CIRCULAR CREDITS MECHANISM

Guidance Notes

Additionality and Positive Lists

Guidance note 2

December 2020

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Circular Action Hub Advisory Group and Institutional Supporters

Technical Advisory Committee

Ad hoc Advisory Group and Institutional Supporters

Impact investment, commodity traders, and market advisors

1. Introduction

The Circular Credits Mechanism (CCM) is guided by a set of Principles & Criteria to ensure the environmental and social integrity of the credits issued and the waste management systems of its users.

An important factor affecting the environmental integrity of projects is the concept of is additionality. At the same time, the application of additionality requirements and analyses needs to be contextualised in order to yield sound outcomes.

This note discusses the concept and application of additionality to circular action projects.

2. Additionality

2.1 Definition of additionality

The requirement of additionality aims to ensure that a project's positive environmental impacts are additional compared to the impact in the absence of the project. As additionality has been widely used for greenhouse gas (GHG) mitigation projects, some of the following discussion is based on examples from this sector.[1]

The term "additionality" was first used for GHG mitigation projects in the early 1990s.[2] At that time, only a few projects were being developed with the specific objective of reducing GHG emissions (or promoting carbon sequestration in trees) , and it was important then to demonstrate that these project activities would not have taken place "but for" this new source of climate finance.[3] The requirement of additionality aimed to prevent existing activities (e.g., reforestation) being re-labelled as GHG mitigation projects, giving the false impression that these were established to offset a rise in GHG emissions taking place elsewhere.

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[1] Gillenwater, M., 2012: What is Additionality. Part 1: A long standing problem. GHG Management Institute. https://web.archive.org/web/20140602182548/http://ghginstitute.org/wp-content/uploads/content/GHGMI/AdditionalityPaper_Part-1%28ver3%29FINAL.pdf

[2] Moura-Costa, P.H., 1993. The Innoprise-Face Foundation Rehabilitation of Logged-over Forests project. A note to the European Tropical Forest Research Network Newsletter 6.

[3] Moura-Costa, P.H., Stuart, M.D. and Trines, E., 1997. SGS Forestry's carbon offset verification service. In: Greenhouse Gas Mitigation. Technologies for Activities Implemented Jointly. Proceedings of Technologies for AIJ Conference. Vancouver, May 1997. Riermer, P.W.F., Smith, A.Y. and Thambimuthu, K.V. (Eds.). Elsevier, Oxford. Pp. 409-414.

Since then, additionality has become a mandatory requirement for any climate mitigation project, both at UN level as well as in voluntary markets (e.g., VCS, Gold Standard, etc.).

2.2 Determination of additionality

Determination of additionality, however, involves a complex analytical process and requires specialised technical knowledge.

Additionality is the deviation from a baseline of practices. Baselines, in turn, are projections of past trends into a future scenario that would take place *in the absence of a specific project*.

Establishing baselines requires observing past trends and projecting them to the future, taking into account factors that could affect their trajectory. For example, past levels of waste generation could continue linearly into the future, accelerate due to economic growth, or slow down due to economic downturns (Figure 1). Thus, a series of assumptions must be used to decide which of these three alternatives (and their level of intensity) is the most likely future scenario.

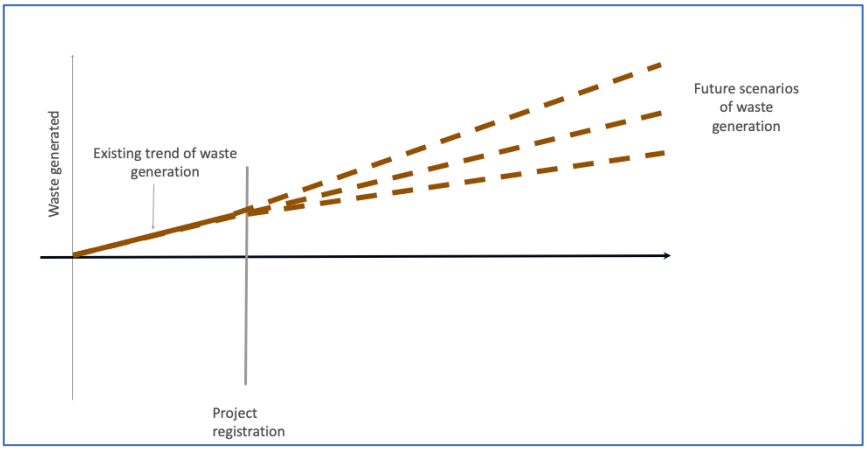


Figure 1: Illustration of possible baseline scenarios for waste generation

In the case of waste recovery projects, there is the added complication that modelling future activity levels in the sector requires a second order analysis. First, one needs to determine future levels of waste generation and, based on this, derive future waste recovery levels (Figure 2).

