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Promoting and reporting on climate action carried out within the framework of the Low-Carbon Standard

Clarifications and practical examples from the agricultural sector

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Study overview

French agriculture lacks the capacity to single-handedly address the many challenges it faces. Its necessary transformation can only proceed if additional external funding is made available. Carbon certification frameworks, by providing guarantees on the veracity of emission reductions (ER) and the additionality of projects, are one of the tools to provide new financial resources to the sector.

France has had its own carbon certification framework since 2018, overseen by the Ministry of the Ecological Transition: the French Low-Carbon Standard (*Label Bas-Carbone*, LBC)[1]. The development of sectoral methodologies is progressing rapidly and projects have already received the standard, but it has become apparent that several clarifications are necessary to facilitate the financing of agricultural projects by agribusinesses. A recurring question asked by potential funders is "What am I allowed to say and do when financing certified low-carbon projects?" And underlying this question are many others: are there double counting problems surrounding voluntary credits and State inventories? Is there a need to distinguish between ER from inside or outside the value chain in the context of a carbon offset approach? What are the best methods of project communication when several funders are involved?

These questions are not specific to the LBC, as they concern the functioning of all voluntary carbon markets, and nor are they new. However, they remain topical and are even the subject of numerous international debates, although no consensus has been reached. Paradoxically, these discussions, held in the pursuit of rigour and raising ambitions, are delaying the financing of projects. In the short term it is therefore necessary to provide operational answers to funders, at least in the specific LBC context. In France, these issues have mainly been raised by the agri-food industries, which is why this document focuses specifically on this sector.

Taking this into account, the aim of this study is to provide practical answers to agri-food companies that are wondering what they are entitled to say or do when financing projects within the LBC framework. Through an analysis of five project funding case types, we make recommendations on the structuring of the carbon assessment and reporting with which financing companies can engage, whether through a carbon offsetting approach or a contribution to the climate effort.

These technical recommendations made for each case type stem from three general recommendations: when financing low-carbon projects, one must seek to be cooperative, pragmatic and transparent.

Cooperation

Neither the private sector nor the State alone has the means to finance all the projects needed to achieve the objectives that France has set itself in the framework of the Paris Agreement. Partnerships between value chains, between industrial sectors, between territories, between the private and public sectors, should be facilitated and encouraged to finance as many projects as possible.

Presenting oneself as the sole beneficiary of a financed project in terms of carbon accounting is often misleading and can be detrimental to project development. In the carbon field, everyone benefits from the actions of others. So much the better if "collateral benefits", such as Scope 3 reductions for a third party, occur during a project's implementation. But beware: only funders can claim responsibility for ER.

Pragmatism

Guidelines cannot be based on rules that are unverifiable in practice, as we see for the issue of double counting between Scope 3 carbon reporting and voluntary credits. It must be remembered that the framework within which companies act on climate change inherently involves a degree of uncertainty, which is limited and controlled, but nevertheless real. Perfect is the enemy of good: the search for rigour and high standards must not be at the expense of project funding.

Transparency

Transparency is the most important point and the counterpart of the first two. Being transparent about actions undertaken is the best guarantee of credibility regarding climate impact. Agribusinesses must first make a clear distinction between their carbon reporting on the one hand, and the ER purchased or financed by the organisation on the other.

Furthermore, they should report not only in tCO_2e, the commonly used indicator, but also in euros, to show the amount spent on project financing. This provides additional information. Ideally, both figures should be provided, and not one or the other. Indeed, a contribution made at a carbon credit price of 5 euros, for example, is not equal to one with a credit price of 100 euros.

Finally, a funder's communication should not anticipate the certification of ER. As soon as funding has been committed, it is possible to report in terms of euros. However, it is not until ER have been acknowledged by the Ministry that the volume of ER can be made public.

1 https://www.ecologie.gouv.fr/label-bas-carbone

1. Introduction

To keep global warming below 2°C, the economy must be transformed and financing must be massively redirected towards sustainable projects aligned with Paris Agreement objectives. The Low-Carbon Standard (*Label Bas-Carbone*, LBC), the French voluntary carbon certification framework, has the dual objective of providing guarantees on project sustainability and climate impact, and thus facilitating the reorientation of financing. France is not the only country to have developed a domestic carbon certification framework in Europe: the Netherlands, for example, has done so with its national Green Deal and the Woodland Carbon Code has been developed in the United Kingdom.[2] It is now the European Union that is planning, in the framework of the Farm to Fork strategy[3], the creation of a European carbon certification framework. A fundamental dynamic is therefore underway and while the financing of low-carbon projects in Europe is voluntary at present, a demand for regulation could emerge in the years ahead.

Created by the Ministry of the Ecological Transition (*Ministère de la Transition Écologique*, MTE) on 28 November 2018 (publication of a decree and an order defining its reference framework), the LBC is still in its operationalisation phase. The development of sectoral methodologies is progressing rapidly (to date there are three methodologies for the forestry sector, six for agriculture, and others are being drafted)[4], and some projects have already been awarded with the standard, but it has become clear that there is a need for clarification on how climate action can be promoted (particularly for companies in the agricultural sector that finance certified emission reductions – ER – in their value chain).

Is there a double counting problem between LBC credits and the State inventory? Is there a need to distinguish between ER from inside or outside the value chain when calculating carbon assessment? How to communicate on projects when several funders are involved? While these questions are the subject of fierce debate at the international level, they nevertheless require clear answers to facilitate project financing and to accelerate the low-carbon transition in France. This document therefore proposes rules for agricultural LBC projects on carbon assessment and reporting, regardless of the funding structure, which may vary from one project to another. This publication is therefore seeking to address a short-term operational need. The answers provided here may need adjustment if international guidelines are to be applied. There is, however, some flexibility in their application since most are conventions (and not regulatory constraints). Recognised institutions are taking a stand, but these issues remain very much under discussion and a number of questions are still being debated at the international level.

After a brief reminder about the LBC, and particularly what it does and does not allow, the various LBC project financing methods are presented. The second section of the document reviews the international context in terms of corporate carbon accounting rules. The third section deciphers the issues surrounding double counting and proposes a new vision of this controversy that would encourage cooperation in low-carbon transition financing, while guaranteeing the environmental integrity of projects. Finally, the last section proposes rules for carbon assessment and communication for companies in the agricultural sector that wish to finance LBC projects under different financing scenarios.

2 https://www.i4ce.org/wp-core/wp-content/uploads/2020/02/0218-i4ce3153-DomecticCarbonLabels.pdf
3 https://eur-lex.europa.eu/resource.html?uri=cellar:ea0f9f73-9ab2-11ea-9d2d-01aa75ed71a1.0002.02/DOC_1&format=PDF
4 https://www.ecologie.gouv.fr/label-bas-carbone#e3

2. The Low-Carbon Standard: a tool to guarantee a project's carbon impact

This section introduces several LBC elements to facilitate the full understanding of this document. For more information on the functioning, objectives and philosophy of the LBC, see the following documents:

- LBC legal order[5],
- Methods[6], webinars[7] and informational guide[8].

2.1. A label for low-carbon projects, not for corporate climate strategy

The Low-Carbon Standard provides guarantees on the quantities of ERs or on additional carbon capture achieved by a project. It allows the certification of project impacts, but its Scope of action stops there.

Indeed, **the LBC is not intended to assess the relevance of a funder's climate strategy or their consistency with the Paris Agreement or the National Low-Carbon Strategy (SNBC)[9]**. Other tools exist for this purpose and are presented below. Furthermore, the LBC is not intended to define the rules on carbon assessments and reporting that should be applied by entities that finance such certified low-carbon projects. Paradoxically, the current lack of clarity regarding these rules is hindering the financing of low-carbon projects. In short, the LBC is not intended to provide the clarifications however necessary for its development, which is why this publication aims to propose clear rules on carbon assessment and reporting.

2.2. A tool to facilitate transition

The LBC certifies a strategy of progress, its objective is to quantify and certify an improvement compared to a "baseline" situation. It does not therefore allow a farm to be declared as "low-carbon" but that "it has reduced its emissions by X tCO_2e". Similarly, **the LBC does not allow a product from a farm engaged in an LBC project to be declared as "low-carbon"**. It is not therefore possible to label a product as "low-carbon" even if it is partly made from raw materials from a farm under an LBC project. This differs, for example, from the High Environmental Value (*Haute Valeur Environnementale*, HVE) certification, which can be granted to farms and allows the HVE logo to be displayed on products containing at least 95% of raw materials from HVE farms.

There is a one-off time-limited carbon income for farmers involved in LBC projects. Indeed, this income is granted over the period of a project's certification (five years in most cases). If the farmer wishes to benefit from this financial contribution again, the project must be renewed. It will therefore be necessary to demonstrate once again that it is additional, *i.e.* that the methods concerned have not become common practice, that they have not become compulsory, and that they are not otherwise economically valued, making them already desirable for farmers.

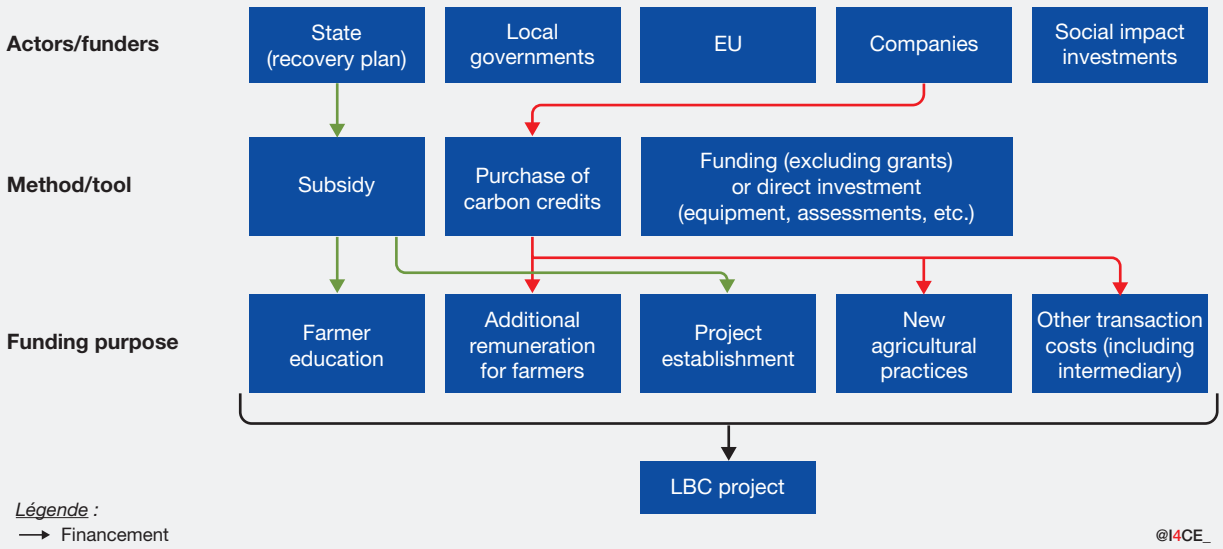
In the long term, continuing the financing of good practices implemented through LBC projects could function via an industry premium (*e.g.* a cooperative could grant a premium per tonne of product sold by a farmer in return for respecting certain specifications or achieving a carbon intensity below a given threshold).

2.3. Mobilising different funding sources

Projects must demonstrate additionality to be eligible for LBC certification, but this does not prevent different sources and forms of funding from co-existing. The diagram below, although not exhaustive, shows the diverse possibilities for financing an LBC project with different financial actors, private or public, and their various means of action.

