INSETTING & LOCALISED OFFSETTING WORKSHOP

Heathrow Strategic Planning Group

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Laurence Oakes-Ash
loa@cityscience.com

INSETTING & LOCALISED OFFSETTING WORKSHOP

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WHY ARE WE HERE?

1. Align project objectives and scope

2. Surface technical, regulatory and possible delivery challenges

3. Understand the scale of the project

4. Begin developing an understanding of the delivery roadmap

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AGENDA

Time	Session	Description
9:00 am	**Introductions**	Brief introductions for those new to the call / project
9:05 am	**Outcomes**	Confirm outcomes the project aims to achieve Identify any immediate issues with the proposed outcomes
9:30 am	**Scope**	Scope session to cover: • Types of projects. • Geographic scope. Where would offsets be accepted? • Acceptance criteria. Who would we accept offsets from? • Additionality criteria. Market failure or deployment?
10:00 am	**Recap / Summary**	Summary of Outcomes and Scope discussion
10:05 am	**Challenges / Design Parameters**	Reflecting on the scope participants to discuss perceived challenges and design parameters including: • User Requirements: Considering the perspectives of a buyer, the public, local authorities, other stakeholders. • Challenges/Design: Considering issues of design from a Political, Economic/Financial, Social, Technological, Legal, Environmental perspective • Ownership and leverage: Who owns the asset? Transfer of assets? • Monitoring and management: Monitoring and management considerations
10:50 am	**Next Steps**	Discussion around possible immediate next steps
10:55 am	**Summary and close**	

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WE HELP ORGANISATIONS, COMMITTED TO DECARBONISATION, THAT AREN'T PROGRESSING AS QUICKLY AS THEY'D LIKE...


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INTRODUCTIONS

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KEY AREAS OF FOCUS

Outcomes

- What is insetting/offsetting?
- What are we trying to achieve?

Scope

- Do we all share the same vision?
- Exploring the boundaries

Challenges and Design Parameters

- Identifying minimum acceptance criteria
- Identifying key risks

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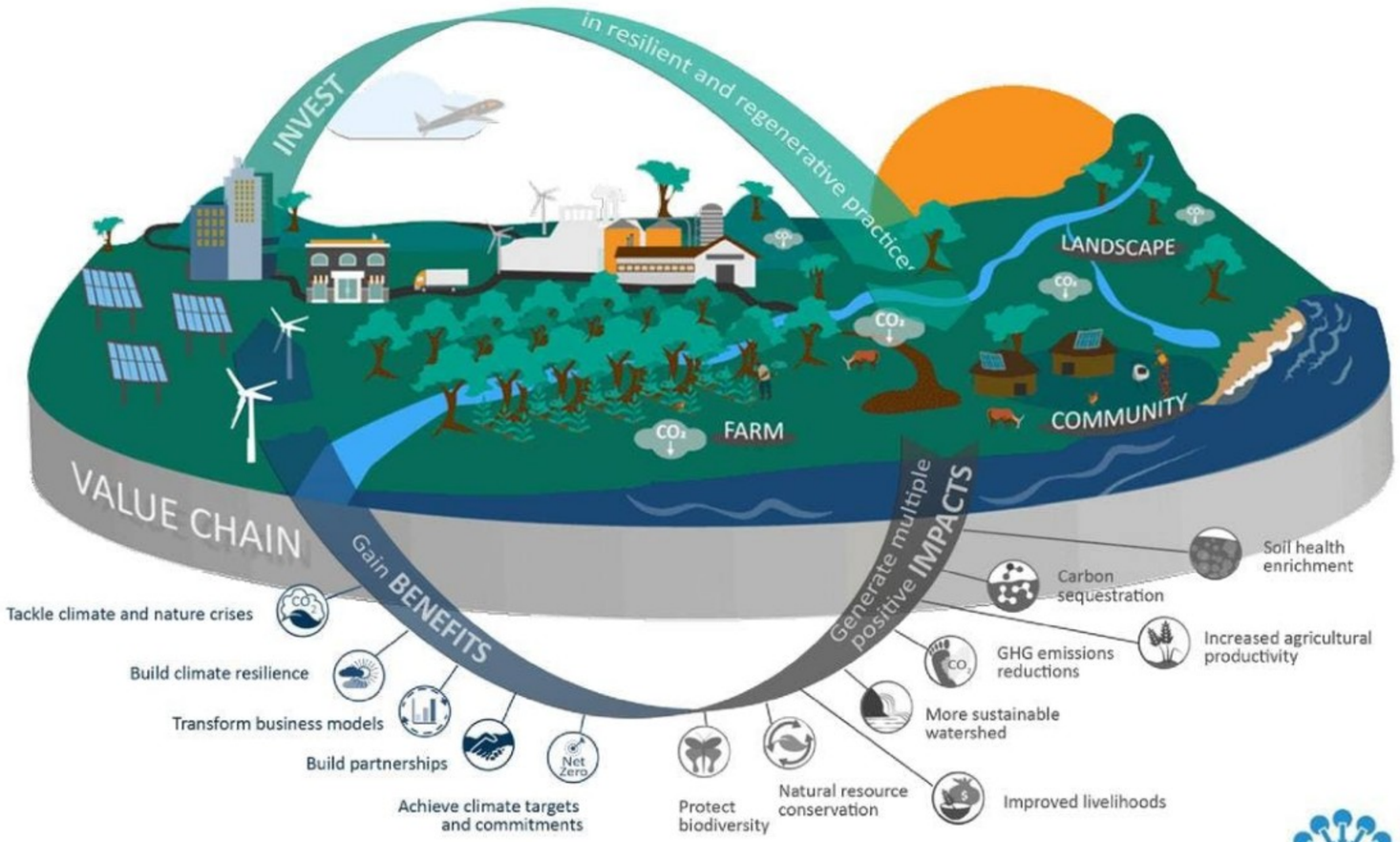
Instructions

