



# ORMEX

## ADDITIONALITY Methodology



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**LIST OF ACRONYMS**

| <b>Acronyms</b> | <b>Definitions</b>                                    |
|-----------------|-------------------------------------------------------|
| AFOLU           | Agriculture, Forestry and Other Land Use              |
| CDM             | Clean Development Mechanism                           |
| FAO             | Food and Agriculture Organization                     |
| GHG             | Greenhouse Gases                                      |
| IAF             | International Accreditation Forum                     |
| IPCC            | Intergovernmental Panel on Climate Change             |
| IPLC            | Indigenous Peoples and Local communities              |
| NDC             | Nationally Determined Contributions                   |
| PDD             | Project Design Description                            |
| SDG             | Sustainability Development Goals                      |
| UN              | United Nations                                        |
| UNFCCC          | United Nations Framework Convention on Climate Change |
| V-ACORs         | Verified Agriculture Carbon Offset Registered         |
| VCM             | Voluntary Carbon Market                               |
| VVB             | Validation and Verification Body                      |

## LIST OF REFERENCED DOCUMENTS

This document is established in relation with ORMEX PROGRAM's other documents as listed hereabove.

| Document Id  | Title                                      |
|--------------|--------------------------------------------|
| ORM/OPR/GLO  | ORMEX GLOSSARY                             |
| ORM/ORP/PROG | ORMEX PROGRAM                              |
| SEC/OST/PR   | ORMEX STANDARD PRINCIPLES AND REQUIREMENTS |

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## INTRODUCTION

that through the implementation of regenerative practices in the agricultural sector aim to reduce GHGs emissions, naturally store carbon in the soils and contribute to the improvement of sustainable development objectives through a holistic approach that grouped the implementation of regenerative practices in the agricultural sector of *Agriculture, Forestry and Other Land Use* (“AFOLU”)<sup>1</sup>, and the contribution to the improvement of *Sustainable Development Goals* (“SDGs”) according to the UN’s 2030<sup>2</sup>.

ORMEX STANDARD complies with the IPCC methods<sup>3</sup> and is aligned<sup>4</sup> with most of the requirements of the *International Carbon Reduction and Offset Alliance* (ICROA)<sup>5</sup> and the *Integrity Council for the Voluntary Carbon Market* (IC-VCM)<sup>6</sup>.

**One of the VCM ‘principles is that the Project shall demonstrate its **Additionality**.**

IPCC Glossary defines that the “Additionality” is reached when Projects “*go beyond a business-as-usual level, or baseline. Additionality is required to guarantee the environmental integrity of project-based offset mechanisms, but difficult to establish in practice due to the counterfactual nature of the baseline.*”<sup>7</sup>

The uncertainty of the assumptions used to determine the Baseline Scenario therefore has a major influence on the determination of the compliance of the Additionality requirements.

In consideration with the variety of VCM’s Additionality definition<sup>8</sup>, and the diversity of Project ‘situations, this ORMEX’s Additionality Methodology aims to combine an easy step-wise

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<sup>1</sup> IPCC 2019. 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Calvo Buendia, E., Tanabe, K., Kranjc, A., Baasansuren, J., Fukuda, M., Ngarize S., Osako, A., Pyrozhenko, Y., Shermanau, P. and Federici, S. (eds). Published: IPCC, Switzerland. Volume 4 dedicated to Agriculture, Forestry and Other Land Use. Publications - Publications - IPCC-TFI ([iges.or.jp](http://iges.or.jp))

<sup>2</sup> UN, Transforming our world: the 2030 Agenda for Sustainable Development, Resolution adopted by the General Assembly on 25 September 2015, and the seventeen (17) objectives, [Agenda for Sustainable Development web.pdf](http://Agenda for Sustainable Development web.pdf) ([un.org](http://un.org))

<sup>3</sup> IPCC. 2019. 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. Geneva, Switzerland. [www.ipcc-nggip.iges.or.jp/public/2019rf/index.html](http://www.ipcc-nggip.iges.or.jp/public/2019rf/index.html)

<sup>4</sup> ORMEX is not endorsed nor elected to those international standard certifications yet

<sup>5</sup> ICROA New Standards Endorsement

<sup>6</sup> High-Quality Voluntary Carbon Credits Principles ([icvcm.org](http://icvcm.org))

<sup>7</sup> Allwood J.M., Glossary. In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, United Kingdom and New York, NY, US

<sup>8</sup> Additional: “*Project-based emission reductions and removals beyond what would have occurred if the project had not been carried out or that would have otherwise occurred. Projects demonstrate a conservative business as usual*”

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approach for the Project Holder, a high-level Additionality requirement (using 4 types of Additionality) of the Project, and a better Project understanding and transparency for the Carbon Buyer by introducing an output Additionality rating. It is also the possibility for the Project to increase its robustness during the Project Duration.

