



Driving Climate Actions

# **Clarification No.06: *Acquisition of Assets***

**V2.0- 2024**



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## 1. Introduction

1. The GCC Program Framework<sup>1</sup>, in section 14, provides information on the 'GCC Documentation Framework', which defines the various types of GCC documents including 'Information Documents'. The 'Information Documents' have been further classified into a sub-type of regulatory documents called 'Clarifications', which provide further clarity on particular GCC requirements.

## 2. Scope

2. The GCC Program allowed projects with a start date of operations beyond 01 Jan 2016 to apply under the A2 category, provided the project's initial submissions are made before 5<sup>th</sup> July 2022 and for such cases, the crediting period, as per project standard, must start within one year from the start of the project activity.
3. GCC has received requests for guidance from the project/legal owners, who have submitted their projects to the GCC program, informing of their specific situation wherein the projects have been acquired from the initial legal owners and therefore such projects have undergone a change in ownership of assets as well as carbon credits.
4. The Initial owners of the assets have not presented the projects to GCC for registration and with the deadline for A2 having expired on 5<sup>th</sup> July 2022, they cannot apply to GCC for registration.
5. For such projects, as stated in paragraph 3 above, there may be the following implications, depending on various scenarios as defined in **section 5** below:
  - (a) Impact on the ownership of assets and approved carbon credits (ACCs);
  - (b) Impact on Additionality; and
  - (c) Impact on allowable crediting period, noting that the crediting period may start beyond one year from the start of the project activity, superseding the requirements, referred to in paragraph 2 above.
6. In context to paragraph 5(b), and as per applicable CDM tool for demonstration of additionality using the financial route (Tool 27: Investment analysis) the projects are required to demonstrate financial Additionality, if applicable, using data available at the time of decision-making. As the present legal owners have applied for registration to GCC there is a need to provide guidance on how Additionality would be demonstrated taking into view which set of input values can be applied for the investment analysis, thus this clarification is being published.
7. The GCC Regulatory Committee has agreed to the approach to demonstrate additionality for projects that have changed ownership between the initial start date and the date of registration of the project with the present legal owner.

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<sup>1</sup> GCC documents are available here: <https://www.globalcarboncouncil.com/how-gcc-works/resource-center/>

8. This clarification was issued to guide the demonstration of Additionality and selection of the allowable crediting period for the project.

### 3. Entry into Force

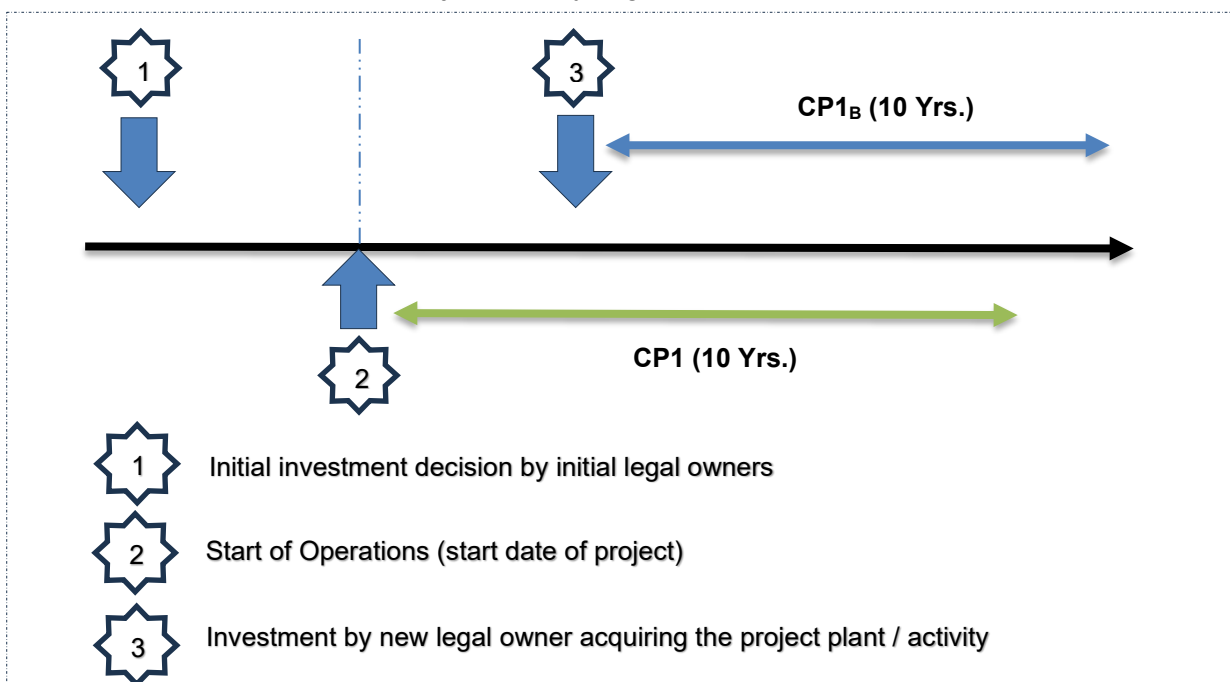
9. The requirements contained in this document enter into force from the date of the publication of this document. This clarification will apply to all the projects submitted to the GCC Program which have not been registered on the date of publication of this document.
10. This document is a transitional document and will at a later point in time be reflected throughout the revised versions of regulatory documents, mainly in Project Standards, Verification Standards, Program Process, and forms such as PSF, etc. This document will cease to be in force after its consolidation into the 'Project Standard' and other applicable regulatory documents in its next revision.

