PUBLIC CONSULTATION ON VERSION 5 OF THE VERIFIED CARBON STANDARD PROGRAM

June 26 – August 11, 2025

INTRODUCTION

Verra is launching a final public consultation to gather stakeholder feedback for the next major version (Version 5.0) of the Verified Carbon Standard (VCS) Program.

About this consultation

The objective of this consultation is to gather stakeholder input on the remaining major program updates that are under consideration for VCS Version 5.0.

The proposed updates in this consultation contribute to the three priority objectives that Verra has identified for VCS Version 5:

- **Increase program integrity:** The consultation includes proposals to pilot innovative alternative permanence approaches with robust safeguards to ensure durability, refinements to the definition of project start date, and a new proposal to harmonize crediting period length across all project types. The consultation also includes proposals on a risk-based approach to designing and implementing safeguards that are applicable to each project.
- **Improve the program's accessibility and usability:** Verra is consulting on a transparent, standardized framework for setting effective dates for new program updates and methodology revisions. Another topic for input is an update to grouped project requirements, which aims to simplify and enhance existing rules.
- **Ensure that the VCS Program's scope maximizes impact:** The consultation includes further revisions to Table 1 of the *VCS Standard* which pertains to activities that are eligible for crediting under the VCS Program scope. Verra is also considering a new classification system for sectoral scopes to aid digitalization and align with market efforts to build cross-comparability across project types and portfolios.

About the development of VCS Version 5

Verra has held two public consultations which have informed the development of VCS Version 5:

- **February–April 2023:** This general program consultation informed the initial strategic vision of VCS Version 5. Based on feedback received during this consultation and insights from additional internal and external stakeholder engagement, Verra developed the priority objectives for Version 5 of the VCS Program.

- **September–November 2024:** This consultation gathered input on the high-level changes proposed for VCS Version 5. Based on input during this consultation, Verra is finalizing decisions on these updates and has developed further specific proposed changes which are included in this final public consultation.

Verra has already initiated the publication of VCS Version 5 documents in phases to enable quicker implementation of updates that are fully developed and awaited by the market. In June 2025, Verra released Version 5.0 of the *Methodology Development and Review Process*. This is a key component of the eventual suite of program documents that will comprise VCS Version 5, including the *VCS Standard, VCS Methodology Requirements, VCS Program Definitions,* and *Registration and Issuance Process.*

Consultation process and timeline

The planned timeline for implementing the consultation is as follows:

Tentative Dates	Activity
June 26–August 11, 2025	Public consultation period
July 9, 2025	Consultation webinar
End of 2025 (approximate)	Release of the *VCS Standard, v5.0* and other v5.0 program documents

Comments must be submitted electronically via the provided link to the online public consultation form by 11:59 p.m., Anywhere on Earth (AoE) (UTC−12), August 11, 2025.

For instructions on how to use the digital public consultation platform, please see the user guide published in the consultation announcement. The tool allows users to submit responses and come back to the form to edit completed responses up until the deadline.

We look forward to receiving your feedback. Please let us know if you have any questions as you engage in this consultation or any issues responding via the electronic form, by emailing secretariat@verra.org.

A note about formatting

Proposed Text Example

In this consultation document, proposed updates to the text of a VCS Program document appear in a gray box like this one.

New proposed text is green.

Proposed text deletions appear in red with ~~strike through~~ formatting.

Consultation Contents

Use this table to navigate the consultation document and view specific consultation topics. While the proposed program updates may contribute to multiple goals, they have been organized into the following headings to improve readability.

1 INCREASING PROGRAM INTEGRITY

1.1 Revising the definition of project start date and initial crediting period start date

1.1.1 Background

The current definition of "project start date" (and "crediting period start date") in the *VCS Program Definitions, v4.5* is as follows:

- For non-agriculture, forestry and other land use (non-AFOLU) projects: the date on which the project began generating GHG emission reductions or removals
- For AFOLU projects and Jurisdictional and Nested REDD+ (JNR) programs: the date on which activities that led to the generation of GHG emission reductions or removals are implemented (e.g., planting, changing agricultural or forestry practices, rewetting, restoring hydrological functions, or implementing management or protection plans)

The September–November 2024 public consultation included a proposal to make the definition of project start date the same for all project types. The intent was to set the project start date as the date on which GHG emission reductions (reductions) and carbon dioxide removals (removals) begin occurring, which could be determined more objectively than what the current definition for AFOLU and JNR projects allows.

However, feedback received during the public consultation indicated that the proposed definition still did not address the problems associated with the current definitions of project start date:

- The start date could still be arbitrarily determined in the absence of guidance at the methodology level.
- The real source of the integrity issue may be that the project start date is the same as the initial crediting period start date; thus, there is still an incentive for project proponents to claim an inappropriate start date to be eligible for crediting sooner. This is because reductions and removals can be claimed back to the project start date and crediting period start date. Due to the lack of specificity in the current AFOLU/JNR project start date definition, project proponents may establish project start dates that are i) too early, to maximize crediting eligibility, or ii) too late, to meet their registration deadlines.

Verra has considered this consultation feedback and developed the updated proposal below.

Note that the "start date" proposal in the September–November 2024 public consultation also included a proposed definition of pre-project emissions. Verra is considering not moving forward with that definition at this time and instead will provide guidance on how to monitor and account for these emissions at the methodology level.

1.1.2 Proposal

I. Create a singular definition of "project start date" for all project types

See the full proposed wording of the definition in the gray box below.

The project start date should be the date on which the project activity actually begins to be implemented. Many methodologies and related program requirements are already based on this interpretation. This is also the predominant understanding of the term across the voluntary carbon market (e.g., the Integrity Council for the Voluntary Carbon Market (ICVCM), Paris Agreement Crediting Mechanism (PACM), Clean Development Mechanism (CDM), and other carbon crediting programs).

The revised definition would be accompanied by requirements and examples in the *VCS Standard* on how to determine the project start date for different project types.

Monitoring must still begin at the project start date, to ensure that all emissions that occur as a result of project activity implementation are accounted for. Further guidance will be provided in methodologies and relevant templates.

II. Add a separate definition for "initial crediting period start date"

See the full proposed wording of the definition in the gray box below.

The date that the project becomes eligible for crediting (the initial crediting period start date) should be the date on which the project begins to generate reductions and removals. This may be different from (but not before) the date on which project implementation starts (the project start date).

III. Update methodologies to provide further requirements for establishing project start date and initial crediting period start date

Methodologies would be revised over time to include requirements for establishing the project start date and initial crediting period start date for relevant project activities. Where a methodology provides such requirements, project proponents must follow them.

Where a methodology does not include specific requirements for establishing the project start date and initial crediting period start date, project proponents must provide sufficient evidence to demonstrate alignment with the *VCS Program Definitions* and the requirements and examples set out in the *VCS Standard*.

Proposed Text: VCS Program Definitions

Project Start Date

~~See "Crediting Period Start Date"~~

The date on which the first significant action to implement the project activity is undertaken. Methodologies may set out requirements of what constitutes the first significant action and what is considered the project start date.

Equivalent to "Program start date" for JNR programs.

Initial Crediting Period Start Date

The start of the first period in which a project is eligible to seek GHG credits under the VCS Program, such date being that on which the project activity begins to generate GHG emission reductions or carbon dioxide removals. Methodologies may set out requirements for determining the initial crediting period start date for relevant project activities.

