

Cercarbono's Tool to Demonstrate Additionality of Climate Change Mitigation Initiatives



Carbon programme

Version 2.1

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Acronyms and abbreviations

A6.4.M	Article 6.4 mechanism
CAPEX	Capital expenditures
CCMP	Climate Change Mitigation Programme and Project
GHG	Greenhouse gas(es)
ICVCM	The Integrity Council for the Voluntary Carbon Market
IRR	Project, or equity, internal rate of return
KP	Kioto Protocol
LDCs	Least Developed Countries
LICs	Low Income Countries
NPV	Net present value
OPEX	Operational expenditures
PDD	Project Description Document
SIDS	Small Islands Developing States
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market(s)
VVB	Validation and verification body
WACC	Weighted average cost of capital

Terms and definitions

For the definition of terms and definitions used throughout this document, please refer to the ***Terms and Definitions of the Cercarbono Voluntary Certification Programme of Cercarbono***, available at www.cercarbono.com, section: Documentation.

Summary

The demonstration of additionality, as applied to Climate Change Mitigation Programmes and Projects (CCMPs), has enabled the implementation of high-integrity climate change mitigation initiatives across different economic sectors and regions of the world. These initiatives represent mitigation outcomes that would not otherwise have occurred in the absence of the carbon market, thereby supporting the credibility and proper functioning of the international carbon market.

This document sets out the requirements that CCMPs must meet in order to demonstrate and assess their additionality.

Its purpose is to guide CCMP holders, developers, and validators working for Cercarbono-approved validation and verification bodies (VVBs), as well as other relevant stakeholders.

This version provides a more detailed and enhanced explanation of the additionality demonstration and assessment process, from the preliminary steps through the final determination on whether additionality is demonstrated.

Additionality is only recognized by Cercarbono once all applicable steps and stages of the process have been successfully completed.

This document includes detailed explanations, figures, and descriptions of the applicable criteria in order to facilitate a clear understanding of the underlying concepts, the rationale of each stage, and the sequence, and pathways they are applied in.

The document has also been revised to ensure alignment with the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles Assessment Framework, as well as relevant methodological tools and guidelines developed under Article 6.

Foreword

Cercarbono is an environmental outcomes' certification standard which operates a voluntary carbon certification programme. As established in **Section 4.2** of *Cercarbono's Protocol for Voluntary Carbon Certification*, titled "Principles considered and characteristics of carbon credits", available at: www.cercarbono.com, Section "Documentation", all certified outcomes (carbon credits or units designated as "Carboncers") achieved by CCMPs participating in the programme and aimed to be used in voluntary carbon markets must be additional.

This procedural tool has been developed by Cercarbono's technical team and endorsed by its Board of Directors and CEO, in order to present the additionality demonstration process in a clear and structured manner, while preserving the rigor and auditability required for certification purposes.

This document reflects Cercarbono's interpretation and application of mandatory requirements contained in its regulatory framework, taking into account relevant developments in the Voluntary Carbon Market regarding integrity assurance of certified carbon credits. It is intended to complement the treatment of additionality already contained in Cercarbono's broader regulatory framework documents.

This document will be updated whenever its scope needs to be expanded or adapted in response to international Voluntary Carbon Market (VCM) developments or programme-specific circumstances.

1 Introduction

The concept of additionality originated in the Kyoto Protocol (KP, Article 12.5c) to ensure that Greenhouse Gas (GHG) emission reductions achieved by projects are “additional” to what would have occurred in a business-as-usual (BAU) scenario.

Since then, additionality has been identified as a necessary attribute of mitigation activities to ensure the integrity of the environmental outcomes of a climate change mitigation initiatives, the objective of which is to contribute to the stabilisation of GHG concentrations in the atmosphere.

Therefore, CCMPs must meet certain criteria demonstrating that, for both, GHG removals, and/or GHG emissions reduction activities, they would not have occurred or would not have been implemented in their current form in the absence of the carbon market or mechanism in which they participate.

To date, the application of the concept of additionality in the formulation of climate change mitigation initiatives remains a complex issue that has generated discussions at different levels.

Although the Article 6.4 mechanism (A6.4M), as a sucesor framework to the Clean Development Mechanism established under the Kyoto Protocol, has further developed and disclosed methodological guidance for demonstrating the additionality of such initiatives, significant technical and operational effort is still required to adequately document and support it.

In fact, many initiatives have not continued their development or have been unable to participate in the VCM or other compensation programs because they were not able to demonstrate some of the additionality criteria that are now universally accepted.

In order for climate change mitigation initiatives to participate in the carbon market, holders or developers 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 or standards such as Cercarbono have been working with different market actors to provide robust and reliable technical guidelines and elements to support transparency in the international carbon market.

In this sense, this document sets out the additionality criteria that must be considered by climate change mitigation initiatives generating GHG removal and/or GHG emission reductions in order to demonstrate their additionality under Cercarbono, in coherence with the principles established in its regulatory framework and in compliance with the regulations established in different contexts.

2 Scope

The additionality criteria below can be used for the formulation and development of CCMP activity(ies) operating in the following categories, which represent the main types of mitigation activities eligible under the Cercarbono Voluntary Carbon Certification Programme, consistent with sectoral scopes defined by the UNFCCC (**Table 1**).

The CCMP activity(ies)¹ included are:

- a) GHG removals.
- b) GHG emission reductions, which includes:
 - Displacement of a more GHG-intensive output, such as:
 - Renewable energy.
 - Low-carbon electricity.
 - Energy efficiency (including technology change).
 - Fuel or feedstock switching.
 - Avoidance of GHG emissions.
 - Destruction of GHGs.

Table 1. Sectoral scopes and CCMP activities.

Sectoral scope		CCMP activities							
		GHG removals	GHG emission reductions					Displacement of a more-GHG-intensive output	
			Energy efficiency	Fuel or feedstock switching	GHG emission avoidance	GHG destruction	Renewable energy	Low carbon electricity	
Energy	Generation	-	X	X	X	-	X	X	
	Distribution	-	X	X	-	-	X	-	
	Demand	-	X	X	-	-	X	-	
Industry	Manufacturing	-	X	X	X	X	X	X	
	Chemical	-	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	Fuels	-	-	X	X	X	-	X	
	Halocarbon and sulphur hexafluoride production and consumption	-	-	X	X	X	-	-	
Waste management		-	X	-	X	X	X	-	
Land use	Forestry	X	-	-	X	-	-	-	
	Agricultural	X	-	X	X	X	-	-	

¹ The differences among these actions or programme/project activities are set out in Cercarbono's Protocol.

3 Preliminary Steps into Additionality Demonstration and Assessment

Prior to conducting the tasks associated with additionality demonstration and assessment, the CCMP holder or developer shall undertake and document a set of preliminary processes required to determine whether the CCMP is eligible for certification under Cercarbono’s regulatory framework.

