VCS VERSION 4 CONSULTATION ROADMAP

1 INTRODUCTION

This VCS Version 4 Consultation Roadmap is designed to highlight the major updates Verra is proposing to make to the VCS Program, and which will form the basis for VCS Version 4. Section 2 below sets out an indicative timeline for the development, consultation and release of VCS Version 4. Section 3 sets out a catalogue of proposals which will make up the core of VCS Version 4. For each item, there is an imbedded hyperlink which will lead to an individual consultation document which sets out the background and details of each proposal.

We encourage stakeholders to review as many proposals as possible, though this Consultation Roadmap is designed to facilitate review of proposals which are most relevant to individual stakeholders' work. Please provide comments in any form, including email or by preparing formal documents, and send those to secretariat@verra.org.

After the consultation, we'll use your input to finalize the content of VCS Version 4, or potentially run a second consultation. As always, please let us know if you have any questions as you engage in this consultation. We look forward to your feedback.

2 INDICATIVE TIMELINE

Start of public consultation	17 May 2018
End of public consultation	16 July 2018
Consideration of consultation feedback	17 July – September 2018
Tentative VCS Version 4 release date or development of second consultation	Mid-October 2018

3 CONSULTATION ITEMS

Item	Description
Revision to Scope of VCS Program	Over the past ten years, projects certified under the VCS Program have prevented millions of tonnes of greenhouse gasses from entering the atmosphere and have benefited communities around the world. During this time, it is clear that carbon finance has played a constructive role in helping projects to overcome implementation barriers. As a result, some of the project types that have been supported through carbon finance have gained a foothold and increased their competitiveness with emissions-intensive alternatives. Because of these successes and the evolving nature of technology, Verra believes it is prudent to periodically assess whether certain classes of project types have moved beyond their need to rely on carbon instruments as a source of critical, early-stage finance, suggesting that such project types may no longer need carbon finance and therefore should no longer be eligible under the VCS Program. Given the above, Verra has completed a review of varying perspectives on key determinants of additionality as they relate to project types currently eligible under the scope of the VCS Program. This review has identified certain project types which, under certain contexts, have moved beyond their need to be supported by carbon financing and therefore should no longer be eligible under the VCS Program. Accordingly, Verra seeks comment on its consideration to revise the scope of the VCS Program to exclude such project activities from future eligibility
Domestic Climate Contribution (DCC)	Emission reductions achieved by GHG projects may be at risk of being double counted where both the end user of a GHG credit and a host country government may claim the same emission reduction to meet their climate commitments. This specific type of double counting risk may become more prevalent in the near future, given that most countries have assumed Nationally Determined Contributions (NDCs) under the Paris Agreement, and a large majority are in the form of emission reduction commitments. To address this double counting risk, VCS projects may be required to secure a commitment from host governments to make corresponding adjustments, which would mean that in order to issue VCUs, host countries would need to commit to not claiming those emission reductions for their NDCs and thus permit VCS project proponents to issue and trade Verified Carbon Units (VCUs) internationally. Verra considers that securing corresponding adjustments for VCS project emission reductions will not always be possible, either because governments may be unwilling to make such adjustments,

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	or may not have the capacity or ability to do so. This uncertainty is a source of concern for VCS project proponents who need clarity on the ability of their projects to issue and trade VCUs internationally in the context of the implementation of the Paris Agreement and rules being developed with regards to corresponding adjustments. To address these uncertainties, Verra is considering the creation of a new unit under the VCS Program: the Domestic Climate Contribution (DCC). Verra envisions that DCCs will act as a complement to VCUs, and would provide project proponents with an alternative pathway for supporting their projects when generating VCUs is not feasible or appropriate due to double counting risks. VCUs will continue to need to meet all requirements for international trading of emission reductions, including the need to secure corresponding adjustments, but the DCC will avoid the need for triggering double counting rules and securing corresponding adjustments. Therefore, like VCUs, DCCs could be a vehicle for bringing financing to carbon projects through the robust accounting and monetization of emissions reductions, and could act primarily as a specialized tool for circumstances where issuing VCUs could create a double counting risk that may be potentially unresolvable. Notwithstanding the above, Verra understands and appreciates that the precise dynamics of addressing double counting under the context of Article 6 of the Paris Agreement are dependent on final resolution of the rules, which are currently under negotiation. Verra further understands that the final rules may not ultimately be consistent with the assumptions laid out above, which may then require reconsideration of the DCC concept. In the meantime, however, Verra wants to open a discussion around the DCC concept and the critical flexibility it may ultimately provide with respect to international trading of emission reductions as well as domestic markets, and is therefore currently considering the DCC concept.
Update to Project Crediting Period Requirements	A crediting period is the period during which project GHG emission reductions or removals are eligible for issuance as Verified Carbon Units (VCUs). Per the VCS rules, non-AFOLU projects have 10-year crediting periods, twice renewable, for a total maximum length of 30 years. At each crediting period renewal, projects revalidate against the latest version of the *VCS Standard*, including a reassessment of regulatory surplus and a demonstration of the continued applicability of the project's baseline scenario. The length of project crediting periods therefore determines both the length of time that a project is eligible to generate emission reductions which can be issued as VCUs and the frequency of a project's revalidation. Ensuring that project crediting periods are reasonably limited in