~~Crediting Period Start Date~~

~~The start date of a non-AFOLU project is the date on which the project began generating GHG emission reductions or removals. The start date of an AFOLU project or jurisdictional REDD+ program is the date on which activities that led to the generation of GHG emission reductions or removals are implemented (e.g., planting, changing agricultural or forestry practices, rewetting, restoring hydrological functions, or implementing management or protection plans).; Equivalent to "Project Start Date" and "Program Crediting Period Start Date"~~

Program Start Date

~~See "Crediting Period Start Date"~~

See "Project Start Date"

Program

~~The~~ A program established by a national or subnational jurisdictional proponent that establishes and operationalizes rules and requirements to enable accounting and crediting of REDD+ policies and measures and/or nested projects, implemented as GHG mitigation activities, and described in the jurisdictional program description. Also referred to as "Jurisdictional REDD+ Program" or "Jurisdictional Program." A program is also considered a project – see "Project."

Project

A project activity or activities established by one or more project proponents that aims to reduce GHG emissions or remove carbon dioxide, and for which certification under the VCS Program is sought. A jurisdictional REDD+ program is also considered a project.

Project Activity

The specific set of technologies, measures, and/or outcomes, specified in a methodology applied to the project, that alter the conditions identified in the baseline scenario and which result in GHG emission reductions or carbon dioxide removals. Equivalent to "Program Activity"

Proposed Text: VCS Standard

3.8 Project Start Date

Requirements

Project Start Date

3.8.1 The project start date shall be established consistent with the definition of project start date in the *VCS Program Definitions* and in conformance to any requirements set out in the applied methodology. In addition, the following applies:

1) Where the applied methodology does not set out specific requirements, the first significant action to implement the project activity is the implementation of a management plan, date of incurring a major project expenditure such as a construction or equipment supply contract, start of facility construction, site preparation for activities such as tree planting or rewetting, or analogous actions. Examples of what constitutes the first significant action for some AFOLU project types are included in Table A, below.
2) The project start date shall be earlier than or the same as the initial crediting period start date.
3) The project start date shall be established such that significant project emissions (e.g., emissions related to site preparation) are included.

3.8.2 The project start date shall not be:

1) a date related to pre-project planning activities that would not result in a significant deviation from the baseline scenario (e.g., date of incurring minor preparatory pre-project expenses, or date of commencing local stakeholder consultation).
2) a date related to pre-project pilot testing (e.g., feasibility studies, trials, or pilot activities) where the pilots are limited to research and monitoring and do not significantly influence carbon stocks or emissions.

Table A: Examples of significant actions used to establish AFOLU project start dates

Project type or category		Date of first significant action
Reducing emissions from deforestation and forest degradation (REDD)		Acquisition of land and/or land management rights, adoption/revision of a conservation management plan
Improved forest management (IFM)		Acquisition of land, revision of a management plan, demonstrable establishment of intent to alter past management practices
Afforestation, reforestation, and revegetation (ARR)		The start of site preparation such as tree planting Note that the project start date must be set to include significant project emissions related to site preparation (see Section 3.8.1(3)).
Agricultural land management (ALM)	Cropland management	Planting new crop rotations, application of new soil amendments, changing tillage or irrigation management
	Grassland management	Fence building for rotational grazing, planting of new perennial forage
	Livestock management	Administration of new feed additive, new manure management strategy

Wetlands restoration and conservation (WRC)	Rewetting wetland ecosystems (RWE)	Blocking drainage ditches with dams for rewetting drained peatlands, removing tidal barriers to lower water levels on impounded tidal wetlands, planting wetland vegetation
	Conservation of intact wetlands (CIW)	Acquisition of land or land management rights (e.g., establishing conservation easements or implementation of a conservation management plan)
Oceans and marine resources (OMR) (new proposed sectoral scope)		Site preparation, planting marine vegetation, infrastructure deployment/installment, demonstrable establishment of intent to alter past management practices

3.9 Project Crediting Period

Requirements

General

3.9.1 The initial crediting period start date shall be established as described in Table B.

Table B. Determining initial crediting period start date

Project type or category	Initial crediting period start date
All projects	Consistent with the definition of initial crediting period start date in the *VCS Program Definitions* Conforming to any requirements set out in the applied methodology
Non-AFOLU	The date on which the project activity is operational
Avoided planned deforestation (APD)	On or after the date on which planned deforestation would have occurred under the baseline scenario
Improved forest management (IFM)	On or after the date on which baseline harvesting would have occurred in the baseline scenario

Proposed Text: VCS Methodology Requirements

3.8 Project Start Date and Initial Crediting Period Start Date

Intent

The project start date and the initial crediting period start date are defined in the *VCS Program Definitions.* Some project types require evidence or fulfilment of criteria, which may be set out in the applied methodology, to sufficiently demonstrate these dates.

Requirements

3.8.1 Further requirements, evidence or criteria, or guidance for project proponents to establish and demonstrate the project start date in accordance with the *VCS Program Definitions* may be specified in the applied methodology.

3.8.2 Further requirements, evidence or criteria, or guidance for project proponents to establish and demonstrate the initial crediting period start date in accordance with the *VCS Program Definitions* may be specified in a methodology.

1.1.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree with separating the concept of the project start date from that of the initial crediting period start date? Would this change address the key issues identified?
2) If you responded "no" to the above, how can the definition of project start date be improved to increase clarity and prevent the selection of an inappropriate project start date?
3) Do you agree that project activity-specific requirements and guidance on how to establish the project start date and initial crediting period start date should be included the relevant methodology? If not, how should this information be provided?
4) Do the proposed criteria and examples in the *VCS Standard* and the proposed definitions provide enough information to help project proponents determine project start date and initial crediting period start date until methodologies can be revised to include guidance? If not, how can the information be improved?
5) In general, dates related to pre-project pilot testing (feasibility studies, trials, or pilot activities) where the pilots are limited to research and monitoring and do not significantly influence carbon stocks or emissions, do not constitute the project start date. What kind of criteria for determining "significant influence on carbon stocks or emissions" should be upheld, to ensure the start date is not triggered inappropriately? Should it be tied to the project's de minimis threshold?

1.2 Crediting period length and baseline reassessment intervals

1.2.1 Background

The VCS Program requires projects to update to the most recent methodology version, reassess the baseline, and check regulatory surplus at each crediting period renewal and baseline reassessment.

Table 1.2.1 below details the current crediting period lengths and baseline reassessment intervals for different project types under the VCS Program.

