



Gold Standard
for the Global Goals

PILOT – METHODOLOGY TOOL

DETERMINING ADDITIONALITY OF A POLICY

PUBLICATION DATE **11.06.2024**

VERSION **Pilot 1.0**

RELATED DOCUMENTS – [Policy Requirements and Procedures](#)

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SUMMARY

This document instructs how to demonstrate the additionality of policies, which is needed for certifying the outcome of these policies.

This tool is used in conjunction with the [Policy Requirements and Procedures](#).

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1 | SCOPE, APPLICABILITY AND ENTRY TO FORCE

1.1 | Scope

1.1.1 | This tool outlines the steps and requirements for demonstrating the additionality of a policy in order to certify its outcomes under Gold Standard for the Global Goals (GS4GG). It addresses particular challenges which are relevant for demonstration of additionality associated with activities and measures associated with laws, regulations, mechanisms, or instruments which constitute a policy.

1.2 | Applicability

1.2.1 | Any policy-based programme (PBP) seeking certification under GS4GG for its impact statements and/or products, i.e., Verified Emissions Reductions (VERs), shall demonstrate its additionality following the steps and corresponding requirements as outlined in this tool.

1.3 | Entry to force

1.3.1 | This document comes into force on 11.06.2024.

2 | DEFINITIONS

2.1.1 | In addition to the definitions in the [GS4GG Glossary](#), the following terms apply in this document:

Policy-based activity (PBA)	An activity implemented under a PBP and associated with the identified policy
GS4GG requirements and procedures	The applicable rules and modalities of the GS4GG, standards, activity and product requirements, eligible/approved methodologies, procedures, rule updates, and rule clarifications
Nationally determined contribution (NDC)	The nationally determined contribution under the United Nations Framework Convention on Climate Change (UNFCCC)
Policy	A law, regulation, mechanism, or instrument issued by an entity that is designated and/or allowed to do so by applicable local law and in cases of mandates or corrective legislation, with enforceable consequences; for example, it is mandatory in cases of incentives with reliable positive effect on the implementation of associated activities (further defined in Section 3.2 below Error! Reference source not found.)

Policy Based Programme (PBP)	A linked series of activities or interventions associated with a specific policy
Coordinating and managing entity (CME)	An entity that communicates with the Gold Standard on all matters related to a PBP and associated activities, as nominated in the cover letter to be submitted for each of the activities; may consist of several cooperating entities whose divisions of responsibilities are clearly defined

3| ADDITIONALITY DEMONSTRATION

3.1 | Identification of the policy

3.1.1 | The policy shall be identified and delineated in accordance with the definitions and procedures in the [Policy Requirements and Procedures](#).

3.2 | Policy type

3.2.1 | The type of policy shall be determined by the CME, in accordance with the definitions and procedures in the [Policy Requirement and Procedures](#), as one or several of the following types:

- a. Mandate
- b. Incentive
- c. Corrective legislation
- d. Other

3.2.2 | This tool is not applicable for policies falling under the “Other” type. Policy developers may propose a revision to this tool to accommodate for such policies.

3.3 | Procedure to determine additionality

3.3.1 | To demonstrate additionality, the CME shall demonstrate compliance with the necessary steps, as presented in the table in Section 3.3.2. The additionality demonstration includes:

- a. assessment at the PBP level, in which the policy as a whole and its implications are assessed, and
- b. assessment at the level of the PBAs of a policy, in which aspects specific to each PBA are reviewed.

Assessment at the policy level shall be demonstrated at design certification of the policy, whereas assessment at the PBA level shall be demonstrated upon inclusion of each PBA.

The PBA level assessment may be informed, in accordance with the steps below, by preliminary work done at the design certification of the PBP, e.g., through determination of inclusion criteria.

3.3.2 | The financial additionality (Steps 4.1 and 4.2 below) shall be demonstrated at the level of associated PBAs, whereas other steps shall be demonstrated at the PBP level.

As non-financial co-benefits of the policy may occur outside the project boundary and/or to stakeholder without clear association with the project, additionality demonstration relies on financial analysis (Steps 4.1 and 4.2).

	MANDATE	INCENTIVE	CORRECTIVE LEGISLATION	DEMONSTRATED AT
Step 1: Regulatory additionality	Applicable	Applicable	Applicable	PBP level
Step 2: NDC alignment check	Applicable	Applicable	Applicable	PBP level
Step 3: Paris temperature goal alignment check	Applicable	Applicable	Applicable	PBP level
Step 4.1: Financial non-additionality risk	Applicable*	Applicable*	Applicable*	PBP and PBA level
Step 4.2: Investment analysis	Not applicable	Applicable	Applicable	PBA level
Step 5: Barrier analysis	Optional	Optional	Applicable	PBP level
Step 6: Common practice	Applicable	Applicable	Applicable	PBP level

* except for Land Use and Forests policies

3.4 | Step 1: Regulatory additionality check

3.4.1 | A policy must demonstrate its regulatory additionality by showing that it goes beyond existing and firmly scheduled policies or that it facilitates effective and earlier implementation of such firmly scheduled policies by removing the barriers that limit successful implementation. The regulatory analysis aims to ensure that the proposed policy is not just a reformulation or repackaging of existing policies and that there are no similar legal requirements either in effect or set to take effect (firmly scheduled) during the policy’s forthcoming crediting period. The analysis shall include recently withdrawn policies to identify situations of “replacement” of policies, e.g., if an existing policy is withdrawn and a new policy with similar effects is introduced instead, such as a sales tax on fuel being substituted by a carbon tax on the same fuel.