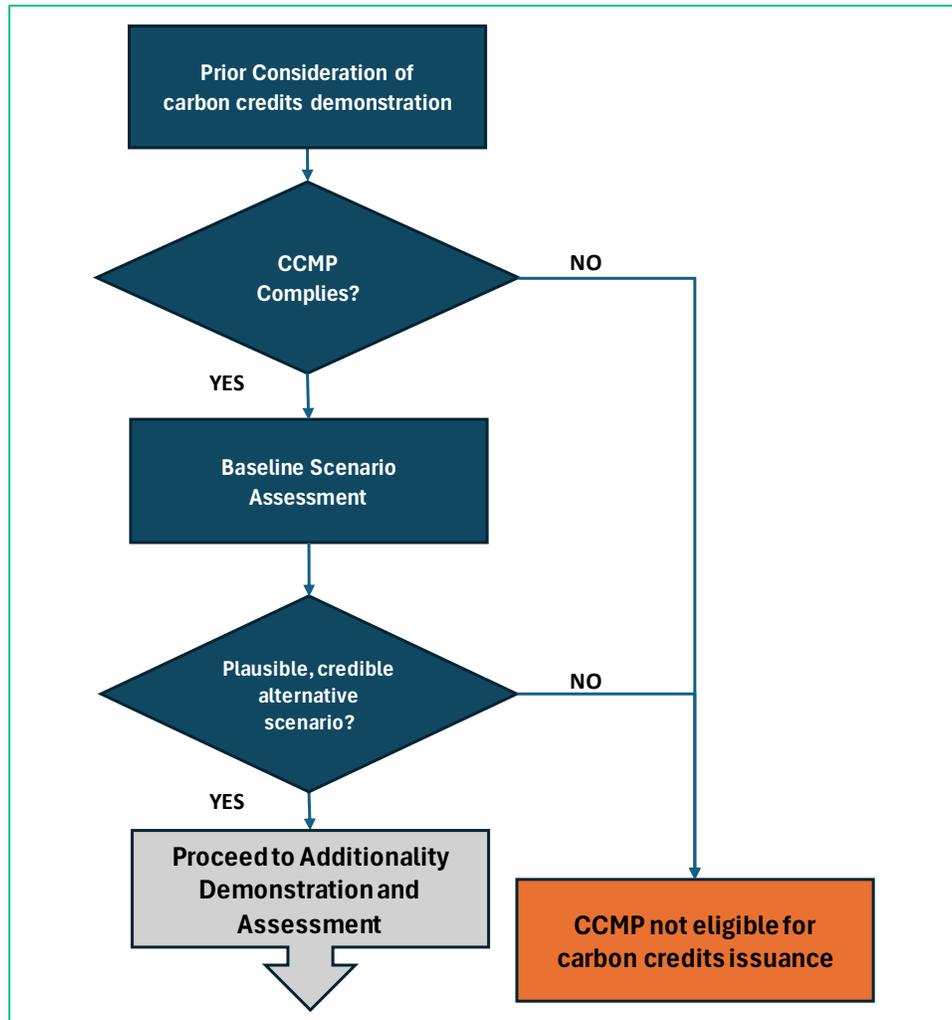
The preliminary processes involved are:

- Demonstration of prior consideration of carbon credits.
- Baseline scenario assessment.

The outcomes of these steps determines whether a CCMP may proceed to generate carbon credits under Cercarbono and the applicable pathway forward. If the outcome is not positive, the CCMP will not be eligible to obtain certified carbon credits under Cercarbono and therefore cannot participate in the certification cycle.

Figure 1 provides a schematic representation of these preliminary steps and the possible pathways forward, while further details on each steps are provided in **Sections 3.1** and **3.2**.

Figure 1. Preliminary steps into additionality demonstration and assessment



It is worth noting these preliminary steps may be carried out as internal activities of the CCMP holder and must be documented in the project description document (PDD) and the initial validation report. Therefore, when a CCMP is submitted for registration under Cercarbono, these steps may have already been completed.

3.1 Prior Consideration Demonstration

To be eligible for certification, the CCMP holder must provide substantiated evidence demonstrating that the ability of the CCMP to generate carbon credits and related benefits was a determining factor in enabling either: (1) its implementation at all, or (2) its implementation in the form and/or scale in which it is carried out, compared to a situation in which such carbon credits were not considered.

Such evidence shall be provided to Cercarbono, at the latest, one year after the effective start date of the CCMP, as defined in Cercarbono's Protocol for Voluntary Carbon Certification, available at: www.cercarbono.com, Section: "Documentation", and shall be described in the corresponding PDD.

A CCMP may also provide third-party attestations as evidence that carbon credits were considered prior to the implementation of the mitigation activity.

Any of above-mentioned types of evidence shall be validated by a Cercarbono-approved VVB during the CCMP's initial validation event.

Alternatively, all required information for registration shall be submitted within a maximum period of three years between the start date of the CCMP and the start of the initial validation event in order to obtain a positive assessment regarding prior consideration.

A positive assessment of prior consideration is a prerequisite for proceeding to the additionality assessment. Without it, CCMPs cannot generate certified carbon credits under Cercarbono.

3.2 Baseline Scenario Assessment

CCMP holders and developers shall thoroughly describe the parameters, assumptions, applicable geographical area (with due justification)², data sources, and other relevant elements for the description of the pre-activity scenario and the determination of the baseline scenario.

In general, relevant data shall be obtained from authoritative and appropriate sources, which may pertain to internal records of CCMP participants or publicly available information from third parties. Such information must come from credible and reliable sources appropriate to the circumstances and context of CCMP implementation. Applicable baseline methodologies may establish specific requirements that shall be met where relevant. Where

² Geographical area, once defined, is to remain the same for additionality assessment sakes. By default the host country is considered as such, unless otherwise specified in the corresponding methodology, or the CCMP holder proposes a different specific area within the host country. Justification thereof must include differentiating features of any kind between such area and the host country as a whole, leading to CCMP-specific implementation conditions relevant for its baseline and additionality assessment.

an approved baseline methodology establishes specific procedures or requirements for determining alternative scenarios or demonstrating additionality, such provisions shall take precedence over the general guidance contained in this tool.

The different stages leading to determination of the baseline scenario, which shall be documented in the PDD, are described in the following sections.

3.2.1 Description of Pre-activity Scenario

The pre-activity scenario refers to the situation prevailing in the historical context immediately before CCMP implementation. It comprises the existing conditions relevant to CCMP design and implementation at the project site and within the applicable geographical area including, inter alia, applicable regulations and the existing means of supplying outputs equivalent to those expected from the CCMP.