OUTCOMES
WHAT IS INSETTING / OFFSETTING?



Offsetting:
Carbon offsetting projects are interventions to generate GHG emissions reductions and carbon storage, to compensate for emissions made elsewhere. Carbon offsetting may be undertaken voluntarily or for compliance.

Insetting:
Insetting projects are interventions along a company's value or supply chain that are designed to generate GHG emissions reductions and carbon storage, while at the same time creating positive impacts for communities, landscapes and ecosystems.

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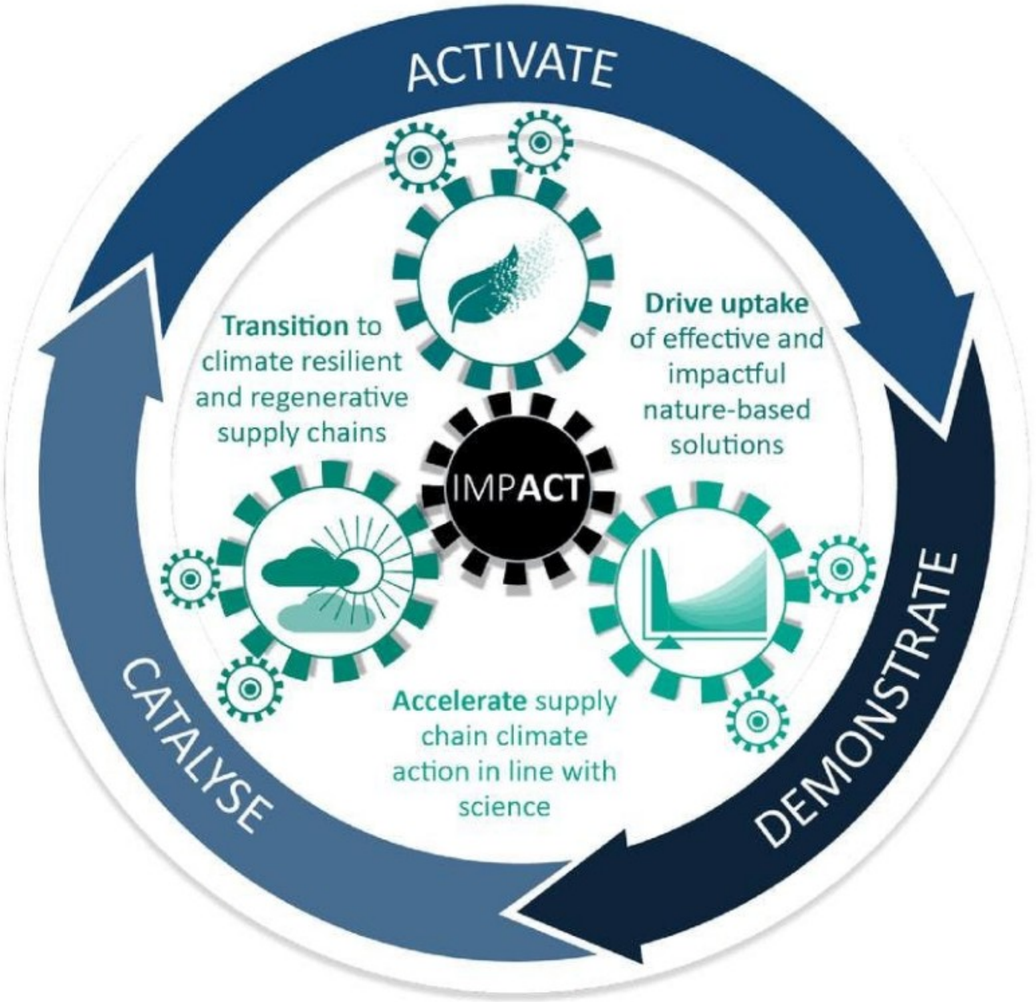
OUTCOMES
WHAT IS INSETTING / OFFSETTING?



