

**CERCARBONO TOOL  
FOR DEMONSTRATING  
ADDITIONALITY OF  
CLIMATE CHANGE  
MITIGATION INITIATIVES**



# Cercarbono tool for the demonstration of the additionality of climate change mitigation initiatives

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® CERCARBONO

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## Acronyms and abbreviations

<b>CDM</b>	Clean Development Mechanism
<b>GHG</b>	Greenhouse Gas
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>KP</b>	Kyoto Protocol
<b>PDD</b>	Project Description Document
<b>RENARE</b>	National Emission Reduction Register (Colombia)
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change

## Preface

Cercarbono, as a voluntary carbon certification programme, has supported and financed the elaboration of this tool, developed by its internal technical team with the approval of its Board of Directors and its CEO.

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This document will be updated when its scope needs to be broadened or adapted to national and international circumstances.

A draft of this tool has been submitted to the public through public consultation on the Cercarbono website and through invitations to individuals and public and private organisations. Their contributions have been considered in the elaboration of the final version. The entities that participated in the public consultation are listed below, and their valuable contributions are gratefully acknowledged:

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XAMTEC S.A.S.  
XM

## Terms and definitions

The terms relevant to this tool are listed below. For the definition of each of them please refer to the document **“Terms and Definitions of the Cercarbono Voluntary Certification Programme”** available on the Cercarbono website, section: Certification: Documentation.

Additionality	Programme activity
Baseline scenario	Program or project owner
Biomass	Project activity
Carboncer	Project description document
Carbon credit	Project scenario
Carbon market	Project technology
Carbon pool	Reduction of greenhouse gas emissions
Cercarbono	Regulated carbon market
Criteria	Removal of greenhouse gas emissions
Climate Change Mitigation Initiative	Renewable energy
Destruction of greenhouse gas emissions	Restoration
Developer of the program or project	Retroactive period
Displacement of greenhouse gas emissions	Sectoral scope
Energy efficiency	Similar technology
Fuel switching	Source of greenhouse gas emissions
Greenhouse gases	The first of its kind
Greenhouse gas emissions	Validation
Greenhouse gas emission avoidance	Verification
Land use	Voluntary carbon market
Methodology	

## Summary

The demonstration of the concept of additionality has enabled the implementation of climate change mitigation initiatives in different economic sectors and in different territories around the world, which represent extra efforts to solve this problem, thus supporting the emergence and dynamization of the international carbon market.

This document establishes guidelines and criteria that climate change mitigation initiatives must consider for demonstrating their additionality as a requirement to participate in the carbon market at national and international levels, based on the additionality tools developed by the Clean Development Mechanism.

It establishes two lines of action for developers or holders of climate change mitigation initiatives to select and thus demonstrate their additionality; the first focused on the development of initiatives that respond to the concept of additionality in specific national and sub-national contexts and the second focused on the development of initiatives that demonstrate additionality in other contexts.



## 1 Introduction

The concept of additionality originated in the Kyoto Protocol (KP, Article 12.5c), under the second Conference of the Parties (COP.2) to the Framework Convention on Climate Change (UNFCCC), to ensure that Greenhouse Gas (GHG) emission reductions achieved by projects are “additional” to what would have occurred in the absence of the Protocol.

Additionality has been identified as a necessary condition to ensure the environmental integrity of a Climate Change mitigation initiative, the objective of which should focus on achieving stabilisation of GHG concentration in the atmosphere. Therefore, the initiative must meet certain characteristics that demonstrate it, that is, to prove that its programme or project activity, be it the removal, reduction, avoidance, displacement, or destruction of GHG emissions, would not have occurred in the absence of the carbon market and the climate change mitigation initiative.

Since the inception of the KP, different definitions (some similar) of what additionality in climate change mitigation initiatives is, such as the one proposed by the Intergovernmental Panel on Climate Change (IPCC): **“Reduction of emissions from sources, or enhancement of elimination<sup>1</sup> by sinks<sup>2</sup>, that is additional to that which would occur in the absence of a project activity”**, has been the most widely used definition internationally. However, the understanding and application of this definition in climate change mitigation initiatives has been rather complicated in terms of interpretation.

