Gold Standard for the Global Goals

METHODOLOGY STANDARD

REQUIREMENTS FOR ADDITIONALITY DEMONSTRATION

PUBLICATION DATE 24/04/2025
VERSION – 1.0
NEXT UPDATE 24/04/2027

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SUMMARY

This document outlines the requirements for demonstrating additionality in GS4GG approved methodologies. It aligns with GS4GG Principle 5 - Financial Additionality & Ongoing Financial Need of the GS4GG Principles and Requirements. Key requirements for additionality demonstration for GS4GG certification:

- All projects shall demonstrate additional impacts compared to their baseline scenario.
- Projects seeking to use certification for finance or market products shall demonstrate both Financial Additionality and Ongoing Financial Need.

This document:

- Sets overarching requirements for GS4GG methodologies
- Specifies provisions for demonstrating additionality
- Provides a basis for setting the requirements for mitigation activity for demonstrating additionality
- Provides requirements for Ongoing Financial Needs (OFN) demonstration

This standard document is not intended for preparing project design documents (PDDs) or monitoring reports, unless required by the applied methodology.

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1| INTRODUCTION

1.1.1 | This document outlines the requirements for demonstrating additionality in GS4GG methodologies, aligning with GS4GG core principles (P5, P&R), and Article 6 of Paris Agreement (Article 6.4 and 6.2 Guidance).

1.1.2 | It specifies the criteria that GS4GG methodologies shall meet to demonstrate additionality under for approval under GS4GG.

2| DEFINITIONS

2.1.1 | In addition to the terms and definitions listed in GS4GG Glossary, the following definitions apply for this standard.

Table 1 Terms and Definitions

Term	Definition
Additionality	A proposed mitigation activity is additional if the activity: a. is eligible under GS4GG and not excluded by the host country from its eligibility list (e.g., negative list), and b. exceeds any emissions reductions or removal that is required by law or regulation, and c. avoids locking-in levels of emissions, technologies, or carbon-intensive practices that are incompatible with paragraph 33 of the Rule, Modalities and Procedures (RMP) of the Article 6.4 (A6.4), and d. would not have occurred in the absence of the incentives generated from GS4GG certification, taking into account all relevant national/sub-national policies, including legislation. Incentives generated through GS4GG certification can be of various forms, including carbon credit revenue and results-based payments. For simplicity, this document uses "carbon credit revenue" as an umbrella term to encompass all types of monetary incentives arising from GS4GG certification.
Applicable geographic area	Jurisdictions governed by the same set of policies, rules and regulations in context of the mitigation activity type. It is the geographic area within which an alternative scenario is valid. By default, the area shall be the national level; smaller areas may be selected where there is significant subnational variation. For activity types significantly influenced by climatic or topographical variables, non-jurisdictional boundaries can be applied but need to be justified by mitigation activity developers.
Host country income level	Low-, middle- or high- income country as classified by the World Bank Group.https://datahelpdesk.worldbank.org/knowledgebase/articles/906519 Latest classification available at the time of the start of validation or verification of mitigation activity shall be applied

Legal requirements	Laws, statutes, regulations, court orders, decrees, consent agreements[1], executive orders, permitting conditions or any other legally bindings mandates.
Negative list	A list that comprises activities that are not eligible for Article 6.2 and/or Article 6.4 authorisation by a host country.

2.1.2 | The document employs specific terms to indicate varying levels of requirements and possibilities: "shall" for mandatory provisions, "should" for recommendations, "may" for options or permissions, and "can" for multiple possible options. These terms are consistently used throughout the document to clearly differentiate between requirements, recommendations, and possibilities.

3| SCOPE, APPLICABILITY AND ENTRY INTO FORCE

3.1 | Scope

3.1.1 | This standard document outlines the requirements for demonstrating additionality in the GS4GG methodologies. It serves as a guide for:

a. Methodology developers, host countries, and other stakeholders creating methodologies;

b. GS4GG Secretariat, Methodologies Working Groups, and Technical Advisory Committee in assessing methodologies for approval.

3.1.2 | This standard document is NOT intended for preparing project design documents (PDDs) or monitoring reports, unless required by the applied methodology

3.2 | Applicability

3.2.1 | This standard applies to all methodologies – related to both emissions reductions and net removals, submitted for GS4GG approval and may undergo periodic amendments for further refinement. It applies to both- new and currently approved methodologies.

3.2.2 | The standard applies to GS4GG methodologies and methodological tools. For simplicity, only the term methodology is used in this standard.

