



Policy Memorandum

To: **ALL PROJECT DEVELOPERS AND VERIFICATION BODIES**
Date: **SEPTEMBER 27, 2012**
Re: **ENVIRONMENTAL AND SOCIAL SAFEGUARDS POLICY**

Among the Reserve's program principles is the concept that offset projects should neither cause nor contribute to negative social, economic or environmental outcomes (see Program Manual, Section 1.2). To satisfy this principle, the Reserve requires offset projects to be in material compliance with all laws and regulations, including environmental standards. In some instances, the Reserve also imposes additional environmental requirements (most notably with the natural forest management provisions of the Forest Project Protocol).

To date, however, the Reserve has not stipulated the scope for evaluating environmental and social effects or appropriate criteria for evaluating regulatory requirements. This policy memo clarifies under what circumstances environmental and social harms associated with an offset project may affect the project's eligibility and/or ability to receive credits. It also provides guidance on the criteria the Reserve may use to determine whether actionable harms are occurring.

Note that this guidance does not change, or affect the interpretation of, requirements in existing Reserve protocols. Rather it clarifies how the Reserve will establish criteria for environmental and social safeguards in new protocols and (where necessary) future updates to existing protocols.

This guidance is effective immediately and will be incorporated into the Reserve's Program Manual when it is next updated.

Scope of Effects Considered for Environmental and Social Safeguards

In developing safeguard criteria and requirements for specific protocols, the Reserve applies the following general principles:

Common Agency

Environmental and social harms will only be considered in determining project eligibility¹ to the extent that they can be attributed to the same agents (e.g., project developers, implementers or operators) in charge of implementing the project. Harms that may occur concurrently with a project, but are caused by other actors, will not be a factor in determining eligibility. The agents responsible, individually or collectively, for implementing projects will be determined during the protocol development process in consultation with stakeholders.

Proximity

Only environmental and social harms directly associated with a project activity (i.e., either physically or causally proximate) will be considered:

- Harms directly caused by project activities, regardless of where the harms physically occur, will be a factor in determining eligibility.

¹ Either initial eligibility or eligibility to receive credits.

- Harms physically proximate to project activities but not directly caused by those activities may also be considered in determining eligibility if they are caused by agents responsible for project implementation. Such harms will be considered only if the agents are *required by the relevant protocol* to be involved in project implementation. Required agents will be specified in the Reserve's protocols, e.g., as part of the project definition or definition of eligible "project developers." If an agent is allowed, but not required, to be involved in project implementation, then physically proximate harms caused by that agent will not be considered (even if such an agent is directly involved with a particular project).
- Harms caused by agents in charge of implementing a project that occur at sites or facilities not linked or co-located with the project will *not* be a factor in determining eligibility.

Both agency and proximity of effects will be considered in the protocol screening and development processes to identify and set clear standards for the application of this policy.

Criteria Applied for Environmental and Social Safeguards

In determining whether environmental and social harms are occurring, the Reserve will use the following criteria:

Legal Obligation

The Reserve will rely first and foremost on legal requirements within the jurisdiction(s) where the project is implemented. Project agents that are found to be out of material compliance with applicable laws, regulations or other legal mandates that apply to the project itself or activities proximate to the project will be penalized – to date, the penalty has been denying issuance of CRTs for the period(s) of non-compliance.

"Do No Harm" Beyond Legal Requirements

In some cases, the Reserve may determine, in consultation with stakeholders, that existing legal requirements are insufficient to guarantee protection against important environmental and social harms. In these cases, the Reserve may include additional criteria in protocols to ensure that projects will not give rise to these harms, or may screen out certain project types or activities from eligibility under a protocol altogether.

Example: Application to the Coal Mine Methane Project Protocol

A broad interpretation of the Reserve's previous environmental and social safeguards policy could have made projects ineligible if they were located at mines where significant, ongoing non-compliance with environmental or health and safety laws was occurring. This policy could have applied even though, in most cases, project developers are distinct from mine owners and therefore have little or no control over a mine's management and record of legal compliance, and mine activities have little to do with project performance.

Under the refined policy presented above, the requirements would no longer be so expansive. Specifically, because mine operators are not required to be involved in project implementation, only legal violations directly caused by a project would be considered, not other violations at the mine where the project is located. This would be the case even in instances where the mine owner chooses to develop and implement a coal mine methane project.