3.4.2 | The expansion of the scope and/or magnitude of a policy also should be considered.

3.4.3 | Step 1 Outcome

A policy mandated by existing regulation is considered not additional.

3.5 | Step 2: Nationally determined contribution alignment check

3.5.1 | This step aims to clarify whether the proposed policy goes beyond the host country's (unconditional) NDC targets. This can apply to a new policy or the enhancement of an existing or planned policy to exceed the mitigation needed to achieve the (unconditional) NDC. The following shall constitute the NDC alignment check:

- a. Based on an NDC, and its associated documents such as NDC implementation plan, the policy proponent shall demonstrate that the proposed policy and attributed outcomes go beyond the host country's (unconditional) NDC targets. In case the policy and/or associated activities address part of the unconditional NDC targets, the policy is not deemed additional and is thus not eligible for crediting.
- b. In case only a part of the activities is triggered by the proposed policy and addresses the host country's (unconditional) NDC targets, the policy proponent would need to specify which activities of the policy go beyond the unconditional NDC and define the policy and its boundary to include only those components.

3.5.2 | Step 2 Outcome

A policy mandated by the NDC is considered not additional.

3.6 | Step 3: Paris temperature goal alignment check

3.6.1 | This step assesses the policy intervention's consistency with the Paris Agreement's long-term temperature goal of "pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels."¹ This requires that the policy and associated activities are not on any negative list that has been communicated or published by relevant international organisations or the host country.

3.6.2 | The policy proponent shall demonstrate that the proposed policy type and/or associated activities are not on any negative list adopted by the host country, e.g., as part of a Paris Agreement Article 6.2 bilateral agreement signed with a buyer or communicated to the Paris Agreement Article 6.4 Supervisory Body.

3.6.3 | The policy type and/or associated activities shall not be on any negative list that is included in reputable sources by a relevant international organisation, including the Paris Agreement Article 6.4 Supervisory Body, Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA), joint multilateral development bank (MDB) principles (such as the Joint MDB Methodological Principles for Assessment of Paris Agreement

¹ United Nations Framework Convention on Climate Change 2015, Article 2

Alignment), and the Integrity Council for the Voluntary Carbon Market (ICVCM).

3.6.4 | The policy proponent is also required to provide justification for why and how the activity is considered consistent with the Paris Agreement temperature goal.

3.6.5 | The policy proponent shall further provide justification for how it complies with emissions trajectories for achieving the Paris Agreement goals published by the host country, if these are available, as well as such trajectories published by the IPCC.

3.6.6 | Step 3 Outcome

A policy that is considered common practice, undesired, or otherwise negative listed by the above sources is considered not additional.

3.7 | Step 4: Financial additionality assessment

3.7.1 | The financial additionality assessment consists of two steps: first, an assessment of the financial non-additionality risk of the proposed policy and its PBAs, and second, an investment analysis of the policy's PBAs (if applicable).

3.7.2 | Financial assessment shall include all income and expenses associated with the policy/PBA, including expected benefits and income, taxation related aspects, etc. The financial implications of other relevant policies, both national and international (e.g., Just Energy Transition Partnership), shall be considered in the financial additionality assessment.

3.7.3 | Financial analysis shall be demonstrated using the Clean Development Mechanism (CDM) tool for the demonstration and assessment of additionality,² with exceptions as noted in this section.

3.8 | Step 4.1: Assessment of financial non-additionality risk

3.8.1 | The assessment of the financial non-additionality risk must be conducted for all policies. This step aims to ensure that realistic assumptions are provided by the policy proponent in comparison to financial non-additionality risk scenarios.

3.8.2 | Note that this assessment may not be applied to Land Use and Forests (LUF) policies; these shall apply an investment analysis in accordance with Section 4.2. instead.

3.8.3 | Financial non-additionality risks, such as the evidence of potential profitability of the policy's PBAs, short payback periods, availability of subsidies, and availability of competitive financing sources, shall be listed and assessed.

² [Tool-01: Tool for the demonstration and assessment of additionality](#)

3.8.4 | A simple cost analysis shall be conducted for each PBA associated with the policy, in accordance with the CDM tool for assessment of additionality. If the net cost of the PBA is negative, a financial non-additionality risk is not identified.