3.2.3 | The methodology developer shall apply the most recent version of this document available when submitting the methodology draft for review and approval, following the procedure outlined in Procedure for Development, Revision, and Clarification of Methodologies and Methodological Tools.

[1] For example, agreements between parties, such as between a private sector entity and a government, to take an action in exchange for avoiding court action.

3.3 | Entry into force

3.3.1 | This document comes into force on 01/7/2025.

4| NORMATIVE REFERENCE

4.1.1 | This methodology refers to the latest approved versions of the following documents:

a. Standard: Demonstration of additionality in mechanism methodologies (A6.4)

5| GENERAL REQUIREMENTS

5.1 | Principles

5.1.1 | The following principles guide the demonstration of additionality, ensuring that the information provided is accurate and fair. These principles shall guide the application of requirements for development of methodologies.

a. **Relevance:** Include only data, parameters, assumptions, and methods that impact the assessment outcome. Ensure all aspects i.e., data, parameters, assumption and methods used are accurate and verifiable for clarity and reliability;
b. **Completeness:** Provide all necessary information that supports the assessment of additionality;
c. **Consistency:** Apply methods ensure consistent and reliable results across similar circumstances;
d. **Accuracy:** Minimize bias and uncertainties in both quantitative and non-quantitative information;
e. **Transparency:** Disclose sufficient and appropriate information to enable intended users to make decisions with reasonable confidence. Clearly state all data, parameters, assumptions, and methods used. Reference background material, document changes, and justify all data, parameters, methods, and assumptions so that others can reproduce the outcomes;
f. **Conservativeness:** In demonstrating additionality, choose data, parameters, assumptions, and methods that are more likely to lead to conservative outcome i.e., show the mitigation activity is not additional.

5.2 | Requirements

5.2.1 | The methodology shall:

a. specify the approach(es) from available options outlined in 5.3 | below, for demonstrating the additionality of the proposed mitigation activity.
b. ensure that the approach demonstrates:

i. The eligible activity would not be implemented without incentives from carbon credit revenue; and

ii. Carbon credit revenue enables the implementation of the proposed mitigation activity.

5.2.2 | The methodology may require:

a. separate approaches to demonstrate additionality and determine the baseline scenario; OR
b. a combined approach that both demonstrates additionality and determines the baseline scenario. When using a combined approach, both requirements outlined in this document and the latest version of Standard: Setting the baseline in methodologies shall apply.

5.2.3 | The methodology shall that additionality for a proposed activity is:

a. demonstrated for the mitigation activity as a whole (e.g., capturing landfill gas combined with using it for energy generation); and
b. not demonstrated separately for individual components of the mitigation activity (e.g., separately for capturing landfill gas and using it for energy generation).

This provision does not apply if different activities can be separately implemented at one site and do not affect each other (e.g. the implementation of energy efficiency improvements and the catalytic abatement of N_2O emissions at a nitric acid production plant).

5.2.4 | The methodology shall:

a. ensure conservativeness in demonstration of additionality. This applies to all data, parameters, assumptions, and methods used in the analysis (e.g., operating expenditure for financial viability analysis or data on the market penetration of technology);
b. base the degree of conservativeness on the level of uncertainty (e.g., in a sensitivity analysis for financial viability, the selection of parameters to vary and the magnitude of variation shall be informed by uncertainty);
c. consider all sources of uncertainty, including uncertainty in data, parameters, assumptions, and methods.

5.2.5 | The methodology shall:

a. ensure that provisions to demonstrate additionality consider all national or sub-national policies applicable to the relevant activity and its alternatives,
b. include legal requirements, subsidies, taxes, fees and all relevant other incentives,
c. also include any specific national or sub-national goals for the sector or type of activity, as long as supported by the these are supported by policy framework for implementation, but not general goals (e.g., a national emissions target) that are not specific to the sector or type of activity.

5.2.6 | The methodology shall specify the following procedures for applying the approach(es) to demonstrate additionality:

a. The methodology developer shall demonstrate that one or more of the approaches mentioned in section 5.3 | below are satisfied for all or a subset of the mitigation activities eligible under the methodology. The methodology may:
   i. specify applicability criteria or conditions under which the approach is deemed satisfied (e.g., if the mitigation activity is implemented in a particular region, if the installed capacity does not exceed a certain threshold, or if market penetration is below a certain threshold in the relevant geographical region). The developer shall provide documented evidence and justifications, AND
   ii. specify its duration of validity, where applicable, which shall not exceed three years.
b. The methodology developer shall:
   i. specify the approaches to be applied by each individual mitigation activity.
   ii. specify if a simplified approach may be used by regular VPAs, where a real case VPA under the program of activities (PoA) follows the individual mitigation activity requirements. Also, specify the duration of validity for the simplified approach, which shall not exceed three years.
c. Identify the approved methodology tools, where available, that can be used by individual mitigation activity to apply the required methodology.