To achieve this high quality with regard to Additionality, the Project shall be designed in consideration of a “Business-as-usual” situation (identified in the Selected Baseline Scenario) and demonstrate that:

- ✓ **The project goes/will go beyond legal obligations in the related jurisdiction (“Regulatory Additionality”)**: this means that the Project is not implemented by cause of mandatory national, regional or international effective regulations in the Country where the Project is located.
- ✓ **The Project can be achieved (in full or part) through the revenue generated by the sale of the Carbon Credits (“Financial Additionality”)**: this means that without the purchase of certified Carbon Credits, the Regenerative Activities would not have taken place.
- ✓ **The Project shall go beyond other barriers (“Barriers Additionality”)**: this means to consider that the Project has to face some barriers not faced by at least one of an alternative Scenario (likely the selected Baseline Scenario) and these identified barriers would be overcome by the implementation of the Project and the expectation of revenue coming from the sale of Carbon Credits.
- ✓ **The Project shall demonstrate an increase of the emission/reduction (Carbon Reduction) and/or an increase of the Carbon Removal through the Carbon Quantification (“Climate Additionality”)**: this means comparing the Carbon Quantification of the selected Baseline Scenario and the one resulting from the implementation of the Project.

ORMEX STANDARD applies a step-by-step approach and a classification according to a scoring threshold taking into account the Project assumptions and its demonstration in relation to the four Additionality topics. Using the ORMEX Additionality Methodology reinforces the robustness of the positive and additional effects generated by the Project.

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*(BAU) scenario and must be surplus to regulatory requirements. Jurisdictional programs demonstrate additional reductions below the historical reference level”. ICROA.*

*Additional: “In the context of crediting mechanisms, emission reductions or removals from a mitigation activity are additional if the mitigation activity would not have taken place in the absence of the added incentive created by the carbon credits”. WWF*

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Although, the Regenerative Activities mainly focus on the restoration of the soil (but also the trees biomass CO2 storage capacities) in Agricultural Sector, by recovering its full capacity of carbon sink, and therefore ORMEX STANDARD established strong 'Additionality' requirements, the most important of which requires to notice a Carbon Removal (section 8) to achieve a higher Additionality threshold.

This document is updated periodically in accordance with the documentation management outline in the ORMEX PROGRAM. The Project Holder is advised to ensure that it uses the latest version accessible on the ORMEX websites.

## 1 PURPOSE

The purpose of this ADDITIONALITY METHODOLOGY is to define the ORMEX STANDARD requirements in relation to the Additionality the Project Holder must comply when the Project Design is defined. It is also determined the step by step methodology to apply for the identification of the ORMEX STANDARD's Additionality requirements.

This document completes the section 8.3 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

## 2 DEFINITIONS

All terms in capitals used in this document have their meanings set out in the GLOSSARY, and are summarized hereafter in this section for better understanding for readers.

- ✓ Terms with a Capital refer to terms defined in the List of Definitions of the ORMEX GLOSSARY. In the list of Definitions, words indicating the singular only also include the plural and vice versa, where the context so requires.
- ✓ Sentences *in Italics* refer to definitions coming from external sources.
- ✓ Terms in CAPITAL refer to documents.

References to articles and appendices are, unless otherwise provided, references to the articles and appendices to this document.

In this document:

- The verbs “shall” and “must” are used to express mandatory commitments or obligations the Project must comply with.
- The verb “should” is used to indicate a recognized means of meeting the requirements and obligations, most of the time referring to the usual best practices pursuant to the VCM practices. In some circumstances, it can also express a best effort obligation, meaning that the Project can meet the requirements or obligations in an equivalent way, but still in connection with ORMEX STANDARD principles, VCM practices and professional behaviors that it would have to demonstrate.
- The verb “may” is used to express that the means of implementation of the requirements or obligations is left up to the Project to decide, with no recommendation coming from ORMEX STANDARD. In some circumstances, it can also express no commitment or obligation, but a possibility to do so left up to the Project Holders’ sole discretion.