3.2.2 Selection of Alternative Scenarios to CCMP Implementation

This stage shall be developed in accordance with the following provisions, unless otherwise specified in applicable baseline methodologies, in which case the provisions of the the methodologies must be followed instead.

The main purpose of this stage is to characterize alternative pathways for the development or behavior of activities, or for supplying outputs³ equivalent to those of the CCMP in its absence, in a credible and realistic manner.

At least the following alternative scenarios must be considered:

- Continuation of the pre-activity scenario
- Implementation of the same activity without the generation of carbon credits and associated benefits.
- Alternative activities delivering an equivalent output and using equivalent raw materials, feedstocks, energy sources, or other inputs.

If the proposed CCMP implementation features a combination of alternative outputs, raw materials, feedstock, energy sources, or other inputs, alternative activities featuring each of them, or a logical combination of such alternatives, may be selected and assessed separately, and subsequently assessed together in order to construct a plausible alternative scenario to the proposed CCMP.

In all cases, for an alternative scenario to be valid for selection and assessment, it must comply with applicable legal requirements, in accordance with the provisions as per **Section 5, “Legal Framework Analysis”**.

If the outcome of the assessment results in the proposed CCMP constituting the only plausible alternative, its implementation shall be deemed non-additional and no further additionality assessment is to be undertaken.

³ In nature, magnitude and quality, and in the same geographical area.

4 Additionality Demonstration and Assessment

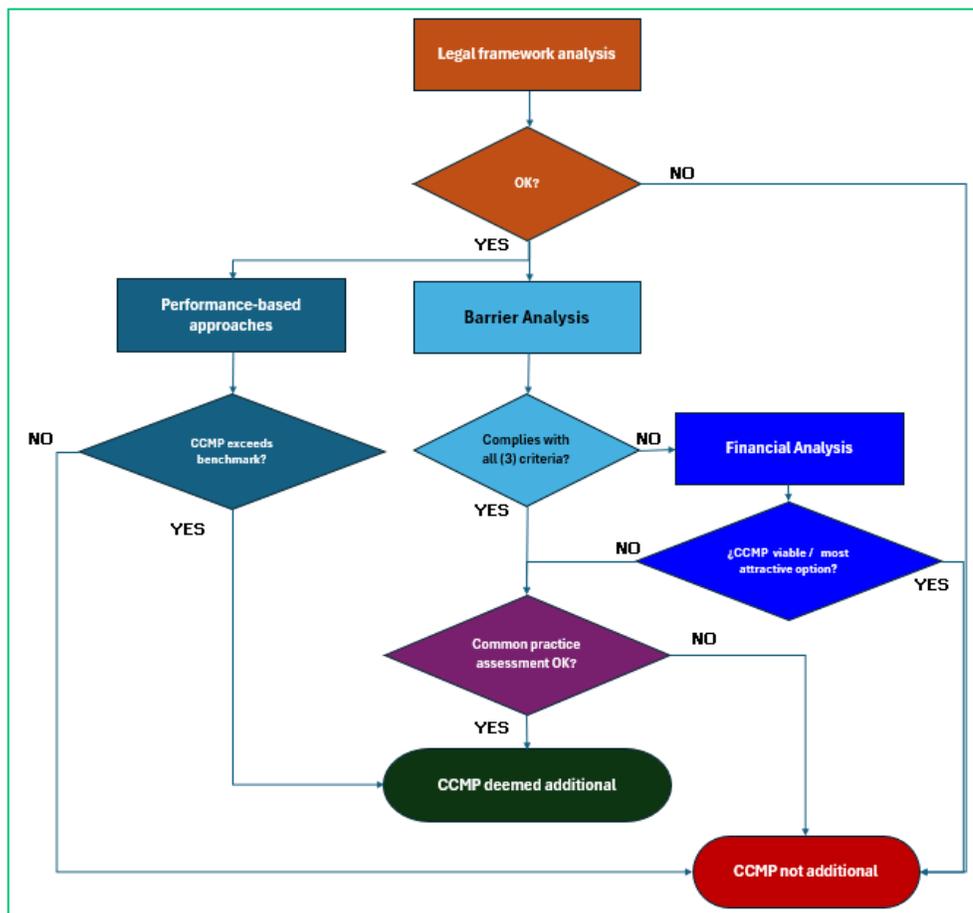
Once the preliminary steps into additionality demonstration and assessment have been successfully completed (i.e., there is at least one plausible alternative course of action to the proposed CCMP implementation, and it has been duly justified and assessed), the additionality of the proposed CCMP activity must be demonstrated and positively assessed (i.e., deemed additional), as a necessary condition for participation in Cercarbono’s certification cycle.

As such, all CCMPs seeking to be certified by Cercarbono must undergo a multi-stage process for additionality demonstration, which shall be further assessed and validated by a Cercarbono-approved VVB and ultimately confirmed and approved by Cercarbono, following the procedures described in the following sections.

The VVB shall assess the completeness, consistency, and credibility of the information provided for additionality demonstration and confirm that the CCMP complies with the requirements established in this tool.

The overall additionality demonstration and assessment process is presented in **Figure 2**.

Figure 2. Overall additionality demonstration and assessment process.



5 Legal Framework Analysis

The climate change mitigation initiative must analyse and comply with existing laws or regulations so that it fulfils all mandatory legal and regulatory requirements of the host country, including those with objectives other than regulating GHG emissions mitigation initiatives.

A CCMP that strictly complies with enforced, legally binding GHG-related mandates (i.e., where mitigation results do not exceed those mandated by legal or regulatory provisions or are a consequence of other regulations, such as mandatory industrial equipment efficiency levels or mandatory reduction of criteria contaminants), is deemed non-additional.

The above applies in full irrespective on the level of enforcement or compliance with such laws or regulations in the case of countries classified as high-income for the year prior to the project activity start date.⁴

However, voluntary guidelines or non-binding policies might not necessarily invalidate additionality in non-high-income countries and jurisdictions thereof. In such cases, where a mandatory statute exists but is systematically unenforced, this circumstances may only be considered based on up-to-date and authoritative information demonstrating such lack of enforcement and relevant to the CCMP.

Relevant evidence and assessment regarding the above must be developed and presented by the project holder, validated by a Cercarbono-approved VVB and finally approved by Cercarbono before the CCMP is registered.

Furthermore, the regulatory surplus of the CCMP must be validated by a VVB not only prior to initial registration but also systematically at every crediting period renewal, when the baseline representing such regulatory surplus must also be reassessed.

Changes in the regulatory framework, market conditions, or prevailing practices occurring during the crediting period may require reassessment of the baseline and additionality conditions at crediting period renewal.

A special case of the legal framework analysis occurs when a certain carbon compensation or offsetting scheme or program predefines, as a mandatory provision, specific requirements or characteristics that CCMPs must comply with or present in order to be considered “additional”.