5.2.7 | For standardized baseline methodology, the methodology developer shall

a. specify which approaches, parameters, or applicability conditions may or shall be used to demonstrate additionality or satisfy the additionality requirements, and
b. specify its duration of validity, where applicable, which shall not exceed three years.

5.3 | Approaches to demonstrate additionality

5.3.1 | The methodology shall include provisions for **each of the following approaches** to ensure that:

a. Regulatory surplus analysis

i. The mitigation activity type is not excluded by the host country from its eligibility list (e.g., a negative list of activities, technologies, or measures ineligible for Article 6.2 and/or Article 6.4);

ii. The mitigation activity results in emission reductions or removals that would not occur due to existing legal requirements, i.e., a law or regulation applicable to the proposed activity that may require a

certain technological, performance or management action shall be considered, noting that regulatory environments vary.

b. Lock-in risk analysis

i. The mitigation activity does not lead to locking in emissions levels or carbon emissions-intensive practices by prolonging the lifetime of emissions-intensive technologies or by new installations using emissions-intensive technologies that are incompatible with paragraph 33 of the Rule, Modalities and Procedures (RMP) of the Article 6.4 (A6.4).

c. Common practice analysis

i. The mitigation activity is not widely adopted or common practice in the relevant sector and/or region (e.g. it has low market penetration).

5.3.2 | In addition to above approach (a, b & c), the methodology shall include **at least one** of the following approaches for additionality demonstration:

d. Financial viability analysis

5.3.3 | The methodology shall include provisions to demonstrate

i. that the mitigation activity is not financially viable without carbon credit revenue, AND

ii. that carbon credit revenue decisively improves the financial performance of the mitigation activity, AND

iii. that carbon credit revenue can make the mitigation activity financially viable.

5.3.4 | The financial viability analysis shall be the default approach. If it is not used, an explanation and justification shall be provided for why it is infeasible or inappropriate for the proposed methodology. In such cases, the methodology developer shall include information on the financial viability of eligible mitigation activities or requires mitigation activity developer to provide the following information

i. the increase in financial viability through carbon credit revenues, AND

ii. the financial viability with and without carbon credits revenue.

e. Barrier analysis

5.3.5 | The methodology may include provisions to demonstrate

i. that implementation of eligible mitigation activities would be prevented by barriers, AND

ii. that carbon credit revenue makes the determining difference for overcoming the identified barriers.