3.8.5 | The assessment at PBA level may rely on inclusion criteria developed at the real-case PBA level and/or PBP level in accordance with the [Programme of Activities Requirements](#), establishing parameters and/or criteria which would demonstrate that there is no financial non-additionality risk.

3.8.6 | Step 4.1 Outcome

If the policy and its PBAs do not have financial non-additionality risk, the policy does not need to go through the investment analysis (Step 4.2).

3.9 | Step 4.2: Investment analysis

3.9.1 | With the exceptions provided in Step 4.1, an investment analysis must be carried out to determine whether an activity associated with a policy is financially viable without the expected revenues due to the GS4GG certification. Possible approaches include payback period, investment comparison, and benchmark analysis.

3.9.2 | The policy proponent shall demonstrate which payback period/benchmark would result in investment in the associated technology, considering the prevailing industry practices.

3.9.3 | The required investment analysis may be conducted at the real-case PBA, determining the key parameters and threshold which would ensure the financial additionality at a regular PBA level, and these may be translated into inclusion criteria for the regular PBA activities. Alternatively, the complete investment analysis may be conducted for each real and regular PBA.

3.9.4 | Any payback period/benchmark used to establish inclusion criteria shall be applicable at most for three years after its design certification, after which the value calculated shall be reassessed in accordance with a procedure defined during the design certification.

3.9.5 | Payback period is particularly relevant for household-level distributed units projects, for which a payback period of five years may be used as a threshold for this step if no further information is available.

3.9.6 | Step 4.2 Outcome

If an associated activity is financially attractive, a barrier analysis is required (Step 5).

3.10 | Step 5: Barrier analysis

3.10.1 | A barrier analysis is required for mandates or incentives that are demonstrated to be financially attractive in Section 4.2 above; it is always required for replacement policies.

3.10.2 | It shall be demonstrated that the implementation of the policy is determinantal in overcoming the identified barrier.

- 3.10.3 | In the political process of many countries, the introduction of mitigation policies faces many non-monetary barriers. These relate to the political economy, e.g., the power of emitter lobbies/monopolies and fossil fuel subsidies preventing alternative investments and challenges in monetising non-monetary benefits which are often not taken (fully or even partly) into account or whose level is contested. Also, a policy may remove non-monetary barriers to mitigation action, i.e., barriers that prevent the implementation of even commercially attractive mitigation actions prior to the introduction of the policy.
- 3.10.4 | This step assesses whether there are any non-monetary barriers that prevent the implementation of a policy even if it is determined to be financially attractive and thus does not pass the financial additionality test (Step 4). Barrier analysis can comprise political economy barriers, uncertainty about policy co-benefits and their valuation, non-monetary barriers to investments, technological barriers, and barriers relating to prevailing practice.
- 3.10.5 | As barriers have to be demonstrated at the PBP level, the policy proponents shall determine inclusion criteria necessary to demonstrate whether any barriers are also relevant at the PBA level and whether any further assessment is required at the PBA level.
- 3.10.6 | Step 5 Outcome
A policy for which barrier analysis is required and fails to demonstrate such a barrier is considered not additional.

3.11 | Step 6: Common practice

- 3.11.1 | This step clarifies whether the policy and/or its associated activity type is already widely diffused in the host country.
- 3.11.2 | Common practice thresholds shall be conducted in the policy's geographic boundary in accordance with the CDM tool for common practice analysis,³ with the evaluation threshold (i.e., factor F in the referenced tool) being 10%. If the proposed policy's associated activities cross this threshold, the policy is considered not additional.
- 3.11.3 | First-of-it-kind evaluation may not be applied to demonstrate the additionality of policies or their associated PBAs.
- 3.11.4 | Step 6 Outcome
A policy requiring barrier analysis but failing to demonstrate such is considered not additional.

³ CDM [Tool-24: Methodological tool: common practice](#)

4| POSITIVE LISTS

- 4.1.1 | A positive list of technologies which do not require specific additionality assessment steps may be established, reflecting local priorities, as part of a GS4GG methodology tailored to a specific host country. Such a methodology may be proposed and considered under the applicable GS4GG procedures; it shall establish specific measures that are applicable as well as financial and non-financial criteria for the qualification of an activity/component for such simplification.
- 4.1.2 | A possible justification for qualification for positive list technologies is if the financial non-additionality risk is found to be consistently low for a specific policy/technology/activity (e.g., net cost is consistently negative or payback period is consistently above a certain threshold). Such established local positive list technologies may then be deemed to not require financial analysis (Step 4 above).
- 4.1.3 | Unless otherwise specified, the positive lists that are applicable for projects and programmes of activities in GS4GG, as defined in GS4GG methodologies and requirement documents, are applicable for policies as well. Furthermore, guidance documents which include positive lists and/or simplified additionality approaches specific for policies may be issued.

REVISION HISTORY

Version	Date	Remarks
1.0	11.06.2024	Initial adoption - pilot