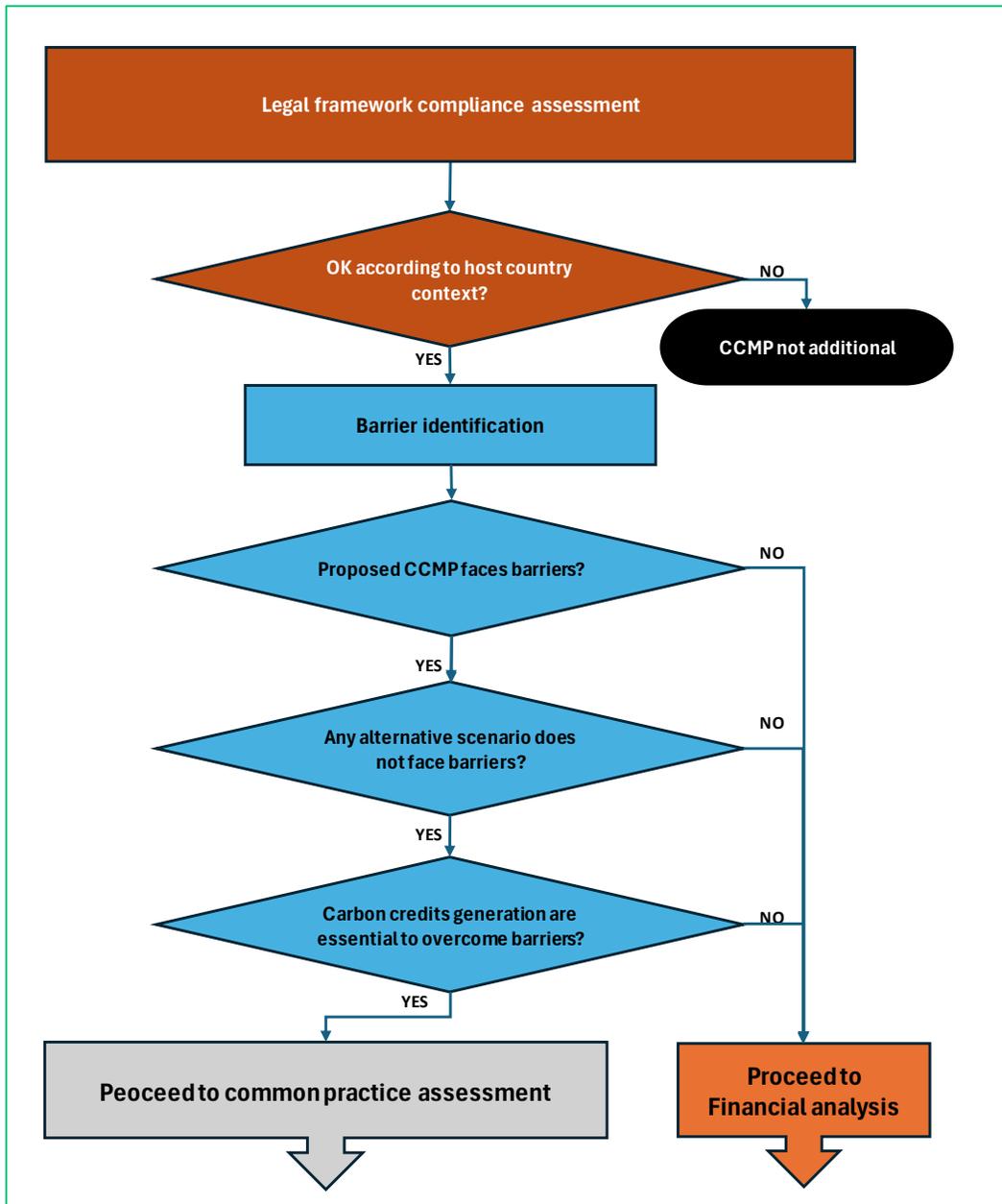
Cercarbono interprets this as an eligibility condition for participation in such scheme or program in the absence of requirements to duly demonstrate additionality as per this procedural tool. In such cases, the CCMP could be labeled as eligible for use within that specific scheme or program, or for general voluntary compensation purposes. However, in no case will an additionality attestation (enabling participation in the open VCM) be granted for the achieved GHG outcomes.

⁴ As per World Bank Group’s annual classification of the world’s economies by income groups, available for 2026 at: <https://blogs.worldbank.org>

Furthermore, additionality in the context of the VCM is specifically and clearly stated either as a positive (YES) or negative (NO) in publicly available certification reports in each CCMP's minisite within EcoRegistry⁵, Cercarbono's registry platform.

A diagram featuring the general legal framework analysis and barrier analysis is shown in **Figure 3**.

Figure 3. Legal framework and barrier analyses toward additionality demonstration.



⁵ Accessible through: www.ecoregistry.io

6 Barrier Analysis

Once a CCMP has successfully overcome the legal framework analysis stage, according to **Section 5**, it shall undergo a barrier analysis.

The overarching purpose of the barrier analysis is to demonstrate (as applicable) and assess that the CCMP faces barriers that would prevent its implementation in the absence of carbon credits, whereas at least one of the plausible alternative implementation scenarios assessed as per **Section 3.2** does not face barriers preventing its implementation. This demonstrates, at the same time, that carbon credit revenues and/or benefits are essential to enable the CCMP to be implemented, effectively contribute to overcoming existing barriers.

This additionality demonstration pathway is normally suitable for CCMPs implementing individual household-related activities or activities implemented by small/private entities with limited or no access to financial resources. Nevertheless, it may also be possible to demonstrate that larger scale activities face barriers that can be overcome through carbon credit revenue and/or benefits, which must in any case be properly demonstrated and assessed.

If a CCMP determines it does not face any implementation barriers, or is not able to demonstrate that such barriers effectively exist and are of such nature and magnitude sufficient to support such a claim, a financial analysis shall be carried out to demonstrate additionality.

6.1 Barrier Identification

Barriers or impediments to the implementation of a CCMP shall be identified by assessing their effect on the implementation of alternative scenarios and discussing how, for the CCMP under consideration, the carbon market (namely the carbon credits revenues and/or benefits) would aid in overcoming them.

To that end, a comprehensive list of (credible and realistic) barriers that may prevent the occurrence of the alternative scenarios should be established. The types of barriers that may be claimed are limited to the following categories, unless a specific methodology explicitly identifies additional ones:

- **Institutional:** Legal, structural or administrative hurdles impeding or obstructing the authorization, development, or implementation of a CCMP such as:
 - High transaction costs.
 - Inefficient governmental approval processes.
- **Information:** Lack of awareness of CCMP features or stakeholders' resistance due to misinformation, impeding or representing an obstacle to implementation, such as:
 - Lack of awareness in households on lifecycle costs of improved efficiency appliances, hindering a sound decision-making process.
 - Local traditions and cultural paradigms requiring significant awareness-raising efforts.

