Introducing the Interim Principles

Responsible Carbon Finance for Clean Cooking Initiative

28th November 2023
Today’s Agenda...

1. Welcome Remarks, CEO
2. Background to the Interim Principles
3. The Interim Principles
4. Next Steps
5. Q&A, followed by a call to action

Feisal Hussain
Senior Director, Market Strengthening

Please be sure to post your questions to the Q&A throughout today’s webinar.
Welcome Address

Dymphna van der Lans
CEO
Background to the Interim Principles: *Why we are doing this initiative*

Ronan Ferguson  
Senior Manager,  
Market Strengthening
Our goal is to help buyers to engage in clean cooking carbon projects with confidence.

Our vision is a mature, flourishing clean cooking carbon market that operates with integrity, transparency, fairness, and sustainability.
Recap: why we launched a responsible carbon finance initiative for clean cooking

Access to carbon revenue is needed to accelerate market growth...

Companies that have carbon projects are generating higher revenue, and attracting more investment, than those without it.

...but quality concerns must be addressed to restore buyer confidence.

Carbon credit buyer concerns are growing around the general integrity, fairness and transparency of carbon credits.

Work is underway to improve quality, but gaps for clean cooking remain.

VCM-wide initiatives addressing carbon credit concerns do not address all clean cooking-specific issues.
Recap: why we launched a responsible carbon finance initiative for clean cooking

Access to carbon revenue is needed to accelerate market growth...

Companies that have carbon projects are generating higher revenue, and attracting more investment, than those without it.

Companies with carbon programs that are generating credits, or that are currently at the pre-monitoring stage, generated 89% of the total revenue seen in 2022.
Recap: why we launched a responsible carbon finance initiative for clean cooking

…but quality concerns must be addressed to restore buyer confidence.

Carbon credit buyer concerns are growing around the general integrity, fairness and transparency of carbon credits.

Average spot prices of clean cooking carbon credits are almost half what they were five quarters ago, but retirements of clean cooking carbon credits have remained strong; buyers remain interested.

Recap: why we launched a responsible carbon finance initiative for clean cooking

Work is underway to improve quality, but gaps for clean cooking remain.

VCM-wide initiatives addressing carbon credit concerns do not address all clean cooking-specific issues.

The Responsible Carbon Finance for Clean Cooking Initiative is targeted at nuanced and specific items relating to clean cooking. It is complementary and not competitive to other initiatives.

The liquid represents RCF4CC, filling the gaps that are clean cooking-specific, left behind by other initiatives.
Background to the Interim Principles: How we arrived at these Interim Principles

Ronan Ferguson
Other initiatives were used as templates for RCF4CCI to learn from: RCF4CCI mirrors the approach of VCMI Claims Guidance and the copies the form of the Core Humanitarian Standard.

**INSPIRATION FOR THE PROCESS OF DEVELOPING PRINCIPLES**

How RCF4CCI is stewarded: this directly informs what content is produced by RCF4CCI

**INSPIRATION FOR THE FORM OF THE PRINCIPLES**

How the Principles look: this directly informs how readers can intuitively engage with RCF4CCI's content

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**VCMI Claims Guidance** ([link](#))

"We wish to express our sincere gratitude to:
1. The Steering Committee
2. Public consultation and corporate road testers of the provisional Claims Code
3. The Expert Advisory Group
4. Participants in VCMI’s Country Contact Group
…whose contributions directly informed updates made to the VCMI Claims Code."

The Claims Code is the result of two years of research and engagement with stakeholders across all sectors and regions, including road testing of a provisional version published in 2022 and two public consultations.

**Core Humanitarian Standard** ([link](#))

Starts with a set of nine overarching ‘Commitments’ and will go on to detail how different actors can operationalize them...

…goes on to detail how different actors can operationalize them: Each commitment outlines the external actions and internal organizational process changes needed to fulfil on each Commitment.

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**Clean Cooking Alliance**

[Image]
RCF4CCI’s Journey: Sensemaking and Building Consensus

**‘DISCOVERY’ PHASE**

*Learning from the Working Groups and from research*

- Integrity and Coherence
- Fair Pricing and risk/Revenue-sharing
- Additionality and Complementarity
- Market Access and Competition

1. **1st Working Group meeting:**
   - Confirmed the scopes
   - Added overlapping initiatives/actors
   - Polled participants on the key risks/issues

2. **2nd Working Group meeting:**
   - Tested draft Principles with stakeholders
   - Captured debate
   - Confirmed areas of consensus and divergence

**Conducted by Climate Focus:**
- Conducted research, surveys & interviews; deepened insights on stakeholders, risks and opportunities.