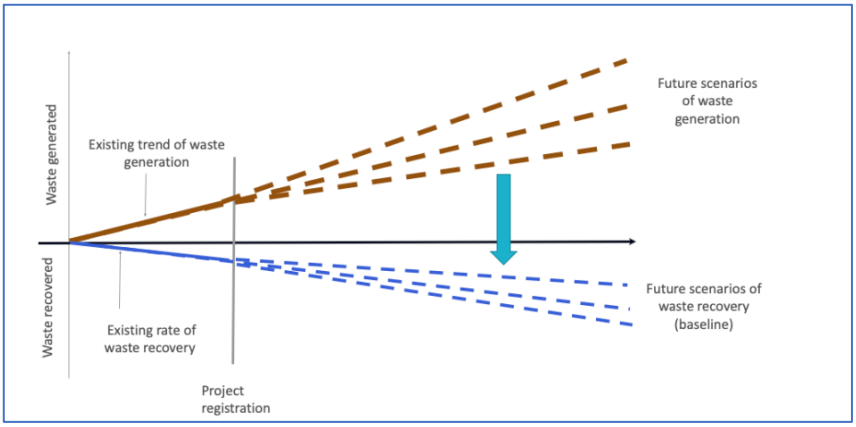


Figure 2: Illustration of possible baseline scenarios for waste recovery

Irrespective of the complexity of analyses, and whatever set of parameters is chosen to establish a baseline, it is not possible to monitor them since future practices both include and interact with project activities. Baselines are

business-as-usual (BAU) future scenarios and, by definition, counterfactual constructs.

To illustrate the analytical challenges involved, a recent study conducted by Pew and Systemiq[4] used Monte Carlo analysis to estimate the variability in future waste management scenarios, conducting 300 simulations for each scenario to achieve projections with 95% confidence levels.

Once a baseline is established, it is then necessary to determine the additionality, i.e., how project activities differ from this future scenario. A series of approaches have been proposed and adopted by various carbon standards to address this question: "Environmental additionality", "project additionality", "investment additionality", "financial additionality", "barrier analysis", etc. are some of the analytical tools that have been used to try to define whether a project's impact would not have happened in the BAU future scenario[5]. In many cases, future scenarios are dependent on multiple factors that require extremely complex multivariant analysis, such as economic global equilibrium models[6] or the stochastic analysis mentioned above.

Irrespective of all these efforts, keen analysts could still find fault in these projections and suggest error type II problems, i.e. that non-additional projects are approved[7,8].

2.3 Lack of additionality and reputational risks

Given the difficulty in predicting future baseline scenarios, there is an inherent uncertainty in determining project additionality. This, in turn, creates a risk for organisations approving these projects, as they could be

[4] Pew and Systemiq, 2020: Breaking the Plastic Waste – a comprehensive assessment of pathways towards stopping ocean pollution.

[5] See UNFCCC CDM Tools. https://cdm.unfccc.int/Reference/tools/index.html

[6] World Bank, 2020: Modelling macroeconomic impacts and global externalities. Economy & Environment. Good Practice Note 7. http://documents1.worldbank.org/curated/en/815971530883640016/pdf/ESRAF-note-7-Modeling-Macroeconomic-Impacts-and-Global-externalities.pdf

[7] Oko-Institut 2016: How additional is the Clean Development Mechanism. https://ec.europa.eu/clima/sites/clima/files/ets/docs/clean_dev_mechanism_en.pdf

[8] Michaelowa et al., 2019: Additionality revisited: guarding the integrity of market mechanisms under the Paris Agreement. Climate Policy. https://doi.org/10.1080/14693062.2019.1628695

accused of lack of environmental integrity. This has affected the UNFCCC mechanisms[9], and subsequently the voluntary standards.
As a response, these organisations have gradually increased the amount of information and analysis required for project approval. In the case of the UNFCCC, for instance, the time needed for project approval increased from 100 to 1000 days, between 2005-2007[10]. At the same time, methodological complexity and documentation length have also increased. Voluntary carbon schemes have followed the same trajectory: the amount of documentation needed to develop and validate a project is in the hundreds of pages and the time needed to have a project registered can easily take over a year.[11]

As illustrated in the Oko-Institut report[12], the adoption of such measures *does not* reduce uncertainty. On the contrary, it increases participation costs[13], reduces the number of projects developed, and delays project implementation[14]. Moreover, these entry barriers in essence preclude the participation of low-income groups, as the technical knowledge and financial costs required to participate are often beyond them. This is the case of waste recovery projects conducted by informal groups in developing countries.[15]

[9] In particular, the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change (UNFCCC).

[10] EcoSecurities Group 2007: Real life experience with the CDM. Presentation given to UNFCCC, Feb 2007.

