Carbon Gap

POLICY BRIEF

THE LOW-CARBON LABEL

A French approach to improving the voluntary market for emissions reductions and removals

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France's low-carbon labelling system is an official certification scheme for emissions reductions and removals that offers some design advantages and learnings that may serve to build EU's approach to certifying carbon removal (CRCF), as well as for other EU countries when creating, or revising, their own schemes.

What is the French low-carbon label?

The low-carbon label (LCL, "Label bas carbone" in French) is a French official certification scheme for greenhouse gas reduction or sequestration projects carried out on French territory. It provides clear rules and transparency to the voluntary carbon market in France by introducing a framework for monitoring, reporting and verification of greenhouse gas emissions reductions or removals in an effort to encourage such projects.

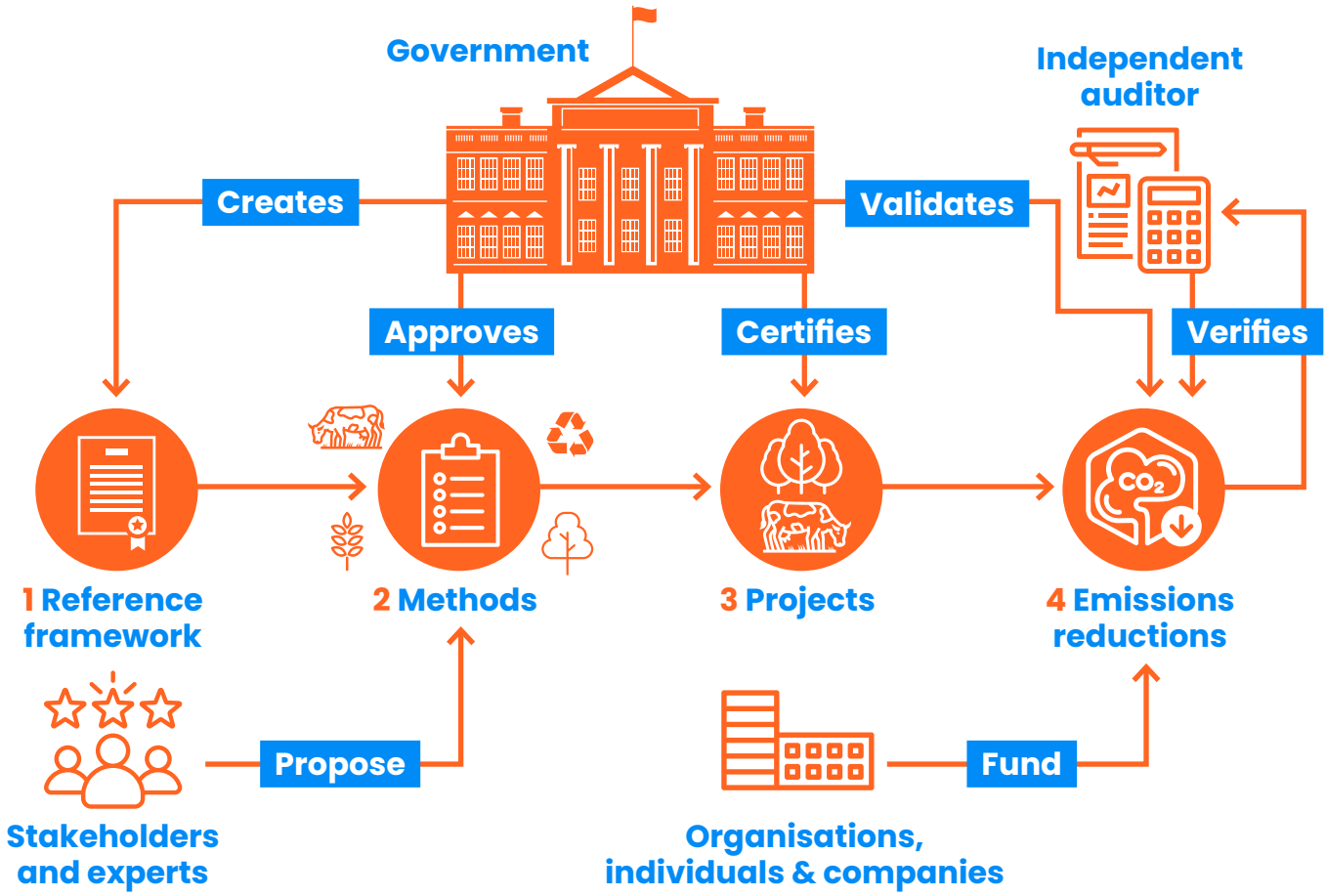
The label is based on emissions reductions or removal methodologies which are approved by the French Ecological Transition Ministry. To apply for the LCL, projects must go beyond the requirements of national environmental regulations. The certified emissions reductions or removals purchased as part of a labelled project are tracked on an official registry to prevent double-counting: the register guarantees that the same reductions have not been sold or used several times. But the labelled emissions reductions do count for the national climate mitigation effort.