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	duration and updated at an appropriate frequency is an important responsibility for GHG programs. Verra has reviewed the existing VCS rules and has determined that it should reduce the length of crediting periods under the VCS Program for non-AFOLU projects. In particular, Verra notes that its non-AFOLU crediting period length may be too long for a number of reasons. First, it does not appear that non-AFOLU projects require 30 years of carbon financing in order to remain financially viable. In addition, Verra has concluded that 10 years without revalidation against the latest VCS rules may be too infrequent considering that circumstances affecting a project's regulatory surplus and applicability of its baseline scenario are likely to change on shorter timescales. Accordingly, Verra is considering shortening the duration of non-AFOLU project crediting periods under the VCS Program. Verra is not proposing changes to AFOLU project crediting periods because Verra has concluded that their activities continue to rely on longer durations of carbon finance, and such projects already engage in a reassessment of their baseline on a shorter timespan than their crediting periods.
Update to Validation/Verification Body Accreditation Recognition	The VCS Program has historically recognized multiple forms of auditor accreditation for its approved validation/verification bodies (VVBs). While this flexibility was important to spurring the early development of the market, it has also resulted in inconsistency with respect to levels of accreditation oversight of validation and verification services conducted under the VCS Program. In addition, Verra has not been able to directly participate and interact with different accreditation bodies in a consistent manner, leading to an imbalance in Verra's ability to provide performance feedback to accreditation bodies. Accordingly, Verra is considering moving to a more consistent and standardized recognition of auditor accreditation, by revising the scope of recognized accreditation for the VCS Program to include only accreditation to *ISO 14065* by an accreditation body that is a member of the International Accreditation Forum (IAF).
Project Sustainable Development Goal Contributions	The United Nations Sustainable Development Goals (SDGs) have generated much interest among corporations, investors, NGOs, multi-lateral agencies, development banks, and governments. Many VCS projects are already using this framework to demonstrate that their projects are delivering substantive non-GHG benefits. However, each developer has been using its own approach for measuring a project's SDG impact, which has led to inconsistent measures of SDG contributions. Accordingly, Verra is considering offering an optional process to enable project proponents to credibly communicate, in a standardized way, how their projects have

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	contributed to the SDGs.
Streamlining the Methodology Approval Process	In recent years, Verra staff have become more involved in the methodology approval process (MAP) in order to provide technical and editorial guidance. Verra believes our involvement has led to more robust methodologies that exhibit more consistent structure and clarity. In addition, many technical issues that have traditionally been resolved during one of the validation/verification body (VVB) assessments are being addressed during early-stage reviews conducted by Verra staff. At the same time, Verra's increased involvement in the process has added additional, and sometimes significant, time to the overall approval process, without any corresponding reduction in costs related to VVB assessments. As a means to ensure that the VCS Program continues to serve as a source of innovative carbon accounting methodologies, and to reduce the time and expense of the methodology approval process, Verra is considering removing the first VVB assessment from the methodology approval process and ensuring proper review by Verra staff of the methodology against VCS Program requirements throughout the process.
Updates to AFOLU Requirements	As the leading greenhouse gas (GHG) program for Agriculture, Forestry and Other Land Use (AFOLU) projects, Verra seeks to ensure that its VCS AFOLU projects continue to support global efforts to address climate change. Verra sees an important continued role for AFOLU projects in advancing on-the-ground activities that verifiably reduce or remove emissions and generate significant benefits for communities. Accordingly, Verra is considering a number of updates to the VCS *AFOLU Requirements* intended to make them more streamlined and user-friendly, and to address several identified key risks to help maintain the integrity and improve the quality of VCS AFOLU projects, including facilitating their nesting within emerging jurisdictional programs. The updates under consideration include the introduction of rules and requirements for: • Standardized reference region selection criteria • Optional default non-permanence risk ratings • Mechanism for identifying potentially inactive projects • Strengthened local stakeholder engagement • REDD+ projects nesting in jurisdictional REDD+ programs
Reorganizing and Restructuring VCS Program Documents	As the VCS Program has grown, new requirements and program documents have been added over time. In the interest of ensuring that all program documents are clearly structured and that linkages between documents are clear, Verra is considering updating the structure and format of the VCS Program documents to make them

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	more user-friendly. More specifically, Verra is considering: • More clearly delineating project-level and methodology-level requirements in separate documents; • Restructuring the text of program documents to better distinguish descriptive text and requirements; and • Removing outdated information.
Updated rules on double counting [No consultation document published]	Verra is aware that implementation of the Paris Agreement will pose particular challenges in respect of double counting, specifically the provision for securing corresponding adjustments. The dynamics of these double counting challenges are largely dependent on the final resolution of double counting rules under Article 6 of the Paris Agreement and countries' formalization of action plans for achieving their NDCs. Verra is tracking these developments closely and is involved in a number of fora aimed at understanding how the dynamics of double counting post-2020 will play out. However, given the above uncertainties, Verra believes it is not an appropriate time to issue a formal proposal for how the VCS Program rules on double counting will need to be revised to accommodate the post-2020 world. However, as these dynamics become clearer, Verra anticipates the need to update the VCS Program rules on double counting.