Businesses, developers and public sector	Increasingly need to decarbonise directly or offset emissions
Local Offsets	Direct purchase of local offsets
Investment into local projects	Projects designed to deliver local decarbonisation

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D | Setting Core Carbon Principles is key to driving the Taskforce's dual ambition

High-integrity carbon credits...

Develop core carbon principle threshold standard for what constitutes a high-integrity credit and ensure robust governance for overseeing it

Allowing companies to pursue corporate claims that require specific credit types e.g. removals

The Taskforce will not exclude any credits from the market and simply label high-quality CCP credits

...Traded in robust, transparent and liquid markets

Catalyze market players to develop infrastructure and solutions that promote data transparency, funding availability, ease of access and price transparency

Companies' internal decarbonization and emissions reporting remain the priority with offsetting playing an important but complementary role

Source: Taskforce for Scaling Voluntary Carbon Markets, Institute for International Finance

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EXAMPLES:

DETAILS OF TAXONOMY BREAKDOWNS IN THE APPENDIX
UPDATED 10.03.2021

	eNGO Taxonomy	Public standard	Independent Standards (not exhaustive)			
	Ecosystem Marketplace		American Carbon Registry	Verified Carbon Standard	Gold Standard for the Global Goals	PLAN VIVO
Organization	Ecosystem Marketplace	Clean Development Mechanism	American Carbon Registry	Verified Carbon Standard	Gold Standard	Plan Vivo
Purpose of structure	Build a common understanding of methodologies through their survey to market actors	Lay-out a standard set of methodologies to uphold market integrity	Enable decisions on eligible credits based on the standards specific criteria			
Granularity	**4** Methodology groups **12** Methodologies	**57** Methodology types **150+** Methodologies	**6** Methodology groups **16** eligible Methodologies	**10** Methodology groups **70** eligible Methodologies	**26** Gold Standard methodologies	**6** Methodology groups **10** eligible Methodologies
Approach	Categorizes other organizations' methodologies, **does not list individual methodologies:** covers fossil fuel reduction, biogas and sequestration	Broad, granular approach: **divides methodologies by sector and by offset** type (e.g. construction, ghg destruction)	**Focused, granular approach**: 19 eligible methodologies around fuel, industrial processes, CCS and land use in the US	**Broad, granular approach:** based on CDM methodologies divided into **10 sector-aligned groups**	**Dual approach:** GS methodologies (26) grouped by types and a subset of CDM-approved methodologies	**Flexible approach:** projects deemed eligible based on an **additionality assessment**, focus on REDD+

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OUTCOMES
WHAT ARE OUR OBJECTIVES?

Reduction in GHG Emissions?	Addressing market failures?	Fund infrastructure?	Innovation?
Delivering Local Investment?	Addressing policy gaps?	Improve air quality?	Supporting bold targets across the region?
Revenue Funding?	Supporting public sector decarbonisation?	Deliver co-benefits?	Job creation and economic benefits?
Supporting businesses to decarbonise?	Enabling community action?	Address inequality (e.g. fuel poverty, access to funding)?	Other?