## LIST OF DEFINITIONS

| terms                         | Definitions                                                                                                                                                                                                                                                                                                                                                                                           | Additional Information<br>Sources base |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| <b>Additionality</b>          | <p>Refers to the demonstration of Regulatory Additionality, Financial Additionality, Barriers Additionality, and Climate Additionality, and the positive results of such demonstration, required in section 8.3.2 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.</p> <p>The demonstration shall be conducted in accordance with this ADDITIONALITY METHODOLOGY.</p>                               |                                        |
| <b>Barriers Additionality</b> | <p>Refers to the demonstration of the consideration that the Project has to face some barriers not faced by at least one of an alternative baseline scenario (likely the selected Baseline Scenario). These identified barriers would be overcome by the implementation of the Project and/or the expectation of revenue coming from the sale of Carbon Credits, and the positive results of such</p> |                                        |



demonstration, as required in section 8.3.2 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

The demonstration shall be conducted in accordance with Section 4.1 and Section 7 of this ADDITIONALITY METHODOLOGY.

**Financial Additionality**

Refers to the demonstration that the implementation of the Regenerative Activities would not have occurred in the absence of the proceeds created by carbon credits revenues, and the positive results of such demonstration, as required in section 8.3.2 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

The demonstration shall be conducted in accordance with Section 6 this ADDITIONALITY METHODOLOGY.

**Baseline scenario**

*Refers to the state against which change is measured. In the context of transformation pathways, the term 'baseline scenarios' refers to scenarios that are based on the assumption that no mitigation policies or measures will be implemented beyond those that are already in force and/or are legislated or planned to be adopted. Baseline scenarios are not intended to be predictions of the future, but rather counterfactual constructions that can serve to highlight the level of emissions that would occur without further policy effort. Typically, baseline scenarios are then compared to mitigation scenarios that are constructed to meet different goals for greenhouse gas (GHG) emissions, atmospheric concentrations, or temperature change.*

Allwood J.M., et

**Baseline Quantification**

Refers to the Carbon Quantification within the Project Boundaries that would have occurred in the absence of the Project implementation, considering the Baseline Scenario assumptions.

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**Baseline Methodology** Refers to the methodology applied to establish the Baseline Scenario under ORMEX STANDARD and the Selected Methodology.

**Carbon Pools** Refer to the above-ground biomass, below-ground biomass, litter, dead wood and soil organic carbon.

**Carbon Positive Impact** Refer to a general term used for Carbon Reduction or Carbon Removal positive net balance, as the case may be.

**Carbon Reduction** Refers to the CO<sub>2</sub> volume achieved (net balance between emissions and reduction) by reducing the emissions of CO<sub>2</sub> (and other GHG emissions) to the atmosphere, related to the Project Boundaries (Project location, Project Surface, Regenerative Activities) for the Project Timeline, according to the Selected Methodology, and converted into tCO<sub>2</sub>eq.

The Carbon Reduction is expressed in tCO<sub>2</sub>eq.

**Carbon Removal** Refers to the CO<sub>2</sub> volume achieved (net balance) by absorbing CO<sub>2</sub> from the atmosphere and preventing its entrance to the atmosphere by converting the CO<sub>2</sub> to stable storage, which over a long term prevents CO<sub>2</sub> from being released to the atmosphere (removals by Carbon sinks), related to the Project Boundaries (location, Total Surface, Regenerative Activities) for the Project Timeline, according to the Selected Methodology, and converted into tCO<sub>2</sub>eq.

Carbon Removal includes quantification of other GHG emissions/reductions.

**Climate Additionality** Refers to the demonstration of Additionality in relation to the net Carbon Positive Impact quantification, and the positive results of such demonstration, as required in section 8.3.2 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS

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The Climate Additionality is confirmed when the result of comparison the Project Scenario Quantification and the Baseline Scenario Quantification is a positive increase of the Carbon Benefit Impact.

The demonstration shall be conducted in accordance with Section 8 of this ADDITIONALITY METHODOLOGY.

**Governmental/Regional Project** Refers to the Project which is structured according to Section 6.2.3. of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

**No enforcement procedure** Refers to a regulation that it is not enforced by reason of no fine or control applicable.

**Project Boundaries** Refer to one or cumulated Zones.

**Project Design** Refers to the design of the Project according to Section 8 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

**Project Design Description (PDD)** Refers to the document that identifies and describes with appropriate details the Project and related Regenerative Activities, as well as among others, the Project location, Project Boundaries, Project Start Date, Project Timeline, Carbon Quantification, ownership, Indicators of measurement, Baseline Scenario and Additionality. The PDD must comply with the requirements set out in [Section 8](#) of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

**Project Holder** Refers to a designated organization leading the Project and who complies with the role, requirements, conditions and rights set out in section **Erreur ! Source du renvoi introuvable.** of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS, particularly the relevant rights to claim the ownership of the V-ACORs issued and to execute specified Transactions.

