Glossary of key terms

Additionality: Reductions in emissions or enhancement of removals that are additional to reductions that would occur in the absence of a project activity.

Afforestation: The direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources.

Annex I: Annex I to the United Nations Framework Convention on Climate Change (UNFCCC) sets out a list of developed country Parties and economies-in-transition Parties that commit themselves under Article 4 to achieve certain quantified emission limitation and reduction objectives. If they have ratified the Kyoto Protocol, these Parties can authorise the participation of entities in CDM projects, but are not eligible to be host Parties.

Baseline: The baseline is the level of emissions against which change is measured, as a result of project activity. To get credit for emissions reductions, a project must lower emissions below the established baseline.

Baseline methodology: The means to estimate the emissions that would have been created in the most plausible alternative scenario to the implementation of the project activity (called the baseline scenario).

Bioenergy: A renewable energy made available from materials derived from biological sources, such as biomass, biogas, or biofuels.

Biogas: A mixture of methane and carbon dioxide which is generated by anaerobic digestion and can be burned for energy.

Biomass: non-fossilized and biodegradable organic material originating from plants, animals and micro-organisms. This includes products, by-products, residues and waste from agriculture, forestry and related industries as well as the non-fossilized and biodegradable organic fractions of industrial and municipal wastes. Biomass also includes gases (biogas) and liquids recovered from the decomposition of non-fossilized and biodegradable organic material.

Buyer: the primary buyer of the CERs – the counterparty on the ERPA.

Cap-and-trade systems: A cap and trade system, also called emissions trading, is a way to control pollution by providing economic incentives to achieve reductions in emissions of pollutants (in this case, greenhouse gases such as CO2). A limit or cap is set on the amount of emissions that can be emitted. Companies or other groups are issued emission permits and are required to hold an equivalent number of allowances (or credits) – companies cannot emit more than their allowances. Companies that need to increase their emission allowance must buy credits from those who pollute less, in effect trading the right to emit as the buyer pays a price for the ability to pollute more and the seller is being rewarded for polluting less.

Carbon Dioxide Equivalent (CO2e): CO2 equivalent refers to the equivalent amount of CO2 emissions stored in the forest derived from measurements of biomass and carbon content. CO2e is derived by multiplying the tons of carbon/hectare by 3.67.

Carbon Offsets: Also referred to as 'offsets', a carbon offset is a financial instrument aimed at a reduction in greenhouse gas emissions. It involves one entity removing a certain amount of emissions from the atmosphere to compensate for the same amount of emissions that another entity has added to the atmosphere. Carbon offsets are measured in metric tons of carbon dioxide equivalent (CO2e). One carbon offset represents the reduction of one metric ton of carbon dioxide or its equivalent in other greenhouse gases.

CER: Certified Emission Reduction units issued through a CDM project are the tradable units of the CDM. One CER equals 1 tonne CO2 equivalent.

This information sheet is part of a larger resource pack, Understanding the social opportunities and risks in forestry and bioenergy carbon offset projects. The resource pack has been developed by the Overseas Development Institute (ODI) on behalf of the Ford Foundation. For more information, please e-mail CCEF@odi.org.uk.

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Certification: A formal standard relating to the quality of a carbon project. Certification standards include the Voluntary Carbon Standard, Kyoto CDM, and the Gold Standard.

Chicago Climate Exchange (CCX): a voluntary but legally binding cap-and-trade system, operating as a formal rules-based market. Just like the regulated market under the Kyoto Protocol, the CCX trades units denominated in tonnes of carbon dioxide equivalent (tCO2e).

Clean Development Mechanism (CDM): Part of the Kyoto Protocol which allows rich countries to meet their carbon targets by purchasing offsets from developing countries.

Co-benefit: An additional benefit of an offset project on top of the reduction in carbon dioxide emissions, e.g. providing employment.

Commitment period: A period of time in the Kyoto Protocol (or in a post-Kyoto agreement) when countries are asked to meet certain commitments related to national emission reduction targets.

Corporate Social Responsibility (CSR): CSR involves voluntary initiatives by enterprises that seek to make a positive social or environmental impact in addition to making profit.

Emission Reduction Purchase Agreements (ERPAs): The contracts that underlie the sale and purchase of CERs or VERs from CDM and voluntary offset projects.

Gold Standard: A strict certification standard for carbon offsets, which goes beyond the requirements of the Kyoto Protocol.

Greenhouse Gas (GHG): Any of the atmospheric gases that contribute to global warming (such as carbon dioxide, methane, hydro fluorocarbon, etc).

Issuance: refers to the creation of certified emission reductions (CERs) or verified emission reductions (VERs) equivalent to the number of greenhouse gas emission reductions which have been generated, verified and certified in respect of a CDM project activity.

Kyoto Protocol: An international agreement sponsored by the United Nations which aims to reduce human greenhouse gas emissions.

Leakage: Leakage refers to an increase in emissions outside of the project boundary due to a displacement of deforestation pressures from the project boundary to another site.

Monitoring: Refers to the measurement and analysis of greenhouse gas emissions from a project within its boundary to determine the volume of emission reductions that are attributable to the project.

'Over-the Counter' (OTC) offset market: a wide range of voluntary transactions that is not driven by any emissions cap, and does not occur under any formal exchange. OTC carbon offsets are referred to as Voluntary Emission Reductions (VERs). Voluntary buyers buy credits to offset their own emissions.

Permanence: If a carbon project captures and stores carbon, it must be permanent and irreversible. This issue is particularly relevant for reforestation offsets.

REDD: reducing emissions from deforestation and forest degradation (REDD) is a mechanism whereby individuals, communities or governments are rewarded that reduce greenhouse gas emissions associated with forest loss and degradation.

Reforestation: The direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989.

Seller: Sometimes referred to as the project developer, or Project Entity, the primary entity who sells the carbon offset credit.

Verification: To prevent mistakes or fraud, carbon projects should be verified by a qualified and independent third party.

Verified Emission Reduction Unit (VER): A unit of greenhouse gas emission reduction that has been verified by an independent auditor, but has not yet undergone the procedures for verification, certification and issuance as a certified emissions reduction under the Kyoto Protocol. Thus, these are only sold on the voluntary market and are sometimes referred to as Voluntary Emission Reductions.

Voluntary Carbon Standard: A certification standard for carbon offsets which covers the basic requirements needed for a project to be valid.

Voluntary offset: A carbon offset which is purchased by a concerned individual or business out of choice, not as a result of regulation.