5 https://www.legifrance.gouv.fr/loda/id/JORFTEXT000037657970/
6 https://www.ecologie.gouv.fr/label-bas-carbone#scroll-nav__5
7 https://www.ecologie.gouv.fr/label-bas-carbone
8 https://www.ecologie.gouv.fr/sites/default/files/LabelBasCarbone-GuidePedagogique-Mai2020.pdf
9 https://www.ecologie.gouv.fr/strategie-nationale-bas-carbone-snbc

FIGURE 1: EXAMPLE OF AN LBC PROJECT'S FUNDING STRUCTURE



Note: The French State already partly finances LBC projects via the recovery plan's measure "bon diagnostic carbone"[10] (subsidy for carbon assessment), certain regions also contribute to the financing of LBC projects through similar methods to those of the recovery plan, and companies are also already being mobilised, mainly via the voluntary purchase of ERs. At present, no European funding has been earmarked for LBC projects, but this could be the case if LBC were to be used to designate aid from the CAP. All this funding is intended to cover the costs of projects of various kinds and provide an additional incentive income. Two main cost types can be identified: project-specific costs (training and support for farmers, risk-taking incurred through changes in practices, investment in new equipment required for the project, etc.) and costs related to low-carbon certification (data collection, auditor verification, etc.).

Red and green arrows illustrate a hypothetical example of a co-financed LBC project with initial GHG assessments (the results of these assessments are used to determine the reference scenario required to set up a project) and the action plan for each operation being financed by the State via the recovery plan (green arrows), while the purchase of carbon credits by companies completes the financing requirements.

In most cases, the funding of low-carbon projects is supplementary to a diversity of other financial streams (private and/or public). This additional funding must therefore be carefully considered and sized at the early stages of a project, to ensure that a project is not over-financed, which would render such projects as no longer additional, and therefore ineligible for the standard. The opposite situation would be equally problematic: restricting all funding sources other than the purchase of carbon credits would drastically reduce the number of eligible projects and therefore the value of the standard, because most GHG emissions are linked to economic production which, by definition, already benefits from funding (at least the proceeds from sales). Funding can be provided upstream of a project (pre-financing), during the project or after the final audit.

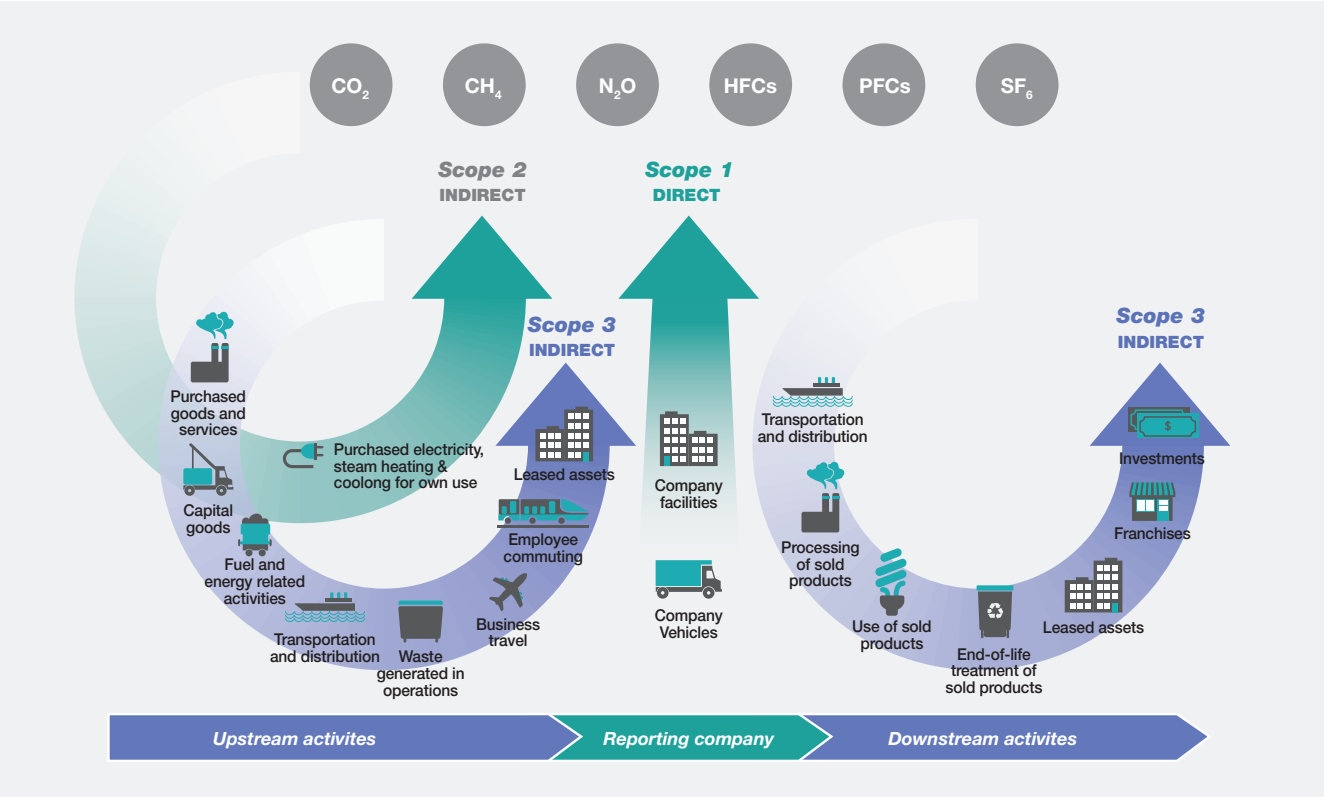
10 https://www.economie.gouv.fr/plan-de-relance/profils/entreprises/bon-bilan-carbone

3. The main corporate carbon reporting rules proposed at the international level

Carbon assessment, along with the reporting on this topic, has gradually become structured with the emergence of climate issues over the last few decades. Initially, the aim was to create calculation methodologies, taxonomies and other tools to provide information, to help build climate strategies, to compare efforts over time and between players, and even to legislate on carbon. The organisations that have contributed most to this structuring, including the GHG Protocol, are commonly referred to as standards. These organisations have published reference documents on the subject[11], which are regularly updated.

It was during this period that carbon assessment was conceptualised. The idea was to provide a document for each company that listed all its greenhouse gas (GHG) emissions. It was therefore necessary to understand what should be counted, how it should be counted, what data should be used and what classification applied. This process of reflection led to the establishment of a guidance document that companies are invited to implement in order to carry out their "carbon assessment". One of the main ways in which this document is structured is by distinguishing between the emissions for which a company is directly responsible (Scope 1 and Scope 2) and those of its value chain (Scope 3):

FIGURE 2: OVERVIEW OF GHG PROTOCOL SCOPES



Source : GHG Protocol.

11 For example, with regard to the GHG balance: https://ghgprotocol.org/sites/default/files/labels/ghg-protocol-revised.pdf

In addition to guides for the carbon assessment of activities, other methodologies have been developed. Their aim is to determine the right level of ambition and the right decarbonisation pathway for a given stakeholder to align with Paris Agreement objectives (*e.g.* Science Based Targets initiative, SBTi)[12]; or to assess the adequacy of a stakeholder's action and their decarbonisation pathway (Assessing low-Carbon Transition, ACT)[13]. And finally, methodologies to determine the right amount of funding for low-carbon projects outside the value chain are being proposed under the Net Zero Initiative (NZI)[14] led by *Carbone 4*.

There are three distinct visions regarding the link between carbon assessment and the financing of certified low-carbon projects, which are:

- **Carbon offsetting with the aim of achieving carbon neutrality for Scopes 1 and 2.** Two variations of this vision should be distinguished. The first is "offsetting", which is historically the oldest, and consists of buying credits equivalent to the combined emissions of the two scopes. The second vision, developed to address certain criticisms of the first, is called "insetting": where the aim remains the offsetting of emissions directly linked to an activity (Scopes 1 and 2), but in this case by financing certified low-carbon projects located in the related value chain, or at least in its activity sector. This is therefore different from the previous case, where the company is not interested in the origin of the credits it was buying.
- **Carbon offsetting specifically outside the value chain with the aim of achieving carbon neutrality for Scopes 1, 2 and 3**: This vision is more ambitious than the first because it is not only a question of offsetting direct emissions (Scope 1 and 2), but also the value chain's emissions (Scope 3). In this case, the concept of insetting becomes impossible since it would mean counting the same ER twice for the same target. Indeed, the ER resulting from a project located within a value chain would be counted once in a company's Scope 3 carbon footprint and would also be subtracted in an offsetting context. The coexistence of these two visions under the name of "carbon neutrality" can be a source of tension and confusion for the general public: a company with lower ambitions, with a carbon neutrality objective for Scopes 1 and 2 only, can appear carbon neutral without any concerns over double counting, while its communication is facilitated by the insetting concept. However, a third vision is developing that can resolve this inconsistency.

Note: in the case of the agricultural sector, emissions are concentrated at the production stage (*i.e.* on the farm). For downstream companies, having a target only for Scopes 1 and 2 therefore strongly limits the level of ambition.

- **Contribution to the climate effort without claiming carbon neutrality**: the idea is to report clearly and distinctly, on the one hand the Scope 1, 2 and 3, and on the other hand the financing of certified low-carbon projects, without seeking to artificially subtract one from the other.

This contribution concept began with the aim of overcoming the shortcomings of the "compensation" rationale where the demonstration of carbon neutrality is sought by subtracting purchased carbon credits from one's carbon assessment to claim net-zero carbon. This mathematical form of carbon neutrality has recently been criticised by ADEME[15] and the UN[16], among others. The contribution rationale has therefore been gradually structured throughout the world, which has had a practical implication: the improvement of transparency on emissions and their reduction. However, this concept raises the question of the right level of contribution[17]. Indeed, while for offsetting the amount of credits to purchase is relatively clear and corresponds to the amount of residual emissions (even if the range over which these residual emissions are calculated may vary), for contributions there is to date no clear indicator on the right level of carbon credits to purchase or the financial sum to be channelled to ER projects.

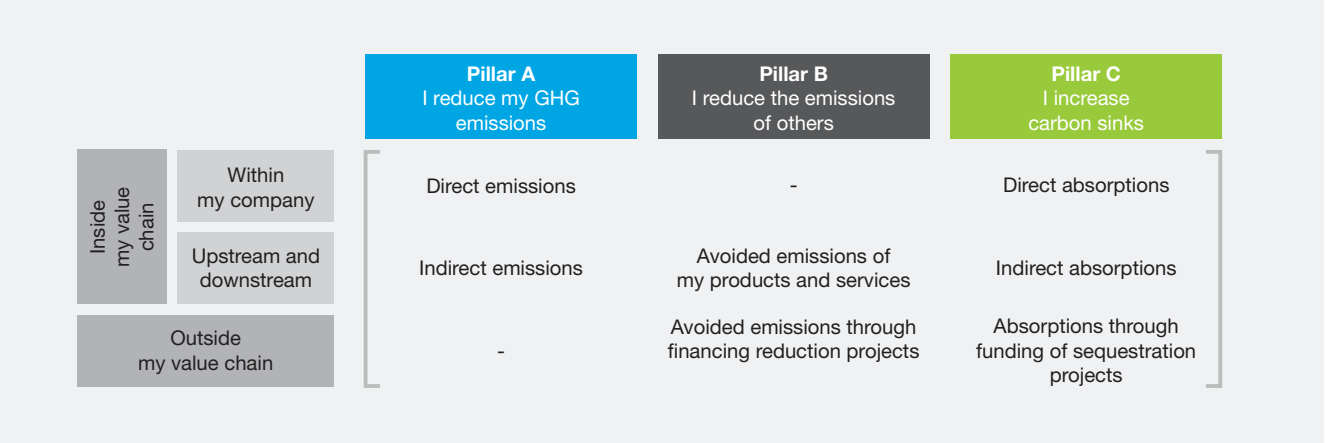
In summary, the difference between offsetting and contributions is whether or not one is seeking to claim carbon neutrality.

Our recommendation is that this contribution rationale should be encouraged due to its greater transparency (residual emissions are not hidden) and because it encourages cooperation between actors insofar as double counting is more accepted. However, it is the concept of compensation that has prevailed to date: it was therefore important to include it in this study. This allows us to compare the valorisation enabled by these two rationales and to better understand their differences.