[11] Ascui, F. and Moura Costa, P. 2007. CER pricing and risks. A project developer's perspective. In: Determining a Fair Price for Carbon. CD4CDM, UNEP.

[12] Oko-Institut, 2016: ibid.

[13] Taking into account all costs, we estimate that the validation of a project could cost in excess of USD 50,000, a sum unaffordable to small projects.

[14] Given that many projects will not be able to participate, that the incentives for investment in project infrastructure is considered too risky, or that projects are delayed by years, delaying their positive contributions to the environment.

[15] Using the numbers in the Pew & Systemiq 2020 report (see ref above), currently 11 million waste pickers are responsible for the collection of 27 million tonnes of plastic waste per year in developing countries – an average of 2.45 tonnes collected per person per year. Other studies (e.g., IPEA 2013) estimated higher efficiencies – 12 tonnes/person/year, which will be adopted here. Assuming that waste picker associations or SMEs involve 30 individuals, the aggregate tonnage collected by these organisations is 360 tonnes a year. At USD 20/tonne (the price charged for 'plastic credits' by waste picker cooperatives in Brazil, for instance), these organisations would generate a turnover of USD 7200 per year from the sale of credits. Considering a total transaction cost of USD 50,000 (including technical assistance, validation and verification), these organisations would take 7 years to be able to pay for the initial costs of participating in these plastic credit schemes.

2.4 ADDITIONALITY AND WASTE CIRCULARITY PROJECTS

The concept of additionality is also important for circular action projects. With the urgent need to develop more waste recovery capacity worldwide prevalent, this additional capacity will have to include a range of complementary approaches, involving different actors and activities. These, in turn, will reflect different circumstances, levels of sophistication and scale.

On one end, there is the need for large scale projects developed by large waste management companies - often contracted by local governments - involving investment in new infrastructure, equipment, staff, and working capital. New sources of capital and forms of financing (e.g., green bonds, public-private partnerships, blended finance) will need to be developed to ramp up investment in these ventures.

On the other end, future solutions must also take into account the role of informal waste pickers. The Pew & Systemiq study estimates that around 11 million people worldwide are involved in the informal waste collection sector. Consequently, this sector needs to be engaged in future waste management solutions.[16] At the same time, given the current degrading working conditions and low payment levels of waste pickers, their involvement cannot be promoted unless future schemes ensure both additional income and improved working conditions.

Circular credits for waste recovery could be one of the solutions to the challenges faced by the informal waste sector. However, effectiveness will require credit schemes designed in a way that reduces barriers to entry, ensures inclusiveness and contributes to improved working conditions for the informal sector, while still ensuring environmental integrity.

A possible approach to achieve this, is through the use of 'positive lists' for inclusion in circular credit programmes and markets.

[16] Pew and Systemiq, 2020: ibid. Which also states that, "Discouraging waste-picking on the grounds of poor working conditions would deprive entrepreneurs of vital income. Conversely, encouraging the proliferation of the informal recycling sector as a cost-effective waste management service is to be complicit with sometimes unacceptably hazardous working conditions."

3. POSITIVE LISTS

The use of positive lists for automatic project approval has been proposed for adoption by the climate sector.[17,18] Following this approach, some types of activities are automatically deemed eligible and, by definition, considered additional.

3.1 POSITIVE LISTS AND SMALL PROJECTS

We argue here that this is precisely the case of informal waste collection activities in developing countries, for the following reasons.

Firstly, the contribution to current waste recovery levels by the informal sector is only a small fraction of the overall amount of waste collection required today and, will most probably remain so in the future[19] (see Annex 1). Consequently, allowing their participation in the system will not 'flood the market' with non-additional credits. At the same time, by removing the need to determine additionality, the CCM will, in turn, greatly reduce the need for historical data and analysis, making the system simpler, cheaper and more inclusive to low income groups.

Secondly, no circular credit scheme can condone the present unacceptable working conditions of waste pickers. Instead, projects should aim to not only stop these practices, but also ensure that all waste recovery activities conducted by waste pickers are fairly remunerated, and benefit from additional income derived from Circular Credits.

Thirdly, given that collection and recovery from the environment conducted by informal groups is mostly unpaid (waste pickers collect and recover solely to sell physical material), their impact is often not quantified, and is therefore out of the scope of public and private sector statistics alike[20] (i.e., it cannot be counted in a baseline). As we move into the formalisation of these services (through payments derived from the issuance of credits, or through EPR schemes), this will result in quantification of their impacts and so enable

[17] World Bank, 2012: CDM reform: Improving the efficiency and outreach of the CDM through standardization. Carbon Finance at the World Bank. https://web.worldbank.org/archive/website01379/WEB/IMAGES/CDM_REFO.PDF

[18] UNFCCC 2018: Positive lists of technologies. CDM Tool 32. https://cdm.unfccc.int/methodologies/PAmethodologies/tools/am-tool-32-v2.0.pdf

[19] Often less than the standard error of future projections of waste volumes.

