

# TICOS Operational Procedure

## Introduction

This operational procedure sets out the process that TICOS uses to raise and deliver carbon-offset funds, for projects that deliver both carbon savings and wider sustainable development benefits at worldwide tourism destinations.

It shows how projects are sourced, funded and delivered, and explains the technical aspects of delivering them within the Voluntary Emissions Reduction (VER) market.

There are three key reasons why this procedure is necessary:

- By working to a common procedure we can establish a consistent process that is understood by all. We can establish collective targets to meet national and international objectives.
- Travel and tourism businesses need a range of support services and training materials so that they can better understand the consequences of climate change and how to take action within the VER market. This procedure incorporates these support requirements.
- A common procedure, backed by leading associations and their members, will be more acceptable to the industry's customers.

TICOS' management team has wide ranging experience of the travel and tourism industry. TICOS uses an independent science and research team to undertake the technical calculations for carbon savings, validate project proposals and verify projects through to completion. This team encompasses research and tourism specialists, a carbon offset specialist and a project verifier. More details are available on the staff pages of the TICOS website.

This procedure covers the topics listed below. It sets out how the TICOS programme operates in practice and how we monitor progress from inception to completion.

1. Carbon offset process
  2. Delivering and implementing projects
  3. TICOS service users
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## 1. Carbon Offset Process

Carbon offsetting is the process of calculating your carbon emissions and then purchasing 'credits' from emission reduction projects in mitigation. Such projects will have prevented or removed an equivalent amount of carbon dioxide elsewhere. Carbon credits are a key component of emissions trading schemes. They provide a way for the market to assign a monetary value to goods and services that reduce carbon emissions.

There are two primary markets for carbon offsets; the compliance market and the voluntary market where individuals, businesses, or governments purchase carbon offsets to mitigate their own greenhouse gas emissions from transportation, electricity use, and other sources. TICOS operates within this Voluntary Emissions Reductions (VER) market.

Offsets are typically generated from emissions-reducing projects. TICOS projects include those that make carbon savings through energy efficiency, the use of renewable energy, reforestation and afforestation. It is a condition of our support that all offsets are allocated to us exclusively. Once a project has been implemented and the carbon saving made, we then 'retire' this offset.

The tourism industry is a truly global industry operating in almost all countries in the world. As such, it is important that TICOS can operate in all countries including those who do not subscribe to a carbon reducing regulatory framework or the Kyoto protocol. The key is to

ensure that all projects and their achievements, in terms of carbon savings and wider benefits, are verified to the highest standard and measured from a consistent baseline.

## **1.1 How TICOS Carbon Offsetting Works**

TICOS sources projects in tourism destinations worldwide that will make carbon savings, validates them and calculates the carbon saving or 'offset' that they will make. It then sources a travel and tourism business to fund that project and issues carbon credits once the project has been funded, implemented and a measurable carbon saving made. TICOS has its own *Validation and Verification Standard, 2007* that explains this process in detail (available to our service users and industry partners on request).

## **1.2 Independent Verification**

TICOS' whole offset programme, not just the carbon calculations or project benefits, is subject to independent verification by an external source. Verification includes how the overall TICOS programme operates and how its finances are used. Thus any company working within this standard will be assured of a due diligence assessment.

All projects undergo a validation process that ensures they meet TICOS' custom developed *TICOS Validation and Verification Standard, 2007* which was written by an independent expert. Once they are funded and active, projects must then comply with the verification aspects of this Standard.

## **1.3 Research**

TICOS' research team keeps its policies up to date with developments in the carbon offsetting process and ensures that it meets the latest standards. The whole area of carbon offset and reduction is a volatile one. Any voluntary scheme has to operate within a climate of change at both the national and international level. TICOS is designed to have the flexibility to respond to legislation and opinion. It can also respond to changing technology and wider research.

## **1.4 Carbon Calculations**

A specialist company, Carbon Offsets Ltd, undertakes all carbon calculations for TICOS. A common set of statistics and assumptions is used for flights and all other offsets. Common methodologies are used in calculating carbon benefits, for example in fixing the time period over which costs and benefits are discounted. The basis for our calculations reflects the prevailing balance of opinion and accounts for the latest knowledge and technical advances.

All figures and statistics used are regularly checked and tested against those used in other programmes. Our independent project verifier also needs to be satisfied with all figures used.

TICOS currently uses a 'recommended' offset price based on the Department for Environment, Food and Rural Affairs' mid-range price for voluntary carbon emissions. However, the flexibility of our programme allows our Service Users to make the final decision on what to ask customers to pay based upon their knowledge of the wider price structure of their service. For example, companies working on high volumes and low margins (very price sensitive) may think their customers will pay smaller amounts than those buying business class seats or expensive holidays.