In France, the NZI initiative is based on this third vision and proposes a table for the carbon assessment of companies (see **figure below**): the financing of certified projects is then counted in separate categories of a company's carbon footprint (pillar A), whether they are ER projects (B3, or helping others outside its value chain to reduce their emissions) or carbon sequestration projects (C3, or developing sinks outside its value chain).

12 https://sciencebasedtargets.org
13 https://actinitiative.org/
14 https://www.carbone4.com/projet-nzi
15 https://www.ademe.fr/sites/default/files/assets/documents/avis-ademe-neutralite-carbone-2021.pdf
16 https://www.unep.org/fr/actualites-et-recits/recit/les-compensations-carbone-ne-nous-sauveront-pas
17 On this subject, see "Science Based Targets" (https://sciencebasedtargets.org).

FIGURE 3: NZI DASHBOARD



Source: NZI

While the methods for carrying out carbon assessments of companies, projects and products are widely agreed upon and are subject to ISO standards as well as a regulatory framework, the methods for reporting on an actor's contribution to the global objective of carbon neutrality, or for setting the right level of effort, are still the subject of discussion and methodological development. Thus, these three "visions", although commonly used, are neither the subject of regulation or consensus.

4. Double counting: often a false problem that limits actor cooperation

4.1. Double counting between voluntary carbon credits and national inventories

4.1.a. Development of international standard positioning

Modelled on the functioning of the Kyoto Protocol's Joint Implementation (JI) and Clean Development Mechanism (CDM) projects, voluntary international standards have prohibited double claims in the voluntary carbon market between companies buying carbon credits and governments with climate targets. By requiring host countries with quantified ER targets to cancel domestic allowances for any voluntary projects developed within their territory (the "corresponding adjustments" - CA), standards have aligned themselves with a rationale which requires going beyond national climate targets. This has been a factor in restricting the development of such mitigation projects in developed countries. Maintaining this way of managing double claiming (*i.e.* to prevent it) in the era of the Paris Agreement would stop international standards from certifying projects not only in developed countries, as it has already been the case, but also in a growing number of developing countries that had to set targets via their Nationally Determined Contributions (NDCs).

Indeed, with the Paris Agreement, the extension of mitigation commitments to all UNFCCC State Parties has generalised the issue of double claiming, even though not all emitting sectors are systematically covered by NDCs, nor are the targets systematically quantified. The inevitable overlap between mitigation targets set at different scales and by different actors calls for a clarification of the accounting between voluntary commitments and the national climate targets of countries.

To address these developments voluntary market actors have been working since 2015 to progressively revise the conceptualisation of voluntary carbon markets. Several approaches continue to co-exist on this subject. Regarding this type of double counting, the positions (to date) of the three main players in the sector are as follows:

- Gold Standard adapts its management depending on the buyer's claim[18]. If the purchaser wishes to buy credits as part of an offset process, a CA must be carried out. On the other hand, if the buyer is involved in a contribution approach, no CA is required.
- Verra no longer requires a CA. However, the organisation leaves it up to the buyer to opt for credits that are "Article 6 compatible", which have therefore been subject to a CA (this is at the buyer's discretion). Verra also states that dealing with this issue is not part of its mission, and subsequently the organisation believes that it has no responsibility for claims made with their credits.
- ICROA (the organisation representing credit sellers) considers that voluntary mitigation activities do not result in double counting, as they are only counted once at the UN level, by the host country[19]. As for claims associated with credits, ICROA feels that the claim of carbon neutrality is justified if the funding organisation's approach combines in-house reductions with certified reductions outside of its perimeter, and without cancellation of units by States. ICROA considers that the introduction of CA would only lead to an unfounded distortion of UN accounting.

In addition to market actors, civil society organisations, such as the Climate Action Network (CAN)[20], are also positioning themselves in favour of the contribution of voluntary markets to national objectives.

In short, international standards have had to change their position: from a situation where double counting between voluntary carbon credits and national inventories was prohibited, we are moving to a situation where it is generally accepted.

4.1.b. Our proposal, which is already the current approach of the LBC in France

Since the creation of the LBC, the French government has considered that the problem of double counting is not an issue from an environmental integrity perspective, provided that the double counting is not applied to the same objective. The same ER can indeed be counted twice ("double-counted") at two different levels: once in a company's carbon assessment and once in the government's inventory, because these are two distinct levels of accounting. It is not a problem because the intension is not to add them

18 Regarding the position of Gold Standard towards CA, see in particular: https://www.goldstandard.org/blog-item/corresponding-adjustments-not-unsurmountable-obstacle-interview-hugh-salway
19 https://www.icroa.org/resources/Documents/ICROA_Voluntary_Action_Post_2020_Position_Paper_March_2020.pdf
20 https://climatenetwork.org/wp-content/uploads/2021/05/CAN-International-Position_Voluntary-Carbon-Markets_April2021-1.pdf

together. On the other hand, it is important that an ER is not claimed by two different countries (a common occurrence is where the financing country as well as the country where the ER is achieved both want to account for the reduction).

International climate conventions make States responsible for both emissions and ER occurring within their borders. Automatically, mitigation outcomes undertaken at all levels within the national territory aggregate at the higher state level, and ultimately contribute to the global objective. This territorial approach implies that ER count towards a host country's mitigation outcome, whether they are initiated by citizens or other entities, and whether or not they result from legal restrictions. Double counting between two countries is detrimental to environmental integrity and should be avoided at all costs, while "vertical" double counting between a state and one of its components should not be considered problematic.

Through theories of contractualisation and association between the State and its constituents, political philosophy can demonstrate that the combined action of citizens results in the climate performance of the State. Thus, voluntary mitigation actions can be legitimately considered in national emissions targets. Moreover, the law also validates the legitimate contribution of voluntary actions to quantified targets, without questioning the duty of States to act.

In short, the generalisation of national ER targets under the Paris Agreement is forcing standards to review their position: from a "beyond compliance" paradigm (carbon credits from voluntary markets are counted outside national targets), they are moving towards a "climate contribution" paradigm, which authorises the double claiming of carbon credits between companies and governments. Finding a definitive solution to this quandary would also enable a refocusing of the debate on the issue of the coherence of buyers' climate strategies and the quality of certification. In France, the LBC serves as a tool for the SNBC and as such considers that double counting between voluntary carbon credits and the national inventory is not a problem. The UK has adopted the same position on its Woodland Carbon Code.

4.2. Double counting between voluntary carbon credits and a company's carbon assessment

4.2.a. Approaches of international standards

With this second type of double counting, we consider the case where an ER can generate both a carbon credit and reduce a company's Scope 3 emissions. There is no international consensus on how to manage this type of double counting.

Gold Standard's view on this point is very clear: "the issuance of carbon credits for use in offsetting or other uniquely claimed benefits should be limited to the ER and removals related to the balance of goods and services not reported in the Scope 3 Inventory unless an inventory adjustment is made (*i.e.* the Scope 3 inventory is revised to exclude the benefits of sold credits). In other words, it is not possible to issue carbon credits from ER that are also reported in the corporate inventory"[21].

For example, a food company that finances an LBC project on a farm from which it obtains its supplies could not generate, via the same ER, both a reduction in its Scope 3 (since the farm is in its value chain) and carbon credits that it could sell. For example, on a project entirely financed by a dairy and which generates 100 tonnes of ER, of which 60 tonnes are in the dairy's value chain (the share of ER achieved on the farm attributed to milk production) and 40 tonnes outside, it must report:

- a 60-tonne reduction in Scope 3 emissions;
- 40 carbon credits (possibly used for offsetting).

There is no consensus on this issue among the standards, as the GHG Protocol states in its reference guide "A Corporate Accounting and Reporting Standard"[22] that, with regard to voluntary credits, a company's balance sheet must provide information "on reductions at sources inside the inventory boundary that have been sold/transferred as offsets to a third party" (page 66), thus implying that it is possible to sell credits resulting from ER within the inventory boundary, *i.e.* inside the value chain.

To avoid this type of problem, which is based on the imperative of a single use of carbon credits in the context of offsetting according to Gold Standard, this standard is considering a new framework that places decreasing emphasis on offsetting: "[…] the space for carbon offsetting is becoming increasingly limited. This is a good thing."[23]. Gold Standard is now seeking to move beyond this logic to reach new types of claims by using carbon credits differently: "The act of offsetting is only one specific use of carbon credits. It need not be the only one. In fact, there is growing interest in uses of the carbon market that do not rely on unique claims."[24]

21 https://www.goldstandard.org/sites/default/files/value_change_scope3_guidance-v.1.1.pdf
22 https://ghgprotocol.org/sites/default/files/labels/ghg-protocol-revised.pdf
23 https://www.goldstandard.org/blog-item/climate-impact-claims-crowd-private-sector-finance
24 Ibid.

4.2.b. Our proposal

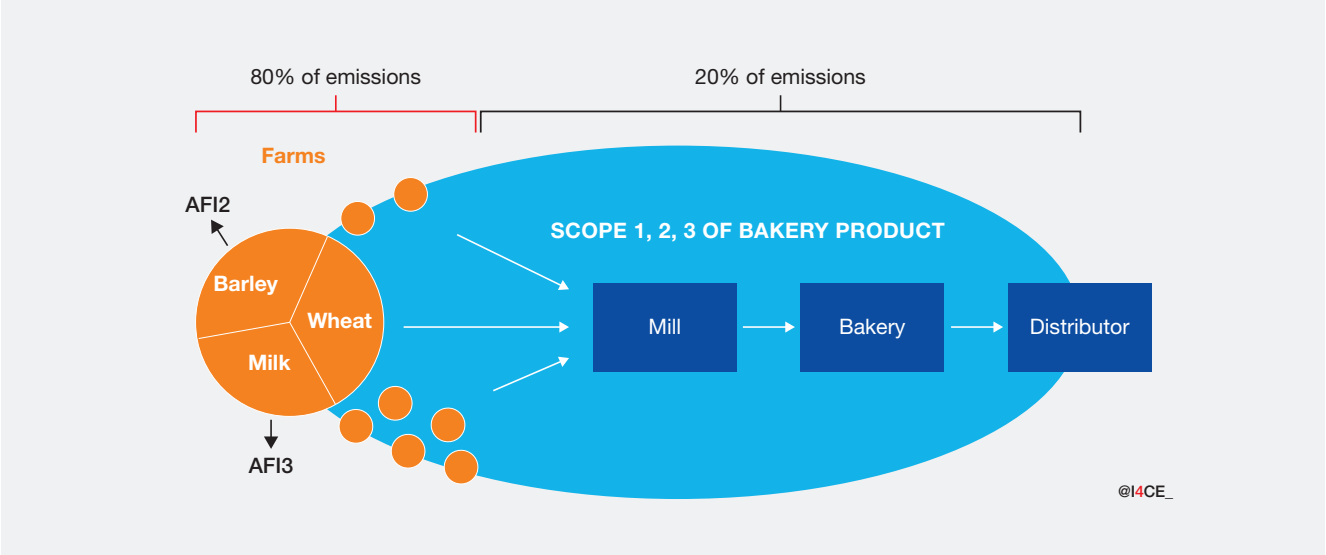
Following Gold Standard's view on this matter (or rather the view that Gold Standard has had so far) implies to position on the same level indicators that actually do not express the same thing:

- Firstly, Scope 3 is a snapshot of a company's emissions and its value chain. It is therefore a net physical flow of GHGs between time t and time t+1 within a given scope. Scope 3 emissions can therefore be reduced without a company having to take any specific climate action (*e.g.*: one of its suppliers could independently improve its own carbon footprint).
- Secondly, carbon credits represent a reduction in emissions or an additional storage of carbon in relation to a previously calculated reference. They symbolise a funder's climate action and constitute a "right to be valued".

Thus, if we take the previous example (**case 4.2.a**), but this time the company that implements and funds a project is no longer an agribusiness within the value chain, but a second company, then we reach a paradox. All credits would go to this second company, which can claim them as carbon offsets, while the agribusiness could in theory (if its method is sufficiently fine-tuned and it has the necessary data) record these ERs in its carbon balance sheet.