Table 1.2.1 Crediting period length and baseline reassessment intervals in *VCS Standard, v4.7*

Project type or category	Crediting period	Baseline reassessment
Non-Agriculture, Forestry and Other Land Use (non-AFOLU)		
Geological Carbon Storage (GCS)	6 × 7 years	At crediting period renewal
All Other Non-AFOLU	3 × 7 years or 1 × 10 years	At crediting period renewal
Agriculture, Forestry and Other Land Use (AFOLU)		
Soil Organic Carbon (SOC)	20–100 years, up to four times renewable; max. 100 years total	Every 10 years
All Other Agricultural Land Management (ALM)[1]	3 × 7 years or 1 × 10 years	At crediting period renewal
Avoiding Planned Deforestation (APD) With a Known Agent	20–100 years, up to four times renewable; max. 100 years total	Every 10 years
APD With an Unknown Agent and Avoiding Unplanned Deforestation (AUD)	20–100 years, up to four times renewable; max. 100 years total	Every 6 years
Improved Forest Management (IFM)	20–100 years, up to four times renewable; max. 100 years total Crediting period must cover at least one full harvest/cutting cycle.	Every 10 years
Restoring Wetland Ecosystems (RWE)	20–100 years, up to four times renewable; max. 100 years total	Every 10 years
Afforestation, Reforestation, and Revegetation (ARR)	20–100 years, up to four times renewable; max. 100 years total Crediting period must cover at least one full harvest/cutting cycle.	N/A

[1] ALM projects focusing exclusively on reducing N_2O, CH_4, and/or fossil-derived CO_2 emissions

There are several challenges associated with the current crediting period and baseline reassessment intervals:

- Risk of projects using, for extended time periods, outdated baselines and legacy methodology versions that do not reflect the latest technological developments, updated science, and improved methodological approaches, which can lead to quality issues
- Lack of consistency across project types in how crediting period and baseline reassessment intervals are applied
- Market trend towards shorter cycles for certain project types:
    - The Paris Agreement Crediting Mechanism (PACM)[3] proposes 5-year crediting periods (twice renewable) for reduction projects, aligning those periods with the intervals at which countries submit progress reports and update Nationally Determined Contributions (NDCs) and targets, and allows 15-year periods (twice renewable) for removal projects.
    - Other GHG programs use 5-year crediting periods for some project types.
    - The Integrity Council for the Voluntary Carbon Market (ICVCM) requires that GHG programs ensure that crediting periods are short enough to allow for a progressive increase in ambition over time, appropriate to the type of mitigation activity. In response to ICVCM crediting period requirements, Verra now requires some project categories (e.g., cookstoves) to reassess the baseline at least every five years, rather than following the *VCS Standard's* current 7-year crediting period interval. It is expected that a similar issue could be raised for other project categories.

Unlike the PACM, the VCS Program cannot separate project categories into reductions and removals, since some project types generate both mitigation outcomes (e.g., IFM, ALM, carbon capture and storage).

Shorter baseline reassessment and crediting periods reduce the risk of disruptive changes for project proponents in response to major methodology or program rule updates, offering greater certainty that requirements will remain consistent throughout the crediting period. While shorter periods may reduce the longer-term planning horizon, they offer greater predictability within each period and minimize the risk of unexpected changes. By contrast, where projects have 10-year or longer crediting periods, it is more likely that issues related to outdated methodology versions may arise and project proponents are subjected to new requirements and reporting expectations within the crediting period. For example, in certain cases the VCS Program has required projects to transition to newer methodologies or methodology versions before the end of their crediting period – such as for *VM0050 Energy Efficiency and Fuel-Switch Measures in Cookstoves* – rather than allowing continued use of the prevailing version for the remainder of the crediting period.

[3] The Paris Agreement Crediting Mechanism, established under Article 6.4 of the Paris Agreement, allows countries to generate and trade carbon credits to meet climate targets.

1.2.2 Proposal

Verra proposes to:

- formalize regulatory surplus checks as a requirement at each baseline reassessment.
- transition to 5-year crediting periods or baseline reassessment intervals for certain project types to align with the PACM and NDC reporting intervals and increase consistency across project types.
- phase out the fixed 10-year single crediting period that is currently an option for non-AFOLU projects and for ALM projects focusing exclusively on reducing N_2O, CH_4, and/or fossil-derived CO_2 emissions.
- provide flexibility for methodologies to incorporate alternative requirements for reassessing the baseline where the alternative requirements are justified to be equally or more robust than the default requirements for the corresponding project category. For example, methodologies such as *VM0045 Methodology for Improved Forest Management Using Dynamic Matched Baselines from National Forest Inventories* and *VM0047 Afforestation, Reforestation, and Revegetation* that use a dynamic performance benchmark for the crediting baseline do not need to apply further periodic baseline updates.
- create a tool detailing the procedures and requirements for crediting period renewals and baseline reassessments.

Table 1.2.2 below shows the proposed updates for each project type. More than one crediting period option is being considered for some project types or categories (e.g., 3 × 5 years or 4 × 5 years). A question is included below to gather stakeholder input on these options.

Table 1.2.2 Proposed crediting period length and baseline reassessment intervals under *VCS Standard, v5.0*

Project type or category	Crediting period	Baseline reassessment	Proposed changes
All projects	At crediting period renewal: 1) Update to most recent methodology version 2) Complete baseline reassessment 3) Complete regulatory surplus check	At baseline reassessment: 1) Update to most recent methodology version 2) Complete baseline reassessment 3) Complete regulatory surplus check	Currently, the regulatory surplus check is implicitly required in the baseline reassessment. To enhance clarity, the regulatory surplus check will be formalized as a requirement in the baseline reassessment process.
Non-Agriculture, Forestry and Other Land Use (non-AFOLU)			
GCS	8 × 5 years **or** 9 × 5 years	At crediting period renewal (no change)	5-year crediting period instead of 7 years (align with PACM)

Project type or category	Crediting period	Baseline reassessment	Proposed changes
All other non-AFOLU	3 × 5 years **or** 4 × 5 years	At crediting period renewal (no change)	5-year crediting period instead of 7 years and remove fixed 10-year option (align with PACM)
Agriculture, Forestry and Other Land Use (AFOLU)			
SOC	20–100 years; max. 100 years total (no change)	Every 5 years	Baseline reassessment every 5 years instead of 10 years
All other ALM	3 × 5 years **or** 4 × 5 years	At crediting period renewal (no change)	5-year crediting period instead of 7 years and remove fixed 10-year option (align with PACM)
APD (known agent)	20–100 years; max. 100 years total (no change)	Every 5 years	Baseline reassessment every 5 years instead of 10 (align with APD unknown agent/AUD and PACM)
APD (unknown agent) and AUD	20–100 years; max. 100 years total (no change)	Every 5 years	Baseline reassessment every 5 years instead of 6 years (align with PACM)
IFM	20–100 years; max. 100 years total (no change)	Every 5 years[4]	Baseline reassessment every 5 years instead of 10 years
RWE	20–100 years; max. 100 years total (no change)	Every 5 years **or** every 10 years	Baseline reassessment every 5 years instead of 10 years **or** no change
ARR[5]	20–100 years; max. 100 years total (no change)	Every 5 years **or** every 10 years[6]	Require updating to most recent methodology version and regulatory surplus check at 5 years **or** 10 years
Oceans and Marine Resources (OMR)	20–100 years; max. 100 years total	Every 5 years	N/A (new proposed sectoral scope)

Note – In the September–November 2024 public consultation, Verra consulted on the possibility of

[4] *VM0045* uses a dynamic performance benchmark for the crediting baseline. Projects applying this methodology may be exempt from updating the baseline. All other IFM methodologies require baseline reassessment.
[5] Projects using Clean Development Mechanism (CDM) ARR methodologies will not be required to update to *VM0047* nor reassess the baseline at crediting period renewal.
[6] *VM0047* uses a dynamic performance benchmark for the crediting baseline. Projects using this methodology may be exempt from updating the baseline.

allowing further crediting period renewals for certain project types. A final decision on this has not been made. If this is implemented, further crediting periods may be permitted for certain project types included on a predefined list, provided project proponents demonstrate ongoing financial need when concluding the default total crediting period.