Key takeaways

While France is not the first EU country to provide rules for a voluntary carbon market, the design advantages of its low-carbon labelling system may serve as a model for other EU countries, particularly by:

1. Involving all sectors outside the regulated carbon markets (e.g. EU Emissions Trading Scheme) and being open to all methods (bottom-up approach);
2. Including both additionality and co-benefits as essential criteria for obtaining a label;
3. Combatting greenwashing with clear guidelines for external communication on the LCL certified projects
4. Avoiding the risk of double-counting by tracking the emissions reductions generated by the labelled project on an official registry.

How does the label operate in practice?



Translated from OVERVIEW OF THE LOW-CARBON LABEL[1]

The creation of the LCL in 2018 provided the general framework of the certification scheme. Groups of stakeholders and experts can design sector-specific certification methodologies and propose them for the LCL. These methodologies are subject to public consultation and are reviewed by a technical and scientific committee. If approved by the regulator, they become official LCL methodologies and can then be used by project developers to certify the emissions reductions they are achieving.

This bottom-up approach favours the emergence of diverse approaches from all diffuse sectors that are not covered by regulatory markets. For example, the LCL already includes one methodology on the use of low-carbon materials and the reuse of materials in building renovations, and another one covering the creation of open workplaces in rural areas to reduce the emissions associated with commuting.

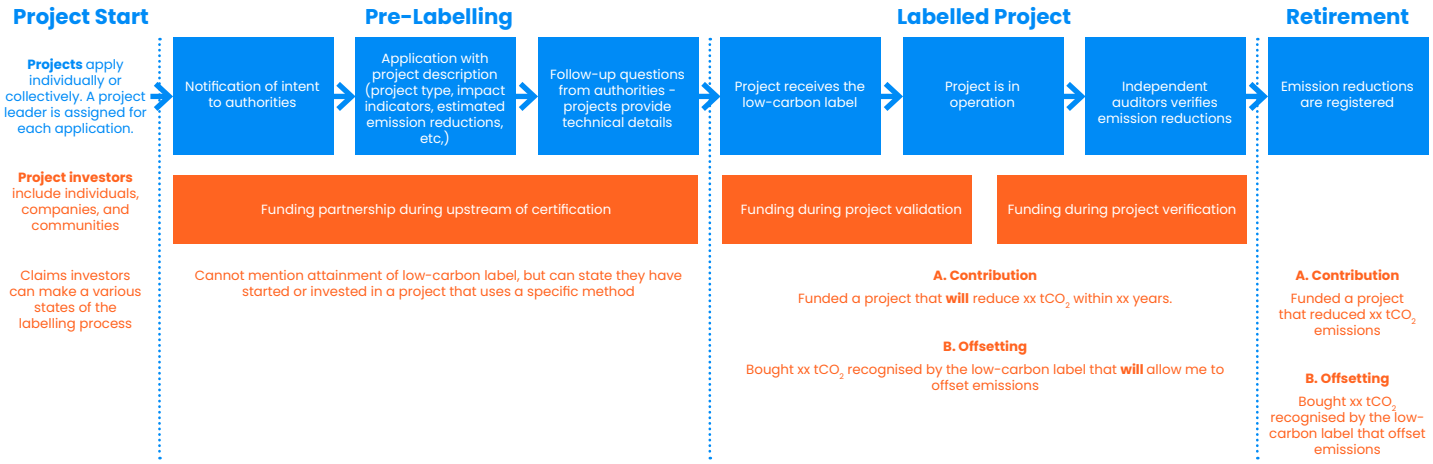
The operation of LCL projects involves four main steps:

1. Establishing a **reference framework,** to define eligibility criteria, prove additionality and establish the baseline for the quantification of emissions reductions.
2. **Awarding the low-carbon label** to projects that meet the requirements and presenting the label on the project's official website.
3. **Verifying and certifying emissions reductions** by an independent third-party auditor.
4. **Validation** of the emissions reductions/removals. The reductions purchased by organisations, individuals and companies can be declared, but cannot be further traded.

1 www.i4ce.org/evenements/serie-de-webinaires-label-bas-carbone-i-presentation-generale-du-label-bas-carbone/

Workflow of a LCL project

Project Application Process



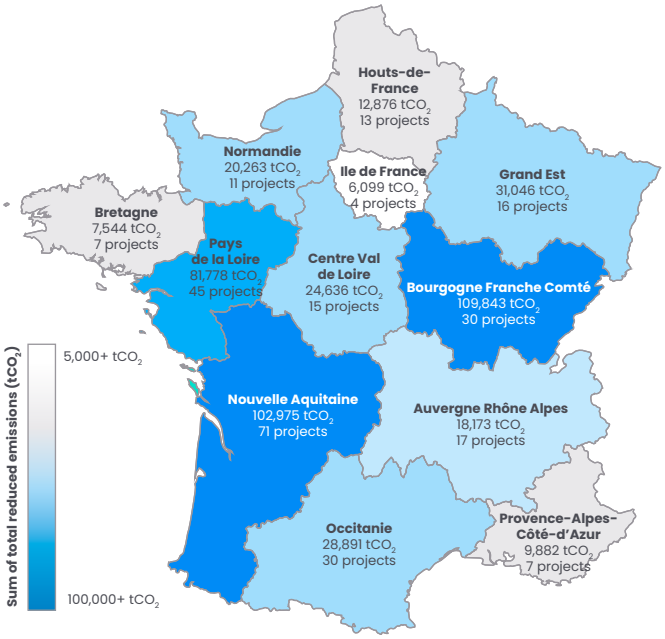
Information from Teaching guide: Low-carbon Label

What has been the impact of the low-carbon label so far?

Since the launch of the low-carbon label in 2018, more than 40 organisations, including over 30 major companies, have become partners and have committed over €2.5 million in funding. As of January 2023, a total of **376 projects have been awarded the LCL**[2]. These projects are expected to result in 1 431 819 tCO_2e of emissions reductions, equivalent to the carbon dioxide absorbed by approximately **143 million trees** in one year[3]. In 2021, the share of LCL certified credits in France's offsetting market is estimated at 3% in volumes and 19% in value[4].

The LCL differs from other similar national rules by potentially applying to all diffuse sectors that are not yet regulated. Since its launch in 2018, 11 methodologies have been approved, covering four sectors (forests, agriculture, buildings and transportation), and another 24 are under development. However, as of October 2022, more than 95% of the certified projects and 75% of the emissions reductions are based on afforestation or reforestation methodologies. Reasons for the low adoption of other methodologies may include high transaction costs for low volumes and their higher complexity.

Projects by regions



Data from Public information on the MTES[5] by 11th August, 2022. Map based on Longitude (generated) and Latitude (generated). Colour shows sum of Total RE (tCO_2). The marks are labelled by Region, sum of Total RE (tCO_2) and sum of Amounts of Projects.