As mentioned earlier (**case 4.2.a**), this axiom on Scope 3 and carbon credits stems from the structural approach of certain international labels: once certified, an ER can only belong to a single actor. No amount of double counting is tolerated. This position raises questions: is compliance with such an approach technically feasible given that value chains are deeply intertwined and actors are required to have carbon targets for their entire value chain? As illustrated in **Figure 4** below, Scope 3 is the "realm of double counting" since an ER by an upstream player in the value chain must appear in the Scope 3 of all its downstream partners. Furthermore, in practice, it seems impossible to verify that double counting has not occurred between the sale of carbon credits for offsetting purposes and the reduction in emissions presented in corporate carbon balance sheets.

FIGURE 4: DIAGRAM SHOWING THE INTRICATE NATURE OF VALUE CHAINS



Finally, the rationale of a single actor appropriating all ERs could undermine cooperation between actors in financing the low carbon transition.

In conclusion, we recommend authorising double counting between Scope 3 and carbon credits, provided this double counting does not occur within the same company. In practical terms, the case where a company finances a project in its value chain and using the carbon credits for its own offsetting should be avoided, as it constitutes a form of problematic double counting: the same ER is used twice, for Scope 3 and offsetting, towards the climate objective of the same company.

5. Carbon assessment and reporting recommendations for five contrasting funding structure case types

5.1. Presentation of the corporate carbon assessment and reporting dashboard

The example of LBC project funding presented in **Chapter 2** is only one of many. In this section section, various funding cases identified as problematic are presented in order of increasing complexity: starting with a simple case, to provide a basis for consideration, and then developing the examples to address all case types. For each example, the objective is to understand how the LBC project is financed and what each funder can claim as their own action in their carbon assessment and reporting.

To visualise what the different valorisation options represent, a funder "dashboard" is presented for each case with four indicators:

- "Scope 3" (in tCO_2e), which corresponds to a snapshot for a given year of all the physical GHG emissions observed in a company's value chain. Changes in Scope 3 emissions over time are not necessarily due to the company in question.
- "GHG contribution", which corresponds to the ERs achieved through a funder's action (in tCO_2e). These ERs are calculated in relation to a reference scenario and certified by the LBC.
- "GHG offset", which refers to the carbon credit amount (in tCO_2e) that can be valorised for offsetting by the funder. In other words, it is the amount of certified ERs that could be artificially subtracted[25] from a company's carbon balance sheet with the aim of achieving carbon neutrality in accounting terms, without causing an environmental integrity problem. In most cases, "GHG offset" and "GHG contribution" will be the same value.
- "€ Contribution" is the financial contribution to the ERs (in euros). This is the financial contribution made to the project by the company. Providing this information systematically makes the carbon footprint more transparent. Indeed, as the price of carbon varies greatly from one project to another, reporting on tCO_2 does not provide any indication on the level of funding provided.

Furthermore, it is not always possible to associate quantified ERs with an amount of funding. This is the case, for example, when an agribusiness finances assessments or training to initiate a project, without being the beneficiary of the carbon credits generated.

BOX 1: WHO IS THE PROJECT HOLDER IN THE LBC FRAMEWORK?

In the following examples, we consider the farmer or group of farmers to be the default project holder (except in **case 5.2.b** where the agribusiness is the default project holder). However, the LBC is not binding on this issue and it is possible for project holders to be contracted to aggregators who manage multiple projects on several farms, rather than the farmers themselves. These aggregators may be cooperatives, agricultural chambers, dedicated associations, agribusinesses, etc. The project holder is the entity that will appear on the LBC register held by the Ministry who has responsibility for a project's implementation, administrative validation, auditing and for finding funders.

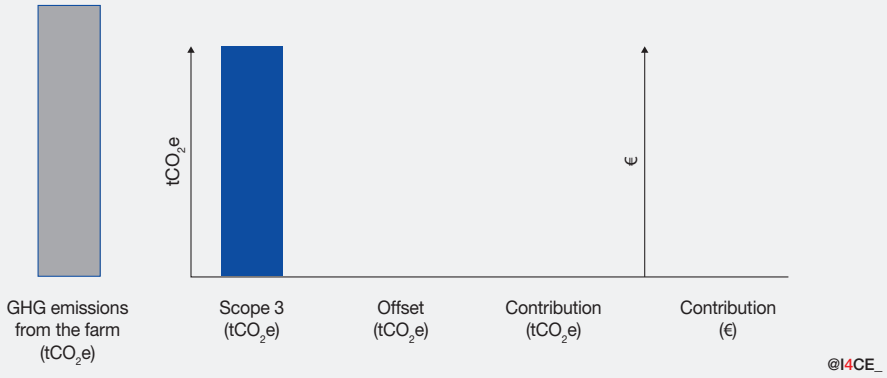
Many different configurations are possible, but for reasons of brevity and consistency, only the one where the farmer is the project holder is used hereafter. This does not change the recommendations and the way they are applied.

To study these indicators, let us consider a company B that finances a low carbon project ("intervention" of B) located in the value chain of company A with the aim of offsetting its emissions. For company B, the "Scope 3" indicator will not change as a result of the project, whereas the "GHG contribution" and "GHG offset" indicators will increase to the extent of the ER achieved by the project. For company A, the opposite is true: its "Scope 3" indicator will decrease to the extent of the ERs achieved by the project, while the other indicators will not change. In this specific case, where all carbon credits are in A's value chain, the reduction in A's Scope 3 is equivalent to the Contribution (in tCO_2e) of B.

25 "Artificially" because a real subtraction is prohibited by the various carbon accounting standards (ISO 14064, GHG assessment, etc.).

As a starting point for comparison, A's Scope 3 and the farm's pre-intervention carbon assessments are shown in the figure below.

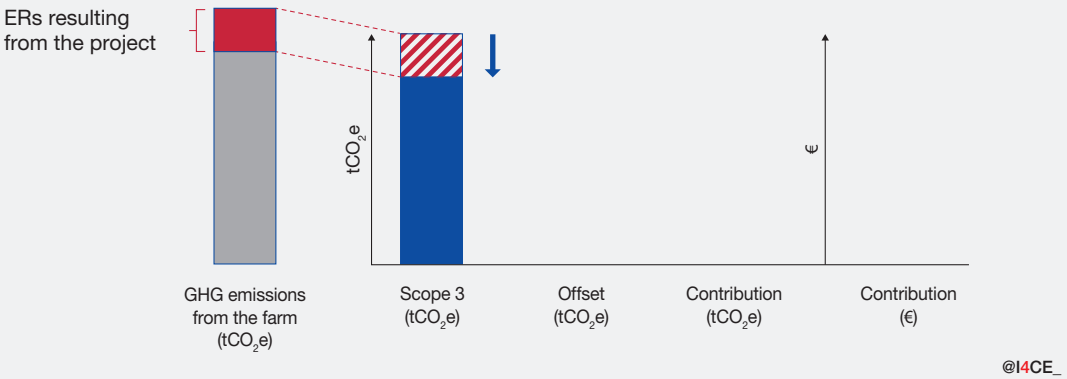
FIGURE 5: COMPANY A'S PRE-INTERVENTION DASHBOARD



Note: In addition to the four indicators presented above (Scope 3, offset, contribution in tCO_2e and contribution in euros), a fifth element, on the left-hand side of the dashboard, is shown on each diagram. This is the representation of the carbon balance of the farm involved in an LBC project. This allows us to visualise the ERs achieved through the project and to identify which part of these reductions are, or are not, inside the value chain of the project's funder. The same scale is not used for the farm's emissions and the company's dashboard (for reasons of graph readability). A company's Scope 3 is clearly much larger than a farm's emissions, since it includes the emissions of all farms in its value chain.

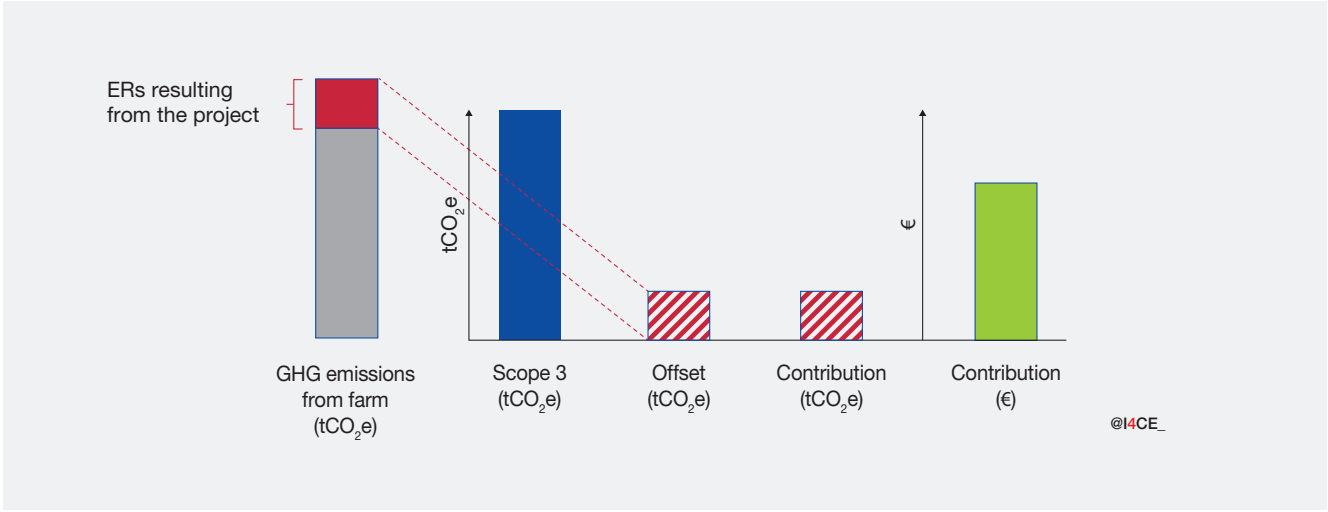
Following intervention, all ERs resulting from a project within the farm (shown in red) are deducted from A's Scope 3 (red and white striped area) since the project is completely within A's value chain:

FIGURE 6: COMPANY A'S POST-INTERVENTION DASHBOARD



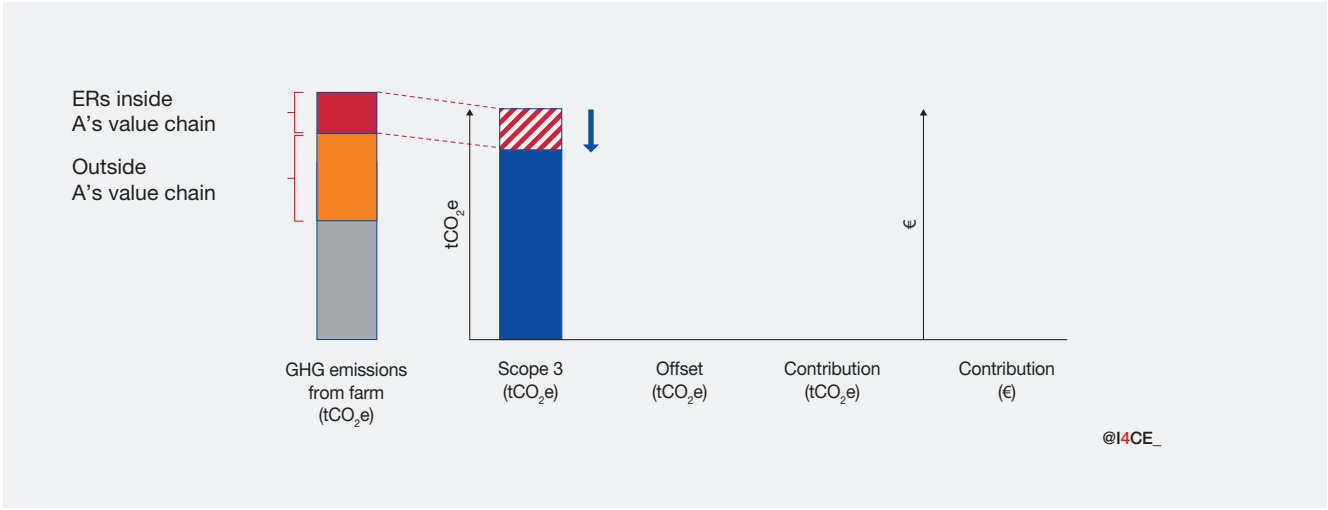
For B, there is no change in Scope 3 since the project is not inside its value chain. On the other hand, B has financed the project, so the certified ERs purchased by B can be used for its offsetting or contribution:

FIGURE 7: COMPANY B'S POST-INTERVENTION DASHBOARD



As a final example to complete this examination of the indicators and dashboard, we consider a more realistic case in the agricultural sector where a farm that reduces its emissions is not entirely inside company A's value chain. For example, if company A is a miller (see example in **Figure 4**), it will only buy some of the farm's output. In this case, only the ERs in its value chain will be visible in its Scope 3 carbon assessment.