So far, the application of the concept of additionality in the formulation of climate change mitigation initiatives has been a rather complex issue, which has generated discussions at different levels. Although the Clean Development Mechanism (CDM), defined in parallel to this concept (Article 12.3 of the KP), provided the methodological basis for demonstrating the additionality of such initiatives, it also generated great technical and operational difficulties to support it. In fact, many initiatives did not continue their formulation or could not participate in that nascent international carbon market because they could not demonstrate some of the additionality criteria established by the CDM.

The carbon market, which originated in 2005 with the entry into force of the KP, is based on the purchase and sale of certified carbon credits<sup>3</sup> achieved by the activity of a climate change mitigation initiative. There are currently two types of markets: regulated and voluntary. The former is used by companies and governments that are required by law to account for their GHG emissions under mandatory regimes, whether sub-national, national, regional, or international (where mechanisms such as the CDM used to operate), and in the latter, individuals, companies and governments voluntarily decide to reduce or remove these emissions.

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<sup>1</sup> Cercarbono replaces this term with removal.

<sup>2</sup> Cercarbono replaces this term with carbon pools.

<sup>3</sup> These are sold to buyers to offset their GHG emissions, which would otherwise be more difficult or costly for them to mitigate than the price they pay for these credits.

For climate change mitigation initiatives to participate in the carbon market, developers or owners of these initiatives have relied on internationally developed technical documents or tools for their formulation and implementation. However, there are still procedural and technical gaps in their formulation. For this reason, certification programmes such as Cercarbono have been working independently but in coordination with different market actors to provide robust and reliable technical guidelines or elements to support transparency in the carbon market, both nationally and internationally.

In this sense, this document sets out the additionality criteria that must be considered by climate change mitigation initiatives to voluntarily respond to GHG emission reductions and demonstrate their additionality under Cercarbono, in coherence with the principles defined in their voluntary certification programme and in compliance with the regulations established in different contexts (including those that have established their own interpretation of additionality).

## 2 Scope

The additionality criteria below can be used for the formulation and development of programme or project activity(ies) operating in the following sectoral scopes defined by the UNFCCC that are adopted by Cercarbono (*Table 1*).

The programme or project activity(ies) included are:

- a) **Removal of GHG emissions:** activities that, through plant photosynthesis, remove CO<sub>2</sub> from the atmosphere and store it in the form of biomass in different reservoirs.
- b) **Reduction of GHG emissions:** which includes:
  - **Renewable energy:** activities that include the use of various renewable energy sources (e.g., hydro, wind, solar or from biomass).
  - **Energy efficiency:** activities that include all measures aimed at improving the energy use efficiency of a given system, whereby specific products or services require less energy consumption. Waste energy recovery is included.
  - **Fuel switching:** activities that replace carbon-intensive fossil fuels with less carbon-intensive fossil fuels (switching from fossil fuels to renewable biomass is classified as “renewable energy”). In the case of a change of raw material, no differentiation between fossil and renewable sources is applied.
- c) **GHG emission avoidance:** activities where the release of GHG emissions into the atmosphere is avoided.
- d) **Displacement of GHG emissions:** activities where GHG intensive consumption is displaced because of initiative implementation.
- e) **Destruction of GHG emissions:** activities that aim to destroy GHG emissions. In many cases, they include the capture or recovery of GHGs. Destruction is achieved by combustion or catalytic conversion of GHGs.