2 **https://label-bas-carbone.ecologie.gouv.fr/**
3 Based on the Winrock International Forest Landscape Restoration (FLR) Carbon Storage Calculator, Ross Bernet extrapolated that the average tree absorbs an average of 10 kilograms of carbon dioxide per year for the first 20 years. **https://winrock.org/flr-calculator/**
4 **www.info-compensation-carbone.com/ecosysteme/le-label-bas-carbone/**
5 **www.ecologie.gouv.fr/sites/default/files/Projets%20site.xlsx**

Financing

Individuals, groups and companies can all purchase emissions reductions in direct interactions with the project developers or through intermediate brokers. The labelling scheme does not specify a minimum or maximum 'carbon price'. The price is determined by a contract negotiated between the project manager and the purchaser. For 2021, the average price of LCL credits was 32 EUR, significantly higher than the average price of offset credits traded in France at 4.6 EUR[6].

The cost of the verification is borne by the project. However, this cost can be included in the total cost submitted to the funder as part of the financing negotiations between the two parties.

Financing can come at different stages, meaning one can buy 'credit' when the project has already been verified as well as before the labelling has started, allowing projects to find investors to get the project off the ground.

Strengths of the French low-carbon label

France is not the only country in the EU to provide an official certification framework for voluntary carbon markets. Other countries also have programmes for voluntary carbon trading at the local or national level. These projects differ in terms of the sectors they include, the participants in the transaction, the validation process and other parts of the system design. See table on page 5 for a comparison of voluntary carbon trading designs across the EU.

However, the design advantages of the French low-carbon labelling system may still serve as a model for the emerging certification framework at the EU level, or in member states.

- **Effective communication and use of funds.**
  The French low-carbon label has created a transparent and well-organised framework for project developers and funders to build collaborations and communicate effectively. It also **provides clear guidelines for external communication** including communication requirements for (i) different project phases; (ii)direct and indirect emissions reductions; and (iii) emissions reductions and carbon removal. This reduces the risks of overclaiming and greenwashing. The low-carbon label also seeks to avoid the confusion caused by multiple declarations. The emissions reductions or removals generated by the labelled project are uploaded to a centralised official platform, which ensures they cannot be double-counted. The emissions reductions cannot be further traded which makes traceability simpler.

- **Inclusive and multi-stakeholder approach.**
  The framework encourages the participation of consortiums of stakeholders including expert organisations from **all sectors outside the EU ETS** to design new methodologies. This increases the community's enthusiasm to participate in low-carbon labelling projects, broadens the sources of methods and ensures that the methods are relevant for the targeted economic sectors.

- **Environmental compatibility.**
  The low-carbon label methodologies and project reviews take full account of environmental compatibility, additionality and co-benefits . In addition to the involvement of stakeholders in the review of any new methodology, the impact of the project itself on the surrounding environment is also explicitly assessed. Only projects that do not generate negative impacts on the surrounding environment and go beyond environmental regulations can be audited and awarded the label.

- **Group application.**
  The low-carbon label allows groups to apply for projects. This helps to lower the application transaction costs as well as the monitoring and reporting costs. This is key for ensuring that smaller participants, such as smallholder farmers, are able to join and benefit from their emissions reductions. It also increases the volumes certified under the LCL.

What could be improved?

There are a few aspects of the French low-carbon label that could be further improved, including:

- **Separate accounting.**
  Currently, the approved methodologies cover both emissions reductions and carbon removals with no separate accounting. While both are important, they have different climate outcomes and should therefore be differentiated.

- **Addressing the risk of reversal.**
  The risk of reversal is currently accounted for by a generic discount applied to the volume of carbon removed, for example 10% for reforestation projects in regions exposed to wildfires, or 20% for soil carbon. A more robust approach would involve turning the physical risk of reversal into a contractual obligation to maintain the carbon stock. When a farm or land is sold, mechanisms such as a carbon inventory are being discussed at the European level to explicitly quantify the status of the carbon stock and facilitate the transmission of the responsibility to the new owner.

6 www.info-compensation-carbone.com/ecosysteme/le-label-bas-carbone/

• Increasing ambition.
Existing methodologies tend to favour incremental optimisation over bold changes, likely because they are proposed by the sectors they apply to. To raise ambition, other methodologies could be added to reward stakeholders who radically modify their activity to achieve larger emissions reductions or removals.

• Operation.
The success of the LCL has put government agencies under pressure, and some operators report difficulties in having their projects labelled in due time. Guaranteeing the capacity for efficient regulation, or the creation of a dedicated body are important for scaling up such a certification scheme.

