

Glossary of Terms

Additionality A project is considered additional when it would not have gone ahead without carbon finance. To access if a project is additional or not it is used a list of criteria such as: the finance viability of the project without carbon funding; what is previewed in country's legislation for this type of projects; what is the common practice in the country, regarding environmental projects.

Annex 1 Countries Under the Kyoto Protocol, there are 40 Annex 1 countries, that are classified as developed countries.

Non-Annex 1 countries are those that do not have binding emission reduction targets for the first period (2008-2012) of the Kyoto Protocol, and although they may already have policies to reduce GHG emissions, these are not recognised as climate change commitments in the Protocol.

Carbon Funding or Finance When a project developer gets a finance investor, or investors, for its project that in return is given the ownership of the emissions reductions generated by the project over a certain time period. The finance investor (or investors) may provide capital for the project in its start, over its lifetime or as a combination of both methods.

Carbon Footprint Carbon footprint is the expression used when referring to the total of greenhouse gases (GHG) emissions as a result of the activity of an organisation, event or product. It is usually expressed as a determined amount of carbon dioxide, or its equivalent.

Carbon offset (carbon credit) Carbon offset (or carbon credit) is the financial instrument for offsetting. They are measured in metric tonnes of CO₂eq reductions - one carbon offset or credit represents one metric tonne of emissions reductions generated by validated and verified carbon projects. Carbon offsets or credits can be purchased on voluntary (in a voluntary basis) or compliance markets (in order to comply with regulatory requirements).

Carbon offset project A project that is verified by a third party and that makes use of recognised clean technologies (i.e. hydropower, wind power, methane capture) with the purpose to generate carbon offsets or carbon credits.

CDM Clean Development Mechanism – one of the mechanisms defined in the Kyoto Protocol, with the intention to meet the following objectives: to assist Annex 1 (developed) countries in achieving compliance with their reduction commitments; to assist non-Annex1 (developing) countries in achieving sustainable development and to tackle with climate change; and to govern project-level carbon credit transactions between Annex 1 and non-Annex 1 countries.

CER Certified Emission Reduction – Carbon credits issued by the Clean Development Mechanism Executive Board, that are generated by CDM projects; one CER corresponds to one tonne of CO₂e emission reductions. CERs can be held by governmental and private entities on electronic accounts/registries.

Compliance market Market where organisations and government entities trade and purchase emission reductions regarding their commitments with Kyoto Protocol's targets.

CO₂ Carbon dioxide: a chemical compound, a gas that exists in Earth's atmosphere and one of the most abundant greenhouse gases. CO₂ is also generated as a by-product of the combustion of fossil fuels or land use changes.

CO₂e Carbon dioxide equivalent – The unit used in the Kyoto Protocol, is the concentration of CO₂ that would generate the same repercussions in environment of other types of greenhouse gases, such as methane and nitrous oxide. The CO₂e quantity of any greenhouse gas is the amount of carbon dioxide that would produce the equivalent global warming potential.

tCO₂e Tonnes of carbon dioxide equivalent, used for mathematical calculations.

Double counting When the same emission reduction unit (carbon offset or carbon credit) is counted toward multiple targets. It may occur when the same specific amount of carbon offsets or carbon credits is sold to two or more entities.

Emission Reduction Reduction in emissions of greenhouse gases generated.

European Unit Allowance An European Unit Allowance (EUA) is a tradable emission credit that gives the industry that owns it the right to pollute one metric tonne of CO₂eq, under the regulations of the European Emission Trading Scheme (EU ETS).

GHG Greenhouse Gases – Gases such as CO₂ that absorb and emit radiation, trapping heat in the atmosphere, and contributing to the “greenhouse effect”.

Gold Standard A best practice methodology and a high quality carbon credit label for both compliance and voluntary markets: this standard is awarded to CDM, Joint Implementation and voluntary projects that have higher sustainable development credentials than required by the CDM rules, and also contribute to local sustainable development. The Gold Standard (GS) was developed in 2003 by a group of environmental NGOs who wanted to promote high quality projects with a focus on sustainable development.

Kyoto Protocol International protocol to the United Nations Framework Convention on Climate Change (UNFCCC) under which industrialised countries commit to fight global warming by reducing GHG emissions, following the original Earth Summit in Rio de Janeiro in 1992.

Permanence An offset quality criteria that attests the durability and irreversibility of emission reductions generated by a carbon offset project.

Registry A public accessible database where carbon offsets/credits are registered and whose ownership can be tracked over their lifetime.

Retire Carbon offsets (or carbon credits) that are permanently removed or taken off from market to ensure that they are not resold. Offsets/credits are usually retired by providing the purchaser with a paper certificate and/or placing them in official registries, and giving each offset and individual serial number.

UNFCCC United Nations Framework Convention on Climate Change, signed in 1992.

Validation An independent assessment and a quality assurance process to establish evidence of assurance of the carbon offset project design and baseline calculations. This process is conducted by an accredited third-party auditor and is a process that takes place before the project activity is underway.

Verification A quality control process of quantification of actual emission reductions generated by a carbon offset project, to evaluate whether the project complies with the specifications determined at its design document. This process is carried out by an accredited third-party auditor after the project is underway.

VER – Verified Emission Reduction Also referred to as Voluntary Emission Reduction – unit of greenhouse gas emission reduction created by a project which have been verified by an independent auditor, outside of the Kyoto Protocol – including credits from pre-registration CDM projects; one VER corresponds to one tonne of CO₂eq emission reductions.

Voluntary Carbon Standard The Voluntary Carbon Standard (VCS) is a quality standard for voluntary carbon offset industry. Referring to Kyoto Protocol’s Clean Development Mechanism, VCS establishes criteria for validating, measuring and monitoring carbon offset projects.

Voluntary Market Market where individuals, companies or governments can purchase carbon offsets/credits in order to offset their carbon footprint on a voluntary basis.