

## AN INTERNATIONAL PROTOCOL FOR CARBON NEUTRALITY "CARBON STEWARDSHIP COUNCIL"

### Vision, Model and Establishment Process

#### **Background**

In recent years a large number of organisations (HSBC, CSFB, BSKYB, UK government), events (FIFA World Cup), products and services (Interface carpets, BA flights) have made a commitment to or achieved carbon neutrality<sup>1</sup>. While carbon neutrality may not be a solution to climate change on its own, as part of an integrated strategy it can provide an attractive way for organisations to cut their emissions and engage with the public. As such, it is expected that this market would increase in the coming years as consumers become more interested in low carbon or carbon neutral products.

Despite this rapid growth and a number of regional and private sector initiatives, no single independent global standard for carbon neutrality has yet emerged. While to date this has not been a problem, demand for such a standard is now emerging. There are number of reasons for this, including:

- Increasing scrutiny by NGOs the media and other stakeholders of the rigour and transparency of carbon neutral claims.
- Consumer demand for an independent guarantee of the environmental integrity of carbon neutral products and services.
- A number of the organisations that currently "own" carbon neutrality standards have recognised the need for a single independent standard, either to enable them to break out of their own niche markets or to enable a clear separation between the roles of standard-holder and provider of related services.
- The need for an internationally recognised standard and hallmark for carbon neutrality to provide credibility to company claims and to be used as both a marketing and educational tool.

The Climate Group has made initial contact with many of the organisations involved in this field and is convinced that there is a clear market need for an international carbon neutrality standard. This paper proposes the establishment of a "Carbon Stewardship Council" (CSC) to provide an institutional home for such a standard and its associated hallmark, and to provide oversight for the promotion and verification of its use. It should be emphasised that a decision to establish a 'Carbon Stewardship Council' (CSC) has not been taken - even the name is highly provisional.

The paper puts forward a possible model and development process for a CSC. It aims to assist stakeholders to understand what a CSC might be, what it might do and decide whether they wish to take the project forward. Some detail has been provided to make the model more 'real' - but the detail can and would be modified, in broad consultation with stakeholders, if it is decided to move ahead. It is hoped that there would be robust discussion of the model. If major elements are problematic these should be identified by stakeholders at an early stage.

The Climate Group invites all interested parties to comment on the proposals, and, if there is agreement in principle, join together to make them reality.

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<sup>1</sup> In this paper we use the term *carbon neutrality* to refer to the achievement of a net zero carbon footprint through a combination of direct emissions reductions and/or the purchase and retirement of carbon offsets. Other organisations use different terms e.g. climate, emissions neutrality which we assume to be equivalent.

## 1 Vision

*The Carbon Stewardship Council (CSC) would provide an internationally recognised quality standard for defining and implementing carbon neutrality, built on current best practice in the field and a consensus between relevant stakeholders. It would offer confidence to users and the public alike about the environmental integrity of organisations, products and services making a carbon neutral claim.*

The CSC would:

