

Econergy International's Code of Best Practice for Verified Emission Reductions

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This document presents the position of Econergy International (Econergy) on greenhouse gas (GHG) emission reduction projects that generate Verified Emission Reduction (VER) credits in U.S. and international carbon markets. Its purpose is to provide clients and potential buyers with the assurance that VER credits offered by Econergy are real, additional, verifiable, and permanent GHG emission reductions, and also facilitate new investment in clean technologies.

By establishing a quality Code of Best Practice for the development of projects, Econergy provides a framework to support the further development of a robust, transparent, reliable and timely market for voluntary, project-based GHG emission reductions.

While many entities are participating in established compliance carbon markets under the EU-ETS and other emerging regulatory systems, many are also participating in a variety of voluntary markets for GHG emission reductions. These voluntary markets offer entities a viable means of offsetting emissions to attain a specific net emissions goal, while helping to drive investment in low-carbon technologies and foster complimentary environmental, social and economic benefits. However, as these voluntary markets have evolved in different contexts and without regulatory oversight, no uniform standards or criteria have emerged for defining the integrity and credibility of voluntary project-based emission reductions. This has resulted in a lack of consistency in the quality of the emission reductions offered in the voluntary market and has produced uncertainty for sellers as well as buyers of VERs.

Econergy is committed to employing project methodologies and standards that have been established and recognized within the voluntary market, especially for cases involving client participation in a specific program such as EPA's Climate Leaders Partnership or the California Climate Action Registry. However, to facilitate transparency and build confidence in the power of the voluntary carbon market to foster real, additional, verifiable and permanent reductions of GHG emissions, Econergy's code of best practice sets the minimum criteria which all projects generating VERs marketed by Econergy – including those offered within a specific voluntary program – shall meet.

This Code of Best Practice is the result of an extensive review of numerous VER methodologies and practices¹ and is founded upon Econergy's expertise as an originator and broker of Certified Emission Reduction credits within the Clean Development Mechanism (CDM).

As set forth, Econergy's Code of Best Practice ensures that all VERs offered by the company adhere to the following set of core principles:

- **Projects meet stringent requirements for environmental integrity:** The integrity of VER credits offered by Econergy rests on the assurance that these meet specified, defined criteria that render them real, additional, verifiable and permanent.
 - **Real:** The quantified GHG reductions represent actual emission reductions and not artifacts of incomplete or inaccurate accounting.
 - **Additional:** Econergy assesses the additionality of each project through a barriers analysis that examines a range of obstacles to project development and allows us to consider a wide variety of offset project types. This includes the following types of additionality tests, as set forth in the WBCSD/WRI GHG Protocol for Project Accounting: (1) legal, regulatory, or institutional test; (2) technology test; (3) investment test; (4) common practice test; and (5) timing test (where the project participates in an established program).
 - **Verifiable:** The GHG reductions result from projects whose performance can be readily and accurately monitored and verified.
 - **Permanent:** The GHG reductions are permanent and can be backed by guarantees if they are reversed (e.g., re-emitted into the atmosphere).

- **Projects meet stringent procedural and technical requirements for project auditing & monitoring:** Project performance and VER issuance will be audited by a third party who is independent from project developers and administrators. Whenever practical, projects will use internationally or nationally recognized auditors, such as Designated Operational Entities (DOE) operating under the CDM or independent U.S.-based auditors. Auditing typically includes project document reviews, on-site inspections at the location of the project, and in-person interviews with project participants, all according to a pre-approved, project-based monitoring and auditing protocol. Econergy seeks auditing at least annually for each project regardless of project type.

- **VER credits are not double-counted:** VER credits are only sold once to a buyer, and clear rights of VER ownership are established.

- **Environmental, social and/or economic impacts and benefits from projects are evaluated:** Econergy is committed to accounting for and mitigating potential adverse effects that projects may have on their surrounding environment and/or on local communities, and seeks to actively develop projects and/or broker VERs from projects that foster positive environmental, social and/or economic benefits.

ⁱ Reviewed methodologies and practices include the following: (1) The WBCSD/WRI GHG Protocol for Project Accounting; (2) ISO 14064; (3) IETA and The Climate Group's Voluntary Carbon Standard (VCS), Proposed Version 2; (4) The Gold Standard for VERs; (5) UK Government DEFRA Code of Best Practice for Carbon Offsetting; (6) EPA Climate Leaders Draft Offset Guidance for various project types; (7) The Climate Trust's Criteria & Processes to Ensure High Quality Carbon Offsets; (8) the Green-e GHG Emission Reduction Product Certification Program; (9) Clean Air Cool Planet's Consumer Guide to Retail Carbon Offset Providers; and (10) the CDM standards for registering a project.