- **Investment/financing:** Limited or no access to financial resources, either in the form of grants, non-commercial finance instruments, or private capital for CCMP implementation, obstructing or impeding it, such as:
 - The sole source of income for the project is carbon credits revenue.
 - CCMP financing is only accessible on a condition to demonstrate certified GHG mitigation outcomes.
- Investment/financing barriers shall not be confused with situations like insufficient financial returns, high interest rate due to perceived country risk, or similar conditions. These situations shall instead be addressed, for additionality demonstration purposes, through an investment analysis.
- **Prevailing practice:** The activity is first-of-its-kind in the applicable geographical area (i.e., no similar activities, either in scale or type, have been implemented in such context).
- The examples above are illustrative of the type of barriers that may be encountered and shall not be considered as a restrictive listing.

6.2 Barrier Assessment

A thorough assessment of identified credible and realistic barriers shall be undertaken to demonstrate that, at a minimum, there is one barrier that would impede CCMP implementation if not overcome through carbon credit revenues / benefits. It is also possible that this assessment results in several barriers of those identified, or a combination thereof, representing hurdles for such implementation.

In this sense, the CCMP holder must prove, through transparent and third-party-supported evidence, that the identified impediments strictly prevent the CCMP implementation. Crucially, the baseline scenario (or at least one plausible alternative) must be demonstrated not to face these same prohibitive barriers.

Furthermore, verifiable proof must establish that Carboncer revenues are an essential catalyst to overcome such obstacles (e.g., documented lender requirements conditioning financing on carbon certification).

The Principle of Conservativeness must strictly govern this assessment. In scenarios involving uncertainty or conflicting data regarding the magnitude of a barrier, the VVB must interpret the evidence conservatively, ensuring that the prohibitive effect of the barrier is not overestimated.

Evidence supporting the existence and impact of barriers shall be transparent, verifiable, and based on credible sources. Unsupported assumptions or speculative claims shall not be considered sufficient to demonstrate additionality.

Some examples of evidence that may be relevant to demonstrate the existence of barriers and assess their impacts on the CCMP are:

- Scientific, peer reviewed research related to a specific barrier or barrier group, presenting due cases for considering them as a threat to CCMP implementation in the applicable geographical area.

- Barrier- and CCMP-relevant studies on legal, operational or market conditions representing a real possibility of hindering its implementation.
- Official relevant data and statistical information.
- Internal information of the project holder, relevant to providing the existence, nature, and impact of such barrier on CCMP implementation.
- Demonstration of barriers faced that have prevented the implementation of similar activities in the applicable geographical area

Project holders in least developed countries (LDCs), Small Island Developing States (SIDS) and Low Income Countries (LICs), as defined by the World Bank Group, may opt for a simplified barrier assessment approach, consisting of: (1) due justification for not using the standard approach described above; (2) providing a thorough and verifiable account of the barriers faced and the role carbon credits play in enabling CCMP implementation; (3) including an expert opinion on the reliability and conservativeness of the specific barriers' impact on CCMP implementation; (4) providing other relevant information supporting such claims.

In this case, Cercarbono will authorize such approach as applicable, and will perform an independent assessment to determine the soundness of the situations presented.

Finally, if according to the barrier assessment it is demonstrated that:

- CCMP implementation would be hindered by at least one barrier, and
- Any of the alternative credible and realistic baseline scenarios does not face any significant barrier, and
- Carbon credits are essential to overcome each such barrier.

Then, the barrier-based additionality demonstration stage has been successful and the common practice analysis shall be undertaken for the subject CCMP.

Otherwise, it is necessary to perform a financial analysis for additionality demonstration purposes, as described in following section.

7 Financial Analysis

This stage is necessary when the barrier analysis provides no decisive evidence of barriers preventing the CCMP implementation and carbon credits being an essential element to implementation decisions.

The information, assumptions, and data used in the financial analysis shall be transparent, verifiable, and based on credible sources. Unsupported or speculative assumptions shall not be considered sufficient to demonstrate additionality.

The purpose of the financial analysis is to assess the financial characteristics of the alternative baseline scenarios identified in the baseline scenario assessment.

Financial analysis will be performed by using a financial model relevant to the CCMP implementation, including all identified cost, expenses, revenues and other income sources and their cashflows. This shall explicitly include any governmental subsidies, fiscal

incentives, tax breaks, and Official Development Assistance (ODA). Excluding such non-commercial financial support is considered as a cause for rejection of the analysis.

To guarantee auditability, the financial model must be submitted in a fully traceable, unprotected spreadsheet. The analysis must strictly utilize post-tax cash flows, reintegrating non-cash expenses like depreciation.

Furthermore, all parameters and cash flows must be internally consistent and expressed entirely in either real or nominal terms, without mixing inflation assumptions.

Crucially, the data and assumptions utilized must be strictly consistent with the financial information presented to the company's internal decision-making bodies and to external investors or lenders.

The financial analysis period must reflect the expected operational lifetime or span a minimum of ten years, explicitly including the fair or salvage value of the project's assets at the end of this assessment period as a final cash inflow.

If a comparison analysis is utilized, the alternative scenarios considered must be strictly mutually exclusive and provide the same type of products or service levels.

Finally, a sensitivity stress-test is mandatory, applying variations of at least $\pm 10\%$ to any critical variable accounting for more than 20% of the financial structure.

7.1 Acceptable Financial Analysis Approaches

Financial analysis shall be performed using one of the following approaches:

- Simple cost analysis, to be employed when demonstrating that a CCMP faces costs and does not generate any cost savings or revenue other than carbon credits revenues.
- Benchmark assessment: Provided that a valid financial benchmark in the CCMP context exists for determining financial attractiveness thresholds of a business proposal, this assessment is used to compare the CCMP with such thresholds or benchmarks.
- Investment comparison: Used when comparing financial performance of the CCMP against the relevant alternative baseline scenario(s).

7.1.1 Approach 1: Simple Cost Analysis

This approach is useful when two concurrent situations prevail:

- The CCMP relies exclusively on carbon credit revenues as its only source of generated revenue; therefore no other cost savings or revenue streams are in place during its implementation.
- Identified alternative baseline scenarios present a similar situation (i.e., they do not generate revenue or cost savings-related income)

The basic steps to perform a simple cost analysis are as follows:

- A thorough description of all financially-relevant features of the CCMP and related alternatives.