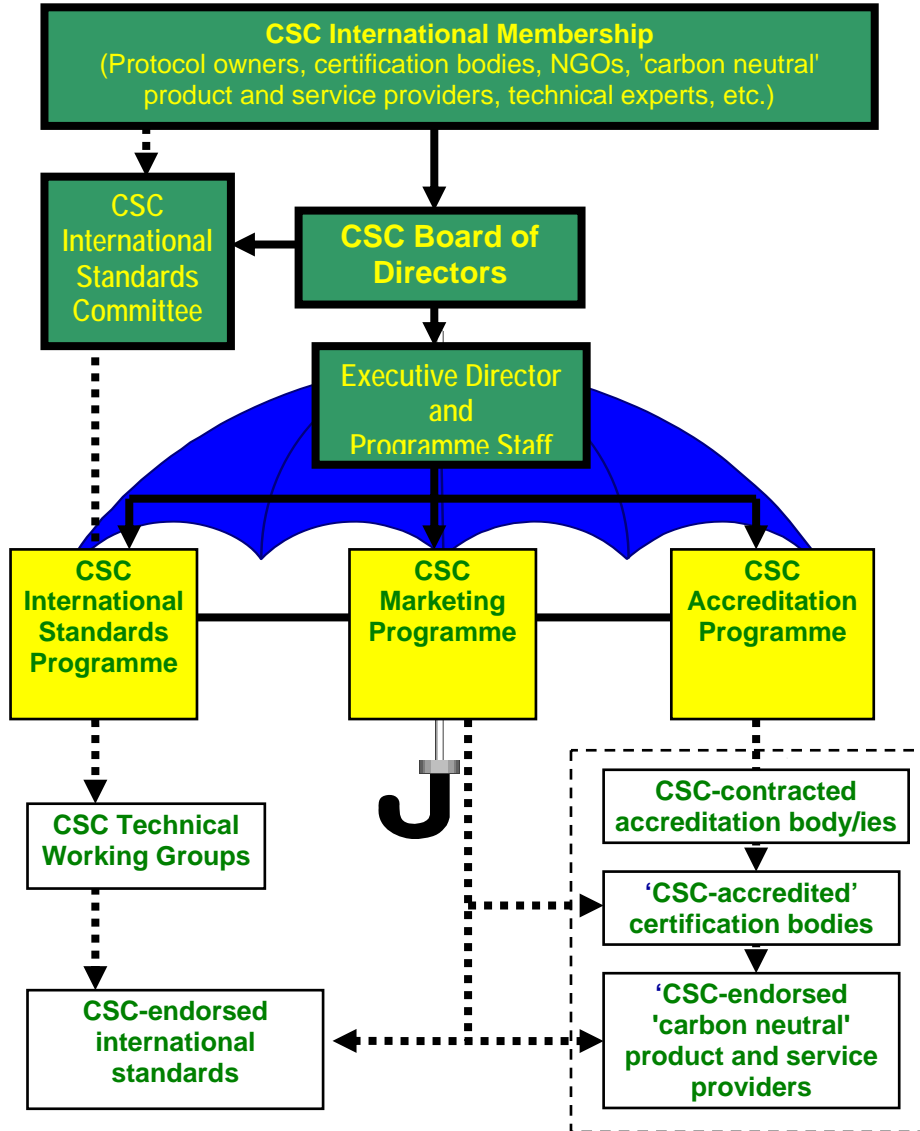
- Bring the owners, developers and users of different schemes together to agree a common, international framework for carbon neutrality.
- Underwrite the integrity of carbon neutral claims through trusted and transparent criteria and verification procedures and provide a hallmark to identify organisations, products and services that have met these standards.
- Offer an independent body - made up of credible stakeholders - to oversee the integrity of these standards and protocols.
- Help grow the market for low carbon products and services by enabling companies to develop a range of carbon neutral goods and increasing consumer awareness and accessibility to these goods.

### Questions for Consideration

1. *Is there a need to develop a Carbon Stewardship Council, along the lines outlined?*
2. *Do you agree with the vision and objectives for the Council?*
3. *Are there other goals that should be included?*

**2 A model for Structure and Governance**

The CSC would derive credibility and legitimacy from the oversight, participation and support of its stakeholders. Figure 1 describes an outline 'model CSC'. Its features are described below.



The CSC would be the umbrella organization which ensures that all parts of an international system of standards, verification and marketing are in place and functioning properly. The CSC would be an independent self-governing and self-financing international organisation, owned by its stakeholders: either through a membership structure, share ownership, or some other mechanism.

It would be possible to organise the CSC membership into regional and/or interest-based groupings or chambers. This would provide a mechanism for formally balancing out decision-making power' within the organisation. As an example, the Forest Stewardship Council model has 3 chambers (social interests, environmental interests, economic interests) each subdivided into a 'northern' (i.e. developed world) and 'southern' (i.e. developing world) sub-chamber. Voting weight is then divided equally between each sub-chamber, and standards development groups and the Board of Directors reflect the same divisions.

## *Consultation Paper - For Discussions*

The same model may not be applicable to the proposed CSC. Key considerations would be, what are the sectoral interests, and how should they be balanced in terms of decision-making and, what are the existing networks or structures on which the CSC could build? Possibilities for grouping the CSC membership should be developed during the 'pre-establishment' phase, and formalised by the end of the 'establishment' phase (see Section 5).

The CSC would be expected to have a Board of Directors, and executive staff. It would have some core activities, such as servicing its own membership as well as policy development functions. The CSC staff would also be directly involved in fundraising and marketing of the CSC itself.

### Questions for Consideration

- 4. How should the CSC governance and membership structure be organised?*
- 5. What other independent bodies could provide good examples of membership structures?*

### **3      CSC Programmes**

The CSC would *oversee* three main programmes: an international standards programme, an accreditation programme and a marketing programme. It must be emphasized that 'oversight' does not imply that CSC staff necessarily implement these programmes directly themselves. It simply means that the CSC must ensure that these functions exist and are operating effectively to further the CSC's mission. For example, many of the key elements required to establish an effective and functional CSC already exist (e.g. protocols for evaluating 'carbon neutrality'; verification and assurance programmes, etc.).