1.2.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you support transitioning to 5-year crediting periods and baseline reassessment intervals for most project types? Why? Please indicate advantages and risks when explaining your response.
2) Verra proposes shifting to either 3 × 5 years or 4 × 5 years as crediting periods for non-GCS, non-AFOLU projects and non-SOC ALM projects. Which option do you believe is most appropriate for each project type? Please explain your response.
3) Are there project types for which 10-year baseline reassessment intervals remain appropriate? If yes, please specify which project types and explain why reassessing the baseline, checking regulatory surplus, and updating to the most recent methodology version less frequently is justified.
4) For ARR and RWE project types, should Verra consider an initial 10-year crediting period followed by shorter 5-year crediting periods to reflect the long timeline to sequester carbon in the early stages of a project, while aligning with other project types over time for consistency and increased ambition?
5) Are there other project types with similar conditions as ARR and RWE projects, where Verra should consider the option presented in Question 4?
6) Are there any other approaches besides dynamic performance benchmarks that could be considered sufficiently robust to eliminate the need for updating the baseline at crediting period renewal or baseline reassessment?

1.3 Permanence: An innovative pilot to address carbon durability

1.3.1 Background

To date, Verra has used a pooled buffer account as the VCS Program's approach to managing non-permanence risk. Proponents of agriculture, forestry and other land use (AFOLU) and geologic carbon storage (GCS) projects with a risk of non-permanence assess risk using the *AFOLU Non-Permanence Risk Tool (NPRT)* or *GCS NPRT* and contribute credits to a pooled buffer account based on the assessment findings.

In recent years, several stakeholders in the voluntary carbon market (VCM) have proposed alternative approaches to managing non-permanence risk, such as insurance or permanence funds. Insurance is a well-known and highly regulated risk management mechanism common in most financial markets. An increasing number of insurance providers are offering carbon insurance products, including protection against reversal risks. A permanence fund uses investment returns to purchase credits and remedy reversals. Rather than setting aside a discrete number of credits, project proponents monetize credits and set aside a portion of the proceeds in a fund that could be used to remedy a reversal, should one occur.

Early engagement with the financial sector suggests that using these alternatives instead of the traditional buffer method could unlock higher levels of carbon finance for projects. This is because alternative approaches may decrease upfront project costs and help drive demand from actors more familiar with how similar mechanisms operate in other markets. In recognition of evolving market interest, Verra is considering allowing project proponents to determine their preferred way to manage non-permanence risk. This determination would be based on market participants' (i.e., project proponents and credit buyers) risk tolerance and preferences, and would be subject to VCS Program requirements that project proponents must remedy reversals should the alternative approach fail.

A broad range of stakeholders have begun describing approaches where climate benefits endure for an extended time and contribute to long-term climate goals as "durable." These stakeholders include the Science Based Targets Initiative (SBTi), the University of Oxford, various non-governmental organizations, and carbon dioxide removal project developers. A major driver of the widespread uptake of the durability concept is a shift towards defining permanence as a guarantee that the storage timeframe will be the lifetime of CO_2 in the atmosphere, which could be as long as 1,000 years.[7] In this context, durability is a more appropriate term than permanence when considering what can reasonably be guaranteed and the lifetime of some carbon credit projects. Verra is proposing the adoption of "reversal risk" and durability-based terminology in the VCS Program in place of the existing permanence-based terminology.

[7] Inman, Mason. 2008. "Carbon is forever." *Nature Climate Change* 1 (812): 156–8. https://doi.org/10.1038/climate.2008.122

1.3.2 Proposal

I. Piloting alternative approaches to managing non-permanence risk

Verra is proposing to launch a three-year pilot to test alternative approaches to managing non-permanence risk with the release of Version 5 of the VCS Program.

Proponents of projects participating in the pilot would be able to decide how to manage non-permanence risk using the following alternatives to the pooled buffer account: 1) insurance or 2) a fund-based approach.

Verra would apply an "innovation"[8] label to Verified Carbon Units (VCUs) from projects using the alternative approaches. This label would transparently signal to buyers that the VCU does not conform to VCS Program requirements to use a pooled buffer account. The intent of the label is to showcase to the market that the project proponent is pioneering an alternative approach to permanence. VCUs with the "innovation" label would not presently be eligible for the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles (CCP) labels or Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) labels. However, the ICVCM has signaled that it may accept such an approach in future iterations of the CCP Assessment Framework, as outlined in its recent Continuous Improvement Work Program report: Permanence. If Verra proceeds with the proposed pilot, we will inform the International Civil Aviation Organization (ICAO) and request that such VCUs be eligible for CORSIA labels.

Proposed general requirements for piloting

- Project proponents must apply the respective NPRT (AFOLU or GCS). Proponents of projects participating in the pilot must submit a non-permanence risk report to Verra with their verification approval request for the monitoring period that includes piloting.[9] However, projects are not required to contribute credits to the pooled buffer account for the piloting period. Where a project proponent chooses to revert to using the AFOLU or GCS pooled buffer to manage non-permanence risk, the project must contribute buffer credits for the period during which it used an alternative approach.
- Project proponents taking part in the pilot must disclose their chosen approach to manage non-permanence risk (i.e., insurance or a fund-based approach) on the Verra Registry. Project proponents must provide evidence of their approach (e.g., proof of an active insurance policy or documentation from the banking institution where the fund is held), subject to Verra's policies on commercially sensitive information.
- Where a project participating in the pilot previously contributed to the pooled buffer account, the project is not eligible for buffer credit releases during piloting. Projects become eligible to release buffer credits where they revert to using the AFOLU or GCS pooled buffer and contribute buffer credits for the piloting period, subject to the requirements in Section 5.2 of the *Registration and Issuance Process, v4.6*.

[8] Verra is considering using this label for other innovation trials in addition to the permanence pilot.
[9] Project proponents would not be required to use the alternative approach for the entire monitoring period.

- Where a project proponent reports a reversal, Verra marks the impacted VCUs as "reversed" on the Verra Registry to provide transparency and in pursuit of environmental integrity.

- The mechanisms for mitigating reversal risk and reporting and remedying losses during the pilot are as follows:[10]

    1) Projects with an overall risk rating from the NPRT that is deemed unacceptably high (60 for AFOLU projects, 7 for GCS projects) are not eligible for crediting. AFOLU projects must also meet the following conditions to be eligible for crediting:
        a) Projects must have a minimum project longevity of 40 years.
        b) Projects must have an adaptive management plan in place that includes a monitoring plan.
        c) Projects must have a payback period (defined as the number of years until breakeven, or the point at which total cost equals total revenue) of 20 years or less.
        d) Projects must have management, financial, and monitoring plans for the entire project longevity.
        e) Proponents of ARR and IFM projects with harvesting must demonstrate a commitment to continue the management practice, replant, or allow for regrowth.
        f) Project proponents must undertake due process, including at Verra's discretion obtaining an independent legal opinion, to discover any disputes over ownership and land, resource access, or use rights.
        g) Project proponents must execute a binding legal agreement(s) securing the legal right to control and operate the project activity over the entire project area with all entities that have verified ownership claims or verified land, resource access, or use rights (such as customary rights holders).
        h) Project proponents must demonstrate that natural risks impacting 70% of project carbon stocks have materialized at a historical frequency of less than once every 10 years, using the Non-Permanence Risk Assessment Calculator in the Verra Project Hub.

