Gold Standard for the Global Goals

GUIDANCE

GS4GG PAA P&R100-G01

SDG 13

GUIDANCE FOR PARIS AGREEMENT ALIGNMENT

PUBLICATION DATE 22/12/2025

VERSION – 1.0

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1| INTRODUCTION AND CONTEXT

1.1 | Purpose of this guidance

1.1.1 | This section provides contextual information, practical explanations, and examples to assist stakeholders in understanding and complying with the requirements outlined in GS4GG Paris Agreement Alignment: Requirements. This document is for informational purposes and is not normative.

1.2 | Roadmap for Alignment

1.2.1 | This guidance is intended to complement the GS4GG Paris Agreement Alignment: Requirements. Its purpose is to explain the procedural and methodological changes, providing a roadmap for project developers (PDs), VVBs, and other stakeholders. By highlighting the practical implications of the new requirements, this guidance aims to facilitate a successful alignment for all certified activities.

2| UNDERSTANDING KEY METHODOLOGICAL CHANGES

2.1 | General overview

2.1.1 | The transition to a PA-aligned methodology introduces changes to how emission reductions and removals are quantified and verified. These shifts will enhance environmental integrity but will have a direct impact on the volume of GS-VERs a project activity would have generated under previous set of rules and requirements.

2.2 | Additionality: Key changes and Implications

2.2.1 | The approach to proving additionality has stricter tests, which may narrow the scope of creditable activities.

a. **Regulatory Surplus:** A key change is the rigorous requirement to demonstrate "regulatory surplus." Credits can only be generated for emission reductions that exceed what is already mandated by enforced laws and policies. As national climate policies become more ambitious (reflected in NDCs, Net Zero Targets), the baseline level of expected performance will rise, reducing the volume of additional credits a project can claim. VVBs shall rigorously assess the enforcement of local laws and regulations during validation and verification.

b. **Decisive Factor:** Projects shall provide strong evidence that carbon finance was a "decisive factor," a requirement that may affect activities where carbon revenue is supplementary rather than essential. For existing projects undergoing the PA-Alignment Design Change, the PA-Aligned methodology will define how additionality is assessed. Often, the focus shifts from the initial investment decision to demonstrating an "ongoing financial need"—confirming that the continued revenue from

carbon credits is essential for the sustained operation of the project under current circumstances, and ensuring compliance for any forward-looking expansion.

c. **Avoiding Lock-in:** PA-aligned methodologies are designed to ensure that projects do not lock in high-carbon technologies or practices, promoting a transition to sustainable alternatives.

2.3 | Baselines: Conservative Adjustments and Credit Volume

2.3.1 | Baseline calculations are now designed to be more conservative, which will have a direct, mathematical impact on the number of credits issued.

a. This includes setting the baseline below a "Business As Usual" (BAU) scenario, which establishes a starting point for the project activity's performance.
b. Downward Adjustment Factor (DAF): A mandatory percentage reduction (DAF) and/or other adjustment method will be applied to the baseline. This factor is derived from the host country's national climate ambition (e.g., Net-Zero targets) and ensures that the crediting baseline remains below Business-As-Usual (BAU) and encourages ambition over time. This mathematically lowers the number of credits a project activity can be issued. The applicable DAF value is determined by the GS4GG DAF Tool and may be significantly higher for project activities in countries with aggressive national climate targets.
c. Additionally, baselines shall now account for all enforced national policies, preventing project activities from claiming reductions that are already required by existing policy frameworks.

2.4 | Leakage: Broader Scope and Increased Deductions

2.4.1 | The analysis of leakage now has a wider scope, increasing the probability that deductions will be applied to a project activity's emission reductions. The assessment boundary is wider, including both upstream and downstream emissions. The requirement to apply either a robustly quantified or a conservative default deduction for leakage directly subtracts from the final volume of certifiable credits.