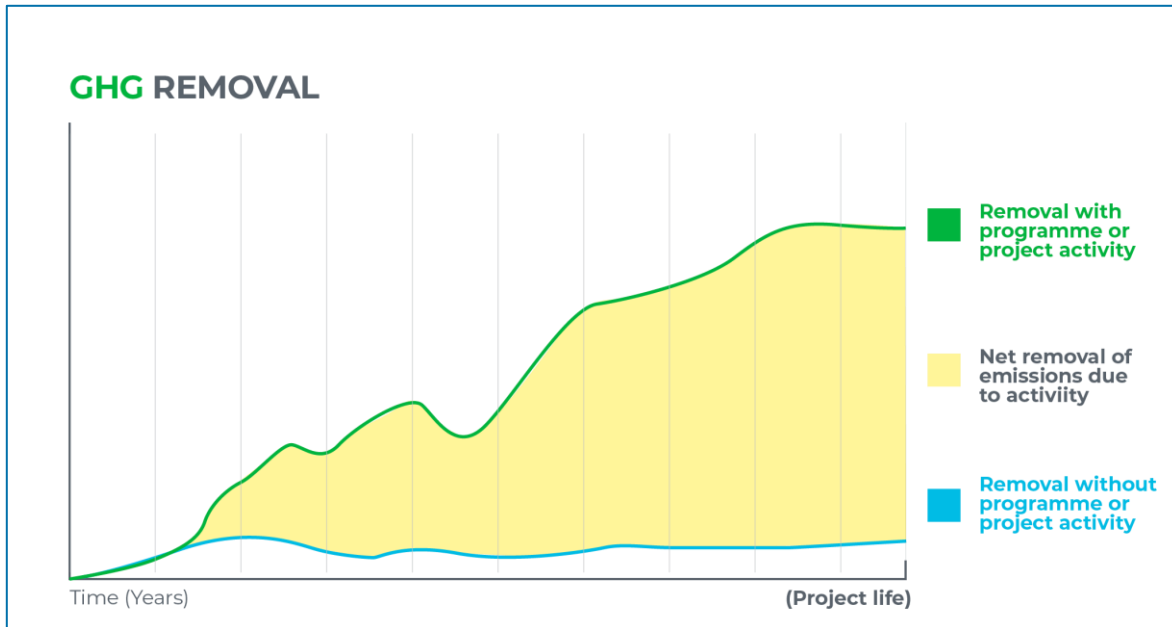
**Table 1.** Programme or project activity(ies) that can be implemented by climate change mitigation initiatives according to the sectoral scope in which they are developed.

Sectoral Scope	Programme or project activity						
	GHG removal	GHG reduction			GHG avoidance	GHG displacement	GHG destruction
		Renewable Energy	Energy Efficiency	Fuel Switching			
Energy	-	X	X	X	X	X	-
Energy distribution	-	X	X	X	-	X	-
Energy demand	-	X	X	X	-	X	-
Manufacturing industry	-	X	X	X	X	-	-
Chemical industry	-	X	X	X	X	X	X
Construction	-	-	-	X	-	X	-
Transport	-	X	X	X	-	X	-
Mining and mineral production	-	X	-	X	X	-	X
Metal production	-	X	X	X	X	-	-
Fugitive emissions from fuels	-	-	-	X	X	X	X
Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride	-	-	-	X	X	-	X
Waste management	-	X	X	-	X	-	X
Land uses	Forestry	X	-	-	X	-	-
	Agriculture	X	-	-	X	-	X

Climate change mitigation initiatives focused on removing GHG emissions must demonstrate that:

- The net anthropogenic removals of GHG emissions by carbon pools resulting from the programme or project activity must exceed the sum of the changes in carbon pools that would have occurred in the absence of the activity. (See **Figure 1**).