- Definition of the analysis period.
- Demonstrating, by means of sound and verifiable evidence and analysis, that the CCMP relies exclusively on carbon credits revenues for the analysis period.
- Demonstrating, by means of sound and verifiable evidence and analysis, that the alternative scenarios do not generate cost savings or revenues during the analysis period.
- Report on any public funding provided to the CCMP. If such funding is expected to be larger than expected carbon credits revenue (based on current trends from historical market prices for similar mitigation activities as published by authoritative and recognized VCM information outlets), it must be demonstrated that such public funding would not suffice to fill the gap (considering capital expenditures (CAPEX), operational expenditures (OPEX) and any revenue streams other than carbon credits revenues) in the absence of such carbon credits-related revenue.

If demonstration of the above described conditions is successful for the analysis period (i.e., the CCMP is not financially viable without the carbon credit revenues), it is concluded that the financial analysis is positive as an additionality demonstration pathway, pending common practice assessment.

7.1.2 Approach 2: Benchmark Assessment

This approach may be used when the only alternative baseline scenario is the continuation of the current situation without any alternative investment by the project holders.

The following steps shall be carried out in performing this assessment:

- A thorough description of all financially relevant features of the CCMP.
- Definition of the analysis period.
- Selection of the main financial indicator used to assess the financial performance of the CCMP (this might be restricted to a specific one depending on applicable methodology provisions). Such indicators may include Net Present Value (NPV), or the internal rate of return (IRR), either at the project level or the equity level.
- Definition of the financial benchmark according to the main financial indicator selected, such as the cost of equity or the weighted average cost of capital (WACC), including appropriate justification for such definition.
- Using the selected indicator, assess financial performance of the CCMP without considering carbon credits revenues, documenting the related calculations with appropriate evidence.
- Demonstrating that the CCMP is not financially viable without the carbon credits revenues by comparing the financial performance calculated in the previous step with financial benchmark defined above.
- Performing a sensitivity analysis by applying variations of at least $\pm 10\%$ to any critical variable accounting for more than 20% of total costs or total revenues, unless this is deemed inappropriate, in which case such consideration must be duly justified.
- Provide credible evidence that carbon credits revenues/benefits enable CCMP implementation.
- Report on any public funding provided to the CCMP. If such funding is expected to be larger than expected carbon credits revenues (based on current trends from historical

market prices for similar mitigation activities as published by authoritative and recognized VCM information outlets), it must be demonstrated that such public funding would not suffice to fill the financial gap (considering capital expenditure (CAPEX), operational expenditure (OPEX), and any revenue streams other than carbon credits revenues) in the absence of such carbon credits-related revenues.

If demonstration of above-described conditions is successful for the analysis period (i.e., the CCMP is not financially viable without the carbon credit revenues and its implementation is enabled by such revenues and associated benefits), then it is concluded that financial analysis is positive as an additionality demonstration pathway, pending common practice assessment.

7.1.3 Approach 3: Investment Comparison

This approach is used when at least one alternative baseline scenario to the CCMP requires an investment by the project holders.

The following steps shall be undertaken to perform this investment comparison:

- A thorough description of all financially relevant features of the CCMP and related alternatives.
- Definition of the analysis period.
- Selection of the main financial indicator used to assess the financial performance of the CCMP and the alternative baseline scenarios (this might be restricted to a specific one depending on applicable methodology provisions). Such indicators may include the net present value (NPV), or the internal rate of return (IRR), either at the project level or at the equity level.
- If appropriate, definition of the financial benchmark according to the main financial indicator selected, such as the cost of equity or the weighted average cost of capital (WACC), including appropriate justification for such definition.
- Using the selected indicator, assess the financial performance of the CCMP and the alternative baseline scenarios without considering carbon credits revenues, documenting the related calculations with appropriate evidence.
- Demonstrating that the CCMP, when compared to the alternative baseline scenarios, is not the most financially attractive option based on the outcomes of the previous two steps (i.e., comparing the financial performance calculated in the previous step with the financial benchmark defined above, where applicable).
- Performing a sensitivity analysis by applying variations of at least $\pm 10\%$ to any critical variable accounting for more than 20% of total costs or total revenues, unless it is deemed inappropriate, in which case such consideration must be duly justified.
- Provide credible evidence that carbon credits revenues/benefits enable CCMP implementation.
- Report on any public funding provided to the CCMP. If such funding is expected to be larger than expected carbon credit revenues (based on current trends from historical market prices for similar mitigation activities as published by authoritative and recognized VCM information outlets), it must be demonstrated that such public funding would not suffice to fill the financial gap (considering capital expenditure (CAPEX),

operational expenditures (OPEX) and any revenue streams other than carbon credits revenues) in the absence of such carbon credits-related revenues.

If demonstration of above-described conditions is successful for the analysis period (the CCMP is not the most financially attractive option without the carbon credit revenues and its implementation is enabled by such revenues and associated benefits), then it is concluded that the financial analysis is positive as an additionality demonstration pathway, pending common practice assessment.

7.2 Additional Considerations and Information on Financial Analysis

Given the vast array of potentially usable values, indicators, and sources for determining financial performance and benchmarks, it is recommended that the project holder refers to following sections in the current version of Article 6.4 Mechanism methodological tool A6.4-AMT-002, “Investment analysis”, substituting “Article 6.4 activity”, with “CCMP”, as applicable:

- Section 7. Requirements for determining relevant parameters and implementing the analysis.
 - Section 7.1. Assessment period (approaches 1, 2, and 3).
 - Section 7.2. Type of expenditure, revenues and cost savings to be considered (approaches 1, 2, and 3).
 - Section 7.3. Internal consistency of input values (approaches 1, 2, and 3).
 - Section 7.4. Cash flow basis (approaches 2 and 3).
 - Section 7.5. Financial indicators (approaches 2 and 3).
 - Section 7.6. Determination of the financial benchmark (approach 2) or discount rate (approach 3).
 - Section 7.7. Calculation of the financial viability of the proposed Article 6.4 activity (approaches 2 and 3), and alternative scenarios (approach 3).
 - Section 7.8. Sensitivity analysis (approaches 1, 2, and 3).
- Appendix. Default values for the cost of equity (approaches 2 and 3).

Such sections contain valuable information and further guidance on the selection of appropriate indicators, benchmarks, and values when performing a financial analysis aimed at demonstrating additionality.

Application of such sections in an appropriate manner, consistent with the financial analysis approach used and with the provisions included herein, is considered good practice in the context of additionality demonstration and assessment under Cercarbono’s Voluntary Carbon Certification Standard.

Other sources of information and benchmarks can be used, provided they are duly justified and their suitability to applicable geographical context, the characteristics of the CCMP, and their appropriateness and conservativeness, can be demonstrated as an improvement to the financial analysis when compared to the referenced A6.4M source.