2.5 | Data Quality & Uncertainty: Higher Standards and Conservativeness

2.5.1 | Requirements for data quality and uncertainty can indirectly affect credit volume by applying conservativeness factors. A formal uncertainty assessment may result in the application of these factors, which will reduce the final volume of credits issued if high levels of uncertainty are present in key data. Additionally, data that does not meet quality standards may be deemed ineligible for calculations, impacting the volume of verifiable reductions.

2.6 | Removals and Impermanence

2.6.1 | The alignment process introduces specific complexities for removal activities, particularly concerning impermanence and the management of the buffer pool (e.g., how pre-2026 buffer contributions interact with post-2026 requirements). Specific guidance on this topic is currently under development and will be published separately.

2.7 | Summary of Financial and Operational Impacts

2.7.1 | The combined impact of these methodological shifts is generally a reduction in the volume of credits issued for a given project activity's performance. This reduction in potential revenue should be viewed in the context of the transition process itself.

a. **Costs:** The PA-Alignment Validation is a mandatory design change requiring PD and VVB effort, and these costs are borne by the Project Developer.

b. **Delays (Deferred Issuance):** The possibility of a temporary Deferred Issuance status (if methodologies are delayed) means a project could continue to incur monitoring and operational costs without **being able** to issue 2026+ vintages for **an extended** period. **However, issuance for vintages up to 31 December 2025 can proceed during this period (Partial Issuance).**.

2.7.2 | This accumulation of potentially reduced credit volume, increased verification costs, and potential cash flow delays places economic pressure on project financial viability. While challenging, these changes are essential to ensure the long-term market access, integrity, and value of GSVERs in the Paris era.

Table 3: Key Methodological Shifts and Their Impact on Credit Volume

Methodology Area	Key Change/Requirement	Anticipated Impact on Credit Volume
Additionality	Regulatory Surplus, Decisiveness	Decreases the number of credits a project activity can claim.
Baselines	Below-BAU Baselines, Mandatory Downward Adjustment, Inclusion of All Policies	Directly and mathematically reduces the number of credits issued.
Leakage	Wider Assessment Boundary, Quantified Deductions	Increases the likelihood of deductions, reducing net credits.
Data Quality & Uncertainty	Formal Uncertainty Assessment, Stricter Requirements	May apply conservativeness factors, further reducing verifiable reductions.

2.8 | Consolidated Frequently Asked Questions (FAQs)

2.8.1 | To provide stakeholders with timely support and address questions regarding the PA-Alignment process, Gold Standard maintains a comprehensive and dynamic FAQ section on our website.

2.8.2 | This online resource allows us to update information in real-time as methodologies are published, policies evolve, and new questions arise from the implementation process.

2.8.3 | The FAQs cover topics including, but not limited to:

- **The Rationale and Necessity of Alignment (The "Why")**
- **Commercial Implications, Liability, and Contractual Obligations** (including guidance on forward contracts and the policy that deviations regarding the mandatory application of PA-aligned methodologies for 2026+ vintages will not be accepted).
- **The Deferred Issuance Mechanism** (timelines, partial issuance, monitoring requirements, retroactive issuance, and impact on credit volumes).
- **Methodology Availability and the PA-Alignment Schedule**
- **Procedural Steps** (Assurance Platform processes/request types, combined audits, separate reporting for bridging monitoring periods, handling PoAs).
- **Timelines and Deadlines** (Sunset Date, 2026 Vintage rule, automatic exemptions for deadlines if methodologies are delayed).
- **Fees and Costs**
- **VVB Requirements and Training**

Please visit the Gold Standard PA-Alignment Section for the latest information and detailed FAQs:
https://goldstandardhelp.freshdesk.com/support/solutions/articles/44002688997-paris-agreement-alignment-requirements-guidance-for-projects/preview

3| TRANSITION PROCESS

The transition is managed as a mandatory "PA-Alignment Design Change." This section outlines the practical steps, the scope of the assessment, and available optimizations.