[20] R. Linzner and U. Lange, "Role and Size of Informal Sector in Waste Management—a Review," Resources, Conservation and Recycling 166, no. 2 (2013): 69-83.

parties (public and/or private) to make claims that are additional to current statistics.

3.2 ADDITIONALITY AND COMPLEX PROJECTS

While it is evident that smaller waste recovery activities should be included in positive lists, larger projects require more in-depth analysis. This is the case, for instance, of projects that involve complex chains of funding and delegation of responsibility.

As highlighted in the Circular Credits Mechanism Guidance Note 1[21], one important aspect of additionality is that impact cannot be claimed more than once. In the case of projects that involve multiple parties, if impact is not properly allocated, this could result in double counting.

For instance, can municipalities claim credits for waste collection activities paid with taxpayer's money? Similarly, how should the activities of Producer Responsibility Organisations (PROs) paid by industry be treated? (See Annex 2 for a discussion on this type of projects).

In all these cases, it is important to define whether these activities are additional, not only from an environmental aspect, but also in relation to environmental claims derived from them. More complex analysis will be needed to determine the environmental justification for that, and how to address the requirement of additionality for these cases.

[21] BVRio Circular Action Hub 2020: No double counting and no free riding. Guidance Note 1. October 2020. www.circularactionhub.org/archives/assets/publications/CircularCreditsMechanism_NoDoubleCounting_Guidance_Note1.pdf

4. Conclusions

Additionality plays a key role in ensuring that the environmental impact of projects contributes to an improvement of current trends of environmental degradation. At the same time, the analysis of additionality has to be contextualised, and take into proportion the relative contributions and impacts of different types of activities.

It is clear that the informal waste recovery sector makes an extremely important contribution to reducing waste pollution globally. In order to ensure that the sector continues to play an important role, it is essential that credit systems' rules do not preclude informal waste recovery projects from participation.

At the same time, larger projects may need to demonstrate that their impacts add to business-as-usual practices, in order to be eligible for additional circular credit revenue. This requirement will ensure that such revenues are directed to activities that change current practices, and do not divert financial flows from activities that could be playing a more important role.

The use of positive lists for the informal sector is a tool proposed to address this issue.

ANNEX 1- A POSITIVE LIST FOR THE INFORMAL WASTE SECTOR

The Circular Credits Mechanism proposes the adoption of a positive list approach to deal with the issue of additionality of informal waste recovery projects.

Under this approach, when this type of activity is formally engaged in circular action projects, it is considered additional automatically and does not have to provide further information to demonstrate that it is eligible to receive and sell circular credits. The reasoning for this proposal is discussed below, using figures drawn from a recent and comprehensive report by Pew and Systemiq[22] on plastic waste.

According to the Pew & Systemiq report, the total amount of plastic waste generated globally in 2016 was 220 million tonnes. Moving forward, it is projected that, under the BAU scenario, this amount will rise to 430 million tonnes per year by 2040.

With relation to the informal waste sector, the report estimates that waste pickers recovered and sent for recycling 27 million tonnes of waste (12% of the total amount) in 2016. A more challenging task was to decide how to project informal sector participation in future waste management scenarios. As stated, "discouraging waste-picking on the grounds of poor working conditions would deprive entrepreneurs of vital income. Conversely, encouraging the proliferation of the informal recycling sector as a cost-effective waste management service is to be complicit with sometimes unacceptably hazardous working conditions."

In order to demonstrate the relative contribution of the informal sector to overall waste generation, we assume two different scenarios:

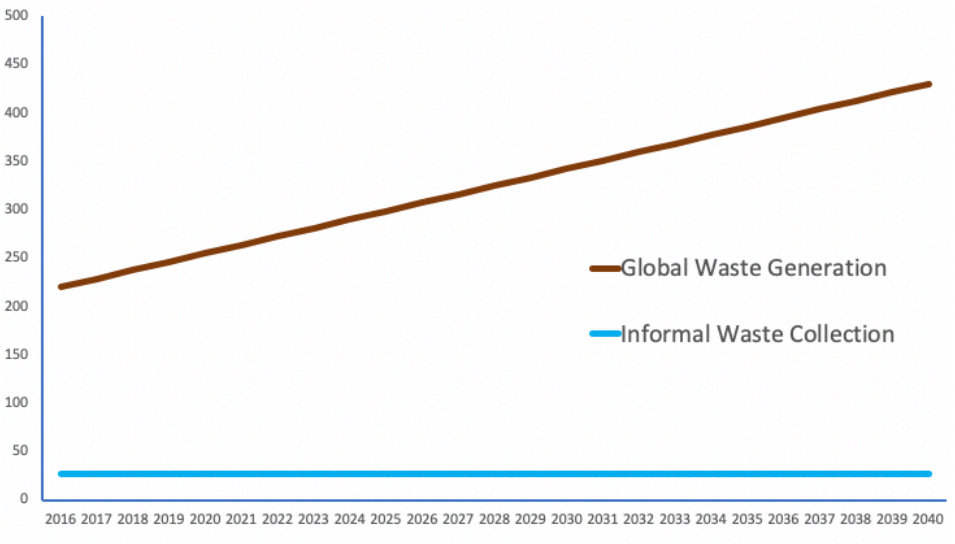
1. Current levels of informal collection will remain stable at current levels (27 million tonnes a year). In this case, its overall share of the total amount will gradually decrease from 12% of total waste, to 6% in 2040.[23]