8 Common Practice Assessment

Regardless of financial or barrier assessments, a CCMP must demonstrate that it is not a widespread industry implementation norm. Common practice assessment is ultimately a credibility check to demonstrate additionality, complementing the barrier analysis and the financial analysis, as applicable, and must be performed as the final stage in additionality demonstration and assessment.

The information used to identify comparable activities or determine market penetration shall be based on transparent, verifiable data obtained from credible sources.

The project holder must assess the market penetration of the proposed technology within the applicable geographical area, considering similar initiatives (both certified and uncertified) operating within a $\pm 50\%$ output or capacity margin.

8.1 Common Practice Assessment Approaches

There are two acceptable approaches to common practice assessment:

- **Approach 1:** Oriented toward the identification of “comparable activities” and their assessment in order to distinguish between “similar” and “different activities”, thereby determining whether implementation of activities similar to those in the CCMP is widespread in the applicable geographical area.⁶
- **Approach 2:** Oriented toward determining the market penetration rate for the proposed CCMP activity (technology, process or practice), comparing uptake within relevant markets with the threshold deemed to represent common practice in order to assess its status accordingly.

Both approaches share the same initial steps, namely:

1. Selection of either approach based on following considerations:

- Data availability and quality
 - Approach 1 is best suited to situations where reliable data on individual comparable activities are available (start dates, scale, technical features, and specifications).
 - Approach 2 is best suited to situations where aggregated market data (annual sales, production, total installed capacity, cumulative stock) are available and reliable, while information on individual activities or implementations is partial, inconsistent, or unreliable.
- Technology nature
 - Approach 1 is more suited to discrete, large-scale activities that exist in limited numbers and for which project level data are available (e.g., industrial or power generation facilities).

⁶ Such geographical area must be the same used for both, baseline scenario assessment, and barrier analysis.

- Approach 2 is useful for mainly distributed, small-scale, and widespread technologies and practices (e.g., household photovoltaic panels, cookstoves, or other household devices).
- Sectoral scope and context
 - Approach 1 is appropriate in sectors featuring heterogeneous technologies, where differentiating between similar and different activities is of paramount importance.
 - Approach 2 is appropriate in sectors with a well-defined target market, where technology penetration can be measured in a robust manner by comparing its diffusion with the potential market.
- 2. Definition of common practice indicator
 - If the applicable methodology does not mandate the use of a certain common practice indicator or that cannot be inferred from the methodology document, then the project holder may select a suitable indicator, provided the criteria used for such selection are justified and appropriate for the CCMP activity type(s).
- 3. Determination of the applicable output / capacity range.
 - If not dictated by the applicable methodology, a relevant output/capacity range shall be selected and justified using suitable and reliable data.
- 4. Determination of the applicable geographical area.
 - If the methodology does not define the basis for such determination, the geographical area shall be selected based on relevant factors such as differences in policy frameworks, infrastructure, socio-economic conditions, or other context-dependent parameters. Justification on this choice and documentation thereof is mandatory.

A discussion on the remaining steps corresponding to each approach is presented in following sections.

8.2 Approach 1- Specific Steps

- 5. Identification of all comparable activities and assessing dataset size.
 - Applicable criteria:
 - Located within the same geographical area.
 - Within pre-selected capacity or output range.
 - Delivering the same output as the CCMP.
 - Using the same or comparable technology (feedstock or conversion process).
 - Started commercial operation before the earlier of the start of the PDD public consultation period or the CCMP start date.
 - Meet related criteria as established in applicable methodology.

- If the number of comparable activities (N_{all}) is less than 3, then applicable geographical area shall be extended, with appropriate justification, until N_{all} equals at least three (3) comparable activities identified, unless the outcome of Step 6 below is less than 2.⁷
6. Calculate the value of the common practice indicator, either count-based or output/capacity based, by adding up the total number, output, or capacity of total comparable activities included in the common practice analysis.

For count-based common practice indicators:

$$P_{all} = N_{all}$$

Where: P_{all} stands for the total number or total capacity/output for the total number of comparable activities included in common practice assessment

N_{all} stands for the total number of comparable activities included in common practice assessment

For capacity- or output-based common practice indicators:

$$P_{all} = \sum P_i$$

Where: P_{all} stands for the sum of the total capacity/output of all comparable activities included in common practice assessment

P_i stands for the capacity/output of comparable activity “ i ” included in common practice assessment

i stands for each comparable activity included in common practice assessment

7. Determine the total number or total output/capacity of all similar activities considered in common practice analysis.

For count-based common practice indicators:

$$P_{sim} = N_{sim}$$

Where: P_{sim} stands for the total number or total capacity/output for the total number of similar activities included in common practice assessment

N_{sim} stands for the total number of similar activities included in common practice assessment

For capacity- or output-based common practice indicators (P_i):

$$P_{sim} = \sum P_{sim,i}$$

⁷ Activities participating in A6.4M which do not generate cost savings or revenues other than from carbon credits may be excluded; other activities registered in other Cercarbono-approved for migration certification standards or programmes may be excluded only if their first certified units’ issuance was within 5 years of the CCMP’s PDD publication for public comments or its start date, whichever is earlier.

Where: P_{sim} stands for the sum of the total capacity/output of all similar activities included in common practice assessment

$P_{sim.i}$ stands for the capacity/output of similar activity “ i ” included in common practice assessment

i stands for each similar activity included in common practice assessment

- If the total number of similar activities (N_{sim}) is less than 2, CCMP is not considered common practice
8. Calculate the common practice factor (F) by dividing the outcome of step 7 above, by the outcome of step 6. This represents the ratio of the indicator value for similar activities to the indicator value for all comparable activities.

$$F = \frac{P_{sim}}{P_{all}}$$

9. Compare the common practice factor with common practice threshold.
- If the outcome of step 8 is lower than the specified threshold, the activity is not considered common practice.
 - Otherwise, the activity is considered common practice, thus not additional.
 - The common practice threshold shall not exceed the following values:
 - 20% for LDCs and SIDS (stock-based approach)
 - 16% for remaining countries (stock-based approach)
 - 25% for LDCs and SIDS (time-bound approach)
 - 20% for remaining countries (time-bound approach)

8.3 Approach 2 - Specific Steps

5. Determine the market size according to the provisions of the applicable methodology. If such information is not provided therein, a sound and justified method shall be used to determine that value.
6. Calculate the value of the common practice indicator, for all activities included in the target market (P_{all}), in accordance with requirements established in the applicable methodology. Such value shall be determined either for the total stock of activities, or for activities falling in the defined reference period, following methodology provisions. according to selected or required criteria it may represent either:
1. Total number of units in the target market; or
 2. Total installed capacity/output in the target market.
7. Determine the total number or total output/capacity of all similar activities in the target market (P_{sim}).
8. Calculate the common practice factor by dividing the outcome of step 7 above, by the outcome of step 6. This represents the market share of the CCMP technology.

$$F = \frac{P_{sim}}{P_{all}}$$

9. Compare the common practice factor F with the applicable common practice threshold (F_{max}).
 - a. If outcome of step 8 is lower than the specified threshold, the activity is not considered common practice.
 - b. Otherwise, the activity is considered common practice and therefore not additional.
 - The common practice threshold shall not exceed the following values:
 - 20% for LDCs and SIDS (stock-based approach)
 - 16% for remaining countries (stock-based approach)
 - 25% for LDCs and SIDS (time-bound approach)
 - 20 % for remaining countries (time-bound approach)

Where, within the applicable geographical assessment area, similar activities cannot be identified, or where the identified similar activities present significant implementation differences compared with the CCMP, and such differences can be reasonably justified, the proposed CCMP is deemed additional.