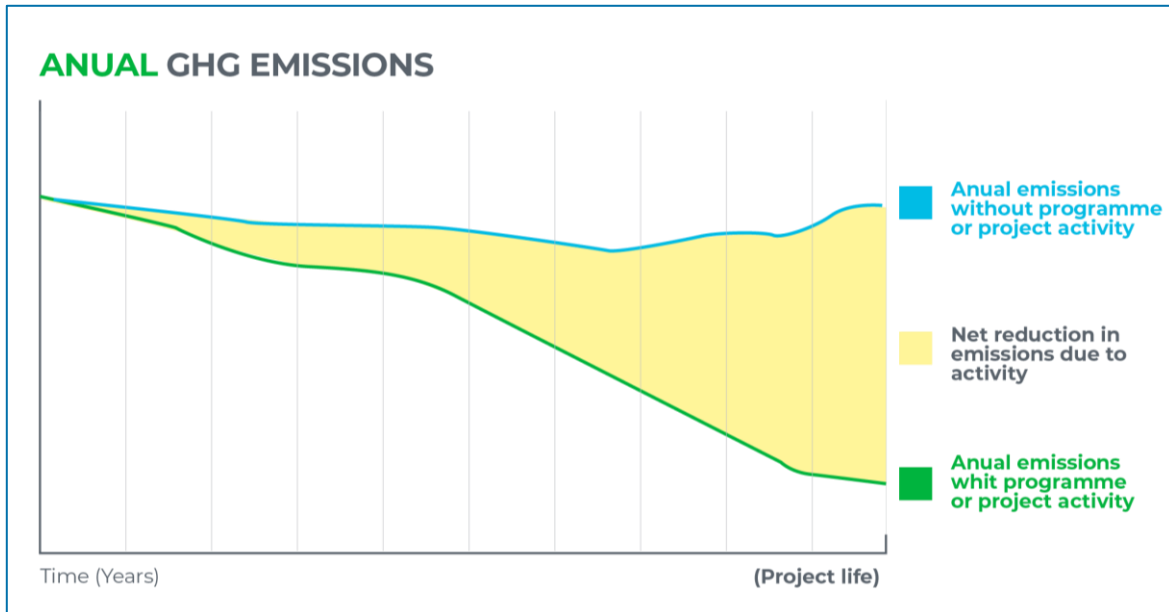
**Figure 1.** Exemplification of the results achieved by the programme or project activity focused on GHG emission removals.



Climate change mitigation initiatives focused on reducing, avoiding, displacing, or destroying GHG emissions must demonstrate that the net anthropogenic GHG reductions, avoidances, displacements, or destructions by emission sources resulting from the programme or project activity must be less than would have occurred in the absence of the activity. **Figure 2** presents an example of the results that can be achieved by these types of programmes or project activities<sup>4</sup>. It is important to mention that, since the reduction, avoidance, displacement, or destruction of GHG emissions generate similar graphical results (amount of tCO<sub>2</sub>e decreased in each time), they are exemplified in a single figure.

<sup>4</sup> These project activities are differentiated from each other by the techniques or tools used by the programme or project to effectively reduce these GHG emissions.

**Figure 2.** Exemplification of the results obtained by the programme or project activity focused on reduction, avoidance, displacement and destruction of GHG emissions.



The differences in the calculations between the baseline and project “net removal or reduction” scenarios exemplified in [Figure 1](#) and [Figure 2](#), represent the amount of carbon credits achieved by the programme or project activity, which under Cercarbono are referred to as *Carboncer*.

### 3 Additionality according to end-use of carbon credits

Climate change mitigation initiatives to be certified by Cercarbono can choose between two alternatives of additionality analysis, depending on the final use of the carbon credits obtained by the climate change mitigation initiative<sup>5</sup> (*Figure 3*), as described in the following *Sections 3.1* and *3.2*.

#### 3.1 Registration and use of credits in carbon neutrality programmes in specific national and sub-national contexts

In the case of countries or sub-national administrations<sup>6</sup> where programmes, mechanisms or regulations have been defined that incentivise and support the implementation of climate change mitigation initiatives under explicit additionality criteria specific to these initiatives, they will be considered as additional if they meet these criteria. In these cases, Cercarbono will also follow the specific legal, current, and applicable guidelines on the duration of the initiative, validation, verification, retroactivity period, among others. An example of additionality in a specific national context is presented in *Anexo 1*.