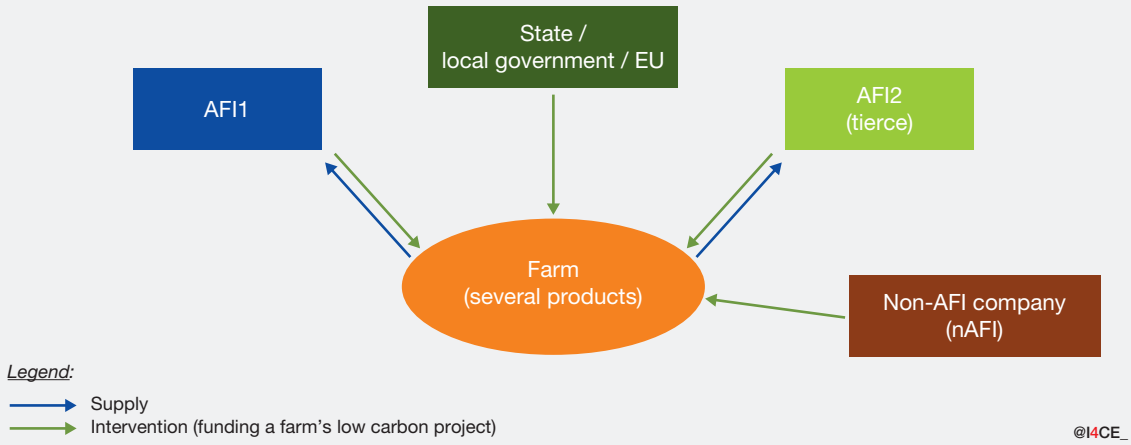
FIGURE 8: COMPANY A'S POST-INTERVENTION DASHBOARD WHEN ONLY SOME ERS ARE INSIDE ITS VALUE CHAIN



5.2. Interpretation of case types

In the following examples, several actors can be involved in the support and financing of a low carbon project:

FIGURE 9: ACTORS POTENTIALLY INVOLVED IN THE FUNDING OF A FARM'S LOW CARBON PROJECT



- Farm producing different commodities (*e.g.* wheat, barley and rape).
- "AFI1" An agribusiness sourcing part of its supply from this farm, and seeking to finance an LBC project on this farm (*i.e.* on its value chain).
- "AFI2" An agribusiness seeking to finance an LBC project on this farm but not necessarily sourcing from it.
- "nAFI" (non-AFI company) A company outside the agri-food sector seeking to finance LBC agricultural projects (*e.g.* an airline company).
- The State/local government/EU tryptic representing public funding.

The five case types addressed in this document correspond to different funding combinations involving these different actors:

a. An agribusiness totally finances an LBC project on the farm.

b. An agribusiness is the project holder, totally finances an LBC project on the farm, and then sells all (or some) of the carbon credits to a company outside the sector.

c. A company totally finances an LBC project on the farm, but part of the cost is covered by an agribusiness that contributes to the financing of changes in practices, through a channel other than the purchase of carbon credits (*e.g.* direct investment in machinery, financing of training, etc.).

d. [variation of c] A company totally finances an LBC project on the farm, and the agribusiness company contributes to funding changes in practices through a low-carbon sector premium.

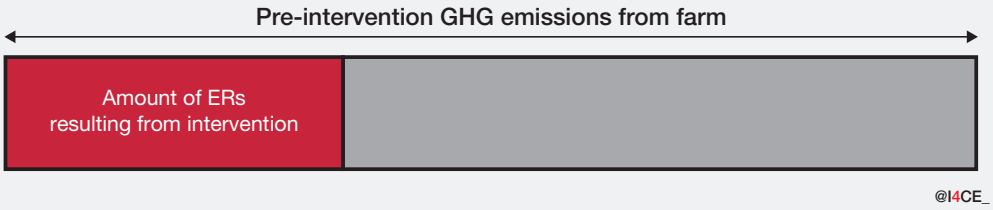
e. A company totally finances an LBC project on the farm, and the state contributes to the financing of changes in practices through a grant.

5.2.a. AFI1 totally finances an LBC project on the farm

Taking the example of **Figure 4**, where a farm commits to an LBC project: for instance, a mixed crop-livestock farm that has contracted its commitment by following the Carbon Agri methodology and whose project is financed by an industrial bakery that buys its wheat. This farm makes a commitment in year 0 and carries out an assessment 5 years later to account for the ERs, which are verified by an independent auditor and then officially recognised and entered in the register[26]:

26 More details on the calculation in the methodology: https://www.ecologie.gouv.fr/sites/default/files/M%C3%A9thode%20%C3%A9levages%20bovins%20et%20grandes%20cultures%20%28Carbon%20Agri%29.pdf

FIGURE 10: REPRESENTATION OF FARM'S EMISSIONS



In this first case, AFI1 finances the whole project on its own and can therefore claim to be the source of all ERs.

We suggest that the way in which these ERs are integrated into its carbon assessment depends on whether the low carbon project is inside the AFI's value chain:

- A project that takes place outside the value chain is a classic carbon offset or contribution project.
- The ER resulting from a project that take place entirely within an AFI's value chain can be used to justify a reduction in its Scope 3, but cannot be used to offset its residual emissions. Indeed, this would amount to counting the same ER twice in the AFI's carbon assessment: once as part of a reduced Scope 3 carbon footprint, and a second time as a carbon credit used to offset residual emissions.
- A third example exists where the project is partially inside the AFI's value chain. This is often the case for agricultural projects insofar as the all farm is involved in the project and as the farm has several productions and several outlets.

This third scenario raises two new questions:

- What is the level of production traceability and does the AFI have the capacity to identify exactly which farms are in its value chain? An agricultural commodity (similarly to a product from any other sector) may pass through the hands of many companies between its production phase and its final distribution. During these different processing stages, it may be mixed with other products (for example, wheat in a cooperative's wheat silo), thereby becoming difficult to trace. The longer the chain, the more the product is processed and the further a company is located downstream from the farm, the more complicated traceability becomes.
- Is it possible to allocate a farm's ERs according to production? In other words, is it possible to determine the proportion of ERs generated inside and outside of the AFI value chain?

At present, the answer to the second question is no. The LBC does not require methodologies to provide for such an allocation. To manage the use of carbon credits in this context, we therefore recommend that all ERs should be considered as being inside the value chain. In other words, credits generated from ERs cannot be used for a company's own carbon offsetting to avoid the problem of internal double counting. However, they can be purchased by the company as a contribution.

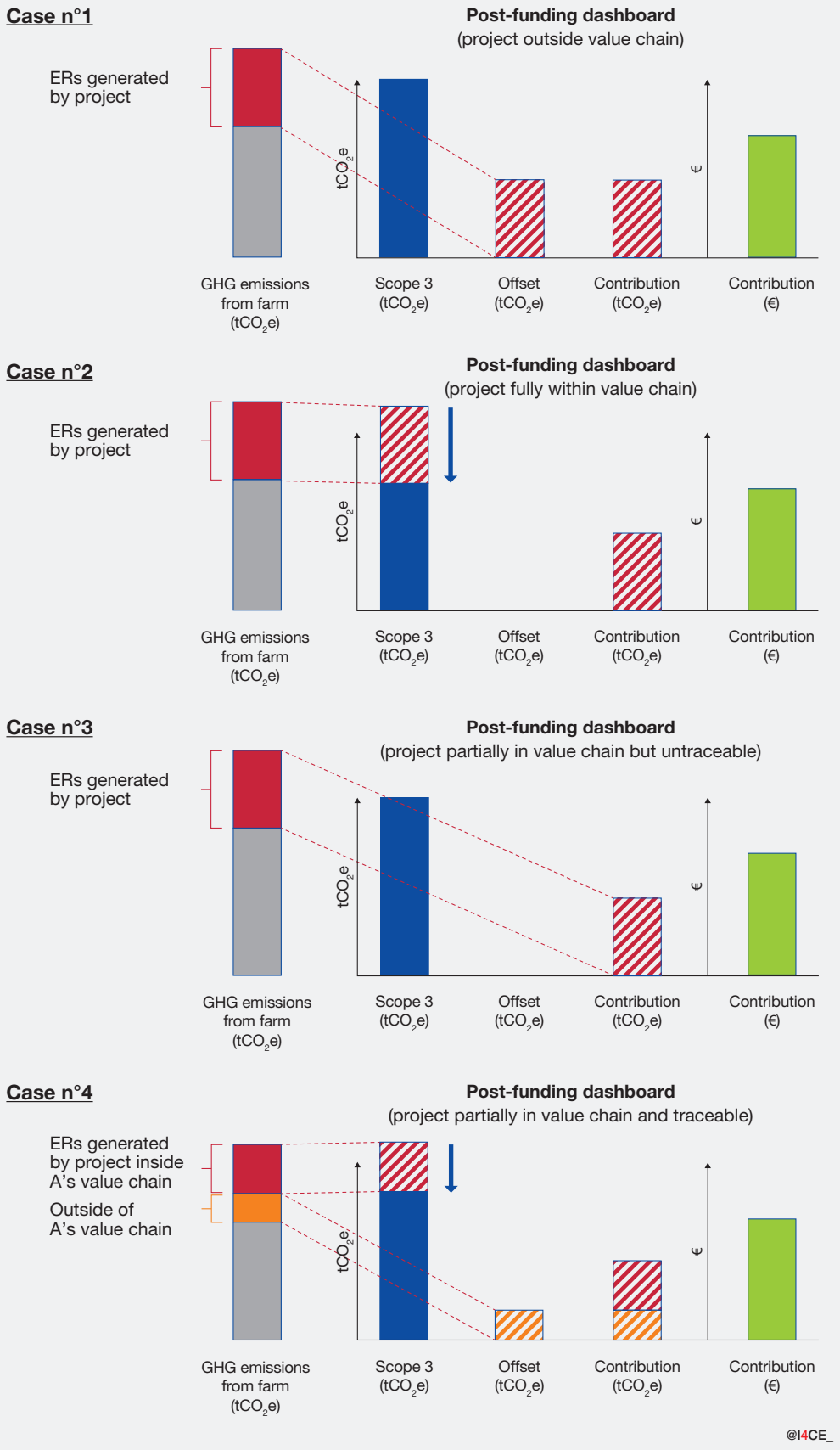
A methodological development could be carried out to allow such an allocation of ERs according to production, but this has implications: firstly there would be costs for such a development, and secondly there would be additional costs for the project leader in a context of project monitoring and verification.

If this allocation is possible, the AFI must still be able to trace its supplies to farms in sufficient detail to show ERs in its Scope 3. This prerequisite should not be overlooked, as traceability is often difficult to establish and depends entirely on the AFI (the LBC does not provide recommendations or tools for this step). The key here is the methodology used to calculate the company's carbon footprint.