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How would you rank the outcomes?

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12

OUTCOMES
DISCUSSION

1. Are the priorities right?

2. Do any of the outcomes conflict?

3. Do any of the outcomes raise any immediate questions or concerns?

4. What are the risks? E.g. investing in something that would have happened anyway? Offsets allow high carbon behaviour to continue?

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SCOPE
TYPES OF PROJECTS

- Incentivising EVs and EV infrastructure
- Sustainable Transport
- Renewable Energy
- Retrofit housing and community buildings
- Nature-based solutions
- Decarbonising freight and logistics
- Decarbonising taxi and private hire vehicles
- Other?

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INSETTING & LOCALISED OFFSETTING WORKSHOP EXAMPLES:

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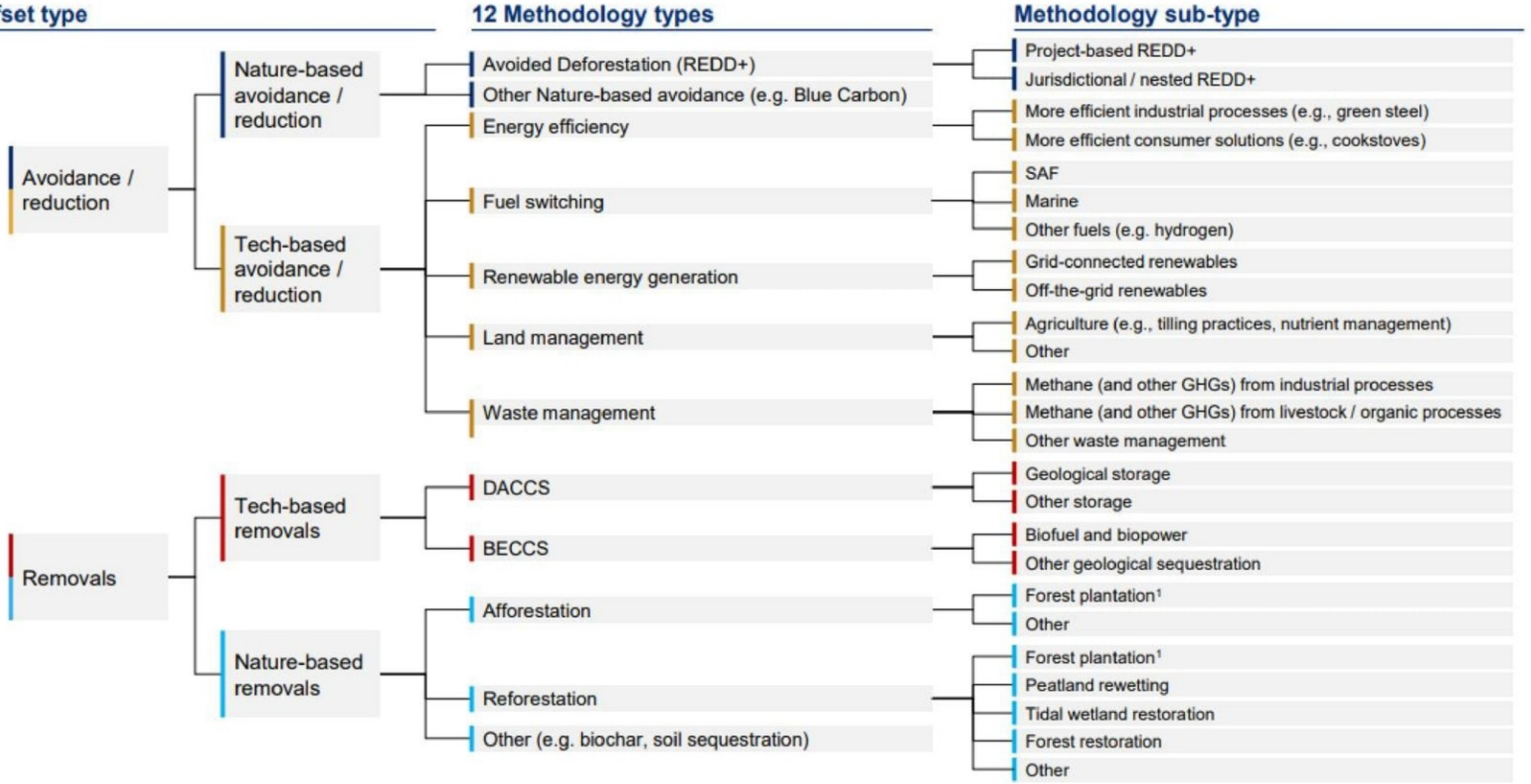
BASED ON EXISTING CCP STRUCTURES DETAILED IN APPENDIX