3.1 | Targeted Scope of PA-Alignment Validation

3.1.1 | We recognize that mandatory updates mid-crediting period present challenges. To minimize disruption and cost, the PA-Alignment Validation is designed as a targeted assessment, not a full project re-validation.

3.1.1.1 | **Focus of the Assessment:** The VVB focuses strictly on the changes required by the new methodology (e.g., new baseline calculations, DAF application, revised monitoring parameters). Aspects of the project

previously validated and unaffected by the new methodology are not re-assessed.

3.1.1.2 | **Eligibility of Historical Activities:** The eligibility of technologies or activities included under previous rules will be determined by the transition provisions within the specific PA-aligned methodology. Methodologies may allow historical technologies to remain eligible until the end of their technical lifetime, provided they meet the new quantification and monitoring requirements. However, if an existing activity fundamentally does not meet the stricter integrity requirements of the new methodology, it may become ineligible for 2026+ vintages.

3.2 | Voluntary Early Adoption

3.2.1 | Project Developers may voluntarily elect to transition to a PA-Aligned Methodology for vintages prior to 1 January 2026 (e.g., 2024 or 2025). This allows projects to demonstrate higher ambition early. Note that this transition is **irrevocable**; once approved, the project cannot revert to the non-PA aligned methodology.

3.3 | Efficiency Measures and Optimization

3.3.1 | **Combined Audits:** PDs are strongly encouraged to combine the PA-Alignment Validation with a regular verification (pre-2026 and/or post-2026). VVBs can conduct these assessments during a single site visit, significantly reducing audit costs and logistical burden.

3.3.2 | **PoA Optimization and VPA Re-bundling:** The mandatory Design Change provides an opportunity to optimize Programme of Activities (PoA) structures. Recognizing that stricter methodologies may reduce credit volumes, PDs may propose the re-bundling of homogenous VPAs (e.g., consolidating several small VPAs into one) during this process to improve efficiency, provided the new structure meets all applicable requirements.

4| MANAGING UNCERTAINTY AND DELAYS

The transition involves a staggered rollout of methodologies. The Requirements include mechanisms to ensure fairness and flexibility.

4.1 | Automatic Deadline Exemptions:

4.1.1 | While the 2026 effective date is absolute, certification deadlines (e.g., time to complete validation) are flexible. If a required PA-Aligned methodology is unavailable by a project's deadline, an automatic exemption is granted. The project then has 6 months after the methodology is published to complete the submission.

4.2 | Deferred Issuance:

4.2.1 | Deferred Issuance is a temporary procedural status triggered if a methodology is unavailable when a project is ready for 2026+ verification.

4.2.2 | No Loss of Credits: This is not a penalty. Once the methodology is available and the PA-Alignment Design Change and Verification are successfully completed, all credits are issued retroactively back to January 1, 2026.

4.2.3 | Managing Cash Flow: We recognise this may cause temporary cash flow disruptions. PDs should engage early with investors regarding potential delays. Furthermore, as 2026 vintages are typically verified and issued in 2027, we anticipate methodologies will often be available before verification commences, minimizing disruption to standard issuance cycles.

4.3 | Mitigating Monitoring Risks

4.3.1 | A significant risk during Deferred Issuance is the potential for data gaps if the new methodology requires parameters not included in the existing monitoring plan.

4.3.1.1 | **Anticipate Changes:** PDs shall continue monitoring their existing plan. Crucially, PDs shall actively review draft methodologies during public consultations to identify new parameters and begin collecting that data proactively.

4.3.1.2 | **Handling Data Gaps:** If data for a newly required parameter is missing, retroactive issuance for that period may be jeopardized. Deviations are generally not granted, as this would compromise the integrity of the PA-aligned methodology. Approval of deviations is strictly subject to the methodology requirements and robust application of conservativeness; approval should never be assumed.

Document Information

VERSION	DATE	DESCRIPTION
V1.0	22/12/2025	First version released

Published by Gold Standard

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