The development of dashboards will therefore differ depending on whether the project is located within or outside the value chain of the company financing the project, and on its ability to trace production and distribute ERs according to products:

- **Case 1**, no Scope 3 reduction as the project is outside the value chain.
- **Case 2**, all ERs are visible in the Scope 3 reduction since the project is entirely within the value chain.
- **Case 3**, no reduction in Scope 3 since production traceability and/or the allocation of ERs to this production is not possible. Similarly, the credits cannot be used for offsetting since the project is partly inside the value chain. However, they can be used to demonstrate the contribution of the AFI to the overall climate effort.
- **Case 4**, the ideal case where all information is available, the proportion of ERs on the value chain is therefore deducted from Scope 3, while the remainder can be used for offsetting. Everything that is financed by the AFI is visible in its contribution in any case.

FIGURE 11: EVOLUTION OF A COMPANY'S POST-FUNDING DASHBOARD ACCORDING TO THE DIFFERENT SCENARIOS



BOX 2: THE SPECIAL CASE OF THE CARBON AGRI METHODOLOGY

In this methodology, the allocation of ERs to different farm productions is possible since the ER calculations are made at the scale of each farm activity (dairy, beef, arable, etc.).

In this specific case, we can therefore imagine a scenario in which the Scope 3 of the companies in the farm's value chain could be reduced, even though the project is partly inside their value chain (as opposed to the general case presented in the previous paragraph).

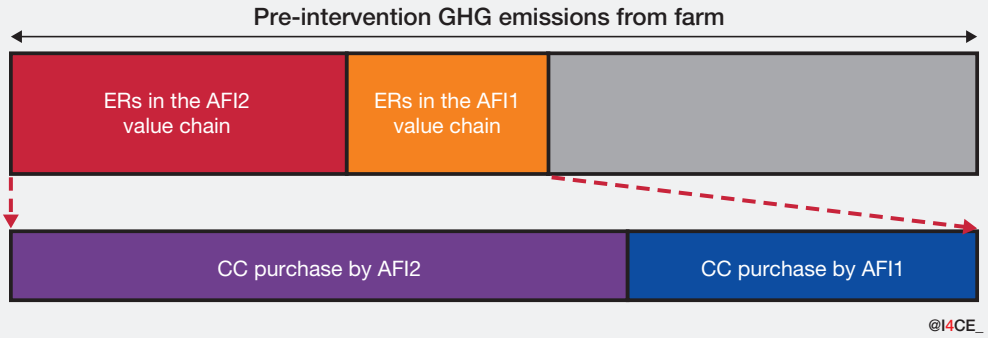
For example, consider the case of a dairy processor with a mixed farming operation in its value chain that engages in an LBC project (regardless of whether the project is financed by the processor). The application of the Carbon Agri methodology produces results that show the amount of ERs achieved on the dairy farm. The dairy processor in our example can therefore, in proportion to the volume of milk it has purchased, calculate the reduction of its Scope 3. This calculation would be made even simpler if the processor buys all of the milk from the farm in question.

The ability to locate ERs within or outside of their value chains is crucial for funders, since the value that can be placed on the same situation differs insofar as it may or may not appear as a reduction in Scope 3 emissions. In all cases, however, the company will be able to report its contribution to the climate effort in either euros, tCO_2e, or both.

Variation a.1 - Project funding by two AFIs

This example variation examines the case where a project is co-financed by a second AFI (called "AFI2") which, in this example, also obtains its supplies from the farm involved in the LBC project.

FIGURE 12: PROJECT FINANCING BY TWO AFIS



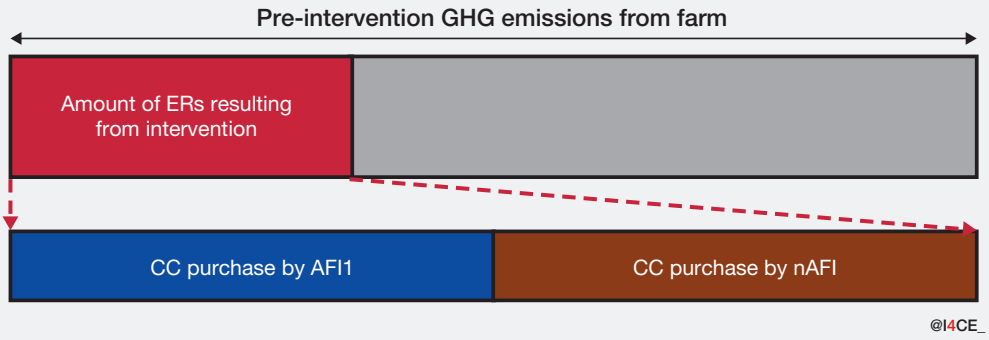
This case is no more complicated than the previous one, with each AFI being allocated an amount of ERs corresponding to its share of funding. It is then a matter of seeing whether or not each one can demonstrate that part of these ERs are located in its value chain.

The co-funding of LBC projects by companies in the same sector is not a complex issue. It is simply a matter of ensuring that common rules are applied, especially if ERs are allocated to products. These rules need to be framed by LBC methods in order to be applied.

Variation a.2 - Project funding by an AFI and a non-AFI company

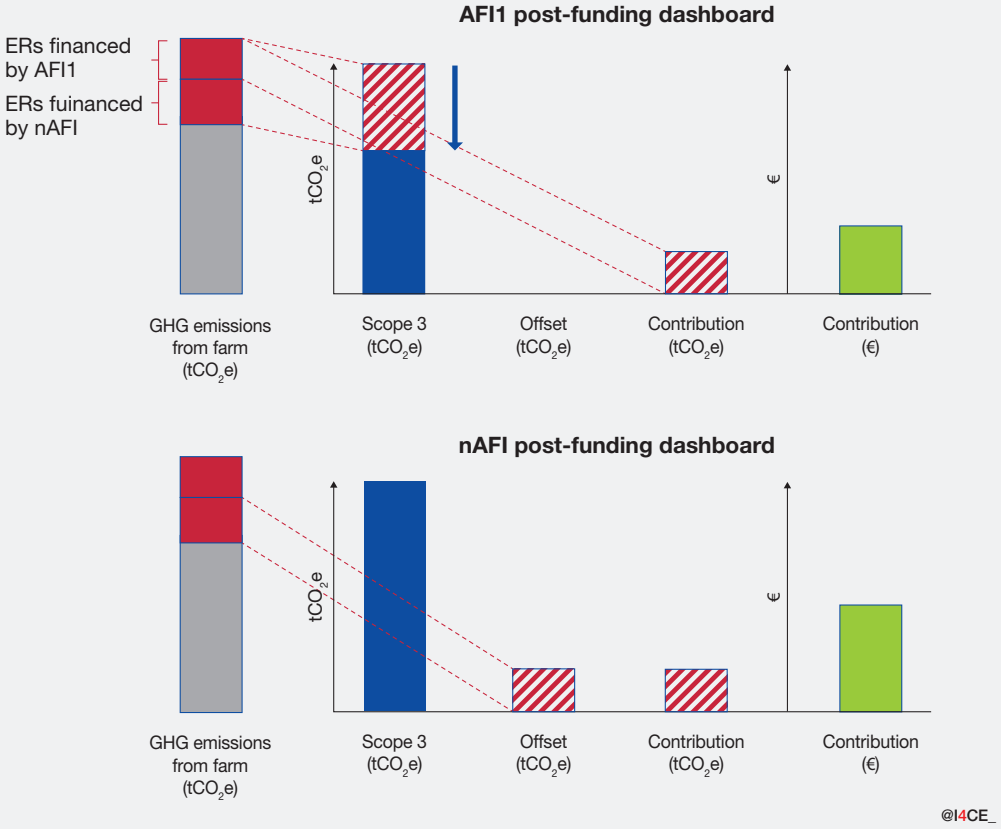
It is once again an example of co-funding, but on this occasion the co-funder does not belong to the agricultural sector but is a part of a classic offsetting or contribution approach (*e.g.* an airline company).

FIGURE 13: PROJECT FUNDING BY AN AFI AND A COMPANY OUTSIDE THE AGRI-FOOD SECTOR



For the purposes of simplification, we assumed that the farm is entirely within the value chain of AFI1 (if this is not the case, the same rules as in the first example would apply). All ERs would therefore be visible in AFI1's Scope 3 carbon assessment, however, it will not be able to report the fact that it has financed 100% of these ERs. nAFI will be able to report the share it financed, in euros, tCO_2e or both. This share of purchased credits may also be used as part of a company's offsetting scheme.

FIGURE 14: POST-FUNDING DASHBOARD FOR THE AFI AND A SECOND CO-FUNDING COMPANY



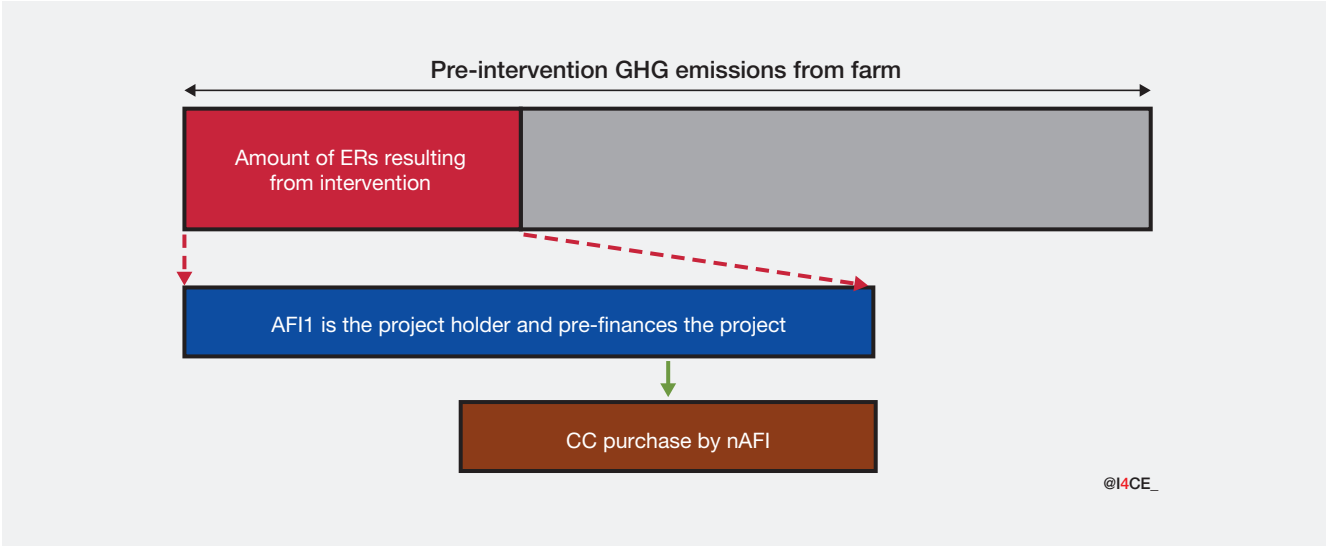
Finally, it was noted that some companies sought to finance ERs that were only in their value chain. From the elements presented in this first case type, this kind of approach is clearly difficult to implement. Indeed, in addition to the technical and methodological difficulties mentioned, it would force the project owner to create an excessively convoluted financing structure in order to sell the ERs associated with each farm production in a "piecemeal" way. Selling only a part of a project's ERs is not problematic, but the same cannot be said of trying to link them to specific outputs. It is better to seek to fund quality projects and then understand how this can be valorised, rather than to take the opposite approach (starting from the valorisation sought and selecting only those projects that tick the right boxes).

The issue of production traceability and the ability to determine whether ERs are taking place inside the value chain will not be addressed further in this paper, but the topic remains valid in the case types considered below.