Preliminary structure for discussion:

Are prominent categories missing?

Are all sources of carbon credits covered?

Are existing categories exhaustive and mutually exclusive?



SCOPE
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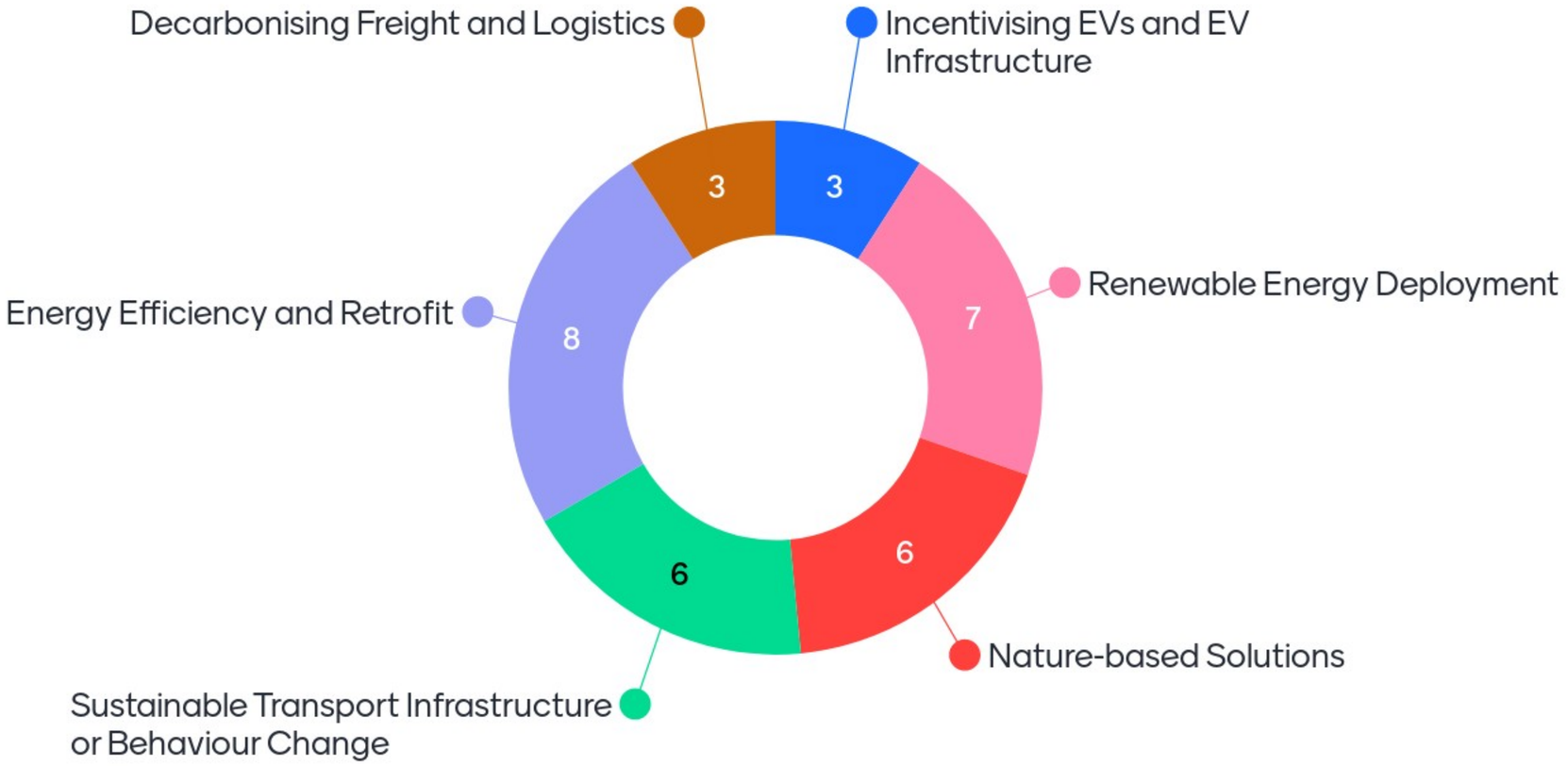
What types of projects would you most like to enable?



