Additionality Assessment Requirements

Compliance requirement:

[i8]"2.1.3: CO_2 Removal Supplier shall be able to demonstrate additionality, meaning that the project must convincingly demonstrate that the CO_2 removals are a result of carbon finance. Even with substantial non-carbon finance support, projects can be additional if investment is required, risk is present, and/or human capital must be developed. To demonstrate additionality, CO_2 removal Supplier must provide full project financials and counterfactual analysis based on Baselines that shall be project-specific, conservative and periodically updated. Suppliers must also show that the project is not required by existing laws, regulations, or other binding obligations."

Baseline and additionality assessment:

In Puro Standard a project specific additionality assessment is required. Puro Standard does not work with automatic additionality criteria or placement on a positive list.

CO_2 Removal Suppliers shall report the CO_2 removals claimed against a baseline which represents a conservative scenario for what would likely have happened without carbon finance (the "counterfactual" baseline). Puro Standard only credits carbon removals from the atmosphere and not emissions reductions or avoidance, therefore only the removals that are "additional" from baseline zero are credited. CO_2 Removal Suppliers can be guided by the CDM Methodological Tool 02 "Combined tool to identify the baseline scenario and demonstrate additionality. Version 5.0" (https://cdm.unfccc.int/methodologies/PAmethodologies/tools/am-tool-02-v7.0.pdf) to conduct the baseline determination.

In order to assess whether the CO_2 removals are a result of carbon finance the Puro Standard relies in the gold-standard additionality test, which is Investment Analysis. Suppliers shall provide convincing evidence that the project activity is more financially attractive than the alternatives when carbon finance through CORCs is included.

CO_2 Removal Suppliers can be guided by the CDM Methodological Tool 27 of the UNFCCC Clean Development Mechanism "Investment Analysis" to present the claim and evidence of financial additionality of their projects. (EB112_repano2_TOOL27_(v12.0) (unfccc.int). The purpose of undertaking an investment analysis is to determine whether or not the project activity would be financially viable without the incentive of the CORCs i.e. the carbon finance.

CO_2 Removal Suppliers shall identify alternatives to both the Baseline scenario and the project activity, consistent with the local market conditions and regulatory framework. Then they shall perform an investment analysis establishing the Internal Rate of Return of the alternatives and demonstrating that the proposed project activity is the more financially attractive. The price of CORCs is relevant in this analysis, and it can be estimated using the CORC index price and/or performing a market study with expert judgement. The comparative assessment shall include a sensitivity analysis that shows whether the conclusion regarding the financial attractiveness is robust to reasonable variations in the critical assumptions. The ultimate objective of the sensitivity analysis is to determine the likelihood of the occurrence of a scenario other than the scenario presented, providing a cross-check on the suitability of the assumptions used in the investment analysis.

CO_2 Removal Suppliers shall provide spreadsheet versions of the investment analysis. All formulas used in this analysis shall be readable and all relevant cells shall be viewable and unprotected. In cases where the CO_2 Removal Supplier does not wish to make such a spreadsheet available to the public an exact read-only or PDF copy shall be provided for general publication. In case the CO_2 Removal Supplier wishes to black-out certain elements of the publicly available version, a clear justification for this shall be provided.

https://cdm.unfccc.int/methodologies/PAmethodologies/tools/am-tool-02-v7.0.pdf