## **1.5 Carbon Credits**

Carbon credits are calculated against an agreed formula provided by Carbon Offsets Ltd. TICOS holds these carbon credits (1 credit = 1 tonne of CO<sub>2</sub>) in a central register and they are allocated to the TICOS Service Users who fund the projects that deliver the offset benefit. Credits are only issued when the project has made measurable carbon savings or is complete.

## 1.6 Transparency

Our scheme will be transparent and open to scrutiny. It will lay bare any failures as well as successes. It is designed to give the utmost confidence to its consumers and those exercising scrutiny.

## 1.7 Cost Efficiency

Costs will be carefully controlled and published as a percentage of income. Over a five year period we aim to keep all operating costs to twenty percent of income, before VAT (where applicable).

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## 2.0 Delivering Projects

To our knowledge TICOS is currently offering a wider range of project opportunities than any other offset service. We have a number of projects in progress and this number is constantly growing as we work with international agencies and the tourism industry to identify projects around the world.

TICOS uses income generated by carbon offsetting to fund projects in tourism destinations worldwide. All projects must have a tourism connection and have to meet and comply with our custom-made *Validation and Verification Standard, 2007* before they are eligible for funding. Details of all projects that TICOS funds and those that are validated and awaiting funding are available on our website.

All projects are overseen by an experienced project manager.

### 2.1 Project Sourcing

Our initial tranche of proposed projects were nominated by members of the World Commission for Protected Areas (WCPA). We have now entered a more proactive phase, where TICOS is developing projects under its own management with a series of partner organisations.

Projects are accepted from any tourism destination in the world irrespective of whether or not the country is a signatory of the Kyoto protocol or has a regulated emissions programme. We tend to favour projects in those countries where the additional benefits will be greatest (job creation, lower oil dependency, etc.).

### 2.2 Project Criteria

We only select projects where there is a real additional and measurable carbon saving. We also look for wider social and sustainable development benefits which favour the environment, wildlife, pro poor policies, and education and community improvements. The bringing together of climate change action and wider sustainable objectives is now considered by many leading experts to be the right way forward for mitigating climate change.

The types of projects that TICOS funds are commonly referred to as micro-projects in carbon offsetting terminology; such smaller scale projects increase the sustainable development benefits for local people, whilst reducing the risk of leakage and misconduct, as they are easier to control.

All types of projects that have a climate change benefit will be considered for funding by TICOS, including energy efficiency, renewable energy, reforestation and afforestation. We have commissioned our own research for forestry projects entitled 'Forestry projects as voluntary carbon offset'; this is an up to date consideration of all of the issues involved.

All projects supported must demonstrate that they provide an additional measurable carbon saving benefit over and above 'business as usual'. In practice this means undertaking work that is not required by current regulations, is not common practice or where there are economic or technological barriers.

## 2.3 Project Funding

TICOS raises funds through a voluntary offset charge levied by Service Users on their customers; for more details please see the section on Service Users below. Funding can include a start up grant for profit-making companies through to full support for pro poor projects in economically disadvantaged countries. TICOS may also part fund projects that have other income sources.

## 2.4 Project Validation and Verification

All proposed TICOS projects have to go through our validation process and satisfy the *TICOS Validation and Verification Standard, 2007* before they are eligible for funding. If all requirements of this Standard are met, then the carbon credits will be verified and registered.

The TICOS Standard largely follows the technical documents of the Gold Standard for Voluntary Carbon Offsets (for details see [www.cdmgoldstandard.org](http://www.cdmgoldstandard.org)). There are, however, a number of differences.

Firstly, TICOS has chosen to include forestry projects in its project portfolio, although these are not eligible as Gold Standard projects. The TICOS Standard includes a separate section for the verification of forestry projects. Secondly, the projects supported by TICOS are almost entirely micro-projects. Thirdly, TICOS puts equal emphasis on sustainable development and emission reductions, which puts its projects one step ahead of other standards.

Finally, it deserves to be mentioned that some parts of the TICOS validation and verification process go beyond the requirements of The Gold Standard. Overall, the TICOS Standard should thus have the toughest requirements of all existing standards.

The TICOS validation process for projects has three stages:

### Stage 1 - Research & Credibility

John Swarbrooke (the Director of the Centre for International Tourism Research at Sheffield Hallam University) and his team analyse the project application to ensure that the project is viable and fulfils the TICOS objectives for sustainable development. The projects applicants are contacted a second time to answer a series of tailored questions. All carbon and wider benefits are researched including finances.