SCOPE
SCOPE QUESTIONS

1. Geographic Scope:
    a) Where would we accept funding from?
    b) Where would we facilitate projects?
    c) What if there is a mis-match in projects/funds?

2. Acceptance criteria:
    a) Any limits on who we would accept offset funding from?
    b) Any limits on projects we would investigate? E.g. due to size
    c) Any other acceptance considerations?

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SCOPE
SCOPE QUESTIONS

3. Additionality criteria:
    a) Market failure or investible solutions?
    b) Other additionality considerations?

4. Portfolio scope:
    a) Loans or grants?
    b) Grant %
    c) Portfolio diversity?

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CHALLENGES & DESIGN PARAMETERS
DESIGN CONSIDERATIONS

Source: Taskforce for Scaling Voluntary Carbon Markets, Institute for International Finance

✓ TSVCM Taskforce dimensions ● ICROA dimensions ● CORSIA dimensions

Core Carbon Principles (CCPs) are **high level principles of credit integrity** that become tangible through an Assessment Framework for Standards and a set of credit-eligibility criteria

They were defined to be comparable to ICROA and CORSIA dimensions

	Credit-level principles[1]			Operational principles		
Principles	Real	✓	● ●	Program governance	✓	● ●
	Based on realistic and credible baselines	✓	● ●	Program transparency and public participation provisions	✓	● ●
	Monitored, reported and verified	✓	● ●	Clear and transparent requirements for independent third-party verification	✓	● ●
	Permanent	✓	● ●	Legal underpinning	✓	● ●
	Additional	✓	● ●	Publicly accessible registry	✓	● ●
	Leakage accounted for and minimized	✓	● ●	Registry operation	✓	● ●
	Only counted once	✓	● ●			
	Do no net harm	✓	● ●			
Specific rules	Earliest project start date 2016[2]		●	Inclusion of Clean Development Mechanism		●
	Only jurisdictional or nested REDD		●			

Detailed definitions of the CCPs in the Assessment Framework for Standards

CHALLENGES & DESIGN PARAMETERS
USER NEEDS

Target Users	Heathrow Airport, Local Large businesses, Supply Chain
Sectoral Practice	Existing schemes, standards, regulations or emerging practice
Individual Ambitions	Ambitions of individual businesses or sectors

