrification project in Senegal and an efficient and clean cooking project in Rwanda, showed substantial cost and time savings compared to the CDM. In Senegal, the SCF was piloted over two years in parallel with the project’s CDM validation and registration making it possible to compare the two processes, timelines, governance structure, stakeholder engagement and transaction costs. In addition to substantial cost savings to date, the SCF moved from project development to its first emission reduction certification years faster than the CDM project.



Senegal Rural Electrification Program*

Senegal’s rural electrification program uses a concession-based model where the right to sell, install, and maintain new electricity connections to rural households in one or more of 10 regional ‘concessions’ over a period of 25 years is awarded to implementing entities.

To facilitate electricity access for poor rural households, the rural electrification agency in Senegal (ASER) has decided to use the program’s carbon payments to overcome financial access barriers. For this purpose, the project uses an innovative voucher scheme, and each voucher can be redeemed by the household to the private concessionaire in their territory for the service level and connection technology that best fits their needs. The concessionaire then installs the new connection and redeems the voucher with ASER for compensation. This subsidy is ultimately paid for by Ci-Dev through the emission reductions that the fund purchases.

This Emission Reduction Purchase Agreement (ERPA) committed Ci-Dev to purchase 660,000 certified emission reductions (CERs) generated through end 2024 from the rural electrification program. The program with the Rural Electrification Agency in Senegal is the site of the first SCF pilot.

*Program Currently Inactive



Rwanda Improved Cookstoves Program*

Ci-Dev worked with the Rwandan Environment Management Authority (REMA) to develop the governance structures for the improved and clean cooking sector. This included negotiating with key government, civil society, and private sector representatives to develop and approve the program protocol, methodology, and a series of templates.

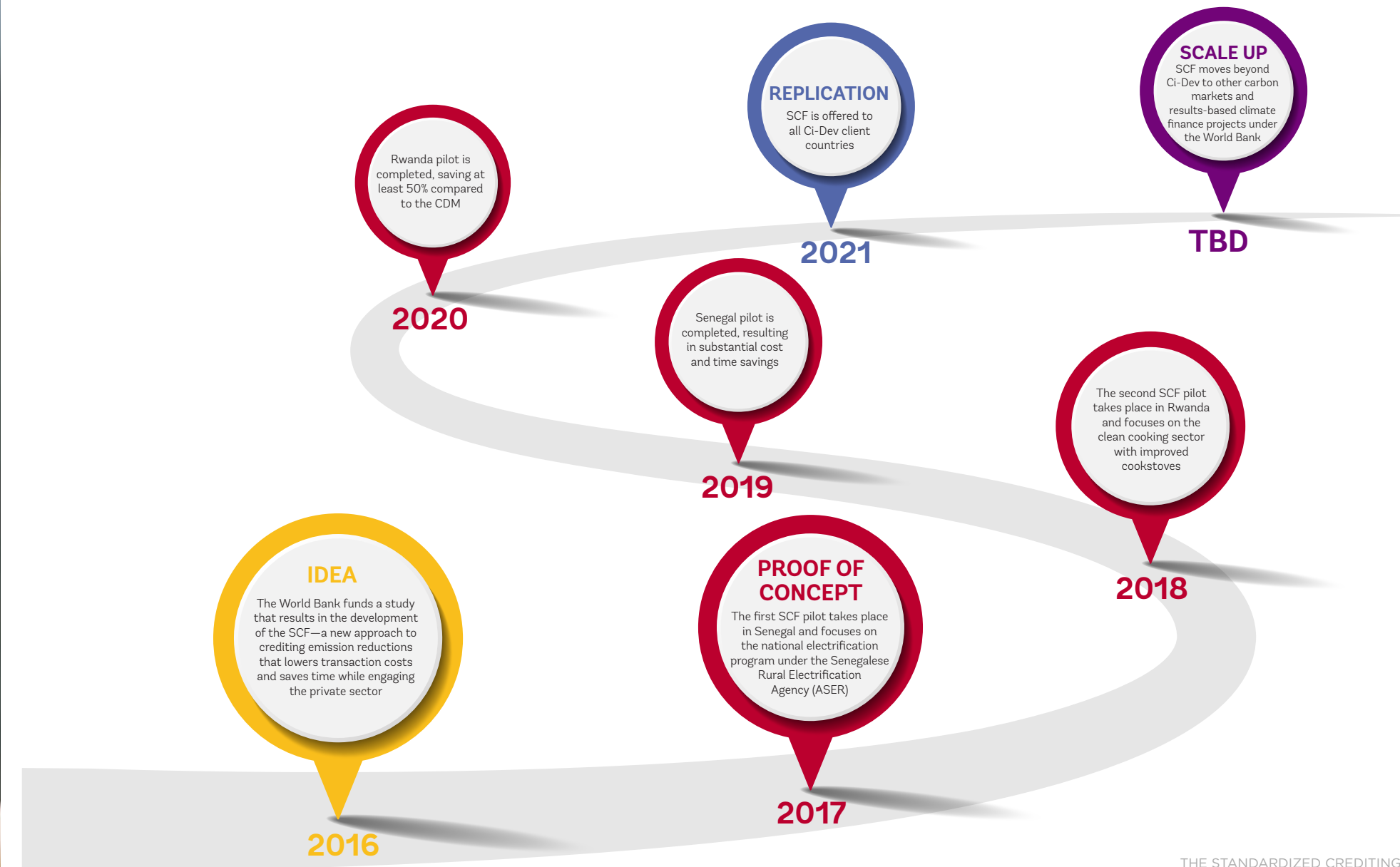
To test the SCF, Ci-Dev partnered with a private company, Inyenyeri, with which it had already signed an emission reduction purchase agreement (ERPA) to buy the ERs generated by the use of the efficient biomass fuel pellets that the company sought to sell. These sustainably sourced biomass pellets, when paired with the company’s highly efficient gasifying cookstove, reduced the amount of wood used for cooking by 80-90% compared to traditional cooking methods. The company distributed clean cookstoves (of tier 4 quality) to Rwandan families and collected sustainably sourced raw biomass from rural households to manufacture the biomass fuel pellets, which it sold to urban and peri-urban households that were otherwise using charcoal. The sale of carbon credits generated by the program aimed to allow the biomass fuel pellets to be sold at a price less than charcoal while the company ramped up its production capacity.

Although the company has now closed, the SCF pilot successfully demonstrated how private companies can follow the process for emissions reduction certification under the framework.

*Program Currently Inactive



The Standardized Crediting Framework – A Brief Timeline





The Climate Change Fund Management Unit (SCCFM) connects the World Bank and developing countries to innovative funding solutions to scale up climate action. The unit manages climate finance funds that complement funding from International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). These funds bring together more than \$6 billion of donor funding and private sector capital to support low-carbon programs across 70+ countries.

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