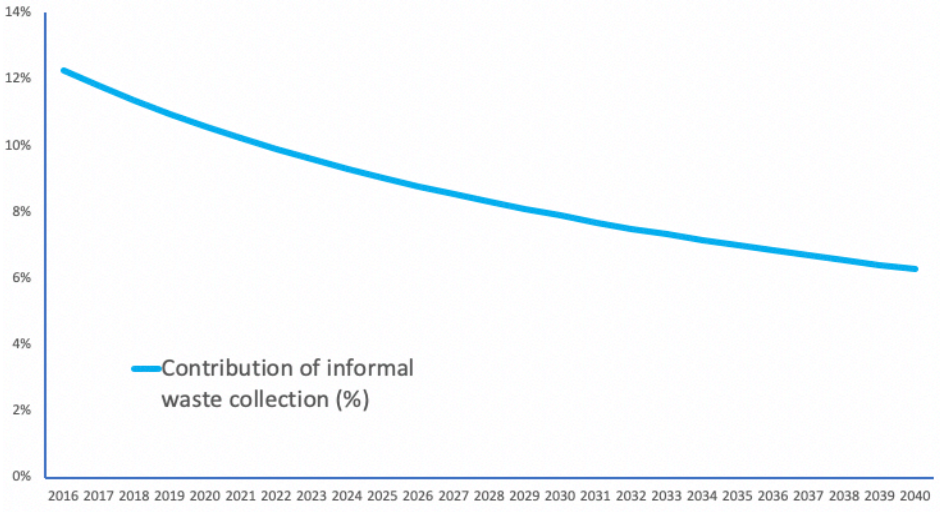
   This contribution (6%) is close to the acceptable statistical confidence levels for determination of baselines, and consequently is inconsequential. At the same time, requiring that projects deduct the

[22] Pew and Systemiq, 2020: Breaking the Plastic Waste – a comprehensive assessment of pathways towards stopping ocean pollution.

[23] In fact, the contribution of informal recovery activities that are currently unremunerated is even lower than the figures stated in the Pew and Systemiq report. In many situations, the informal sector is 'hired' by local waste management companies or local governments to provide the services of collection and sorting of waste materials, and paid for these services, but there is little data available on these informal contractual arrangements.

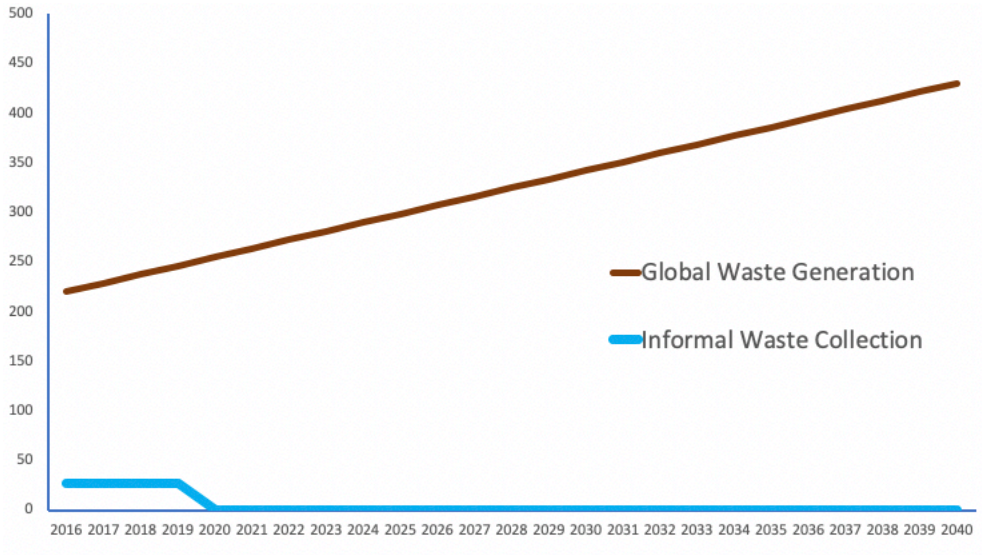
contribution of current levels of informal waste collection from their environmental claims of plastic credit projects would result in the exclusion of an important group of actors that most need this financial support to continue to operate (see Box 1).





