

Additionality

An offset project's additionality is determined by the extent carbon mitigation funding is a factor in overcoming barriers to implementing the project. The additionality of each project proposal will be assessed on a project-by-project basis. Applicants should review the following information and incorporate this approach into the presentation of their projects' additionality case.

There are a number of ways that a GHG reduction project can demonstrate that its activities are "above and beyond" the business as usual scenario, most commonly through what are known as barrier tests. The Colorado Carbon Fund uses three common tests to determine a project's additionality.

1. **Regulatory Surplus** - Is this project mandated by any existing law, policy or statute?
2. **Common Practice** - Is the project, technology or practice commonly employed in the field or industry?
3. **Project Barriers** - Does the project face capital, new technology, or significant organizational, cultural or social barriers that carbon funding will help overcome?

These tests are based on the Kyoto Protocol's Clean Development Mechanism methodology, as well as the World Resource Institute's Greenhouse Gas Protocol for Project Accounting. This approach was adopted as the additionality threshold for offsets certified through the Voluntary Carbon Standard.

Test 1: Regulatory Surplus

The Regulatory Surplus Test ensures that the project is not mandated by any existing law, policy, statute or other regulatory framework. If it is, then it is assumed that the project is being developed to comply with the law or regulation is not additional to the business as usual scenario.

Test 2: Common Practice

This test is intended to determine whether or not a project is truly above and beyond "business as usual." If a practice is widely employed in a field, it is not considered additional.

Test 3: Implementation Barriers

There are three main implementation barriers tests: Financial; Technological; and Institutional. A project must meet at least one of the following barriers tests in order to be considered additional.

- **Test 3(a): Financial Barriers.** The financial barriers test addresses how carbon funding impacts the project in question. Financial barriers tests are generally considered to be one of the more rigorous and stringent tests of additionality. There are two main types of financial barriers a project can face: capital constraint and internal rate of return. The Capital Constraint Test addresses whether a project would have been undertaken without carbon funding. Internal rate of return indicates whether or not a project would have met established targets for profitability without carbon funding. These are not the only acceptable tests of financial barriers, but are the most commonly used.
- **Test 3(b): Technological Barriers.** The Technological Barriers test assesses the role of technology used in a project. This test looks at whether there are any barriers against adopting a new technology in project that would lower emissions. These barriers could be in the form of higher upfront costs or reluctance to use because the technology hasn't ever been implemented at a project scale.
- **Test 3(c): Institutional Barriers.** Institutional barriers can be organizational, social or cultural. If a GHG reduction project falls outside of normal business practices, there can be reluctance to implement it. However, the added revenue stream from offsets can help overcome such biases and allow the project to go forward.