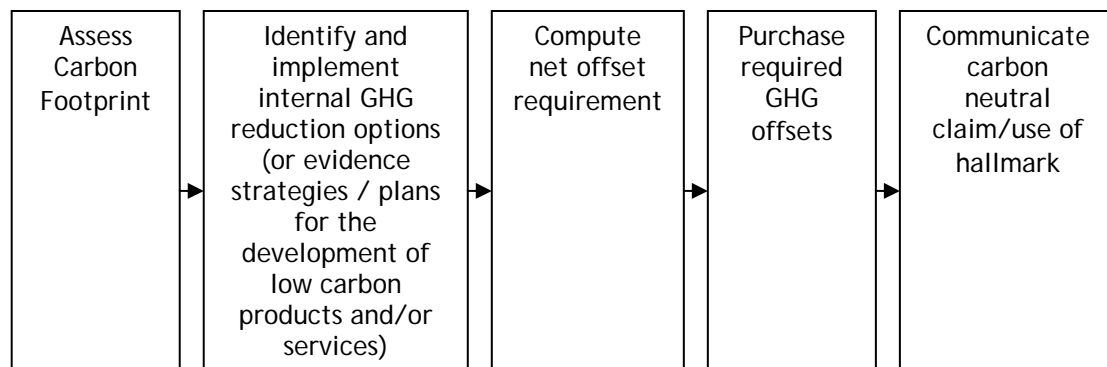
The CSC itself would aim to remain as streamlined as possible, building and supporting existing programmes so as to reduce its own overheads and operating costs and to avoid perceptions of conflict of interest. The financial and technical implications of the three main programmes would be explored further in the development of a CSC business plan.

#### **3.1      International Standards Programme**

The CSC would aim to provide a single global standard (or set of standards) for carbon neutrality based on existing protocols. A formal committee including representatives of the protocol owners would be expected to endorse the resulting global standard(s) prior to formal CSC approval.

The CSC International Standard(s) would specify the international requirements which carbon neutral claims must meet in order to receive 'CSC endorsement', and consequently to benefit from CSC based marketing, claims and promotion. This would include rules on greenhouse gas reporting, corporate greenhouse responsibility (e.g. internal emissions reductions) and offset quality.

In common with existing standards and protocols, it is envisaged that the CSC's standard(s) for carbon neutrality would be based on the following components:



Each of the stages outlined would require agreed standards and independent verification or oversight. However, many of these components already exist, either collectively (e.g. as part of the Carbon Neutral Protocol or the Climate Neutral Certification Protocol) or individually (e.g. the GHG Protocol/ISO 14064 standards for GHG accounting and the Gold Standard for assessing offset quality). In constructing the CSC's standards and protocols, the aim would be to build on these existing efforts to take advantage of the excellent work already done in this area (some of which is already considered best practice).

### Questions for Consideration

6. *Do you agree with the proposed components of the carbon neutral standard?*
7. *What credible standards already exist and could be adopted?*
8. *What part of the standard would the CSC have to devote the largest amount of work to (reporting boundaries, corporate greenhouse responsibility)?*

### **3.2 CSC Accreditation Programme**

The credibility of claims of carbon neutrality would rest on their verification by independent, third party certification bodies.

A number of different models are possible for verification of CSC endorsed products and services. One model is for the CSC to contract-out an accreditation function to one or more existing national or international accreditation bodies. The accreditation body(ies) would then evaluate and accredit certification bodies in accordance with any requirements specified by the CSC, based on recognised international standards for the operation of certification systems. Figure 1 presents such an 'accreditation' model as an illustration, but this should not be considered as definitive at this stage. The accredited certification bodies would then be responsible for verification of products and services against the CSC standards.

An alternative model would be more 'hands on', with the CSC itself being directly involved in an 'accreditation' or 'certification' function. Under either model, the CSC may choose to approve the use of the CSC trademark prior to its issue.

The choice of model would depend on consideration of the financial implications as well as technical objectives and possible conflict of interest issues. The financial and technical implications of both approaches would be explored further in the proposed 'pre-establishment' and 'establishment' phases of the CSC.

### **3.3 CSC Marketing Programme**

The CSC Marketing programme would aim to maximize the marketing benefits available to the users of CSC-endorsed standards and programmes. It is assumed that the CSC's marketing effort would be based around the promotion of a CSC logo as a seal of approval, to be used in support of existing logos and trademarks, without replacing them (unless its constituent programmes preferred to make use only of the CSC logo).

Given the CSC's international scope it is likely that *delivery* of its marketing functions in particular would be highly decentralized, but that a central capacity in terms of strategic planning and coordination would be maintained.