#### 3.2 Registration and use of carbon credits in other contexts

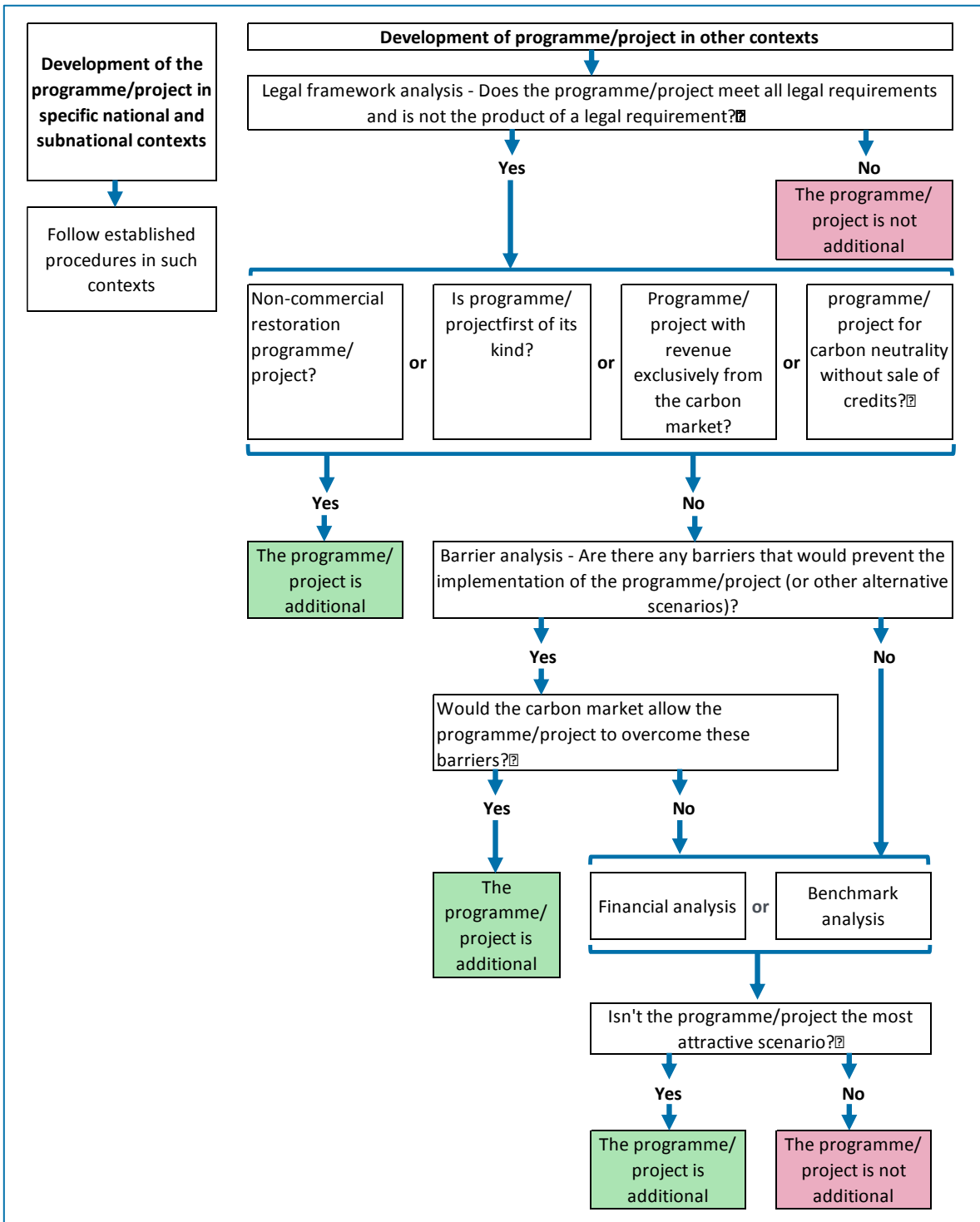
In the case of climate change mitigation initiatives not covered in the previous section that respond to programmes, mechanisms or regulations that incentivise their implementation but do not have explicit additionality criteria defined for such initiatives, they shall comply with the additionality requirements defined below *Sections 4, 5* and *6*.