    2) Where a loss event occurs, project proponents must report it to Verra following the loss event reporting requirements in the *Registration and Issuance Process*.[11] Where it is subsequently determined that the loss resulted in a net reversal, the affected VCUs are displayed on the Verra Registry with a status of *reversed,* proportionately across the VCU holders. The project proponent must send a reversal report[12] to all current holders of the impacted VCUs, with Verra in copy. The reversal report is posted on the Verra Registry.

    3) The project proponent must remedy the reversal via cancellation of replacement VCUs. Where this occurs, the status of the VCUs on the registry will be updated to remove the reversed

[10](1) is an existing requirement for all projects, while (2)–(4) are proposed only for projects participating in the pilot.
[11] With the launch of the Long-Term Monitoring System (LTMS) with VCS Version 5, Verra may also leverage the LTMS to detect losses within projects participating in the pilot.
[12] Verra will release a "reversal report" template with the launch of the pilot. Where necessary, Verra may also provide the list of impacted VCU buyers to project proponents.

status and show that the reversal has been remedied. If the project previously contributed to the buffer account, remedy for the reversal may be made using a combination of buffer credit cancellation and cancellation of replacement VCUs, proportional to the number of VCUs issued using the buffer relative to the pilot approach.

4) Where the reversal is not remedied, the affected VCUs continue to be displayed on the Verra Registry with a status of *reversed*. Account holders are not permitted to transfer, retire, or cancel reversed VCUs. Where the affected VCUs have been retired already, the current holders of those VCUs should[13] report them as emissions in their next organizational GHG inventory report. No further VCUs are issued to the project until the reversal is remedied. Verra reserves the right to take further action, including account suspension, where a reversal is not remedied.

Proposed minimum criteria for insurance products

For a project proponent to use the insurance approach, the insurance product must:

1) come from a regulated insurance company with an investment-grade credit rating.[14]
2) cover a minimum of three years of non-permanence risk.
3) clearly specify which risk categories in the AFOLU or GCS NPRT are covered by the policy.
4) include Verra as a loss payee if the policy holder becomes insolvent.

Proposed minimum criteria for fund-based approaches

For a project proponent to use a fund-based approach, the fund must meet the following minimum requirements:

1) The entities[15] managing the fund must establish a fee per VCU issued.
2) The fund must be supported by a statement from an independent financial institution demonstrating its financial capacity to remedy a reversal by canceling replacement credits.
3) The fund must be held within an investment-grade banking institution.
4) The entities managing the fund must clearly specify which risk categories in the AFOLU or GCS NPRT are covered by the fund.

Verra plans to launch this pilot with the release of VCS Version 5. At that time, Verra will release an Expression of Interest for project proponents to apply to participate in the pilot.

[13] The VCS Program is a certification standard for projects and reduction and removal claims; it is not a program for overseeing organizational inventory claims. Formal oversight of reversal reporting is via claims organizations (e.g., Voluntary Carbon Markets Integrity Initiative (VCMI), SBTi, and CDP).
[14] Credit ratings must come from one of the major credit rating agencies (e.g., S&P Global, Moody's, or Fitch) and the insurance product must meet their criteria to be considered investment grade.
[15] This might consist of the project proponent, a group of project proponents, credit buyers, or other market actors.

II. Updating VCS terminology: Durability

Verra proposes the following changes:

Proposed Text: VCS Program Definitions

Durability

Characteristic of a project in which carbon stored in a carbon pool (e.g., above-ground biomass, soil, geologic reservoirs) is likely to endure for an extended period without being reversed

...

~~Non-permanence~~ Reversal Risk

The risk that carbon stored in a carbon pool (e.g., above-ground biomass, soil, geologic reservoirs) is released back into the atmosphere as CO_2 or CH_4. This risk may be associated with natural events such as fires, pests, extreme weather events, leaks from geologic reservoirs, or human-caused events such as tree harvests or changes in soil management practices

~~Non-permanence~~ Reversal Risk Analysis

• The assessment of the risk of a potential loss in carbon stock in the project over a period of 100 years, prepared by the project proponent using the *VCS ~~Non-Permanence~~ Reversal Risk Report Template*; or

• The assessment of the risk of a potential loss in carbon stock in the jurisdictional program over a period of 100 years, prepared by the jurisdictional proponent using the *VCS JNR ~~Non-Permanence~~ Reversal Risk Report Template*

1.3.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Would you be interested in participating in the proposed permanence pilot? If so, which alternative approach to managing non-permanence risk would you implement?
2) Do you agree with the proposed minimum requirements for insurance products? Please explain your response and, where relevant, include any additional criteria that Verra should consider.
3) Do you agree with the proposed minimum requirements for the fund-based approach? Please explain your response, and where relevant, include any additional criteria that Verra should consider.
4) Should Verra establish a conservative default annual return rate (i.e., a minimum expected percentage change in the value of the fund each year) for projects using the fund-based approach? If so, what would an appropriate rate be?
5) Would you anticipate market interest in the innovation-labeled VCUs generated by projects participating in the permanence pilot? Please explain your response.
6) Many actors within the VCM are shifting towards using "durability" to describe the long-term sustainability of carbon credits. Do you support the proposal to incorporate durability terminology into the VCS Program? Please explain your response.
7) Do you support the proposed definition for durability in the *VCS Program Definitions*? Please explain your response.

1.4 Revisions to loss event definition and reporting procedures

1.4.1 Background

The September–November 2024 public consultation included several proposals related to permanence, including launching the Long-Term Monitoring System (LTMS) to remotely monitor and quantify loss and reversal events in agriculture, forestry and other land use (AFOLU) projects. Verra still plans to begin a phased launch of the LTMS with the release of VCS Version 5.0.

Verra is finalizing decisions related to other buffer pool management topics previously consulted on, the outcome of which will be reflected in the release of VCS Version 5.0. These topics include allowing any VCS credits to be used as buffer contributions, the time to buffer credit cancellation after project withdrawal, and the magnitude of buffer credit cancellations. Where relevant, Verra plans to align updates with recommendations from the Integrity Council for the Voluntary Carbon Market (ICVCM)'s Continuous Improvement Work Program report: Permanence.

In the meantime, Verra is seeking additional feedback on proposed updates to the procedures for reporting loss events.

The topics for feedback include:

1) **Clarification of loss event definition**: The loss event definition lacks clarity on what is meant by "previously verified emission reductions and removals." This has led to inconsistencies in the way that loss events are quantified and reported. Verra is seeking to clarify this definition and what constitutes a loss event.
2) **Procedures for reporting losses to Verra**: Currently, the VCS Program rules require the project proponent to notify Verra of a loss within 30 days. Verra would like to allow any stakeholder to send a notification of a suspected loss. Where a suspected loss is detected using the LTMS, Verra may also notify project proponents, who must either submit a loss report or demonstrate to Verra that the detected event does not qualify as a loss.