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In relation to the Project segmentation (Section **Erreur ! Source du renvoi introuvable.** of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS), a Farmer, Public Institution, or a private or public entity can be eligible for a Project Holder's role.

The Project Holder is identified in the PDD and in the ORMEX STANDARD REGISTRY.

The Project Holder is represented towards third parties, ORMEX STANDARD, and other Stakeholders by an Authorized Representative.

**Regenerative Activities**

Refer to practices that protect, restore, and improve the management of arable lands and the health of the soil, according to Section 7.2 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS

**Regulatory  
Additionality**

Refers to the demonstration of the Project is not implemented by cause of mandatory national, regional or international effective regulations in the Country where the Project is located, and the positive results of such demonstration, as required in section 8.3.2 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

The demonstration shall be conducted in accordance with Section 5 of this ADDITIONALITY METHODOLOGY.

**Selected  
Scenario**

**Baseline**

Refers to the most plausible scenario (with relevant accurate data) identified in the PDD, that would occur in the absence of the Project, and determined according to Section 8.3.1 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS;

The Baseline Scenario serves as a benchmark to evaluate the Carbon Positive Impact associated with the implementation of the Project.

**Single Project**

Refers to a Project which structured according to Section 6.2.1 of the ORMEX STANDARD PRINCIPLES AND REQUIREMENTS.

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**Zones** Refer to the geographical delimitation of Areas defining the geographical boundaries of the Project as identified in the PDD.

## 3 ADDITIONALITY ASSESSMENT

### 3.1 PRINCIPLES

The Additionality assessment shall demonstrate with appropriate evidence that the Carbon Reduction or Removal from the implementation of the Regenerative Activities compared to the quantification of the Baseline Scenario shall be Additional.

To support the above requirements, ORMEX STANDARD proposes this methodology to go forward using a step wise approach for the determination of the Additionality based on the four Additionality principles stated in the Introduction section.

When passing each step, the level of the Additionality threshold increases or decreases, considering the demonstration capacity of the Project Holder in consideration of the type of Additionality to be assessed.

This methodology refers to the several steps for classification and rating assessment's inputs/outputs principles established for the "*likelihood of Additionality*" proposed by IC-VCM.<sup>9</sup>

The Project Holder shall apply the following steps to determine Additionality threshold levels:

- ✓ Step 1: Likelihood of Additionality
- ✓ Step 2: Demonstration of no mandatory Regulation
- ✓ Step 3: Financial Additionality
- ✓ Step 4: Barriers Additionality
- ✓ Step 5: Climate Additionality

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<sup>9</sup> IC-VCM – Framework Assessment – section 8

The demonstration of the Additionality has to be assessed by the selected VVB for the Validation Phase and subsequently with every Verification Phase.

For the Validation Phase, the Selected VVB shall assess the implementation by the Project Holder of this methodology. It shall verify and evaluate the demonstration following the step-by-step approach and confirm or propose (with duly justification) the Project threshold with regard to Additionality.

The Project cannot be eligible to ORMEX STANDARD in the event of NO ADDITIONALITY situation identified during the Certification Phase.

The Additionality must be re-assessed at least every 10 years throughout the Certification Renewal.

## 4 STEP 1: OVERALL LIKELIHOOD ADDITIONALITY

The purpose of the **Step 1** is to have a first overview of the likelihood of Additionality of the Project and to determine its first Additionality threshold (Very high – High - Medium – Low), to generate the Additionality threshold input for the **Step 2** (Section 5).

The Step 1 demonstration is based on a self-assessment by the Project Holder of identification of the major barriers preventing the implementation of the Project compare to the Baseline Scenario.

### 4.1 Identification of the Barriers preventing the implementation

#### 4.1.1 Principles

The Project Holder must use the barriers self-assessment to identify the first input of the likelihood of Project's Additionality.

This self-assessment is based on the identification of the barriers and must be demonstrate using one of the following demonstrations:

- ✓ **Negative demonstration:** This demonstration is based on the consideration that the Project has to face some barriers that the Business as usual scenario has not to face or does not usually consider. The Project Holder must at least identify one barrier not faced by the selected Baseline Scenario, and that would be overcome by the implementation of the Project and/or the expectation of revenue coming from the sale of the Carbon Credits. (Such as, a need of a specific education program to be

provide to the Farmers in relation to the Regenerative Activities in addition to the usual education program).