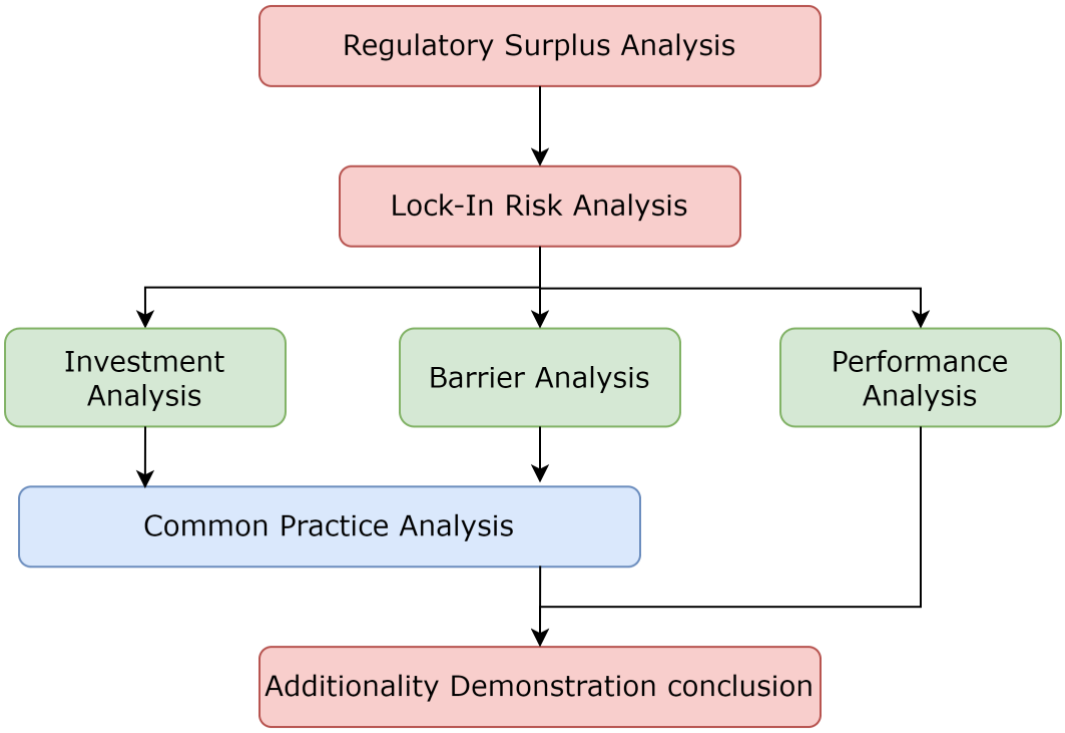
f. Performance analysis

5.3.6 | The methodology may include provisions to demonstrate

i. that a mitigation activity is unlikely to be implemented without carbon revenue incentives if it outperforms other activities in a parameter

(e.g., an emissions benchmark) that serves as a reliable proxy for additionality likelihood for the relevant technology or practice.

Figure 1. Flowchart of the approaches to demonstrate additionality



5.4 | Selection of application level of approaches

5.4.1 | The methodology shall specify the level of application for additionality demonstration approaches as follows:

a. Regulatory surplus analysis shall be implemented at the mitigation activity level.

b. Lock-in analysis, financial viability analysis, common practice analysis, and performance analysis may be conducted at methodology, mitigation activity, or standardized baseline level. For common practice or performance analysis at the mitigation activity level, the methodology shall specify:

i. Criteria for selecting the assessment boundary

ii. An appropriate threshold to ensure additionality

iii. Verifiable evidence to be presented at the mitigation activity level

5.4.2 | Barrier analysis shall be conducted at the methodology or standardised baseline level. If the methodology recommends barrier analysis at the mitigation activity level, it shall:

a. identify, specify, and quantify (where possible) the eligible barriers

b. specify the verifiable evidence to be presented at the mitigation activity level

c. require demonstration that at least one alternative to the mitigation activity does not face significant barriers, including those faced by the mitigation activity

5.4.3 | Barrier analysis may be applied for microscale and small-scale methodologies in line with aforementioned principles with or without a financial viability analysis. For large-scale methodologies, it would be applied in combination with financial viability analysis. In such cases, methodology developer shall justify the reasons why investment analysis is insufficient or infeasible or inappropriate to represent additionality.

5.4.4 | The methodology may apply a combination of approaches at different levels. For example, a mechanism methodology could combine mitigation activity-specific regulatory analysis, lock-in risk analysis, common practice analysis, and financial viability assessment at the mechanism methodology level.

5.4.5 | The methodology may specify combinations of approaches applied at the level of mechanism methodologies or standardized baselines. Such combinations can be determined based on the context of the technology, practice, or geographical application, while other combinations may be used for the remaining regions.

Table 2 - Application level of approaches for additionality demonstration

Approach	Level of application	Requirements for methodology
Regulatory surplus analysis	Mitigation activity level	Refer to the description in section 6
Lock in analysis	Methodology, mitigation activity, or standardized baseline level	Refer to the description in section 6
Common practice analysis	Methodology, mitigation activity, or standardized baseline level	For mitigation activity level: • Specify assessment boundary criteria, additionality threshold, and required evidence
Financial viability analysis	Methodology, mitigation activity, or standardized baseline level	Refer to the description in Section 6
Performance analysis	Methodology, mitigation activity, or standardized baseline level	For mitigation activity level: • Specify assessment boundary criteria, additionality threshold, and required evidence
Barrier analysis	Methodology or standardized baseline level (primarily); Mitigation activity level (if recommended)	For mitigation activity level: • Identify and quantify eligible barriers, specify required evidence, demonstrate alternatives without significant barriers

6| REQUIREMENTS OF ADDITIONALITY APPROACHES

6.1 | Regulatory surplus analysis

6.1.1 | The methodology shall include provisions to demonstrate

a. that the mitigation activity type is not excluded or declared by the host country ineligible i.e., negative list, for carbon crediting issuance, unless the law or regulation refers to or formally integrates the mechanism as an instrument for implementation.