1.4.2 Proposal

Verra proposes the following changes to VCS Program documents.

Proposed Text: VCS Program Definitions

Loss Event

- In an AFOLU project, any event or group of events that results in a cumulative loss of more than five percent of previously verified net ~~emission~~ reductions and removals due to a loss of carbon stocks~~. An event qualifies as a loss when it affects carbon stocks~~ in pools included in the project boundary and that are expected to be ~~sequestrated~~ sequestered and/or maintained under the project scenario. Examples include illegal logging, tillage, fuelwood collection, and natural disturbances like fire and hurricanes.~~, or~~
- In a jurisdictional program, any event or group of events that results in a cumulative loss of more than five percent of previously verified net ~~emission~~ reductions and removals due to

losses in carbon stocks in pools included in the program boundary that is not planned for in the program description (e.g., harvesting as set out in management plans and described in the program description is not a loss event). Examples include harvesting beyond levels predicted in the baseline, construction of roads or other infrastructure not included in the baseline, ~~or~~ and significant natural disturbances.

Net GHG Emission Reductions and Carbon Dioxide Removals (Net Reductions and Removals)

Total GHG emission reductions and carbon dioxide removals net of associated project and leakage emissions and including deductions for uncertainty, where relevant

Proposed Text: Registration and Issuance Process

5.3 Cancellation and Holding of Buffer Credits

Buffer credits are canceled from the AFOLU pooled buffer account where there are negative reductions or removals associated with the project (as compared to the baseline), and are put on hold in certain situations, as outlined in this section.

5.3.1 Where a loss event occurs (see the *VCS Program Definitions* for the definition of a loss event), the project proponent shall:

1) Notify Verra via the Project Hub within 30 days of discovering the loss event, and

2) Where VCUs have been previously issued, prepare and submit to the Verra Project Hub ~~to registry@verra.org~~ a loss event report within two years of discovering the loss event. Projects ~~that do not submit~~ for which a loss event report is not submitted within two years of the loss event's discovery date are not eligible to issue further VCUs until a report is submitted. Upon receipt of the loss event report, Verra puts AFOLU pooled buffer account credits on hold, equivalent to the estimated loss ~~in the loss event report~~.

5.3.2 Any stakeholder may submit a notification in the Verra Project Hub of a suspected loss event. Where Verra becomes aware of a potential loss through such a notification or through the Long-Term Monitoring System (LTMS), Verra notifies the project proponent. The project proponent or authorized representative shall submit a loss event report to the Verra Project Hub within two years of receiving such notification, or, where relevant, shall provide evidence that the reported loss does not qualify as a loss event.

5.3.3 When a loss event is detected during verification, the project proponent or authorized representative shall submit a loss event report before verification review is requested.

Pending consultation feedback, Verra anticipates further minor clarifications to VCS Program documents to clearly define loss events and related procedures.

1.4.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Is the new definition of what constitutes a loss event sufficiently clear? If not, how can it be further clarified to ensure that project proponents are consistent in defining loss events?
2) Do you support the proposal that notification of a suspected loss event may come from any stakeholder? Please explain your response.

1.5 Setting baselines below business-as-usual for program conservativeness

1.5.1 Background

Article 6.4 of the Paris Agreement establishes a framework to facilitate international cooperation in reducing GHG emissions. The Paris Agreement Crediting Mechanism (PACM) allows countries to generate and trade carbon credits to meet climate targets. The PACM is overseen by a Supervisory Body tasked with developing the requirements and processes to operationalize the mechanism. This work includes the development of methodology requirements related to additionality, leakage, suppressed demand, and setting baselines.

The Supervisory Body recently adopted A6.4-STAN-METH-0004, Standard: Setting the baseline in mechanism methodologies, Version 1.0, which establishes requirements to set crediting baselines for mechanism methodologies. Specifically, it requires crediting baselines to be set below business-as-usual (BAU) with increasing ambition over time. To ensure this, methodologies must include factors or quantitative methods for downward adjustments of baselines appropriate to the sector, activity type, and project scale. The quantitative methods must be based on clear and objective criteria, resulting in a downward adjustment that ensures the selected baseline is below BAU. The first PACM mechanism methodologies are expected to be approved in the second half of 2025.

In addition, the eligibility requirements for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) second phase (2027–2029) are closely aligned with the PACM baseline setting standard. To be eligible to supply units for the CORSIA second phase, programs must have procedures in place requiring project proponents to demonstrate that emission baselines are set conservatively and below BAU emission projections. Verra intends to make updates to the VCS Program as needed to align with these requirements.

1.5.2 Proposal

As Verra considers how to ensure that the VCS Program conforms to the requirements for the CORSIA second phase, Verra is exploring whether to align with aspects of PACM's newly released standard for setting baselines in mechanism methodologies, while maintaining flexibility to adapt requirements to different policy and jurisdictional contexts.

Specifically, Verra is exploring updates to baseline-setting approaches to ensure that baselines are below BAU (e.g., by using an initial downward adjustment and setting the historic or current baseline at a level 10% below BAU emissions and with further downward adjustments over time).

1.5.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) The *VCS Methodology Requirements* sets out the rules for all methodologies developed under the VCS Program, including new and revised methodologies. These requirements may or may not fully align with the proposed requirements for methodologies under the PACM. Generally, do you consider alignment between the *VCS Methodology Requirements* and PACM methodology requirements important? Please explain your response.

2) Do you think Verra should follow the PACM requirements for setting baselines, including the downward adjustment? Please explain your response.
3) Should Verra consider flexibility for differentiation in baseline-setting approaches, based on factors like host country, project type, or sector? Please explain your response.
4) Are there other approaches that Verra should consider to ensure that crediting baselines are sufficiently conservative?

1.6 Improvements to project ownership and carbon rights demonstration requirements

1.6.1 Background

The VCS Program requirements on rights to GHG emission reductions (reductions) and carbon dioxide removals (removals), referred to as "proof of right," project ownership, and property rights, including customary rights and those held by local communities, were developed and updated independently, despite inherent linkages among these concepts.

Furthermore, the voluntary carbon market has sometimes evolved more quickly than regulatory frameworks, leading to rising disputes over concurrent rights, ownership, and claims to land, resources, carbon stocks, and reductions and removals. Such disputes often occur where projects are implemented in lands with customary or statutory claims by Indigenous Peoples (IPs) and local communities (LCs).

Verra has identified several key challenges related to project ownership, rights to reductions and removals, and property rights:

1) National legal frameworks can vary considerably in relation to:
   a) rights to:
      i) the land where a project activity is implemented.
      ii) operate a project activity.
      iii) carbon stocks and pools (e.g., trees or soils).
      iv) the reductions and removals generated by a project.
   b) customary rights, leading to:
      i) diverse recognition and protection status of IPs and LCs regarding decision-making, and their varying ability to receive due process and compensation for activities that affect their lands, livelihoods, cultural practices, or resources.
      ii) conflicting claims over land and resources, especially in areas where IPs' or LCs' territories are located within protected areas.
2) VCS Program requirements related to ownership and rights are ambiguous:
   a) High-level requirements with limited supporting guidance and description of necessary evidence can create challenges for project design, implementation, and assessment.
   b) Currently, there is an implicit assumption that project proponents hold full rights to transfer and sell carbon credits. However, these rights may be contested, particularly where legal frameworks are evolving or customary rights are not identified at the right time.
   c) Certain requirements related to land and resource tenure are only included in the *Agriculture, Forestry, and Other Land Use (AFOLU) Non-Permanence Risk Tool (NPRT)*, limiting their scope to AFOLU projects with non-permanence risk.
   d) Terminology can unintentionally misrepresent rights, leading to confusion and exacerbating conflicts or power imbalances. For instance, "project ownership" and "proof of right" may suggest full land ownership to audiences unfamiliar with VCS terminology, which can marginalize rights holders.
   e) Definitions open to multiple interpretations can lead to subjective interpretation of rules.