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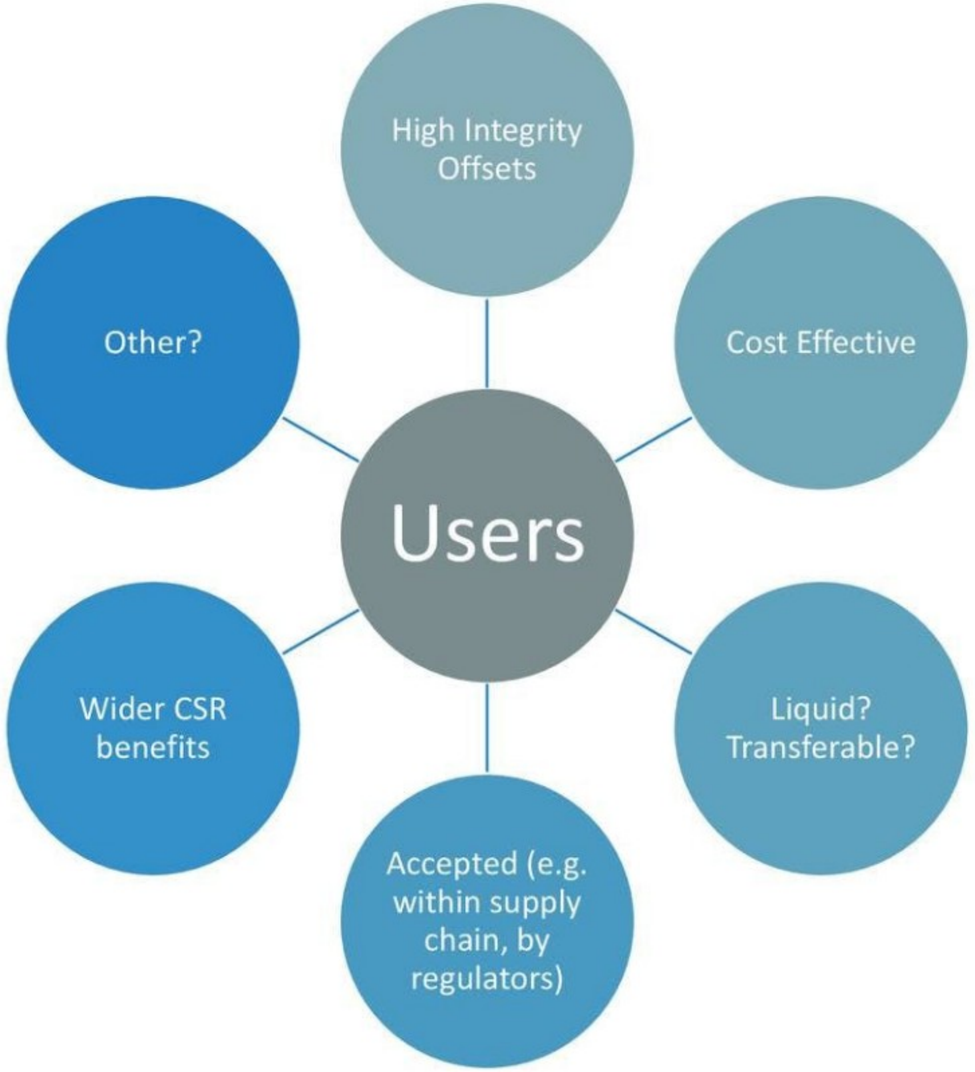
CHALLENGES & DESIGN PARAMETERS
USER NEEDS



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What is the value of the following to users?

CHALLENGES & DESIGN PARAMETERS
CHALLENGES

- Political
- Economic / Financial
- Social
- Technological
- Legal
- Environmental
- Other?

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Challenges

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Creating something that is overly complex for a local authority to deliver/participate

Mismatch between local authorities' funding need areas and what is considered verifiable and valid to businesses

Working into the market place alongside CORSIA etc in order to access

Capacity (financial/expertise) of local actors to fund set up costs of such a scheme.

LAs / HSPG need to scope / get sense of scale of nature based opportunity? Then move to appoint specialist managing agent to deliver verifiable/ tradable projects on public owned land? Plus private owned green belt??

Can HSPG operate legally on behalf 13 Authorities and act as single source of climate finance initiatives

Verification challenges distort schemes - i.e. we move towards projects we can easily measure rather than ones that deliver most bang for buck or social value

Proving additionality

Really like the idea of segmented approach - but concerned the non-corporate VCS tier may look like 'just' and community fund - how to address this?

16

Challenges

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Rules (additonality and requirement for removal) within the offsetting systems making it very hard if not impossible to fund the interventions that would of very high value locally.

Lack of offsets. Are there sufficient offsets of any quality to meet the needs of corporates and their supply chains?

Capacity building in terms of knowledge , resourcing and funding

Nature based solutions require long term funding (stewardship etc) as well as short term

Want to attact in non- airport related buyers too - keep open apperance

Local projects only ever likely to be a small slice of corporate's portfolio of offsets (which is fine)

The focus on carbon - runs a risk of loosing sight of other emissions of concern, net habitat gain etc. However, a segmented approach can however help ensure other issues addressed

16

CHALLENGES & DESIGN PARAMETERS
CHALLENGES

- Political
- Economic / Financial
- Social
- Technological
- Legal
- Environmental
- Other?

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CHALLENGES & DESIGN PARAMETERS
CHALLENGES - OWNERSHIP

User Perspective

- What does the user own?
- Does the user have any claim to the underlying assets / investments?
- Who maintains the asset?
- Can we foresee any “red lines”?