5.2.b. AFI1 is the project holder and sells all (or some) credits to another actor

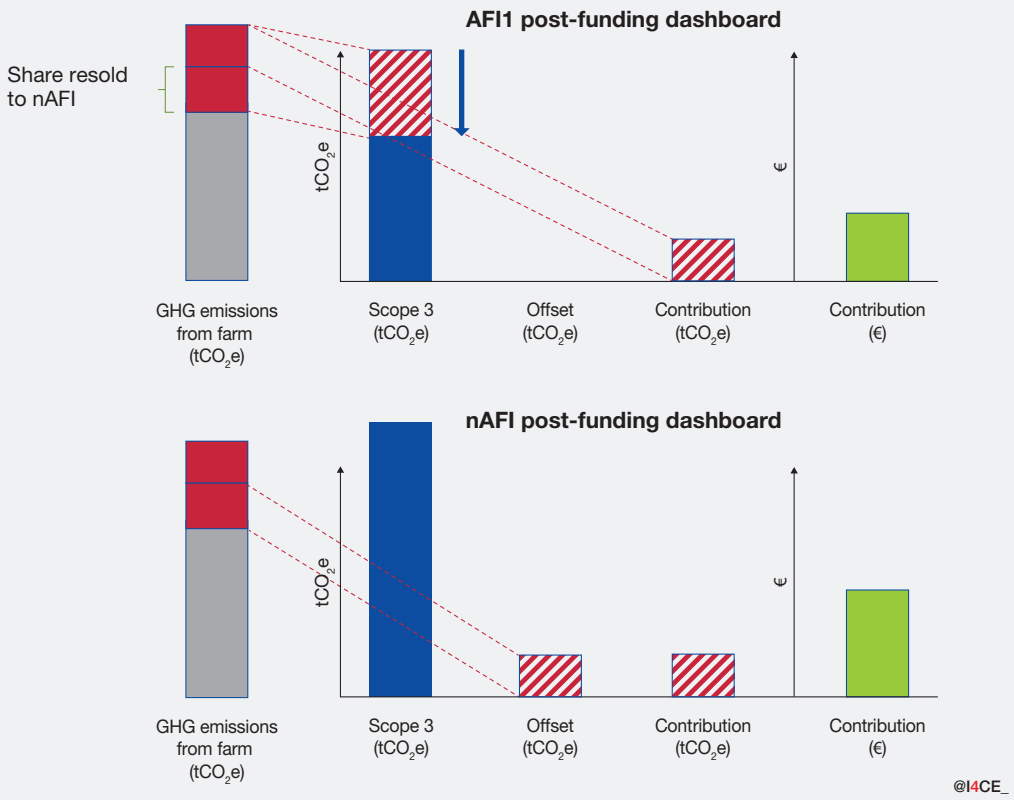
The relevance of this case type is that the AFI can encourage the development of projects in its value chain to reduce its carbon footprint while seeking co-funding to expand the approach.

FIGURE 15: PROJECT FUNDED BY AN AFI WHICH THEN SELLS CARBON CREDITS



ERs are visible in the AFI's Scope 3 inventory, but the AFI can only carry forward its contribution to the portion that it has left to pay for, by deducting the carbon credits that have been sold to another actor. Ultimately, this example is very similar to the previous one.

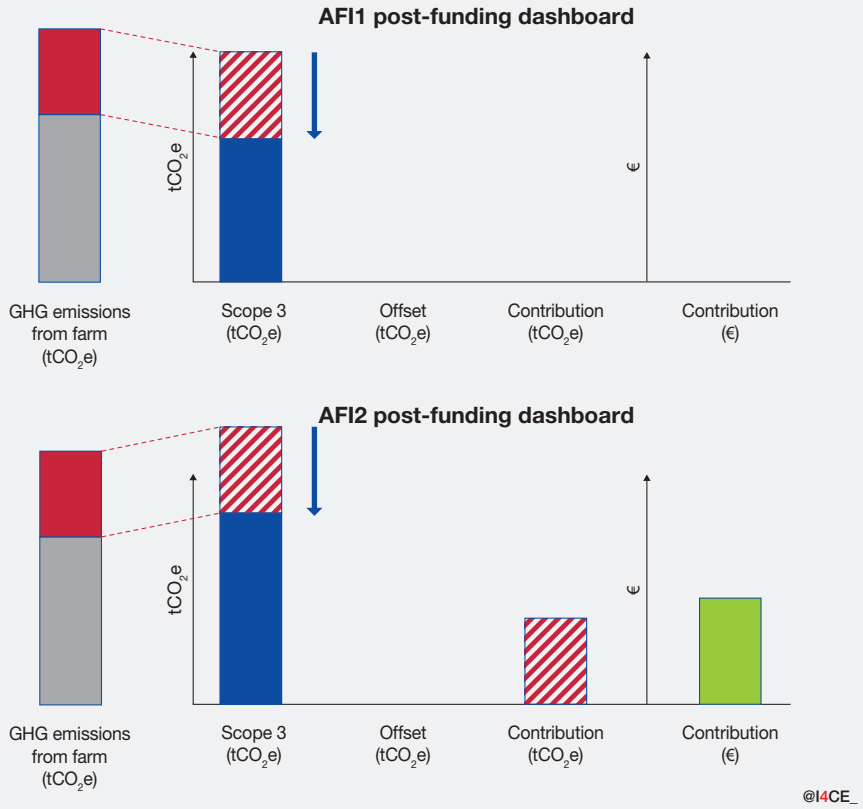
FIGURE 16: DASHBOARD FOLLOWING THE SALE OF A PROPORTION OF CREDITS TO NAFI



We can also consider a second example where the company buying the carbon credits is another AFI (AFI2), a client of an AFI1 (project holder), and the farm is entirely within the value chain of both AFIs. This typically occurs when a cooperative collects produce from its member farms, sets up an LBC project with its members, and sells the carbon credits to a client industry that processes the produce.

In this case, AFI2 also sees a reduction in its Scope 3 emissions but, unlike the previous example, it can only report on its contribution and not its offsetting. In example below, AFI1 sells all its credits, but the principle remains the same if only some credits are sold.

FIGURE 17: DASHBOARD FOLLOWING THE SALE OF ALL CREDITS TO AFI2



5.2.c. nAFI (or AFI2) totally finances an LBC project on the farm, but part of the cost is covered by an agribusiness that contributes to the financing of changes in practices, through a channel other than the purchase of carbon credits (*e.g.* direct investment in machinery, financing of training, etc.)

The situation can also arise where AFIs directly or indirectly finance LBC projects without this materialising in the purchase of credits. This is possible in the context of an LBC project, since carbon income can be added to other financing types if additionality is demonstrated.

It is therefore advisable to consider coordination between the various funders beforehand to ensure that the financing plan and the distribution of its offsets in the form of carbon credits or other forms of financing are acceptable to all. A contract summarising the commitments and rights of each stakeholder may be a good way of materialising this agreement.

In this case type, the AFI can show the ERs in its Scope 3 report. We also suggest that it can display its contribution to the project in the form of euros spent. For example: "We have funded the assessment of 100 farms for XX euros, which have been able to enter into an LBC approach with an ER potential of approximately YY tCO_2e". This avoids conflictual discussions on the ownership of carbon credits, while relinquishing the right to report on the offsetting of emissions.

FIGURE 18: PROJECT FUNDING BY A COMPANY AND DIRECT FUNDING THROUGH ANOTHER CHANNEL

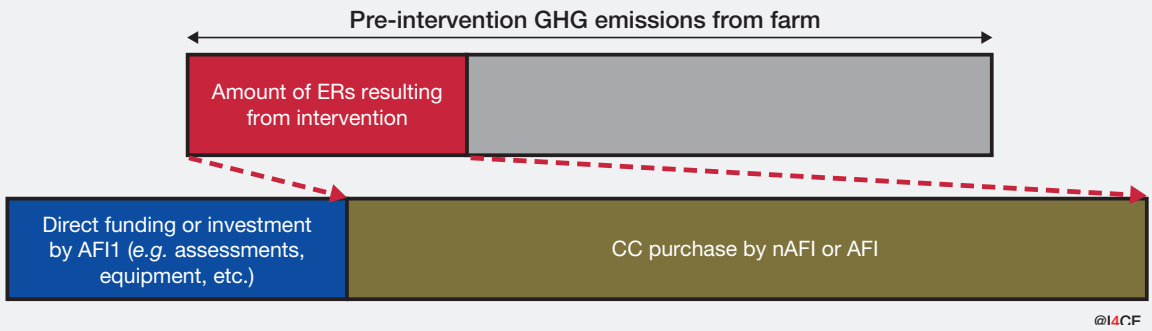
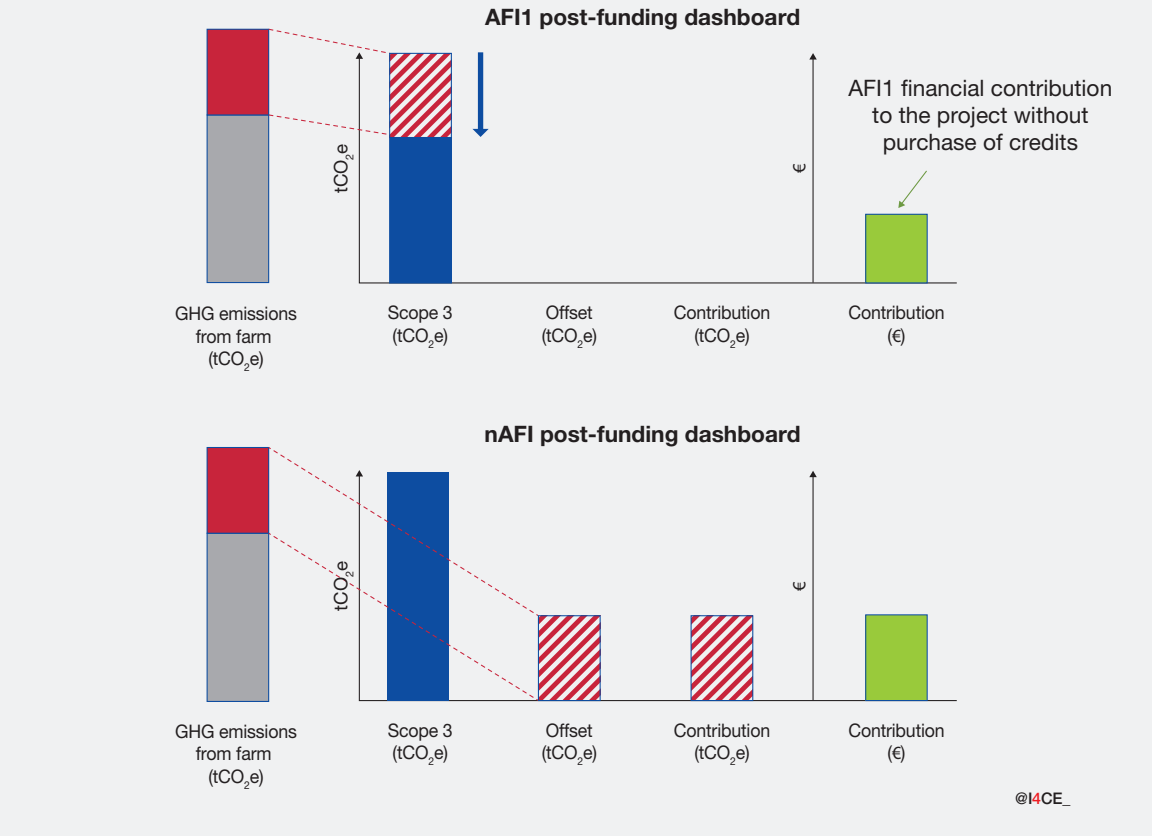


FIGURE 19: DASHBOARD OF AN AFI THAT CO-FUNDS (WITHOUT BUYING CREDITS) AND AN NAFI THAT PURCHASES THE CREDITS

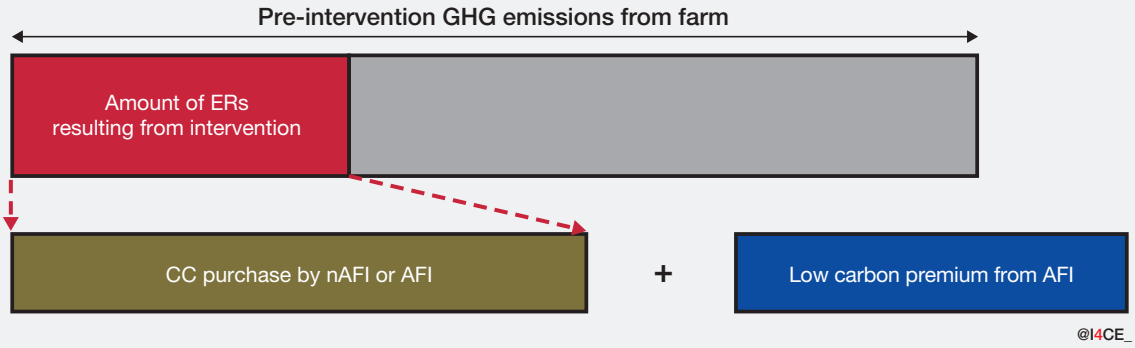


It is preferable, however, to avoid this combination by ensuring that, as an AFI, it claims a share of the carbon credits that is proportionate to the funding provided. Nevertheless, it should be noted that the option for the AFI to forgo carbon credits enables a reduction in the carbon credit price (which thus facilitates access to financing for companies seeking to purchase ERs). Indeed, from the carbon credit buyer's perspective, there is a decrease in the remaining sum needed to finance the project, while the same number of credits are issued: the unit price therefore appears to "decrease". For the farmer, this doesn't change anything, he or she receives the same amount as if the AFI had claimed its credits.