- ✓ **Positive demonstration:** This demonstration is based on the consideration that the current business as usual activities cannot change due to several barriers and that the implementation of the Project will be a key element to overcome or impact positively these barriers. (Such as low level of agricultural attractiveness for young person that can be improved by the young person's sensitivity on climate change)

#### 4.1.2 Determination of the barriers

The Barriers may be social, institutional, technical or financial, such as fundings difficulties and/or lack of knowledge and know-how for the implementation of the activities.

Where possible, a quantitative approach should be used <sup>10</sup>. The demonstration must be based on documented evidences.

##### 4.1.2.1 Single Project

To support the determination of an accurate list of barriers, the Project Holder must use the following self-assessment questions table. This survey is based on the barrier assessment proposed by IC-VCM <sup>11</sup>.

The Project Holder has to answer questions to be able to address this demonstration (Figure 1)

The Additionality threshold is:

- ✓ **Level 1 – Very-High Likelihood:** if there is no more than one answer to the questions considering that there is no clear evidence to demonstrate the answer
- ✓ **Level 2 – High Likelihood:** if there are no more than two answers to the questions considering that there is no clear evidence to demonstrate the answers
- ✓ **Level 3 – Medium Likelihood:** if there are no more than three answers to the questions considering that there is no clear evidence to demonstrate the answers
- ✓ **Level 4 – Low Likelihood:** if there are no more than four answers to the questions considering that there is no clear evidence to demonstrate the answers

During the Validation Phase, VVB must analyze the consistency of the answer, and may ask additional question and information as necessary.

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<sup>10</sup> UNFCCC Report, Annex 13. Guideline for objective demonstration and assessment of barriers, version 01.

<sup>11</sup> Assessment based on IC-VCM Principles

| Step 1 – Barriers Assessment                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Project Hoder has to answer questions to be able to address this demonstration.<br>During the Validation Phase, VVB must analyze the consistency of the answer, and may ask additional question and information as necessary.              |
| <i>“Does the type of mitigation activity face considerable non-financial barriers that can be identified in an objective and verifiable manner and do these barriers convincingly prohibit the implementation of the mitigation activity?”</i> |
| Does the risk assessment established for the Project identifies that some barriers create a high or very high risk impacting the performance of the Project?                                                                                   |
| <i>“Is it possible to obtain objective and verifiable evidence that the identified barriers do not prevent the implementation of the assumed Baseline Scenario?”</i>                                                                           |
| <i>“Are there other programs or incentives that could be incentivizing the activity in addition to carbon credit revenues, such as grant financing?”</i>                                                                                       |
| <i>“Is it very likely that the incentives created by the carbon credits is decisive in overcoming the identified barriers?”</i>                                                                                                                |
| <i>“Is the magnitude of this incentive sufficient to take the necessary action to overcome the barriers?” <sup>12</sup></i>                                                                                                                    |

Figure 1 - Step 1 - self assessment

#### 4.1.2.2 Governmental/Regional Project

The Project may identify a new or an enhanced of a current incentive program is initiated to implement Regenerative Activities or to achieve additional Regenerative Activities practices enhancement or progression to level 2 or 3, and this program or enhancement is not commonly implemented by the agricultural practices identified in the selected Baseline Scenario.

**The Barrier Additionality is deemed achieved if the Project Holder can demonstrate that:**

- ✓ There is no incentive program applicable within the Zone in relation to transition from conventional agriculture to regenerative practices, OR
- ✓ Within the Project Boundaries and at the time of the Project Start Date, the surface related to the implementation of Regenerative Activities selected level (1,2 or 3) in relation to the crop subsector is/ was -for Past Started Project- less than 30%, OR
- ✓ There are factors outside of the Project and identified barriers that can influence

<sup>12</sup> In assessing this magnitude, a carbon price assumption considering the Project may be used.



positively the increase of the implementation of the Regenerative Activities Projects,

- ✓ The generation of Carbon Credits (or the Carbon soil improvement consideration) by the implementation of the Project was considered in the project scenario prior to the Start Date of the Project (or at least at the date of the Crediting Period) and it can be evidenced by all means.

#### 4.1.3 Data collection

An identified barrier must be real. The identification of the reality of the Barriers may be done using

- ✓ Identification of other(s) project(s) under similar circumstances, using reputed sources,
- ✓ Identification of general barrier assumptions related to the Country, using country's data,
- ✓ Identification of general common practices compared to Project' activities
- ✓ Identification of project specific circumstances and relevant barriers preventing this Project to be implemented without facing high risks of being stopped or postponed by reason of these barriers (Risk Assessment).