A comparison of voluntary carbon trading designs across the EU

Country	Name	Sector	Methods	non-permanent risk management	Additionality	Co- benefit	Management of double-claiming	guidelines for external communicatio
Austria	Kaindorf Ecoregion	Forestry and land-use change	Farming practices favouring carbon in agricultural soil	Retain part of the income	Not Mentioned	✓	N/A	Not known
France	Low-carbon Label	Forest, agriculture, buildings, transports so far, but all sectors out of EU-ETS can be included	Afforestation Restoration of degraded forests Carbone Agri (livestock) Planting of orchards Hedgerow SOBAC'ECO-TMM Croplands Ecomethane (cattle feeding) Rural co-working Renovation of buildings	Reduction discount	✓	✓	Uploaded to a national registry, no risk of double claiming	Yes
Germany	Moorfutures	Peatlands	Greenhouse Gas Emission Site Type (GEST)	Retain part of the income	✓	✓	Release certification	No
Italy	CarboMark	Forest and land use change	Sustainable forest management Urban forest Wood products Biochar	Reduction Discount	N/A	N/A	N/A	N/A
The Netherlands	Green Deal	Forestry and land-use change; renewable energy; and other sectors not covered by policies	Peatland management Riothermia to substitute natural gas in heating public	N/A	✓	✓	Double counting is not considered an issue for the voluntary carbon market in the Netherlands	N/A
Spain	Registro Huella de carbono	Forest and land use change	Afforestation/ reforestation Restoring forest areas degraded by fires	Reduction discount	Not mentioned	✓	No official position on this matter	Partly

Source: Domestic carbon standards in Europe - Overview and perspectives, December 2019 and public information on the website
https://hal.science/hal-02503313/document