5.2.d. nAFI (or AFI2) totally finances an LBC project on the farm, and AFI contributes to the financing of changes in practices through a low-carbon sector premium

Some companies are already providing premiums associated to low carbon production, which raises the question of the complementarity and linkage between this premium and the purchase of carbon credits.

FIGURE 20: PROJECT FUNDING BY A COMPANY AND DIRECT FINANCING THROUGH A PREMIUM



While the premium promotes low carbon production, on the other hand the LBC is the accompaniment of a progress strategy compared to the initial situation, so the same rationale does not apply (as mentioned in the **chapter 2.2**).

There are two ways in which these two schemes can be complementary:

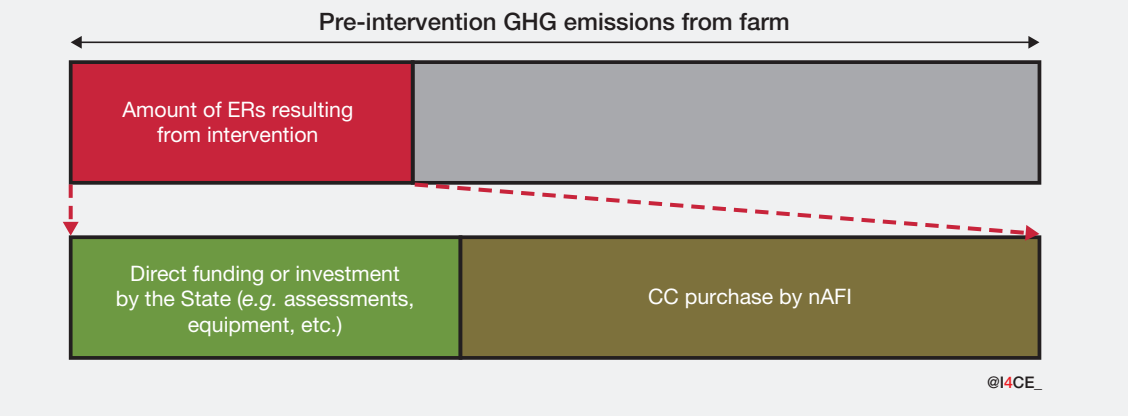
- The sector premiums do not cover all costs associated with a farm's low carbon transition and the project remains additional or enables more to be achieved than was expected through the premium. The project then remains eligible for the LBC and the two forms of financing (sector premium and sale of carbon credits) can coexist. This scenario is the same as the previous case type (see **Figure 19**);
- The sector premiums are separate from the LBC project but follow on from it to ensure the economic profitability of maintaining low carbon practices on the farm. The sale of carbon credits allows the transition to be financed over a 5-year period and the premium valorises the sustainability of the farm's production at the end of the project. In this case, there is no co-financing as such.

5.2.e. nAFI (or AFI) totally finances an LBC project on the farm and the state contributes to the funding of changes in practices through a grant

The important distinction between this example and the previous one is that the funding contribution on this occasion is made by a public actor. This case type already exists: for example, when farms involved in LBC receive CAP aid that targets common practices. More recently, we can also cite the "*bon diagnostic carbone*" measure of the French recovery plan, which allows for the financing of GHG assessment and an action plan for new farmers, which correspond to the first stages of an LBC project. As mentioned above, this additional funding is possible if the project holder can demonstrate that existing funding is insufficient and that the project remains additional.

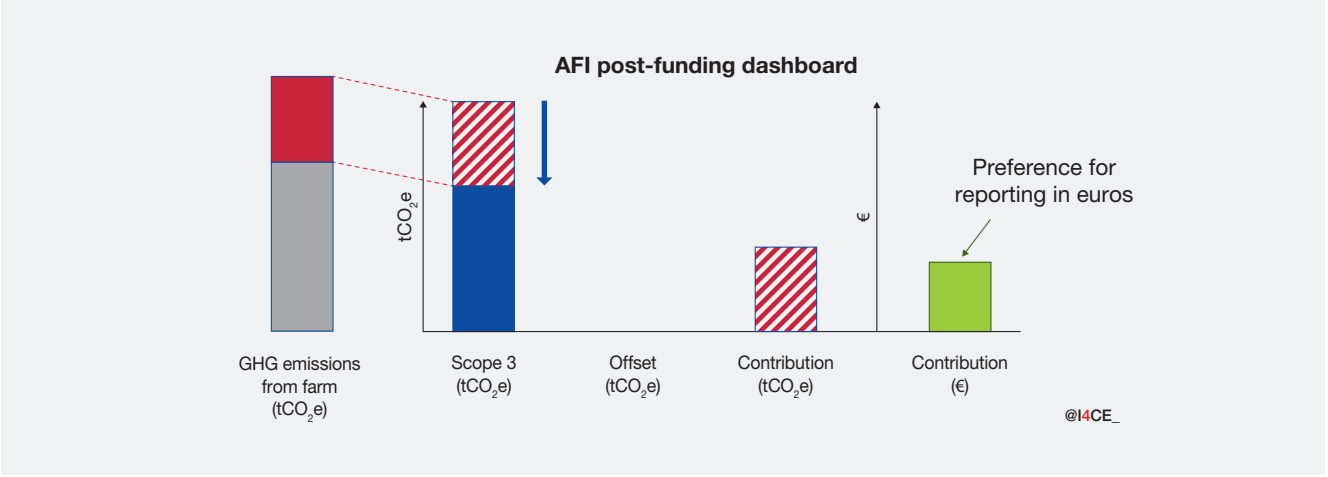
Given that public actors do not seek to claim the ERs allowed, this case type does not generally raise conflicts between actors, and all carbon credits are allocated to the private funder without difficulty. The credit price can then be reduced (from the perspective of the private funder, as explained in **case 5.2.c**) since these co-financing payments already cover part of the project costs.

FIGURE 21: PROJECT FUNDING BY A COMPANY AND DIRECT FUNDING FROM A PUBLIC GRANT



For the private funder, it is currently a commonly accepted rule that they can count and report on overall ERs. Nevertheless, if the funder is aware that a project was also financed by public money, we suggest that this should be stated. However, credit buyers are not routinely made aware of this information (for example, if they operate through an intermediary who aggregates several projects), so for greater transparency we recommend reporting both the volume of credits purchased and their price, in other words to use both the contribution in tCO_2e and the contribution in euros indicators in a complementary manner. In the example below, the company is an AFI and the financed project is inside its value chain.

FIGURE 22: DASHBOARD OF AN AFI BUYING CREDITS FROM A PROJECT IN ITS VALUE CHAIN THAT IS CO-FINANCED WITH PUBLIC MONEY



In addition to the apparent reduction in credit price, this financing structure has another advantage: it can also reduce the time lag between the moment when the project needs financing (at the start) and the moment when the recognition of ERs takes place (and therefore when they can be sold, *i.e.* at the project's end). Indeed, in the current case of publicly co-funded projects, funding is used for the first stages of a project (initial assessment of the farm, which allows the baseline scenario and action plan to be drawn up for a given farm).

5.3. Summary of case types and associated recommendations

In conclusion, above all it is recommended to be as transparent as possible about climate actions undertaken. This means making a clear distinction between the company's Scope 1, 2 and 3 carbon assessment and the ERs resulting explicitly from action taken by the company, using for example the table proposed by NZI (**Figure 3**).

To go further, it is recommended that a company's contribution to the collective effort to reduce emissions be expressed both in tCO_2e, as is commonly the case, and in euros. This makes it possible to account for a company's financial effort. The effort does not remain constant when carbon credits are, for example, purchased at 5 euros or 100 euros. Reporting on tCO_2e can only take place once the projects have been audited and the ERs are recognised and recorded in the register kept by the MTE. Reporting in euros can be done once funding has been committed.

The **following table** summarises the assessment and reporting recommendations for the different case types.

TABLE 1: SUMMARY OF RECOMMENDATIONS BY CASE TYPE

Case type	Options or funders	Carbon assessment	Recommended reporting
a. AFI entirely finances the project	**a.a** → No traceability of value chain	• No Scope 3 reduction. • Possibility of using ERs for carbon offsetting only if the project is entirely outside value chain. • Possibility of reporting its contribution to the ER effort in tCO_2e and in euros.	• On project funding (from the start). • On carbon credit purchase (as soon as they are recognised by the MTE and recorded in the registry, *i.e.* generally after 5 years).
	a.b → Traced value chain	**ER in the value chain:** • Scope 3 reduction. • Inability to use ERs for carbon offsetting.	The AFI cannot use carbon credits for offsetting but can report its contribution to the ER effort in tCO_2e and in euros.
		ER outside value chain: Possibility of using ERs for carbon offsetting.	See case a.a.
a.1. Cofounding of AFI and AFI2	• As above, with ERs allocated in proportion to funding (or if not, in a contract between funders and the project holder, but this must be spelled out). • Each party is free to establish whether or not ERs are located in its value chain. • Ensure that there is a shared allocation rule for linking ERs and products. We recommend that these allocation rules are established at the level of the LBC's methods and then reiterated in the verification reports.		
a.2. Cofounding of AFI and nAFI	**For AFI** → See case a. **For nAFI** → It makes no difference whether value chain is traced or not.	**For nAFI**: carbon credits purchased can be used for offsetting or contribution.	**For nAFI** → Reporting is possible on credits purchased in an offset or contribution approach, in tCO_2e or euros.
b. AFI is the project holder and sell the credits	The financing process is modified compared to the previous example, but this has no implications for the company's assessment and reporting → See case a.2.		
c. Direct financing by the AFI (through another channel than CCs)	**For AFI**	ERs along the value chain can be seen in Scope 3.	AFI can report on its contribution to the project in euros only.
	For nAFI	Carbon credits purchased can be used for offsetting or contribution.	It is highly recommended to be transparent about the fact that carbon credit purchase does not cover the entirety of funding and to report on the contribution in euros.
d. Low-carbon sector premium	Same as for case c.		
e. State grant	**If the credit buyer is the AFI**	Same as for case a.2.	It is highly recommended to be transparent about the fact that carbon credit purchase does not cover the entirety of funding and to report on the contribution in euros.
	If the credit buyer is an nAFI	Same as for case c for nAFI.	

Glossary and Acronyms

AFI	company from the Agri-Food Industry
nAFI	company from the (non)Agri-Food Industry
CCs	Carbon Credits
ER(s)	Emission Reduction(s)
GHG	GreenHouse Gas
LBC	Label Bas-Carbone (Low-Carbon Standard)
MTE	Ministère de la Transition Ecologique (French Ministry of the Ecological Transition)
NZI	Net Zero Initiative
SNBC	Stratégie Nationale Bas-Carbone (National Low-Carbon Strategy)

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