When a barrier can be monetized and quantified as an additional cost, the Project should demonstrate that this barrier cannot be easily overcome by additional financial means considering the Project ecosystem (such as no training program available).

If an investment barrier is considered, the Project should identify that:

- ✓ significant financing decision(s) obtained from banks and/or investors are based on the assumption of the Carbon Credit revenues, OR
- ✓ A significant part of the project investment is provided upfront by a Carbon Buyer as a pre-payment of V-ACORs-FUT for expected V-ACORs.

## 5 STEP 2: CONSIDERATION OF MANDATORY REGULATIONS

### 5.1 Principles

The Project cannot be eligible to ORMEX STANDARD by cause of non-Additionality if the Regenerative Activities (according to the level selected by the Project) must be implemented pursuant to effective mandatory legal requirements and, such mandatory regulation has major impact on the Regenerative Activities as detailed by ORMEX STANDARD and the selected Methodology preventing the Project Holder to comply with the ORMEX STANDARD.

If the Project Holder can demonstrate that the Regenerative Activities can be implemented (or was implemented) beyond the mandatory regulation or be implemented in addition to the ORMEX STANDARD requirements, the Project is still Additional.

The Project Holder shall provide to the VVB the information necessary and the way the regulatory data collection is performed and be regularly monitored on this topic.

**There is no Regulatory Additionality, in the following situation:**

- ✓ A mandatory regulation is in force and the Project Holder shall comply with at the Creation Date. This regulation must concern all the practices of the Regenerative Activities selected by the Project Holder <sup>13</sup>,
- ✓ A mandatory regulation is deemed not enforced and the monitoring plan proposed by the Project Holder triggers a “No additionality” event according to the [Figure 3](#).

**Governmental/Regional Project:** The Project Holder must demonstrate that its necessary normative program documents associated with the Regenerative Activities are updated (including as necessary, inter alia, policies, laws, technical assistance programs, legal rights frameworks, and/or incentive mechanisms ...).

The assessment of such type of **Regulatory Additionality** has to be done by the VVB for the completion of the Validation/Verification Phase. In addition, the VVB shall identify and confirm/reject the Additionality threshold of the Project by using the method as set out in this section.

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<sup>13</sup> According the ORMEX Methodology, the Project Holder must identify the level of Regenerative Activities (level 1, level 2 and level 3) to be implemented as part of the Project, section 3.9 of SEC/METH/AR-MC01.