Local Authority Perspective

- What do local authority partners own?
- What costs and risks does the public sector bear?
- Can we foresee any “red lines”?

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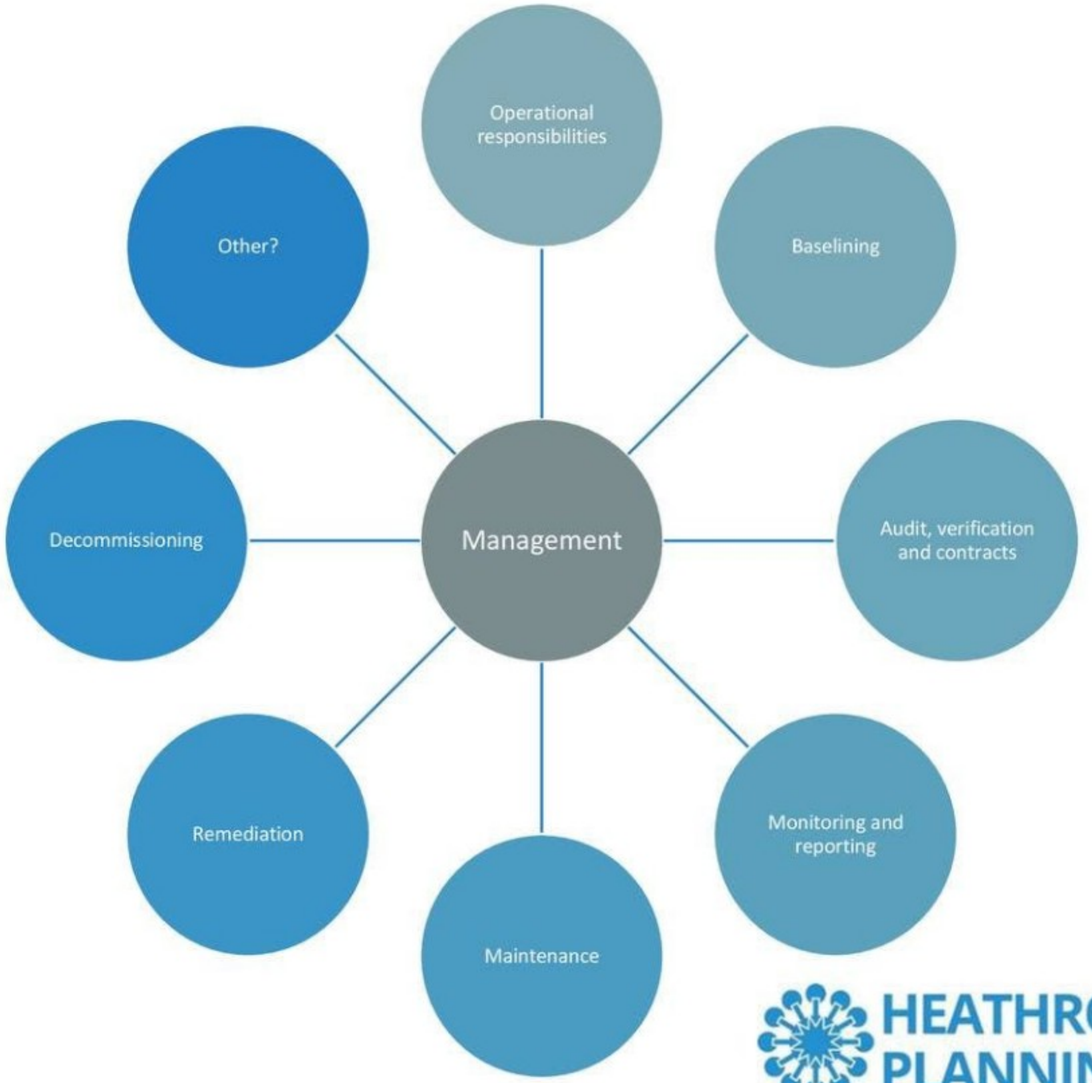
CHALLENGES & DESIGN PARAMETERS

CHALLENGES - MANAGEMENT



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INSETTING & LOCALISED OFFSETTING WORKSHOP
NEXT STEPS

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Next Steps?

SUMMARY & CLOSE

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22nd November 2021

Laurence Oakes-Ash
loa@cityscience.com