2. Unremunerated informal waste collection is discontinued and not included in any plastic credit project from now on (at least for the purposes of any analytical determination of additionality).

   Under this scenario, all waste collection activities are considered additional by definition.

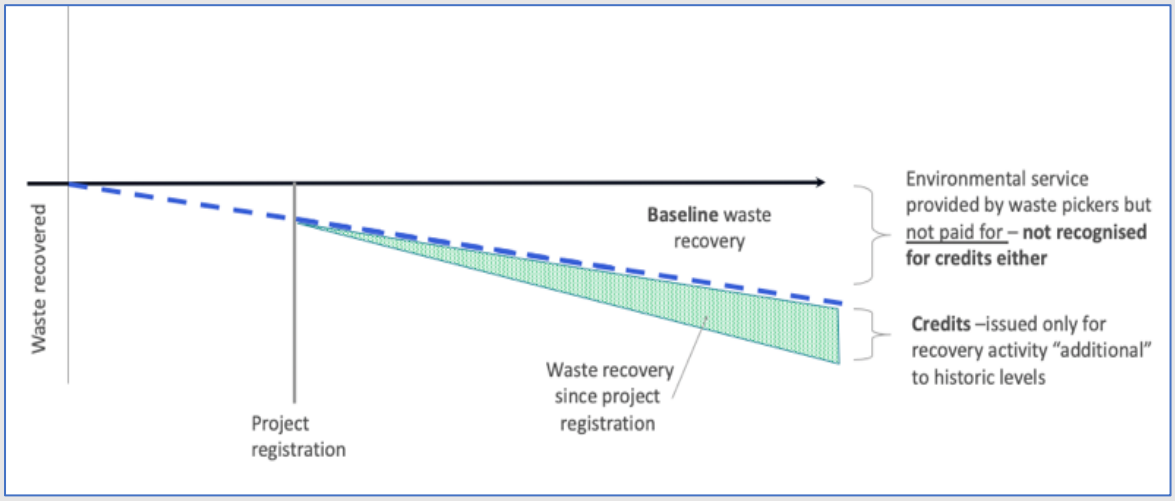


The Circular Credits Mechanism believes that revenue generated by the sale of Circular Credits for waste recovery is one of the solutions to the challenges faced by the informal waste sector. The sale would increase their revenue, and the participation in these projects will engage these actors in more formal contractual relationships in the long run, while improving working conditions. This improvement of working conditions would enable a more robust participation of these stakeholders, increasing their effectiveness and relative contribution to waste management solutions for the future.

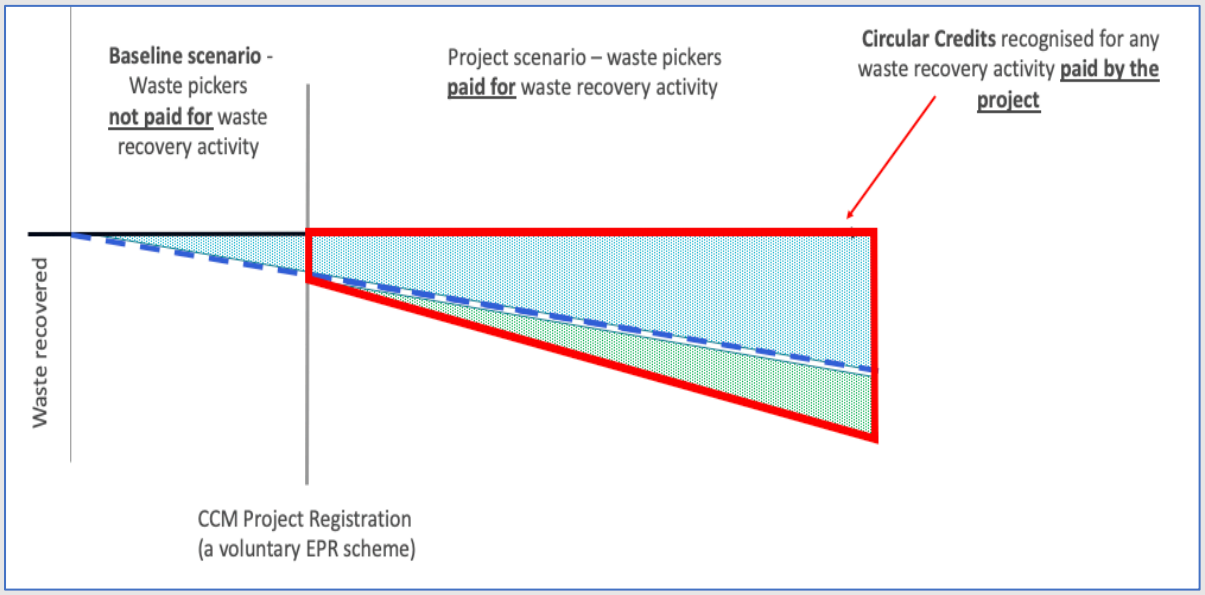
Box 1: Additionality impacts on waste collection projects

