

OFFSET BUYERS

Corresponding Adjustment Protect™



Overview

Carbon credits from the Voluntary Carbon Market (VCM) can be authorized under Article 6 of the Paris Agreement for use in international carbon markets beginning with Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). A requirement of this authorization is that the host country where the credit is produced must make a Corresponding Adjustment in its carbon accounting to avoid possible double claiming of the carbon credits.

What is Corresponding Adjustment Protect?

It is an insurance policy that protects against the risk of an authorized credit losing its Article 6 authorization due to the Corresponding Adjustment not being made by the host country. The policy is underwritten by Oka Syndicate 1922, a Lloyd's syndicate.

Who is insured?

It insures the project developer. When a credit is sold on, the benefits of the policy can be assigned to the new owner who can then claim against the insurance. The policy remains in force in the event that the developer is no longer operating.

Why buy it?

Corresponding Adjustments must be made for a VCM credit to be eligible for use in a compliance market such as CORSIA and other emissions trading schemes. Buyers who must retire credits to offset their emissions risk non-compliance if they use a credit that has not had a Corresponding Adjustment.

A Corresponding Adjustment Protect policy pays out to the insured in the event that a Corresponding Adjustment is not applied to a credit, allowing the insured to replace it with an Article 6 authorized credit. In this way, the buyer of the credit can maintain compliance with the relevant carbon market rules and have confidence that their carbon investment has not been double claimed.

How does it work?

A loss is triggered after:

1. The host country fails to submit a Corresponding Adjustment as part of its annual report or biennial transparency report (BTR) to the UNFCCC; or
2. The host country withdraws the Letter of Authorization (LoA) it has issued to the carbon developer; and
3. The VCM registry informs the relevant account holders that the Corresponding Adjustment has not been made within the appropriate time frame or that the LoA has been withdrawn and removes the credit's Article 6 authorized label.

The insured then submits a claim to Oka, who pays out a cash sum after processing the claim. The insured can then source new credits that are Article 6 authorized.

What exclusions are there?

The policy excludes:

- Host countries that are on a sanctions list issued by the US, UK or EU.
- Litigation costs, injunctive or equitable relief, punitive damages.
- Losses caused by:
 - Invalidation of the credit itself by the registry (due to over crediting, measurement errors, project failure or other invalidation event)
 - Registry collapse
 - Cyber events
 - Nuclear events
 - War, terrorism, strike and civil riots

What are the terms and limits?

- The policy can run for either two, three or four years from the policy start date, with the option to request renewal at the end of the term.
- The policy can start after the credit has been issued and "first transfer" has occurred.
- The limit on the policy is the stated value per credit times the number of insured credits. This amount is the insured value of the credits.
- The insured can adjust the stated value of the credits to reflect changes to the market value of the credits while the policy is active.

How is the policy settled?

- Each carbon credit will have a stated value provided by the insured to Oka. The policy will pay out the stated value per credit times the number of insured credits, less a retention.
- The developer (or, in the case of developer insolvency, the credit holder) can easily adjust stated values during the life of the policy. This is done through a simple endorsement process. Additional premium may be required if the stated value of credits increases or premium may be returned if the stated value decreases. This change in premium will be charged or refunded pro rata based on the remaining term of the policy.

Speak with a member of our team today.

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