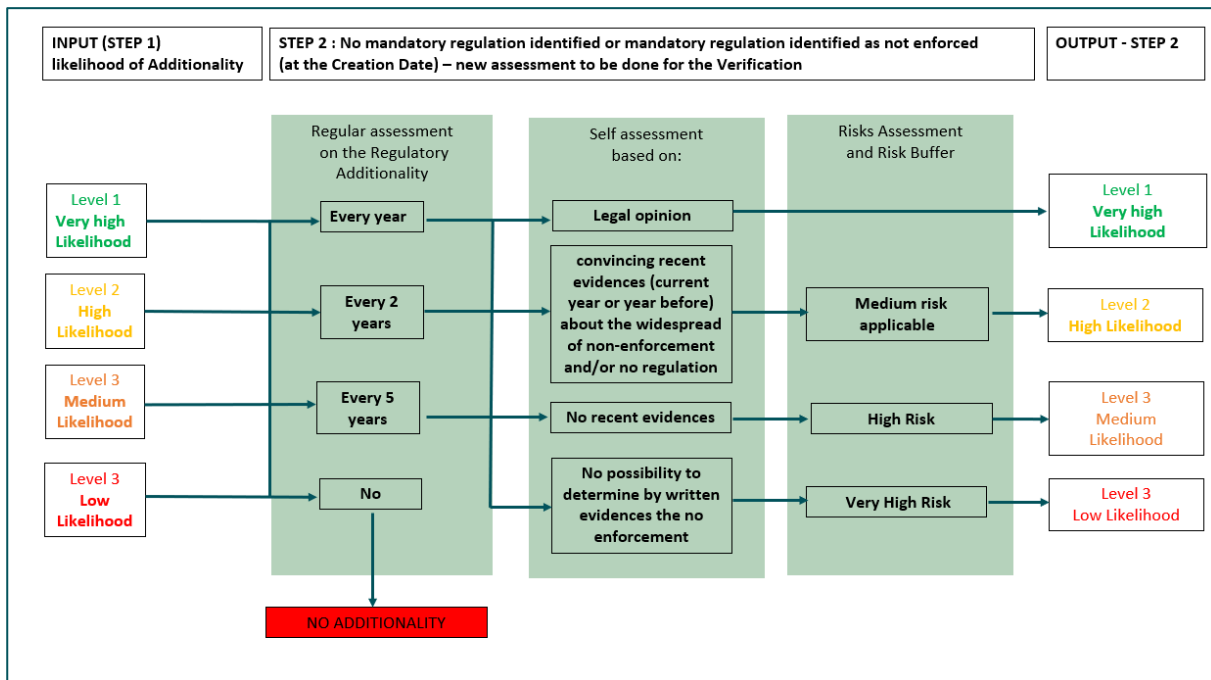


Figure 2 - Regulatory Additionality – Self-assessment and monitoring

## 6 STEP 3: CARBON CREDIT REVENUE FINANCIAL STREAM

The Carbon Credit revenue has to be a major part of the financial stream and viability of the Project. The Financial Additionality threshold is identified according to Figure 4.

The Project Holder must assess the Financial Additionality of the Project using the Figure 4.

**For Single Project:** The Project Holder must identify how large is the Project's Carbon Credit revenue financial stream compared to other kind of revenue streams. If the Project's Carbon Credit revenue financial stream is less than 30%, then the Project is not deemed being compliant with the Financial Additionality.

The selected Methodology may identify other financial metrics considering the sector and the type of Project.

**For Governmental/Regional Project:** The Project Holder will detail the financial model implemented within the Project, specifying the public subsidies (in whatever form) already accessible to the Farmers, and the initial investment needs for the implementation of Regenerative Activities (level 1, 2 or 3). The Share of revenue for the Farmers resulting from

the sale of Carbon Credits (or allocation of national/regional/local subsidiaries to the Farmers) must be specified on the PDD.

The Financial Additionality is demonstrated, if the Project earmarks at least 30% of the revenue associated with the sale of carbon credits in financial or material subsidies allocated to the Farmers for the implementation of the Regenerative Activities.

VVB have to confirm this financial information in this Validation Report.

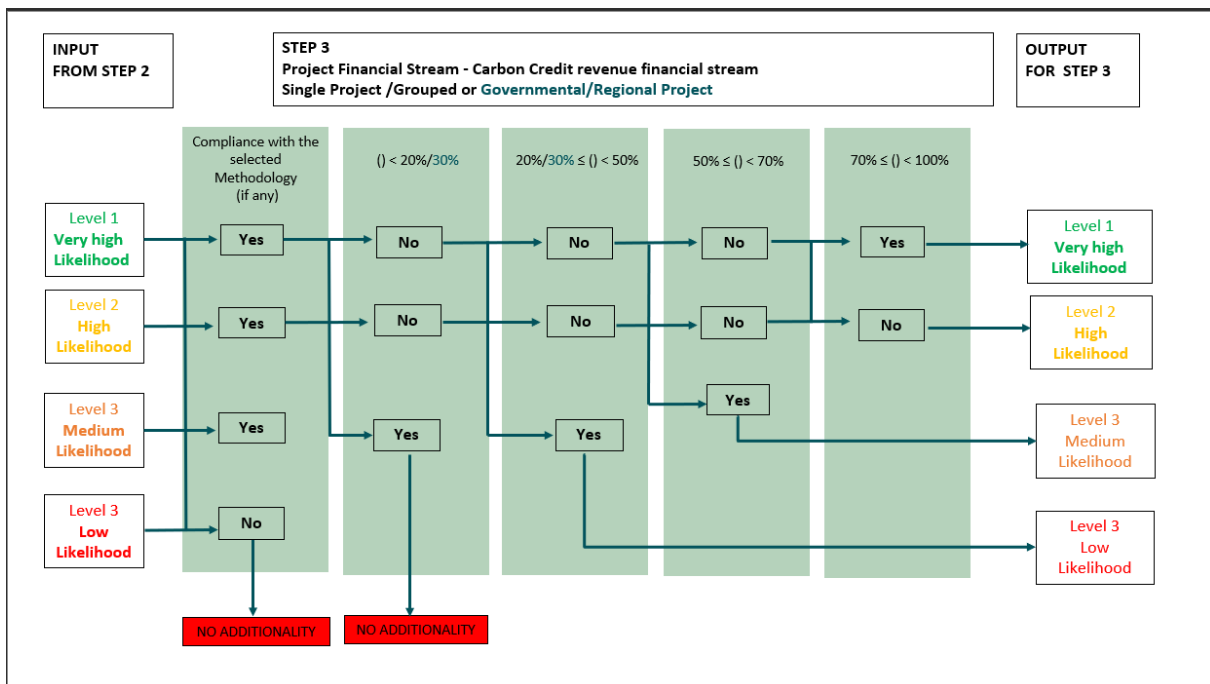


Figure 3 - Financial Additionality threshold

## 7 STEP 4: BARRIERS ADDITIONALITY

This assessment is based on Barrier analysis requirements identified by the IC-VCM Criterion 8.6b).<sup>14</sup>

