

The Compensate Credit



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Making a credible claim with current market standards for carbon credits is challenging. Compensate has created a unique solution to tackle the most crucial flaws that the current voluntary carbon market has. It is called the Compensate Credit.

The Compensate Credit is a high quality carbon credit that builds upon international standards, like Gold Standard and Verra, but goes even beyond them. It is based on a diverse portfolio of carbon projects that meet tight criteria related to climate integrity, biodiversity, social justice, and human rights. The credit has an in-built overcompensation that mitigates risks related to carbon projects and provides a more robust compensation claim compared to standard carbon credits.

Diverse portfolio

Like investment managers managing a fund to deliver the best value, Compensate creates a “meta-credit” by managing a diverse carbon project portfolio to deliver the best possible climate impact. This portfolio allows Compensate to maximise its clients’ investments into carbon projects. Diversification serves also as further mitigation against the risks associated with any given project.



The portfolio is diverse and dynamic, making it possible to mix a wide range of project types with different prices, while regularly monitoring and replacing existing projects with better ones. Currently, the portfolio consists of a selection of nature-based projects, including forest conservation, afforestation and reforestation, blue carbon and biochar. The share of each project is determined by the project's climate integrity score and its price, allowing for the best impact-cost ratio.

80% of the portfolio focuses on established nature-based methodologies, including forest conservation, reforestation and afforestation projects. 20% is dedicated to innovative carbon capture methods.

Commitment to Oxford Principles

Compensate is committed to developing the portfolio according to the Oxford Principles on Net Zero Aligned Offsetting. The portfolio is already split 50/50 between avoided emissions and carbon removal projects.

Compensate has also started to gradually phase out avoided emissions projects with short-lived storage. Increasing the share of both avoided emissions and removal projects with long-lived storage is also a priority in developing Compensate's dynamic portfolio of carbon projects.

Strict project criteria

Compensate has, in co-operation and with guidance from its Scientific Advisory Panel, formed a criteria for evaluating all projects that are included in the portfolio. All projects are evaluated on climate impact, biodiversity, social justice and human rights. 90% of projects evaluated have thus far been excluded from the portfolio as they do not meet Compensate's criteria. Almost all evaluated projects are verified under international carbon standards like Verra, Gold Standard or Plan Vivo.

Innovative project types, like biochar, soil carbon, blue carbon (underwater carbon capture), are evaluated in a simplified manner, as these methodologies are still emerging and do not yet meet the strict criteria used for established methodologies. Compensate wants to incentivize the development and market access of these new methodologies, knowing their vast potential in helping solve the climate crisis and the many limitations of more traditional projects. By investing in innovative carbon capture, Compensate helps its clients not only compensate for their emissions with methodologies that would otherwise remain quite expensive, but also supports these modern solutions to fight climate change.

In-built overcompensation

In theory, each carbon credit sold on the voluntary carbon market is worth one tonne of CO₂. However, due to the many uncertainties in carbon projects, which are not always rigorously taken into account or mitigated, Compensate can't be confident that one standard carbon credit really equals one tonne of CO₂ either as avoided emissions or as CO₂ removed from the atmosphere.

Compensate's strict evaluation process includes scoring projects in order to estimate the real climate impact of one carbon credit. This results in a project-specific climate impact score. For instance, for a project with an impact score of 0.7, one credit is equivalent to 0.7 tonnes of CO₂. In order to provide a robust offsetting claim, Compensate overcompensates by purchasing enough credits to reach a real impact equivalent to one tonne of CO₂. This overcompensation mechanism is incorporated in the Compensate credit.

No double-counting

Compensate makes sure that buyers of the Compensate Credit can make a credible compensation claim. This requires avoiding double counting.

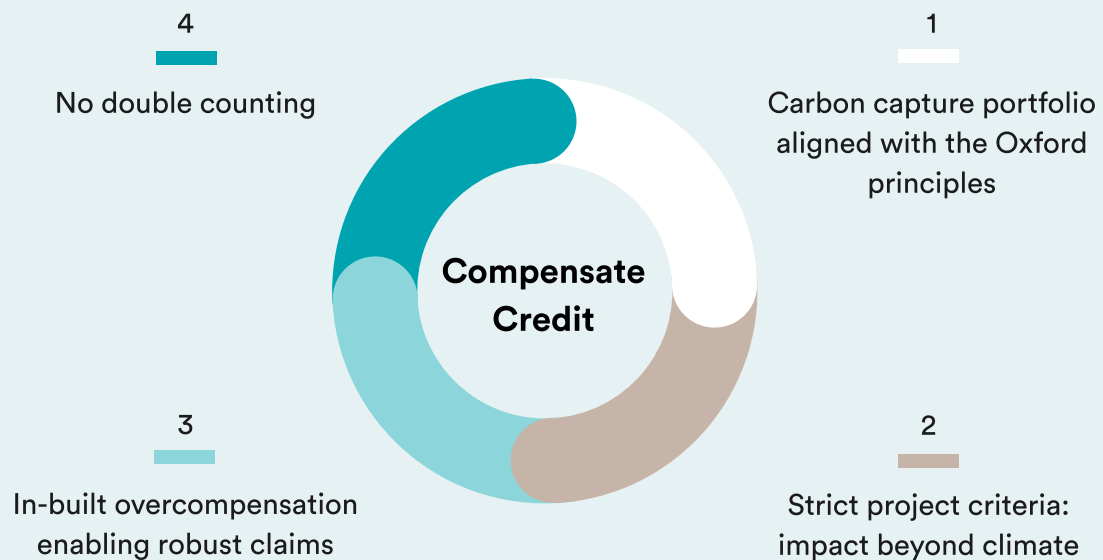
Double counting refers to a situation where two parties claim the same carbon removal or emission reduction.

Commonly, the two claiming parties are an organisation offsetting its emissions and the host country of the project trying to reach its nationally determined contribution (NDC), or climate target, under the Paris Agreement.

Compensate avoids double counting by selecting projects in countries that apply so-called corresponding adjustments for credits sold on the voluntary carbon market. For the time being Compensate also uses pre-2020 credit vintages that are not affected by the Paris Agreement carbon accounting rules. Compensate can also select projects that operate in sectors where that host country does not have mitigation targets.



The Compensate credit is a new type of carbon credit that is built on four key elements:



1 A “meta-credit” built with a portfolio of carbon projects

- Risks related to especially nature-based projects are mitigated by a large portfolio of projects (typically 10-12 projects).
- Consists mostly of Gold Standard and Verra certified projects, but also smaller standards like Plan Vivo and Puro.Earth.
- Dynamic portfolio that is aligned with the Oxford Principles of Net Zero Aligned Offsetting. The portfolio currently consists of 50% carbon removal projects and 50% avoided emissions projects.
- 20% of projects are innovative solutions to carbon removal, thus supporting innovation and new technologies to enter the market.

2 Strict project criteria

- All projects meet Compensate's strict project evaluation criteria related to climate integrity, biodiversity, social justice, and human rights.
- Through diverse project types, the Compensate credit supports all the Sustainable Development Goals of the United Nations.

3 In-built overcompensation enabling robust claims

- Compensate's project evaluation criteria are used to score each project to determine the necessary overcompensation for that project.
- The share of each project is based on its climate impact score: providing the best impact-cost ratio.

4 No double counting

- Projects are located in countries that apply corresponding adjustments for credits sold to the voluntary carbon market,
- or
- Compensate uses credit vintages that are not affected by the Paris Agreement carbon accounting rules,
- or
- Projects are in sectors where that host country does not have mitigation targets.