3) Project proponents and validation/verification bodies (VVBs) can face difficulties in demonstrating and assessing conformance to project ownership requirements, because:
   a) the specific type of expertise (legal or other) to confirm project ownership can be highly variable and specialized, depending on the context.
   b) complexity surrounding the right to operate a project can often exceed the legal sphere and should also be aligned with principles of good governance.

During the September–November 2024 public consultation, about 20% of respondents highlighted that strengthening requirements related to securing and demonstrating tenure and customary rights is critical for safeguards-related requirements.

In addition to the following proposal, more detailed updates clarifying requirements and providing guidance on IPs' and LCs' collective rights related to carbon markets, such as how to effectively undertake a free, prior, and informed consent (FPIC) process, are being developed.

1.6.2 Proposal

Note –This section includes some proposals to update terminology. For clarity, with the exception of such proposals, the following terms currently in use in the VCS Standard, v4.7, and defined in the VCS Program Definitions, v4.5 are used throughout this section: customary rights holders, project ownership, proof of right, and property rights.

Verra is taking a holistic approach to rights and ownership requirements to enable more effective, sustainable, and systemic solutions to identified challenges. A key aspect of this approach is the ongoing process that project proponents must follow to identify and address conflicting claims over land or resources, enabling project success in the long term.

Verra is proposing the following updates for VCS Version 5:

I. Update terms and definitions

1) Replace "project ownership" with "right to operate."
   Project ownership can denote that the project proponent also owns the land where the project is occurring. Right to operate is a more specific term, reducing potential confusion among participating communities. It mirrors language used in other land-based investment and marine tenure frameworks.
2) Replace "proof of right" with "entitlement to GHG emission reductions and carbon dioxide removals," and update the definition.
   Proof of right suggests the registered entity has acquired all rights to carbon, including exclusive decision-making about land use, rights to the underlying carbon pools and stocks themselves, and control over revenue streams. The proposed definition is "The documented title to transfer or sell the GHG emission reductions or carbon dioxide removals generated by the project or program during the crediting period or verification period" to clarify that the registered entity has the exclusive authority to transfer or sell VCUs.
3) Enhance the definition of customary rights holders to specify that it:
   a) includes vulnerable populations and

b) applies to scenarios where IPs have rights to land where they do not live (e.g., through migratory patterns).

4) Include a definition of "local communities" encompassing marginalized groups that might lack formal recognition.

5) Refine the definition of property rights to distinguish between statutory and customary rights, including references to relevant national and international legal frameworks, as needed.

II. Update requirements regarding project ownership

1) For project proponents:
   a) During project development, undertake a rights assessment to identify all rights in the project area as well as existing and potential claims to land, territories, or resources that are necessary to implement the project activity. The rights assessment must:
      i) document existing rights and claims to land, territories, and resources.
      ii) describe the national and local regulatory framework regarding rights to land, territories, resources (including rights to reductions and removals), and customary rights, as well as necessary licenses, permits, or concessions to operate.
      iii) include due process to discover any disputes over ownership of the project activity, or rights to land, resource access, or use. This requirement would be moved from risk factor Q1 in Table 6, Section 2.3.1 of the *AFOLU NPRT, v4.2* to the *VCS Standard, v5.0*. Currently, nonconformance with risk factor Q1 results in a project failing the non-permanence risk assessment. The process (i.e., minimum steps) and required evidence for demonstrating due process to identify conflicts over lands will be clarified.
      iv) be undertaken along with the stakeholder engagement process and be aligned with the stakeholder engagement plan.[16]
      v) be undertaken with a multidisciplinary team with land rights knowledge and expertise, including knowledge on conflicts in the project area.
      vi) include a conclusion as to whether:
         - the project proponent is legally able to control and operate the project activity.
         - competing claims on property rights exist or knowledge gaps remain.
      vii) be corroborated by a legal confirmation that the rights assessment considers all relevant legal frameworks and reaches a sensible conclusion. The legal confirmation must be provided by a counsel who:
         - is licensed to practice law in the country in which they operate.
         - is a member of good standing of the applicable bar or equivalent institution.
         - has demonstrated independence and competency.
      viii) be updated and reported on at each verification and include:
         - demonstration that project proponents maintain their right to project ownership.

[16] Requiring a stakeholder engagement plan was proposed in the September–November 2024 public consultation and received broad support.

- confirmation that the information on which the rights assessment is based has not changed to such an extent that the legal confirmation requires updating (e.g., new legislation, recently identified claims to land or resources).

The requirements for the rights assessment will include guidelines following international best practices and simplified requirements for project context or activity types where ownership demonstration is less complex. However, the requirements will maintain the intent to anticipate and address potential contests on claims to land, territories, or resource ownership as early as possible in the project design stage, and in a participatory way.

b) Where the assessment identifies competing claims to property rights (i.e., existence of overlapping claims to rights in the same geographic area where the project activity will be implemented), the project proponent must:
   i) describe the process that must be followed to secure the rights or resolve disputes over lands and territories, according to the national and local regulatory framework, including estimated timelines for completion.
   ii) demonstrate FPIC from rights holders with contested claims to project ownership or carbon rights.
   iii) provide an ethically obtained project implementation agreement, that is signed by the parties with competing claims and is publicly available, on the substance of the carbon project (i.e., jointly designed by the parties with competing claims, and made in good faith). The agreement must include:
      - clear demarcation of land where the project activity will be implemented.
      - explanation of how the land will be used.
      - key activities in the project and responsibilities of all parties.
      - start and end date.
      - clear benefit sharing, where relevant.
      - a description of other use rights that IPs and LCs continue to hold.

   Depending on the jurisdiction and regulatory framework, parties to the implementation agreement may differ across projects. However, the project proponent must demonstrate the signatories' authority to assert the land usage and activities denoted in the agreement, including rights to access the project area.

c) For all projects, execute legally binding agreements for the project crediting period duration, securing the right to operate the project activity over the entire project area, with all entities identified in the rights assessment with rights claims to land, resource access, or use (such as customary rights holders). This requirement would be moved from risk factor Q2 in Table 6, Section 2.3.1 of the *AFOLU NPRT, v4.2*. Currently, nonconformance with risk factor Q2 results in a project failing the non-permanence risk assessment.

2) For VVBs
   a) Require VVBs to include on their audit teams a person (staff or an independent contractor) with relevant cultural expertise in the project country or region, who demonstrates understanding of local tenure systems and cultural contexts. This is an existing requirement in the CCB Standards Program (*CCB Program Rules, v3.1*, Section 4.3.1).