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<sup>5</sup> If a given program or project wishes to change the destination of the carbon credits obtained or to be obtained, it must consider the considerations in this regard defined in the Cercarbono Protocol.

<sup>6</sup> Territorial divisions held by sovereign states at any level (departments, provinces or municipalities, counties, localities) with a political-administrative character.

**Figure 3.** Diagram demonstrating additionality according to the end-use of carbon credits.





## 4 Legal framework analysis

The climate change mitigation initiative must analyse and be consistent with existing laws or regulations so that it complies with all mandatory legal and regulatory requirements, including those that have objectives other than generating GHG emissions mitigation.

The climate change mitigation initiative should not be the result of compliance with a mandatory or legally mandated regulation or standard, nor be part of a mandatory environmental offset scheme. Therefore, climate change mitigation initiatives that do not comply with the legal framework or are the product of a legal requirement are considered non-additional.

## 5 Specific additionality cases

If a climate change mitigation initiative complies with the legal framework and is not the product of a legal requirement, it can be considered directly additional if it has at least one of the following characteristics:

- It is the first of its kind.
- It implements exclusively restoration activities in the forest sector without commercial use.
- It derives its revenues exclusively from the carbon market.
- It is designed to neutralise the GHG emissions of a given company or institution, whose activities would correspond to sectoral areas other than those it normally undertakes.

Climate change mitigation initiatives that comply with the legal framework and are not the product of a legal requirement but do not correspond to any of the characteristics described above, must conduct a barrier or alternative scenario analysis to demonstrate their additionality.

### 5.1 First of its kind

A programme or project activity that intends to implement a new project technology may face a barrier due to prevailing practice. If this barrier can be mitigated by carbon markets, then the project is considered additional.

The application of this category to a given project should clearly define what the prevailing practice(s) are, what the project technology is and what is considered a similar technology. In the absence of a clear definition of the project technology that is considered to be the first of its kind, all technologies to which the methodology is applied should be considered similar technologies. Proofs of concept and non-commercial research projects are excluded from the analysis.

The methodology for applying this category to a given programme or project should clearly define the applicable geographical area in the first-of-a-kind context. The latter can be the global level, a country or a region within a country. In the absence of a specific definition of the applicable geographical area in the approved baseline scenario and monitoring methodology, the country in which the project will be implemented should be used as the reference area. The programme or project owner or developer may select a sub-national geographical scale of analysis (state, province, department, etc.), but must provide a justification of the circumstances that warrant analysis at that level rather than at the national level.

In the case of programmes or projects that will start activities after validation, the situation will be analysed for the time when the Project Description Document (PDD) is submitted for public consultation and other possible programmes or projects in validation or already implemented will be included in the assessment.

In the case of programmes or projects that started implementation prior to validation, the analysis will be done for the situation at the time implementation started, including also

other possible programmes or projects in validation or already implemented at the time of the analysis.

Programmes or projects related to land use cannot be considered “first-of-its-kind” unless they implement emission removal or reduction technologies other than biomass greenhouse gases sequestration.

It should be noted that if a project activity does not meet the *first-of-its-kind* criteria, project participants may use any other barriers or investment analysis to demonstrate the additionality of this activity.

## 5.2 Restoration without commercial use

Initiatives that implement ecosystem restoration processes (either passive or active) for non-commercial purposes, which do not contemplate future timber harvests<sup>7</sup>, and that are implemented in areas that are considered by law to be protected or that include in their design a mechanism to prevent future exploitation are considered additional.

Initiatives that, in addition to non-commercial restoration, include restoration with sustainable use of the forest with timber harvesting or other segments such as restoration with timber harvesting schemes, reforestation and woody crops, shall demonstrate additionality under the terms of this document.

## 5.3 Exclusive carbon market revenues

Climate change mitigation initiatives that receive revenues exclusively from the carbon market are considered additional. In this case, the mechanisms used to obtain such revenues must be justified.