### Stage 2 – Carbon Offset Calculations

Carbon Offsets Ltd (COL) calculates the likely carbon offset values based upon the number of tonnes of CO<sub>2</sub> to be saved. They then divide this by the proposed financial contribution sought from TICOS and reach a cost per tonne. In some of the projects this is significantly below the equivalent price for certified emission reductions but in exceptional cases, where there are very high social and environmental benefits, this may be higher.

### Stage 3 – Final Validation and Verification

Professor Stefan Gössling, (Professor at the Department of Service Management at Lund University in Sweden) reviews the proposal as a whole and casts his expert opinion and will only sign off projects when he deems them satisfactory.

## 2.5 Project Inspections

TICOS's basic outline for project inspections is to use project partners that are internationally recognised organisations who have wide experience in project management. Many of these partners are members of WCPA or other recognised bodies. Project managers will, in such cases, be allowed to sign off projects on the basis of documentary and photographic evidence.

In cases where smaller organisations are project partners, TICOS will, through its independent service providers, make a decision on whether these can be judged credible. Should there be any doubt, TICOS will seek to arrange control visits by third parties, such as those tour operators sponsoring the respective project, and who may periodically visit the area. In certain circumstances TICOS will also carry out its own inspections.

Intermediate control partners will be provided with a specific document (checklist) that details the information required by TICOS. In addition to site inspections, photographic evidence will be asked for. Should there be no large organisation or tour operator working in the area, TICOS will, through its independent service providers, make a decision on whether a control visit should be arranged.

## **2.6 Project Reporting and Monitoring**

Throughout the delivery phase TICOS carefully monitors projects to ensure that they are fulfilling their original brief, that they give value for money and that the carbon savings are verified.

For each funded project we publish a progress report after 1, 5, 10 and 20 years from the commencement of funding. This information is available from the respective project page on our website. Each contributing Service User will be given an annual certificate of achievement showing its offset and reduction totals.

In the case of forestry, verification of carbon storage is required over a 100-year period, following the Land Use, Land Use Change and Forestry (LULUCF) guidelines, to guarantee that no carbon-leakage occurs. All forestry projects are subject to an initial 20-year management agreement where replacement trees are provided, should this be necessary. After 20 years all forestry projects include a presumption that they will be managed to maturity through a trust format or some other form of protective or community ownership. TICOS generally uses this 20 year management period as the basis to calculate savings.

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## **3.0 TICOS Service Users**

The TICOS service is available to any travel and tourism business operating within the UK travel market. Businesses signed up to TICOS are known as 'Service Users'. Credibility is a key issue in voluntary carbon offsetting. Voluntary offsetting has a huge potential, but only if offset providers start seeing this as a long-term business opportunity.

TICOS helps its Service Users to set up an offset programme, identify a methodology to raise funds, select appropriate project(s) to receive funds and provide offset advice and information for the company and its customers. Details of existing Service Users are available on our website.

### **3.1 The Raising and Allocation of Funds**

Companies using the TICOS service choose their own fund raising mechanism. This will ordinarily be through adding an agreed 'opt-out' sum to invoices. All funds raised will be kept in a dedicated stakeholder account and allocated for use against specific projects. Total support and management costs are planned not to exceed twenty percent of funds raised, before VAT if applicable.

Each project will have a project manager appointed and funds are only released to an agreed operational schedule and when evidence of progress is reported and verified.

### **3.2 Project Matching**

TICOS has two different models to match Service Users to validated projects. Wherever possible TICOS will take into account a Service Users wishes for project location or type of

project. However, Service Users do need to retain a degree of flexibility to take into account the project timescale, level of funding required and geographical location.

For our larger Service Users, or those generating substantial income, we offer the opportunity to fund projects exclusively. Such Users can provide the income needed to get projects active and delivered.

For our smaller Service Users, experience has shown that the best option is to undertake joint funding with other Service Users. The resulting collective income enables projects to be delivered within a reasonable timescale. Shared contributors will still have choice both in who they share with and which projects they support. They will also have the same degree of transparency in checking the progress of their projects.

### **3.3 Support Services**

TICOS offers a range of support service to its Service Users in addition to its carbon-offset service. These include:

- Creating partnerships with other travel and leisure businesses;
- Gaining additional recognition with other tour and travel organisations for corporate social responsibility work;
- Creation of further opportunities for networking on environmental matters;
- Gaining credibility by working with a service with access to the trade, international and non-governmental organisations; and
- Generating positive publicity by showing customers real action being taken on the ground.

We appoint a dedicated member of our team to liaise with each Service User. Users may also make use of the skills of our whole team to assist in all aspects of their climate change programme. These skills extend to: helping to develop web pages and links, developing papers and statements for website and in-house use, setting up appropriate offset collection systems and drafting copy for publications and promotion. We can also help to train front-line and sales staff to deal with customer enquiries about the TICOS programme.

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