6.1.2 | The analysis shall verify that legal requirements, except for those that refer to or formally integrate the mechanism as an instrument for implementation, do not:

a. Directly mandate the implementation of the mitigation activity (e.g., a regulation requires landfill gas capture);

b. Indirectly mandate the implementation of the mitigation activity, by requiring a certain technological, performance or management action or by preventing alternative scenarios (e.g., air pollution regulations for landfill sites that can only be met by capturing landfill gas);

c. Establish a support scheme that:

i. is designed to achieve a quantitative target or outcome for the relevant technologies or practices;

ii. is applicable to the activity; and

iii. would likely result in the same amount of emission reductions or removals if the activity would not be implemented.

6.1.3 | The analysis shall be based on credible, and up-to-date evidence and be justified.

6.1.4 | The methodology shall specify the appropriate frequency for updating the analysis, considering the context of the type of mitigation activity, as follows:

a. For analysis conducted at a specific mitigation activity level, it shall be performed at the latest, at each renewal of the crediting period.

b. For analysis conducted at a standardized baseline level, the methodology shall specify the validity period of the standardized baseline. This period shall not exceed three years.

6.2 | Lock-in risk analysis

6.2.1 | The methodologies shall ensure that the analysis of lock-in risk follows a neutral approach with regards to technology and source.

6.2.2 | The methodologies shall ensure that a proposed activity:

a. does not lead to adoption or prolonging lifetime of technologies or practices that lock-in current emission levels or continue carbon emissions-intensive practices by extending the life of emissions-intensive installations or building new ones;

b. is consistent with the host country's long-term low-emission development strategy (LT-LEDS), as referred to in Article 4.19 of the Paris Agreement (where the host country has submitted one);
c. for technologies or practices with a long lifetime (i.e., over 10 years), employ those with the lowest greenhouse gas intensity in the relevant region, considering the technology or practice's lifespan, in line with national circumstances, approaches and pathways, and
d. does not involve technologies or practices that constitute inefficient use of resources crucial for climate change mitigation or achieving other policy objectives.

6.2.3 | The methodology developer shall either:

i. Include a procedure for mitigation activity developers to demonstrate compliance with the above requirements; or
ii. Provide appropriate justification that all eligible mitigation activities under the mechanism methodology meet these requirements.

6.2.4 | The analysis shall consider socio-economic contexts, existing infrastructure and any path dependencies. The analysis shall also consider:

a. The technical or operational lifetime of the technologies or practices established as part of proposed activity;
b. The emissions intensity of these technologies and practices;
c. The scale of the proposed activity and
d. Availability and feasibility of alternative options given national circumstances.

6.2.5 | Where the technologies or practices applicable under the methodologies have a technical or operational lifetime of less than 10 years, a mechanism methodology may assume that no lock-in risk exists. Appropriate evidence and justification shall be provided for the estimation of the technical or operational lifetime of the technology or practice. Where this option is used, the validity of the methodology shall be limited to 31 December 2030 and the methodology shall be reviewed by the Secretariat prior to its expiry.

6.3 | Financial analysis

6.3.1 | The methodology may employ the following types of investment analyses:

a. Simple cost analysis: demonstrates that implementing the mitigation activity without carbon credit revenues incurs costs but generates no revenues or cost savings or revenues other than emission reduction or net removals;
b. Benchmark analysis: Evaluates the financial attractiveness of the mitigation activity without carbon credit revenues against a financial benchmark; or

c. Investment comparison analysis: Assesses the financial attractiveness of the mitigation activity without carbon credit revenues compared to alternative options.

6.3.2 | The methodology shall prescribe an analysis type appropriate for the mitigation activity's context. The methodology developer shall provide justification for their chosen analysis.

6.3.3 | When the analysis is applied at the methodology level or as part of a standardized baseline:

a. The analysis shall use data and information representative of the eligible mitigation activities under the methodology, reflecting significant variations among activities, such as geographical region, plant size, or technology differences.

b. The analysis may draw support from literature or data from a sample of activities.