## 5.4 Exclusive use in carbon neutrality programmes

In the case of climate change mitigation initiatives that are designed to neutralise the GHG emissions of a given company or institution, whose activities would correspond to sectoral areas other than those it normally carries out, they will be considered as additional, as long as the credits are not co-traded but for internal use of the company or institution, and as long as they are not the result of compliance with regulations or legal mandate, nor part of a mandatory environmental offset scheme.

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<sup>7</sup> Sustainable harvesting of non-timber forest products is allowed.

## 6 Identification of alternative scenarios and barrier analysis

In cases where additionality cannot be demonstrated according to the criteria set out in **Section 5**, the proponent shall make a comparative analysis, considering all potential baseline scenarios, including the proposed initiative as one such scenario and initiatives that have the same capacity to deliver the same end-product using other technologies. If the initiative is equivalent to the most plausible potential baseline scenario, it is not considered additional.

Under this criterion, all alternative scenarios to the proposed programme or project activity should be identified, which can be considered as their baseline scenario. The scenarios should be established considering the barrier analysis.

The justification for the application of this criteria should be demonstrated objectively and based on solid evidence, such as own, quantifiable, and traceable or third-party, transparent, and documented evidence, e.g., national, and international statistics, national, sub-national and local policies and laws, studies and surveys from independent agencies.

Analyses of alternative scenarios should consider all emissions associated with the operation, including indirect sources<sup>8</sup>.

Once the barrier analysis is conducted, all scenarios should be compared with each other and identify whether the project scenario of the climate change mitigation initiative is similar, in terms of the activities to be implemented, the barriers faced by any of those identified alternative scenarios. If the proposed programme or project activity is similar to any of these scenarios, the initiative is considered as non-additional.

### **Barrier analysis**

Under this criterion the barriers or impediments to the implementation of a climate change mitigation initiative are identified, assessing the type of risk in the alternative scenarios that may be impeded by these barriers and arguing, for the programme or project under consideration, how the carbon market would address them.

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<sup>8</sup> Both the baseline and the project scenario must be comprehensive in including all generated, controlled and associated emission sources (including indirect sources) in order to assess and derive the actual net GHG emission removals or reductions (including avoidance, displacement or destruction).

A comprehensive list of (realistic and credible) barriers that may prevent the occurrence of the alternative scenarios should be established. These barriers may include risks:

- **Investment/financing:** for example, and among others, lack of access to credit (generally or specific to the relevant sector); similar activities<sup>9</sup> requiring subsidies or other non-commercial financial conditions; lack of access to capital due to real or perceived circumstances associated with investments in the country or region where the programme or project activity will be implemented, as may be demonstrated, for example, by the country's credit rating or other investment reports of the country or region.
- **Implementation:** for example, and among others, due to technical, economic, social (including local traditions and knowledge or lack thereof) and environmental constraints that may represent opposition to the implementation of the climate change mitigation initiative.
- **Technological:** for example, and among others, lack of skilled labour or access to materials needed in the geographical area to develop the technology implemented by the initiative; lack of or inadequate infrastructure to implement and monitor the technology; failures in the processes and operation of the technology.
- **Institutional:** for example, and among others, risks related to changes in government policies or laws or lack of enforcement of legislation related to the sector in which the climate change mitigation initiative would be developed.

Climate change mitigation initiatives that demonstrate that the carbon market allows them to overcome these barriers are considered additional. If such barriers cannot be overcome, they should conduct either a comparative financial analysis or a baseline analysis demonstrating that such initiatives do not represent the most attractive scenario.

## 6.1 Financial analysis

The comparative financial analysis can be performed using one or several traditional financial indicators<sup>10</sup>, such as VPN, VET, TIR, LCOE, investment cost vs. operating cost, among others, calculating the alternatives not discarded, including, and not including potential revenues from carbon credits (in applicable scenarios), but always including the non-carbon revenues that the alternative would have.

If the option under consideration only includes revenues from carbon credits, it is sufficient to present the cost-benefit structure, as well as a demonstration that there are no additional benefits beyond those generated by carbon credits to confirm the additionality of the climate change mitigation initiative.