The strict application of additionality treatments to informal waste collection, irrespective of the relative contribution to total global waste management levels and whether these activities are unremunerated and conducted under degrading and exploitative practices, would result in perverse outcomes.

Under this interpretation, activities that have been conducted in the past are not considered additional. Consequently, if new contractual arrangements associated with nascent crediting schemes are not introduced, activities conducted under exploitative conditions will be extended into the future, precluding these actors from receiving new revenue streams available from the sale of plastic or circular credits.



The Circular Credits Mechanism believes that such practices should be discontinued and that any waste recovery activity conducted by the informal waste sector, whether existing or new, should be eligible to receive remuneration from the sale of credits.



ANNEX 2- CIRCULAR CREDITS AND LOCAL GOVERNMENTS

Should local government agencies or subcontracted waste collection companies be allowed to sell credits to third parties based on municipal waste collection services?

Local governments' main funding is usually tax revenue collected from taxpayers and are often mandated to perform municipal waste collection services. As public opinion increasingly demands the adoption of circular economy models, there will be a need for more sophisticated waste management practices to both increase recycling rates (which requires segregated waste collection or sorting stations, recycling facilities, etc.) and minimise leakage to the environment.

Waste collection is chronically underfunded, despite often being the single highest item in budgets of municipalities.[24] To cover the additional costs associated with these practices, governments may need to resort to increasing taxation, transferring this responsibility to domestic producer companies (i.e., through EPR obligations), or, potentially, issuing and selling circular credits.

Given that government agencies will report the amount of waste recovered in their official statistics, what happens when the company buying the credits also makes a claim in respect to these activities? Would the claim made by the buying company result in double counting of the same amount of waste collected and already reported by the municipality? Or do these claims have a different nature and could co-exist (the government agency reporting its operational activities to society; the buyer company claiming to have mitigated part of their waste footprint)?

In many cases, the municipal waste collection services are actually performed by a separate entity (a public-owned company or a private-sector company), acting by delegation, as a concessionaire, or a sub-contracted company to provide this public service. Would any of the questions above have a different answer when the waste collection services are provided by a concessionaire or a sub-contractor? Can these waste management companies sell credits for activities performed, if they are also paid for the provision of these services?

[24] Kaza et al., What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050. International Bank for Reconstruction and Development, The World Bank, 2018.

Credit ownership and transfer of claims

Associated with the discussion above is the question on which party creates the credit in the first place, and how the rights to the credit (and associated environmental claims) are transferred.

The starting point for the CCM is that the "original owner" of the credits is the party / organisation that actually performs the waste recovery services in the first place. Their subsequent transfer depends on agreements, unless the contracting entity expressly retains the rights to issue the credits through contractual arrangements.

In the case of municipal waste collection companies, the activities they perform result in the reduction of waste from the environment, generating a positive environmental impact. Both the government agency and the municipal waste collection company (or a private concessionary company, as the case may be) are entitled to report the amount of waste removed.

This "double-reporting" doesn`t necessarily lead to a double-counting if the reporting of this same amount of waste collected is for a different use and perspective (the agency reports the amounts collected indirectly through the concessionaire; the concessionaire reports the amounts collected directly). Any jurisdictional assessment of the amounts collected should take this "double-reporting" in consideration and make the necessary adjustments when consolidating numbers.

A different question is related to whether or not the agency and/or the concessionary company should be entitled to issue (and monetise) Circular Credits based on the public service provided by them. Assuming that the Circular Credits Mechanism (CCM) allows these entities to issue credits, the next factor to be addressed is if the credits should belong, by default, to the entity paying for the services (the government) or to the entity actually performing the services (the concessionary company).

The answer to this question is not only a technical but also a conceptual matter: which solution would be more aligned with the objectives of the CCM? The option to issue the credits for the entity that paid for the services would lead to a concentration of credits in one single player (the local government`s agency or, ultimately the government itself), reducing the impact of the CCM on the promotion of a plurality of new initiatives in this space. On the other hand, if the credits are given to the entity that actually performed the services (i.e., the informal sector, or waste collection companies), each time one entity delegates the services downstream the right to the credits is considered to be transferred as well (from the government agency to the concessionaire; and, in turn, from the concessionaire to one or more waste collection SMEs or co-operatives).