**‘DESCRIBE’ PHASE**

*Playing back what we learned through a set of draft Principles*

1. **First draft of Principles:**
   - Formed a set of 16 draft Interim Principles

2. **Standardizing the Principles:**
   - Started to consolidate and rationalize them

3. **Co-Chair Socialization:**
   - Refined the draft Interim Principles based on bilateral consultations

4. **CCA Socialization:**
   - Sought inputs from CCA Leads and CCA Leadership

5. **Co-Chair Synthesis meeting:**
   - Confirmed a set of 12 Interim Principles
Evolution of the Interim Principles

Seven standardization filters were applied to the draft Interim Principles emerging from the RCF4CCI Working Groups

- **Universality**: Should be applicable in all circumstances, and high level

- **Materiality**: Should make a material contribution to managing risk and improving market conduct. In other words, we are not trying to perfect all flaws or risks but ones that matter significantly.

- **Mutually exclusive**: Should standalone; one Principle should not depend on another.

- **Transformational (not-additive) and additional**: Should “raise the bar” rather than make incremental improvements on issues already being dealt with by other principles or initiatives except where these are significantly material (e.g. principle that would support the 4C work).

- **Specificity**: Should be specific to clean cooking (i.e., not generically relevant to other sectors as well that are probably dealt with by other processes and initiatives).

- **Rational/logical**: Should be easily explained through a logical description of the problem and grounded on evidence where applicable [evidence drawn from the research process].

- **Operationalizable**: Should be framed in a way that enables the principle to be operationalized.
Evolution of the Interim Principles

The evolution of the Interim Principles is traceable back to the outputs from the RCF4CCI Working Groups.
The Interim Principles
Feisal Hussain
CCA’s sincere thanks goes to the eight Co-chairs that gave their time to help guide the process and for representing the discussions coming out of their respective working group meetings.

1. **Integrity and Coherence**
   - Shachar Hatan
     - Program Manager, Sylvera

2. **Fair Pricing and Revenue-sharing**
   - Shveta Sarin
     - Business Development Advisor, Shell Foundation

3. **Additionality and Complementarity**
   - Marcel Raats
     - Team Manager, Netherlands Enterprise Agency

4. **Market Access and Competition**
   - Ash Sharma
     - Vice President, NEFCO

- Michael Johnson
  - Technical Director, Berkeley Air

- Nils Razmilovic
  - CEO, Tamu

- Vikash Talyan
  - Senior Director, Gold Standard

- Sophie Odupuy
  - Head of Public Affairs, KOKO
The Interim Principles for Responsible Carbon Finance in Clean Cooking

Increasing buyer confidence in clean cooking carbon projects by implementing values on:

- INTEGRITY
- TRANSPARENCY
- FAIRNESS
- SUSTAINABILITY
Theme 1

INTEGRITY

Project claims are evidence-based, case-specific, and substantiated.

I1: Project developers use baselines that are realistic and geography specific. Any assumptions made are conservative.

I2: Project developers accurately monitor fuel consumption or stove usage. Any assumptions made are conservative.

I3: Project developers claim only those co-benefits that are substantiated and can be evidenced.
Theme 2

TRANSPARENCY

Non-commercially sensitive information on clean cooking carbon markets is accessible.

T1: Market actors are transparent about the proportion of carbon revenue reaching actors further down the value chain.

T2: Market actors enable buyers to reflect co-benefits in carbon credit prices.
Theme 3

FAIRNESS

Carbon projects solicit informed consent from users and share revenue fairly along clean and improved cooking value chains.

F1: Project developers actively engage users in the design of projects.

F2: Project developers ensure users make informed decisions on their participation at the start of a carbon project.

F3: Project developers share carbon revenue with users in recognition of their role in generating emissions reductions.

F4: Investors and intermediaries earn carbon revenue that is proportionate to the value they add and the risks they assume.
Sustainability

Carbon markets complement other forms of funding and do no long-term harm to local clean and improved cooking markets.

**S1:** Providers of official development assistance and philanthropic capital ensure their funds are complementary with carbon finance.

**S2:** Project developers avoid creating excessive market distortion in clean and improved cooking markets.

**S3:** Governments create an enabling environment to incentivize the development of national clean and improved cooking carbon markets.
Next Steps
Feisal Hussain
Overall Timeline

This is a multi-year project that will end with the initiative being integrated with other larger carbon market initiatives on carbon credit quality.

**DISCOVER**

**Q2 2023**
Confirming the key risks and issues facing clean cooking carbon markets will help to inform where the sector needs to improve if it is to improve carbon credit quality.

**Q3 2023**
Creating a set of Interim Principles that are material, transformational, clean cooking-specific, and operationalizable will lay the ground for a future Code of Conduct to emerge.

**DESCRIBE**

**Q4 2023 - Q3 2024**
Creating the Final Principles and co-creating a Voluntary Code of Conduct through market consultation. Early adoption will be sought amongst project developers.