6.3.4 | When the analysis is applied at the mitigation activity level, the methodology shall:

a. Specify the analysis to be applied

b. Outline the detailed procedure for conducting the analysis, either within the methodology or by referencing the available standard tool

a. Requirements for financial analysis

6.3.5 | When conducting the financial analysis, the analysis:

a. shall include all relevant costs (capital expenditure (CAPEX), operational expenditure (OPEX), and monetizable barriers quantified as additional costs) and all revenues and cost savings, including any applicable subsidies, where applicable.

b. shall ensure that assumptions, data, and conclusions are:

i. Transparently documented,

ii. Appropriately justified and supported by verifiable evidence, and

iii. Consistent with information presented to the company's decision-makers and investors/lenders

6.3.6 | All parameters and assumptions in the analysis shall be internally consistent. For example, cash flows shall be expressed uniformly in either real or nominal terms and shall correspond with the selected financial indicator.

6.3.7 | To ensure a conservative approach, the analysis shall include a sensitivity analysis. This analysis shall demonstrate that the conclusion remains robust when applying reasonable variations to critical parameters and assumptions. These critical factors include capital expenditure (CAPEX), operational expenditure (OPEX), revenues, and cost savings, where applicable.

6.3.8 | The analysis of the financial viability of proposed activities without revenues from emissions reduction or net removals shall not include any transaction costs associated with generating emissions reduction/removal (e.g. costs for preparing the PDD, validation and verification, fees to be paid to the Gold Standard).

b. Requirements for benchmark analysis and investment comparison

6.3.9 | The methodology shall require the use of an appropriate financial indicator, such as net present value (NPV) or internal rate of return (IRR).

6.3.10 |The period of assessment:

a. shall reflect the expected operational lifespan of the underlying mitigation activity or practice, and
b. shall include the residual value of assets at the end of assessment period.
c. may use other period or approaches with appropriate justification for the choice.

c. Requirements for benchmark analysis

6.3.11 | For financial benchmark analysis, the following applies:

a. Where the proposed activity can only be implemented by the activity developer, and not by any other entities, the financial benchmark shall be based on the benchmark used by the developer implementing the proposed activity. This may apply, for example, to modifications to an existing plant.
b. Where the proposed activity could also be implemented by other entities, the financial benchmark shall be based on the more conservative value between
    i. the benchmark used by the developer implementing the proposed activity, and
    ii. weighted average cost of capital (or cost of equity, where applicable) typically used in the host country, to sector, and mitigation activity type; this may apply, for example, to the installation of greenfield plants.

6.3.12 |Additionality is demonstrated if the analysis demonstrates that:

a. The mitigation activity fails to meet the required financial benchmark without carbon credit revenues;
b. Carbon credit revenues decisively improve the mitigation activity's financial performance; and
c. With carbon credit revenues, the mitigation activity's financial performance can reach or exceed the required financial benchmark.

d. Requirements for investment comparison analysis

6.3.13 |For most sectors (e.g., energy, industry, waste), the alternative scenarios considered shall provide the same type and level of products or services as the proposed mitigation activity. However, this requirement doesn't apply to all mitigation activities in the Land use and forestry sector and methodology may prescribe further details on requirements.

6.3.14 |Additionality is demonstrated if the analysis shows that:

a. The mitigation activity is not the most financially attractive scenario without carbon credits;

b. Carbon credit revenues decisively improve the mitigation activity's financial performance; and
c. With carbon credit revenues, mitigation activity becomes the most financially attractive scenario.

6.4 | Barrier analysis

6.4.1 | The methodology may employ barrier analysis for mitigation activities that:

a. methodology application is limited to small-scale activities, and
b. are implemented at individual households (e.g., distribution of efficient cookstoves) or at small public or private entities (e.g., schools, small commercial enterprises) that typically do not have access to commercial or public third-party finance; or
c. involve technologies or practices that lead to emission reduction or removal below X tCO_{2eq}/unit/year, where X is defined at the methodology level based on representative achievable emission reductions or removals per unit with similar technologies or practices (e.g., agriculture-based activities such as improved crop rotation, no-till farming, cover cropping, agroforestry, or precision agriculture techniques), and

6.4.2 | The methodology developer may propose additional criteria for applying barrier analysis, provided they present comprehensive justification and substantial evidence for such barriers.

a. Requirements for barrier analysis

6.4.3 | The following types of barriers may be considered:

a. Institutional barriers (e.g., the investor not being the beneficiary of cost savings associated with the investment)
b. Information barriers (e.g., lack of awareness in households of the lifecycle costs of energy-efficient appliances)
c. Financial barriers (e.g., lack of access to loans by rural households)

6.4.4 | Investment barriers (e.g. high interest rates for loans due to high perceived country risks) and other relevant barriers shall be considered as part of an investment analysis.