### 4. Applicability

11. This clarification applies to all projects that have already applied under the A2 type project category and have been submitted to the GCC Program before 5th July 2022.
12. This applies to projects where the present legal owner of the project plant/project activity has acquired the project from the entity that had initially invested in the project. The new/current legal owner is the one who has submitted the project activity, including the Letter of Authorization, to GCC.
13. This clarification is not applicable for cases where no investment has been made by the initial legal owner and the change in ownership has happened before the actual investment in the project (before placement of order on the major equipment ).

### 5. Additional requirements for situations of transfer of assets/projects with/without transfer of rights to carbon credits.

14. The pictorial depiction of the project activity is given below:



15. In line with the requirement of Tool 27 “Investment Analysis” para 10, all “input values used in all investment analysis shall be valid and applicable at the time of the initial investment decision of the project.” **GCC will only recognize projects that demonstrate additionality using an investment analysis based on values available at the time of investment by the initial owner only (Point 1 in Para 14 above)** along with or without transfer of ownership rights to carbon credits. The different scenarios for additionality demonstration are given below.
- (a) **Scenario 1:** At initial investment based on input parameters to the Investment Analysis available at the time of initial decision making (point 1); along with transfer of rights of carbon credits from the original investor to the new owner.
  - (b) **Scenario 2:** At initial investment based on input parameters to the Investment Analysis available at the time of initial decision making (point 1); without transfer of rights of carbon credits from the original investor to the new owner.
16. Based on the scenarios depicted above, the following requirements including the maximum allowable crediting period are given below in a tabular manner.

Additionality Scenario	Transfer of ownership rights of carbon credits to the present/current legal owner	Tools for demonstrating transfer of ownership rights of credits to the present/current legal owner	Maximum allowable Crediting period <sup>2</sup>
<b>Scenario 1</b>	Yes	Acquisition document/valuation report or any other applicable legal document	Maximum 10 years crediting period from start date corresponding to point 2 (CP1)
<b>Scenario 2</b>	No	NA	Maximum 10 years crediting period from acquisition date corresponding to point 3 (CP1 <sub>B</sub> )

## 6. Verification Requirements

17. The Verifier shall conduct verification as per the Verification Standard, including checking the appropriateness of the input values taken at the time of decision-making and cross verification of these values with actual project values, for variables, including the initial investment cost, that constitute more than 20% of either total project costs or total project revenues (refer to para. 27 of “Tool 27: Investment Analysis”), including checking the robustness of assumptions, and demonstrate compliance with this document.

<sup>2</sup> This is allowed only if the residual lifetime of the asset/project activity is more than the allowable crediting period.

DOCUMENT HISTORY		
Version	Date	Comment
V 2.0	21/05/2024	<ul style="list-style-type: none"><li>Revised version as approved by the Regulatory Committee for publication.</li></ul>
V 1.1	18/04/2024	<ul style="list-style-type: none"><li>Revised version incorporating inputs from regulatory committee meeting.</li></ul>
V 1.0	26/02/2024	<ul style="list-style-type: none"><li>Initial version for approval by the Regulatory Committee as per the GCC Program Process.</li></ul>



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