Otherwise, the project is not additional and must therefore be excluded from further consideration in Cercarbono's Voluntary Carbon Certification Programme.

9 Performance-based Approaches

An alternative pathway to additionality demonstration and assessment consists of documenting that a CCMP achieving better performance than other activities with respect to one or more relevant indicators faces implementation hurdles (normally due to higher-cost technologies or implementation conditions) that are unlikely to be overcome in the absence of carbon credits revenue or associated benefits.

A performance-based approach may be applied to CCMPs that apply baseline and monitoring methodologies consistent with following considerations:

- The methodology features best available technologies representing financially viable and environmentally sound pathways.
- An ambitious benchmark approach is established, whereby the baseline is determined, at its lower-end threshold, by averaging the performance of best-performing comparable activities providing similar outcomes (services or outputs) under similar contextual circumstances (such as environmental social, technological, and economic conditions).
- An ambitious (very conservative) treatment of historical emissions, achieved by applying a significant downward adjustment to historical baseline emissions in order to reflect increased ambition regarding mitigation goals.

In order for these approaches to be suitable for assessing the additionality of CCMPs applying such methodologies, the following characteristics shall be met:

1. The performance of the CCMP activity type can be assessed through suitable indicator(s).
2. The type of activity implemented by the CCMP results in a highly homogeneous product or a highly standardized service (such as power supply).
3. Robust, reliable, and representative information available on the performance of activities relevant to the CCMP activity is available or can be collected.
4. It is possible to demonstrate, with verifiable evidence, that better-performing activities in the relevant field are more likely to be deemed additional.

If all of these requirements are met, a applicable methodology may apply such performance-based approaches.

In such cases, the methodology must determine suitable indicators, thresholds (benchmarks), and approaches for collecting high quality data relevant to assessing the performance of the CCMP's activity.

9.1 Setting Suitable Indicators

For the selection and establishment of suitable indicators, the following conditions apply:

- Indicator(s) shall provide a good proxy for assessing the likelihood of additionality, such that activities showing better performance according to those indicators can demonstrate that are more likely to be additional than those they outperform.
- Selected indicators shall be justified with documented evidence and an assessment explaining why and how such indicators are appropriate in the CCMP context (type of activity and geographical area) quantifying such correlation where applicable.

9.2 Thresholds (benchmarks) Setting

An upfront condition for a threshold used to demonstrate and assess CCMP additionality is that a CCMP is deemed additional only if the indicators show that it performs better than such thresholds, also referred to as “benchmarks”. Such “better performance” may be reflected in obtaining either a lower or a higher value compared with the established threshold, depending on the nature of the selected indicator(s)-

Another requirement is that such thresholds shall be designed with high ambition, ensuring that any CCMP surpassing them is very likely to be deemed additional. A common criterion is that at least 90% of activities outperforming such threshold would be considered additional.

- Thresholds shall be set with high ambition, in line with the method described above, using the lower-end threshold of comparable best-performing technologies, practices or methods.
- Performance of the CCMP activity, as assessed by its indicators, shall be strongly correlated with the CCMP activity, with little or no influence (e.g. less than 10%) attributable to other non-CCMP implementation-related factors.
- Thresholds must be updated periodically and their validity defined in the relevant baseline and monitoring methodologies.

- Selected thresholds shall be justified with documented evidence and an assessment explaining why and how such indicators are appropriate in the CCMP context (type of activity and geographical area) quantifying such correlation where applicable.

Thresholds meeting these conditions may also be used to determine baseline emissions in case they are defined as a function of a certain GHG emissions quantity per unit output.

9.3 Data Collection and Use

The applicable baseline and monitoring methodology shall specify which existing data shall be used, or which ones shall be collected and how. Main features of such data are as follows:

- Data collected in this manner shall be representative, accurate, reliable, consistent, and transparently generated and obtained.
- Data must be recent, particularly when related to a rapidly changing technological environment.
- Data shall be sufficiently granular to allow differentiation between relevant technologies, physical environment conditions, and other elements of the social, political and economic environment.
- Uncertainty associated with data gathering shall be adequately considered (e.g., by reducing baseline emissions by the same percentage as the estimated total uncertainty). Uncertainties associated with the use of statistical models must also be considered.

All information collected must be verifiable and assessed for quality, representativeness, and accuracy by the VVB responsible for the verification processes.

9.4 Additionality Assessment for Performance-based Approaches

Unlike the barrier or financial analysis pathways for demonstrating and assessing of additionality, when a performance-based approach is applied under the applicable methodology, and once the legal framework analysis has been successfully completed, the CCMP activity is subject to appropriateness and performance tests involving the selected indicators, thresholds, and data collection approaches.

If the performance-based test outcome is positive (i.e., the CCMP activity performs better than the established threshold or benchmark), the CCMP is deemed additional, as illustrated in **Figure 2**.

10 Validity and Transitional Regimes

This tool applies to CCMPs implementing **version 4.5.1** of the Cercarbono's Protocol or updates thereof.

11 References

Article 6.4 mechanism (A6.4M). (2025a). *A6.4-AMT-001 Methodological Tool: Common Practice Analysis, Version 01.0*. Available at: <https://unfccc.int>

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12 Document History

Version	Date	Comments or changes
1.0	13.05.2021	Initial version of this document released for public consultation from 13.05.2021 to 14.06.2021.
1.1	15.07.2021	Final version with integrated comments from the public consultation and additional complementary elements.
1.2	14.01.2022	Version with changes and adjustments to Version 3.1 of the Cercarbono Protocol. The acronym CCMP was included, and some editorial changes were made.
2.0	30.07.2022	Version aligned with the international voluntary carbon market.
2.0.1	05.08.2022	Clarification in Figure 3 regarding the set of positive list options.
2.1	08.03.2026	Extended editorial review and inclusion of Common Practice Assessment and Performance Based Approaches Sections.