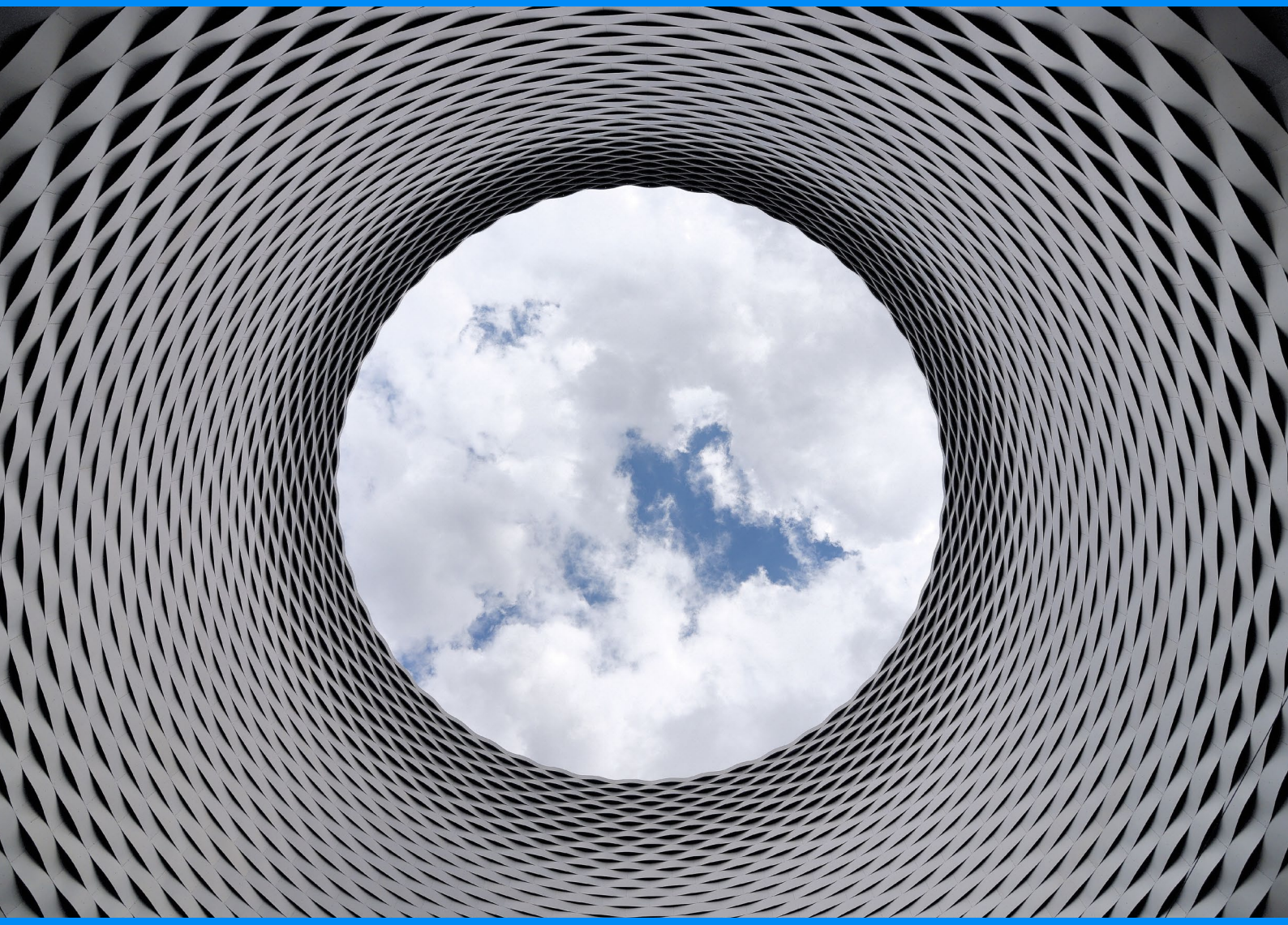
The upshot

The LCL certification framework has been operating for four years and has been successfully adopted by stakeholders. It has a number of strong features such as a bottom-up approach for sector specific methodologies, guidelines for communication and centralised registry for the labelled emissions reductions.

As the EU embarks on developing its Carbon Removal Certification Framework (CRCF), we highlight two points that are particularly important for a carbon removal certification scheme:

- Emissions reductions and carbon removal are both vital to achieving our climate goals, but they **are intrinsically different and have different climate outcomes (see our explainer).** As such, they should be certified in separate streams.

- Certification schemes should establish a clear and **transparent mechanism to track how credits are retired and what they were used to compensate for (see our white paper on certification).** Indeed, carbon removal credits should not be used to compensate for anything other than historical emissions and hard-to-abate emissions.



Sources

- The content of this policy brief is mainly drawn from the *Teaching guide: Low-carbon Label (GUIDE PÉDAGOGIQUE : LABEL BAS CARBONE)* published on April 10th, 2020 and the public information about Low-carbon Label on MTES. **www.i4ce.org/publication/guide-pedagogique-label-bas-carbone-2/**

- SÉRIE DE WEBINAIRES LABEL BAS CARBONE I PRÉSENTATION GÉNÉRALE DU LABEL BAS CARBONE, Institute for Climate Economics. **www.i4ce.org/evenements/serie-de-webinaires-label-bas-carbone-i-presentation-generale-du-label-bas-carbone/**

- Arrêté du 28 novembre 2018 définissant le référentiel du label «Bas-Carbone». **www.legifrance.gouv.fr/jorf/id/JORFTEXT000037657970**

- Report "Etat des lieux de la compensation carbone en France", InfoCC, 2022, **www.info-compensation-carbone.com/ressources-pedagogiques/**

- Domestic carbon standards in Europe - Overview and perspectives, December 2019. **www.i4ce.org/en/publication/domestic-carbon-standards-in-europe/**

Carbon Gap is a climate not-for-profit focused on eliminating the carbon dioxide that's already heating up the planet. We exist to drive essential climate action by helping Europe become a leader in carbon removal, working with scientists, NGOs, governments, and businesses to unlock the support for a full spectrum of safe and scalable carbon removal techniques, storing carbon safely in trees, soils, oceans, rocks, and the built environment.

We are **independent** - funded exclusively by climate philanthropy, **inclusive** - open to all safe methods for taking carbon from the air and storing it responsibly, and **planet-first** - advancing the carbon removal that the planet needs to restore our atmosphere.

Get in touch

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