- ✓ *“Clear, objective and verifiable evidence shall be provided to demonstrate the existence of each identified barrier and that the carbon credit revenues are the decisive element in overcoming each identified barrier and their effects on opportunity costs.”* The Additionality Threshold decrease to one level in the event of one of the barriers cannot be demonstrated as required.
- ✓ *“It shall be demonstrable that the identified barriers commonly apply to similar mitigation activities in the sector and jurisdiction and not only to the specific mitigation activity under consideration.”* The Additionality Threshold decrease to one level in the event this cannot be demonstrated.
- ✓ *“It shall be demonstrable that at least one other alternative to the mitigation activity does not face any significant barriers, including the barriers faced by the mitigation activity.”* The Additionality Threshold decrease to one level in the event of one of the barriers cannot be demonstrated as required.

**If the Additionality Threshold decrease below the Low level, then the Project is deemed not Additional.**

It is required that *“The evidence used shall be applied conservatively. In case of uncertainty in the level of the identified barrier, the evidence or the value shall be interpreted to assure there is a very low likelihood that the effect of the barrier is overestimated. Such evidence may include independent studies, publicly available surveys, relevant market data, or data from national or international statistics.”*

During the Validation Phase, VVB must analyze the consistency of the answer, and may ask additional question and information as necessary.

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<sup>14</sup> The Integrity Council – Terms and Definitions, p54

## 8 STEP 5 : CLIMATE ADDITIONALITY

The Climate Additionality Assessment is based on the comparison of the net balance of the Baseline Scenario Carbon Quantification and the net balance of the Carbon Quantification related to the implementation of the Project.

ORMEX STANDARD 's promotion of the increase of the volume of the natural carbon sinks through the implementation of the Regenerative Activities, leads to consider better Additionality quality when the result of such comparison is a real net increase in GHG sequestration (Carbon Removal) through the creation of carbon sinks over and above the sum of the positive variations in carbon stocks in the carbon pools within the Project Boundaries that would have occurred in the absence of the Project.

Without this demonstration, Projects cannot claim being Carbon Removal Projects.

The following rule applies to the Additionality threshold:

| INPUT FROM STEP 4              | FINAL ADDITIONALITY THRESHOLD                                     |                                                                    |
|--------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|
| Level 1 – Very-High likelihood | And Carbon Reduction<br><b>HIGH LIKELIHOOD OF ADDITIONALITY</b>   | And Carbon Removal<br><b>VERY-HIGH LIKELIHOOD OF ADDITIONALITY</b> |
| Level 2 – High likelihood      | And Carbon Reduction<br><b>MEDIUM LIKELIHOOD OF ADDITIONALITY</b> | And Carbon Removal<br><b>VERY-HIGH LIKELIHOOD OF ADDITIONALITY</b> |
| Level 3 – Medium likelihood    | And Carbon Reduction<br><b>LOW LIKELIHOOD OF ADDITIONALITY</b>    | And Carbon Removal<br><b>HIGH LIKELIHOOD OF ADDITIONALITY</b>      |
| Level 1 – Low likelihood       | And Carbon Reduction<br><b>LOW LIKELIHOOD OF ADDITIONALITY</b>    | And Carbon Removal<br><b>MEDIUM LIKELIHOOD OF ADDITIONALITY</b>    |

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### ORMEX

18 bis, rue d'Anjou 75008 Paris, France  
SAS, RCS PARIS: 888 173 218  
TVA number: FR88888173218

[contact@ormex.org](mailto:contact@ormex.org) - [www.ormex.io](http://www.ormex.io)

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## DOCUMENT HISTORY

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| Document reference |            | SEC/OST/AM_EN         |                       |
|--------------------|------------|-----------------------|-----------------------|
| Reference/Version  | Date       | Updates               | Status                |
| SEC/OST/AM_EN v0.1 | 2023_04_27 | Initial Draft Version | Under internal review |
| SEC/OST/AM_EN v0.2 | 2023_06_22 | Revised Version       | Approved              |
| SEC/OST/AM_EN v1.0 | 2023_10_16 | Final Version         | Edited                |