6.4.5 | For barrier analysis, the methodology shall require the following:

a. Identification of relevant barriers from the eligible barrier list;
b. Demonstration that these barriers prevent implementation of the mitigation activity without carbon credit revenue;
c. Confirmation that no other programs or incentives, such as subsidies, would independently incentivize the mitigation activity;
d. Prove that the carbon credit revenue is crucial in overcoming the identified barriers;

e. Demonstration that at least one plausible alternative to the mitigation activity does not face significant barriers, including those faced by the mitigation activities themselves.

6.4.6 | The barrier analysis shall take into account:

a. All relevant national and sub-national policies, including legislation;
b. Current practices within the sector and geographic area;
c. Indigenous Traditional Knowledge and customary laws, where applicable and
d. Relevant national circumstances, approaches and pathways.

6.4.7 | Barriers that are unique to a proposed mitigation activity may only be used if the activity can only be implemented by the activity participants.

6.4.8 | The barrier analysis shall be supported by credible evidence. Such evidence may include independent studies, publicly available surveys, relevant verifiable market data, or data from national or international statistics but shall not include anecdotal evidence. The evidence shall be interpreted in a conservative manner (i.e. that it is unlikely that the effect of the barrier is overestimated).

6.5 | Common practice analysis

6.5.1 | The methodology shall outline procedures to determine that eligible mitigation activities are not common practice.

6.5.2 | These procedures shall include:

a. A clear definition of an appropriate indicator to assess common practice. This indicator:
    i. shall be based on the recent adoption, existing prevalence, or spread of technologies, services, or practices
    ii. shall consider a realistic maximum market size or potential, taking into account any limitations on the uptake of the relevant technology, service, or practice
b. A clearly defined geographical boundary for assessing common practice for the specific type of technology, service, or practice. This boundary shall consider relevant market limitations where applicable, and
c. The establishment of a suitably conservative threshold that the mitigation activity shall not exceed to be considered additional/ deem additional.

6.6 | Performance-based approaches

6.6.1 | A performance-based approach may be applied to mitigation activities that:

a. Produce a highly homogeneous product or provides a highly standardized service (e.g., electricity)
b. Have measurable performance using a suitable indicator
c. Show better performance as a reliable proxy for additionality

d. Have data on the activity's performance relative to the indicator. This data shall be:

   Data is robust and representative, particularly in dynamic technological environments;

   i. Sufficiently disaggregated, accounting for differences in technologies, geographical or climate conditions, and political, economic, and social environments;
   ii. Reliable and accurate; and
   iii. Verifiable

a. Requirements for performance-based approaches

6.6.2 | The methodology shall define a suitable indicator and threshold for the performance-based approach, where:

a. the indicator serves as a reliable proxy for the likelihood of additionality. This means that activities with a better performance in respect to the indicator(s) shall have a demonstrably higher likelihood of additionality. Indicator(s) may be based on different metrics such as greenhouse gas emissions intensity, market penetration or other unique characteristics of the type of activity.
b. The developer shall demonstrate and justify the suitability and appropriateness of the proposed indicator(s) for the context of the type of activity and geographical areas to which the methodology is applicable. Where possible, the correlation between the indicator(s) and the likelihood of additionality should be quantified.

6.6.3 | The threshold is set so that a mitigation activity is considered additional if it meets or exceeds the threshold - may mean being above or below the threshold, depending on the type of indicator.

6.6.4 | The threshold(s) shall be set ambitiously, by:

a. Ensuring that proposed activity is very likely (i.e. at least 90% probability) to be additional; and
b. Setting the threshold(s) at least at the level referred to in paragraph 36 (ii) of the rules, modalities and procedures of the Article 6.4 mechanism.

6.6.5 | It shall be very unlikely (i.e. less than 10% probability) that the threshold(s) are exceeded by proposed activity due to other influencing factors that are unrelated to the proposed activity (e.g. such as year-to-year climate variations).

6.6.6 | The methodologies shall specify the duration of the validity of any threshold(s) provided in the methodology (e.g. three years) and how threshold(s) will be updated.

6.6.7 | The methodology shall specify the approach to data collection, or which existing data shall be used. The data used by the methodology shall be:

a. Representative, reliable, accurate, consistent and transparent;
b. Recent, especially in dynamic technological environments;

c. Sufficiently disaggregated, taking into account differences in relevant technologies, geographical or climate conditions, and the political, economic and social environment; and

d. Verifiable.