### Questions for Consideration

9. *Is it possible (and desirable) to develop common international standards, or does the standards model need to allow for regional variations?*
10. *Should accreditation be international in scope, or should CSC encourage mutual recognition between independent, nationally based accreditation bodies?*
11. *Is there value in having an international carbon neutral logo?*

#### **4 Establishment Process**

If there is a willingness in principle to establish a CSC, the following section outlines the steps that would be required to put the vision into practice.

Three phases are envisaged: a pre-establishment phase, an establishment phase, and an operational phase. In practice the phases would not be quite as distinct as this terminology implies, but the division into different stages of development is used to provide a clear structure within which to plan and implement the proposed CSC.

##### **4.1 Pre-establishment Phase (March 2007 to June 2007)**

The pre-establishment phase would consist of a series of regional meetings with key stakeholders in the USA, Europe and Asia/Pacific in March and April 2007. Key stakeholders include carbon neutral product and service providers, organisations working on relevant standards, certification/verification and promotion of carbon neutrality, and Government and NGOs. The aim of meetings is to build agreement on the desirability of establishing a Carbon Stewardship Council, establish the outline of a shared vision of what such an organisation would be and do in practice and to seek participants for a CSC Steering Committee. If there is support for the idea the next step would be to establish a CSC Steering Committee.

##### **4.2 Establishment Phase (July 2007 to March 2008)**

If there is a good indication of sufficient support following the pre-establishment phase, then the establishment phase would be launched. The CSC Steering Committee would begin to act as both Project Advisory Group for the work of establishing the CSC, and as an 'acting Board of Directors' for the proposed CSC itself.

A full time project manager would probably be needed to coordinate and lead the activity, and begin to speak for the project. Fundraising would become increasingly important (the CSC would be expected to be self financing as rapidly as possible, but one can envisage an investment of around about USD1 million over 2 - 3 years before it is fully financially self-sustainable). Detailed work would be carried out to develop a business plan to be implemented with effect from the start of the 'Operational' Phase.

Various technical working groups would be established rapidly, most likely reflecting the four key areas of work (institutional establishment, standards development, verification, and marketing). Membership of the technical working groups would be by key stakeholders, supported by the project manager and some support staff.

Key CSC documents would be drafted, such as:

- draft organisational statutes and governance and membership structures;
- procedures for drafting and approving international standards;
- specifications for scope of international standards;
- verification requirements (e.g. requirements of a contracted accreditation body, and any requirements to be met by accredited certification bodies);
- an outline CSC marketing strategy; draft specifications for uses of CSC marketing materials; and
- outline licensing requirements, including financial aspects.

Discussions would need to take place regarding the country in which the CSC would be legally established, and the options and requirements relating to different types of legal entities in the preferred country(ies).

Ideally, the Establishment phase would end with the legal establishment of the CSC and the appointment of a Board of Directors and an appointed Executive Director, around the end of March 2008. This would be a demanding target. It might be possible, if there is a high level of consensus established early on in relation to governance and functioning of the proposed CSC, its preferred location and legal structure, and early funding commitments from significant funders.

#### **4.3 Operational Phase (April 2008 onwards)**

The Executive Director would appoint key staff to take forward the operational programmes. If the CSC is a membership organisation, then its membership program would formally open and would aim to include key stakeholders as quickly as possible, to establish its credibility and presence.

The Board of Directors would make key decisions in relation to approval of a logo and logo use; CSC verification activities including fees and charges, the marketing strategy etc. The Board of Directors with some level of prior approval by the CSC's broader membership (depending on CSC's governance and standards approval mechanisms) would approve the CSC's international standards.

The CSC's verification function would start to evaluate applicant certification bodies, to ensure that they are compliant with the CSC's approved accreditation rules. Accredited certifiers would then start to assess carbon neutral product and service applications. Although some steps of verification could be initiated prior to finalisation of the CSC's international standards, the process could not be completed until the standards are actually finalised. Depending on the size and number of applicants, and on their initial level of compliance it may take a year or so for the evaluations and decisions to be completed. It would not be possible to issue the first CSC endorsed certificates until the CSC's international standards have been formally approved.

The CSC's marketing activities would be stepped up to prepare for the official announcements of the first CSC-endorsed 'carbon neutral' products and/or service providers, possibly around the end of 2008.

#### Questions for Consideration

- 12. Is the timeline achievable?*
- 13. Are there parts that should be fast-tracked to address current concerns about carbon neutrality?*
- 14. Would your organisation consider participating in a CSC Steering Committee?*