**CO-CREATE**

**Q2 2024 - Q4 2025**
Increasing awareness of the Code of Conduct amongst end buyers will help them to find project developers that are taking extra steps to improve clean cooking project quality.

**SCALE**

**2026 - 2030**
Embed within a player like IC-VCM. Contribute improvements to quality; creating a ratchet for quality that keeps pace of the latest sector developments.

**SUSTAIN**

We are here
Co-Create Phase

Firstly, we need to finalize the Principles through a public consultation period

First key output from the Co-Create Phase:

(1) Final Principles: Developing a final set of Principles to be integrated with the new voluntary Code of Conduct.

a) Global online consultation. The Interim Principles will be made publicly available online for global stakeholder consultation for a period of eight weeks. The consultation will seek feedback on the principles themselves ("Are corrections needed?" "Is anything missing?") and how to operationalize them (i.e., key actions stakeholders would take, what they would need to do so, and examples of best practices).

b) A consultation meeting with key buyers. A dedicated stakeholder consultation with carbon credit buyers to ensure that the views of this critical group are represented.

c) Finalize principles. Integrate the feedback received and socialize them amongst Project Developers; ask them which Principles they would “take on”, and how they would do this (what internal changes would demonstrate that they were, or are, "living by the Principle?").
Co-Create Phase

Secondly, we need to learn from Project Developers (and other ecosystem actors) about how they could translate the Principles into tangible actions that operationalize them.

Second key output from the Co-Create Phase:

(2) Voluntary Code of Conduct: develop a Code of Conduct ready for launch; containing the best practice activities, processes, behaviours, and norms for stakeholders to make “Commitments” to.

- **Identify best practices.** Seek out and collect examples of companies demonstrating how they are living the Principles; what adaptations have been made to internal processes in line with the principles? What best practices were already being done?

- **Develop the Voluntary Code of Conduct.** Collate best practice examples into a Code of Conduct, including the best practice activities, processes, behaviors, and norms for the clean cooking carbon market to implement the principles.

- **Acknowledge the best-in-class players.** Determine an appropriate tiering system (such as gold, silver, bronze) reflecting the quality and quantity of commitments being made by Project Developers that have adopted the Voluntary Code of Conduct. Work with ratings agencies so that the tiering is informative and helpful for their ratings processes.
Co-Create Phase

An iterative process to operationalize the Principles is needed, with stakeholders co-creating a voluntary Code of Conduct that is ambitious, yet actionable.

Two key outputs from the Co-Create Phase:

(1) **Final Principles**: Developing a final set of Principles to be integrated with the new voluntary Code of Conduct
(2) **Voluntary Code of Conduct**: Developing a Code of Conduct ready for launch

### Final Principles

1. **Feedback**
   - Seek feedback on the Interim Principles
     - What corrections are needed?
     - What is missing?
     - Update the Interim Principles accordingly, creating Final Principles.

   Nov. 2023 – Jan. 2024

2. **Operationalize**
   - Operationalize the Principles
     - Ask a group of Project Developers how they would enact the Principles.
     - Consult carbon credit buyers: what improvements do they want to see?

   Dec. 2023 – Feb. 2024

3. **Collect**
   - Collect ideas for operationalization
     - Document the different ways that early adopters suggest for operationalizing the Principles.

   Jan. 2024 – Mar. 2024

4. **Select**
   - Select the best-in-class actions
     - Select and publish the actions that are the best-in-class ways to enact the Principles.
     - Finalize the Principles.

   Apr. 2024

### Voluntary Code of Conduct

5. **Communicate**
   - Communicate a Code of Conduct
     - Create and release the first version of the Code of Conduct.
     - Show examples of companies adapting internal processes.

   May 2024 – Aug. 2024

6. **Adjust**
   - Adjust the Code of Conduct
     - Seek feedback: What corrections are clearly needed? What could be improved?
     - Update Code of Conduct.

   Sep. – Dec. 2024

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(1) **Final Principles**: Developing a final set of Principles to be integrated with the new voluntary Code of Conduct
(2) **Voluntary Code of Conduct**: Developing a Code of Conduct ready for launch
Q&A
Feisal Hussain
Call to Action

Ronan Ferguson
Consultation on Interim Principles: Now Open!

Please visit our webpage on Responsible Carbon Finance for Clean Cooking

- The consultation window is open from now to January 31st, 2024
- You can download a feedback form template from our website, via the QR code
- Email your feedback form to CCA (carbon@cleancooking.org)
- An Advisory Council will be formed to review and approve suggested changes that were submitted during the consultation window
- This revision process will move us from ‘Interim Principles’ to ‘Principles’
Thank you for joining us!

carbon@cleancooking.org