6.6.8 | Uncertainty in the outcome shall be quantified and addressed through conservative approaches (e.g. uncertainty reductions). Where sampling is involved, the sampling approach and any statistical analyses shall be described.

6.6.9 | The methodologies shall demonstrate and justify the suitability and appropriateness of the approach towards using or collecting data in the context of the type of activity and geographical areas to which the methodology is applicable.

6.6.10 |Where a threshold is defined as greenhouse gas emissions per unit of output, it may also be used for determining baseline emissions, as long as the requirements in the "Standard for baseline setting" are fulfilled.

7| REQUIREMENTS FOR ONGOING FINANCIAL NEEDS

7.1 | General requirements

7.1.1 | The methodology shall include requirement for ongoing financial needs assessment for renewal of mitigation activity's crediting period. This assessment shall confirm that the activity still requires carbon credit revenue to remain financially viable and continues to be additional over time.

7.1.2 | The methodology shall outline the scope of reassessment for Ongoing Financial Need (OFN), which shall require, at minimum, the mitigation activity to demonstrate compliance with:

a. Regulatory surplus (mandatory), AND

b. Financial viability analysis, performance analysis, or barrier analysis—whichever approach was applied for the mitigation activity's first crediting period.

7.2 | Frequency of OFN Assessment:

7.2.1 | The methodology shall specify the appropriate frequency for OFN assessment considering the following:

a. Standard frequency: At least every 5 years

7.2.2 | For Land Use and Forestry, Engineered Removals and other activities with longer crediting period (>15 years): As defined at the methodology level.

7.3 | OFN Requirements for Financial viability analysis

7.3.1 | The methodology shall require demonstration that the mitigation activity still needs carbon credit revenue at the time of crediting period renewal. This demonstration shall be done by:

a. considering all revenues generated, including carbon credits and non-carbon credits (e.g., sales incentives, subsidies, other policy benefits), and
b. applying the same option (simple cost analysis, benchmark analysis, or investment comparison analysis) as used for the 1st crediting period.

7.3.2 | If the Ongoing Financial Needs (OFN) assessment shows that the activity requires carbon revenue for a period shorter than the standard crediting period, it may still be eligible for the entire period (e.g., 5 years). However, in this case, no further renewal of crediting period would be permitted.

7.3.3 | In cases where the mitigation developer is unable to realize carbon revenue, they may utilise assumptions from published literature that accurately reflect the project context and technology.

7.4 | OFN Requirements for Barrier analysis

7.4.1 | The methodology shall require that identified barriers still persist and carbon revenue is needed to overcome these barriers.

7.4.2 | If the identified barriers are no longer valid, the methodology may require that the mitigation activity developer demonstrate financial viability analysis instead. For example, the activities involving technologies with a lifetime shorter than the crediting period or needed additional investments to scale up the activity, the mitigation activity developer may undertake an investment analysis for the renewal.

7.5 | Requirements for performance analysis

7.5.1 | The methodology shall include provisions to demonstrate that the chosen parameter (e.g., an emissions benchmark) used as a reliable proxy for additionality likelihood for the relevant technology or practice is still valid.

7.5.2 | If the identified parameter is no longer valid, the methodology may require that the mitigation activity developer demonstrates financial viability instead. For example, an energy efficiency project initially chose representative emission factor as its performance parameter. At the start, the industry-wide emission factor was 0.5 tCO2e/unit of product, while the mitigation activity's emission factor was 0.2 tCO2e/unit. After 5 years, during reassessment, the emission factor had decreased to 0.3 tCO2e/unit, while the mitigation activity's factor remained at 0.2 tCO2e/unit. In such cases, industry-wide decarbonization can impact the chosen parameter's validity. As the difference between the industry's reference emission factor and mitigation activity emission factors narrows, the parameter may no longer serve as a reliable proxy for additionality. Consequently, the methodology may require a shift to financial viability analysis to demonstrate the ongoing need for carbon credits revenue.

7.6 | Exceptions to Reassessment

7.6.1 | Activities listed on valid global or national positive lists for financial additionality at the time of crediting period renewal are exempt from OFN analysis.

7.6.2 | If the mitigation activity applied a global or national positive list for additionality demonstration in the first crediting period, which is no longer valid, the methodology may require demonstration of financial viability analysis and ongoing need for carbon credit revenue at the time of crediting period renewal.

Document Information

Version	Date	Description
1.0	24.04.2025	Initial adoption

Document Type: Methodology Standard
Function: Methodology

Published by Gold Standard