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<sup>9</sup> Activities of a similar scale that take place in a comparable environment with respect to the regulatory framework and are carried out in the relevant geographic area.

<sup>10</sup> Specifying the justification for use or specific indicators.

As part of the financial analysis, a sensitivity and variability analysis of the chosen financial indicators is recommended to identify the most robust financial model.

The result of this analysis should be that the alternative proposed as a project is not the most attractive in financial terms.

## **6.2 Benchmark analysis**

Benchmark analysis should use the most appropriate financial indicator for the specific project type and circumstances and its standard market benchmark, considering the specific risk of the selected type of climate change mitigation initiative.

## 7 References

Cercarbono. (2021a). *Cercarbono's Protocol for Voluntary Carbon Certification (Version 3)* (in preparation).

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Clean Development Mechanism (CDM) – Meth Panel. (2008). *Report of the Thirty-fourth meeting, Annex 10: Note on the barrier “first-of-its-kind”*. Disponible en: <https://kutt.it/ISvq78>

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## 8 Document History

Version	Date	Comments/changes
1.0	13/05/2021	Initial version of this document released for public consultation from 13/05/2021 - 14/06/2021.
1.1	15/07/2021	Final version with integrated comments from the public consultation and additional complementary elements.



## Anexo 1. Additionality in specific territorial contexts

### Additionality under the national carbon tax non-charge mechanism in Colombia

Since the signing of the Paris Agreement and the commitments made by Colombia, the development and growth of the carbon market has been encouraged as part of the solution to the problem of climate change, where sectoral efforts and the participation of different actors have contributed to its dynamization.

In this regard, the Colombian government through the 2016 Tax Reform urged the creation of the national carbon tax through Decree 926 of 2017 of the Ministry of Finance and Public Credit to incentivise the reduction of GHG emissions by applying this tax on some fossil fuels.

This decree established the procedures for not charging the carbon tax, so that different actors in the distribution chain and use of fossil fuels can offset<sup>11</sup> their GHG emissions because of the use of fuels taxed by this tax. This offsetting can be achieved by supporting climate change mitigation initiatives that remove, reduce, avoid, displace or destroy GHG emissions from the atmosphere through the purchase of their certified carbon credits, such as Carboncer of Cercarbono.

So far, the forestry sector has played the most important role, as it has stimulated the establishment of reforestation or forest conservation areas for the respective generation of carbon credits for the removal or reduction of GHG emissions, which are being used as voluntary or regulated offsets at the state level by the carbon tax.

Under Colombian regulations, the formulation and implementation of climate change mitigation initiatives have been mainly based on internationally developed technical documents or tools. However, it has established its own concept of additionality, which according to Resolution 1447 of 2018 of the Ministry of Environment and Sustainable Development is defined as **“the characteristic that allows demonstrating that the GHG emission reductions or removals derived from the implementation of a GHG mitigation initiative and that generate a net benefit to the atmosphere regarding its baseline”**. This concept focuses expressly on demonstrating additionality in environmental terms.

In this way, the Colombian government has been motivating actors from different economic sectors to focus their efforts on the development of such initiatives as a mechanism to decontaminate GHG emissions in the environment and specially to comply with their international commitments.

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<sup>11</sup> It refers to a particular use of carbon credits.

The government has also delineated that climate change mitigation initiatives will be able to present results of their activity (removal, reduction, avoidance, displacement or destruction of GHG emissions) and register in the platform of the National Registry of GHG Emissions Reduction (RENARE) as long as they do not exceed five (5) years of having started their operation at the national level “**Retroactivity Period**”, in accordance with the provisions of Resolution 1447 of 2018 of the Ministry of Environment and Sustainable Development. Cercarbono in this regard will consider any regulations that are updated or modified.

Therefore, Cercarbono certifies and will continue to certify carbon credits from climate change mitigation initiatives that use the concept of additionality under Colombian regulations, differentiating the destination of the credits for carbon tax exemption or voluntary scenarios as before. Any changes to the concept of additionality resulting from these regulations will be immediately adopted by Cercarbono.