In all cases, when the entity receiving the credits (being it the government agency, the concessionary company or the sub-contracted SMEs or co-operatives) sells the credits to a third party, the right to claim this positive environmental impact is transferred to the buying party, who can use it to mitigate their own waste footprint.

Ultimately, it is important to determine ownership of credits, to ensure no double counting, which in turn, would compromise their additionality.

Annex 3: Circular Credits Mechanism and Action Hub

Circular Action Hub

Circular Action Hub[25] is a platform that connects local waste management projects and activities with companies and investors willing to support, accelerate and strengthen a more effective and socially-responsible circular economy. Financial support for the projects could come in the form of sponsorship, investment, or purchase of the Circular Credits – a new market mechanism created to reward activities that increase waste recovery and recycling rates, thereby enabling corporates to address the part of their waste footprint they cannot reduce through internal actions alone.

The Circular Credits Mechanism

The Circular Credits Mechanism (CCM) is a system of performance-based payments for environmental services of circularity, striving for inclusiveness and wide social participation. It is a market tool for buyers and sellers of the environmental services related to the collection (recovery), sorting and appropriate destination of recyclable waste materials that today pollute our environment.

Through the use of credits, interested parties (the buyers – e.g., companies, individuals, projects) can compensate for their waste footprint, by effectively subcontracting the services provided by sellers (e.g., projects, waste pickers associations, etc.) providing the environmental service of waste recovery and appropriate destination.

The use of credits enables interested parties to engage service providers in different parts of the world, where such waste pollution is more prescient (e.g., coastal or riverine areas, islands).

In the absence of polluter-pay regulations in some countries (e.g. Extended Producer Responsibility – "EPR" schemes), the tool can positively contribute to social and environmental impacts (e.g., low income groups in developing countries). For countries with existing EPR schemes, the Credits may be recognised as one of the ways of complying with these regulations.

The Circular Credits Mechanism has the potential to provide a socially, economically and environmentally positive approach to recyclable waste collection and recycling worldwide.

[25] www.circularactionhub.org

ANNEX 4- PRINCIPLES & CRITERIA CIRCULAR OF THE CCM

Principle 1. One-in One-out accounting - the Circular Credits Mechanism is based on an equivalence between the amount of waste created by a certain entity (a company, an event, an individual), and the amount of waste recovered by the parties selling the credits. No discounts, no surcharges.

Principle 2. No double counting – an essential requirement of the Circular Credits Mechanism is that the environmental impact related to the recovery and destination of waste should not be attributed to more than one entity. In practice, this means that credits cannot be issued for activities where this service has already been contracted and paid for (e.g., municipal waste collection services). Similarly, the credits can only be used once, to compensate for the footprint of a certain entity.

Principle 3. Demonstrability - Monitoring and Verification - the amount of credits to be issued must be substantiated by evidence that demonstrates that the activity was conducted and that a certain amount of waste materials was indeed recovered and sent to an appropriate destination. This can be done using different types of documents, such as invoices/receipts associated with the sale of materials to recycling plants, bills of laden, transportation authorization, or balance records. This documentation must be kept and made available for third party verification, to substantiate the issuance of credits.

Principle 4. No free riding – related to Principle 2, the CCM only recognises the environmental service if the activities are fairly paid for, in addition to any payment for the acquisition of physical recyclable materials. For instance, in the case where waste pickers are only paid for the sale of physical recyclable materials delivered by them to a buyer, the entity buying these materials are not entitled to claim the environmental service provided. It is understood that this is a transaction involving solely the purchase of waste materials as a feedstock for recycling plants, and not a contract for the provision of an environmental service. Payment for the environmental service must be over and above the payment for the recyclable materials purchased, creates a second revenue stream for its providers.

Principle 5. Fair remuneration – linked to the 'no free riding' criterium, the provision of this environmental service must receive fair remuneration, commensurate with the workload and the time required to the provision of the service. The Circular Credits Mechanisms does not intend to establish minimum prices (prices will be determined through supply and demand market basis) but will provide an oversight to ensure that participants in the scheme do not adopt exploitative market practices.

Principle 6. Do no harm - All projects are required to meet minimum social and environmental safeguards to ensure that the activities involved in the creation of credits do not cause harm to the parties involved.

Principle 7. Learning by doing - Recognising that there is a huge diversity of variation in terms of circumstances, technologies available and approaches that can be used of projects in different parts of the world, with different circumstances, the CCM does not assume that a 'one size fits all' monitoring approach can be defined at the outset. Instead, the CCM adopts a 'learning-by-doing' approach to its monitoring and verification requirements, and will strive for continuous improvement of its requirements based on the experience learned with participating projects.

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