III. Clarify the linkages among requirements related to project ownership, proof of right, and property rights

Verra proposes to link project ownership requirements in Section 3.7 of the *VCS Standard* to those related to property rights (Section 3.19) and stakeholder engagement (Section 3.18), emphasizing that these requirements must be jointly considered. Some safeguards requirements in Section 3.19 might be moved to Section 3.7 or revised for specificity.

Updates under this proposal would include revising the FPIC requirements to:

- be more process-oriented.
- highlight the evidence needed to demonstrate conformance (e.g., including clear documentation of how information was shared, number and content of meetings held with communities, attendees, priorities and concerns identified by communities, and how project plans have been updated in response to those concerns).
- reference legal requirements applicable to this process, if any.

IV. Update requirements regarding project registration and VCU issuance where conflicts exist

Verra is considering allowing project registration where land tenure conflicts or other conflicting rights claims exist, provided there is robust justification and demonstration of the process to secure rights, described in Section II(1)(b) of this document, as follows:

1) Allow the project to register under the VCS Program only where the project proponent demonstrates at validation that either they are supporting land rights holders in securing rights and that the process has started, or they are following due process to lawfully and ethically address an invalid claim.
2) Allow VCU issuance only where the project proponent demonstrates and documents conformance to the estimated timeline of the process to resolve disputes over lands and territories described in Section II(1)(b) of this document, at every verification, justifying any delays (i.e., that the process continues in good faith).

V. Require proof of right for all projects

Verra is considering moving proof of right requirements to the *VCS Standard* and clarifying that project proponents must demonstrate proof of right at project development and through implementation. Currently:

- demonstration of proof of right is only explicitly required where the entity initiating registration is not the project proponent. It is assumed to exist for project proponents when demonstrating project ownership.
- proof of right requirements are included in the *Registration and Issuance Process, v4.6*, Section 4.2, and the VCS Issuance Deed of Representation.

Verra proposes to require:

1) project proponents to demonstrate:
   i) proof of right in all cases at validation (e.g., where a jurisdiction has defined a legal framework governing carbon rights, project proponents must provide a valid carbon lease or concession); and
   ii) that the proof of right remains valid at every verification.
2) VVBs to assess proof of right at validation and every verification.

1.6.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree that the proposed changes in terminology, process, and requirements address the integrity risks? Please explain your response.
2) What additional suggestions do you have to strengthen the proposals (e.g., other suggested terms)? Please describe the issue that your suggestion addresses.
3) Would these requirements present issues for or negatively impact IPs or LCs (e.g., in contexts where they or their rights are not fully recognized in accordance with international legislation)? Please explain your response.
4) Are there examples of best practices for rights assessments that Verra should consider when drafting the proposed requirements?
5) Are there any globally or regionally recognized sources of customary rights mapping, or other evidence, that Verra could require or provide as guidance to project proponents and VVBs to review as part of the rights assessment?[17]
6) Should there be restrictions on VCU issuance where land tenure conflicts or other conflicting rights claims exist and project proponents demonstrate they support rights holders in securing rights? Please explain your response.
7) Are there conflicts between these proposed updates and VCS Program safeguards related to property rights (*VCS Standard, v4.7*, Sections 3.19.19–3.19.24)?

[17] Verra is already aware of the following resources: https://climatepolicydatabase.org/, https://climate-laws.org/, and https://www.goldstandard.org/carbon-market-regulations-tracker

1.7 Enhancements to streamline and raise the bar for safeguards and stakeholder engagement

Note – For brevity, the term "safeguards," when used on its own in this section, encompasses social and environmental safeguards.

1.7.1 Background

Safeguards and stakeholder engagement requirements in the *VCS Standard* have rapidly evolved and become central to project integrity and risk mitigation. Verra has aligned with the Integrity Council for the Voluntary Carbon Market's (ICVCM) Core Carbon Principles (CCP) Assessment Framework criteria and other market initiatives to help ensure consistency across project types.

The evolution of safeguards and stakeholder engagement requirements has opened areas for improvement and innovation. These improvements include specific, enhanced, and process-oriented requirements with accompanying guidance, criteria for acceptable evidence, and definitions to support project proponents in proactively assessing their project's risks, establishing commensurate mitigation measures, and monitoring them throughout the project lifetime.

1.7.2 Proposal

Verra is consulting on the following high-level updates for VCS Version 5:

1) Implement a new structural framework to categorize safeguards, and a risk-based approach to design and implement safeguards that are applicable to each project.
2) Enhance stakeholder engagement and safeguards requirements.

The first proposal describes the initial milestone in Verra's long-term vision to strengthen safeguards and stakeholder engagement requirements, prioritizing their practical implementation to support project proponents in reducing the risk of a project causing harm to stakeholders and the environment. The second is complementary to the proposals in the September–November 2024 public consultation and aims to raise the bar for safeguards and stakeholder engagement requirements.

Both proposals address the following challenges highlighted in the consultation feedback:

- The process required to conform to certain safeguards (e.g., stakeholder engagement or free, prior, and informed consent (FPIC)) is unclear.
- Requirements need accompanying guidance, tools, and potentially templates to support project proponents in implementing safeguards, including details of what constitutes adequate evidence. Such guidance should also include activity type-specific considerations.
- Mechanisms to report exceptions or situations occurring during implementation are insufficient to enable project proponents to undertake adaptive management and mitigate unforeseen risks.
- Digital tools could be leveraged to simplify conformance to safeguards requirements.

These high-level proposals are described in the following sections.

I. Safeguards and stakeholder engagement framework, and a digitally enabled risk-based approach

This update comprises two interlinked components:

1) Safeguards and stakeholder engagement framework

The framework is a standardized structure for safeguards and stakeholder engagement requirements, organized by categories and sub-categories. It is aligned with market initiatives, such as the ICVCM's CCP Assessment Framework criteria (Section 7) and the Article 6.4 Sustainable Development Tool.

The framework groups safeguards and stakeholder engagement requirements into broader category topics, which supports project proponents and validation/verification bodies (VVBs) to better design, implement, and assess safeguards. It will also enable Verra to:

- streamline overlapping or complementary requirements,
- develop the requirements' accompanying elements (e.g., guidance, minimum evidence criteria) detailed in Section (2) of this proposal, and
- clarify requirements that are only applicable to certain sectoral scopes or activity types.

Table 1.7.1 details the proposed safeguards and stakeholder engagement framework. Verra plans to include the framework in the *VCS Standard, v5.0*, as headers and sub-headers to structure the stakeholder engagement and safeguards sections (Sections 3.18 and 3.19 in the *VCS Standard, v4.7*).

Table 1.7.1. Proposed safeguards and stakeholder engagement framework

Category	Subcategory
Stakeholder engagement	Stakeholder identification and grouping
	Stakeholder consultation and participation
	Ongoing communication and transparency of decision-making
	Free, prior, and informed consent (FPIC)
	Grievance redress procedure
	Monitoring engagement outcomes and process
Social and environmental risk assessment	Risk identification and assessment *(Includes requirements for determining risk magnitude and the appropriate level of the mitigation hierarchy)*
	Risk mitigation and management *(Includes requirement to establish a mitigation plan)*
	Monitoring risk levels and mitigation measures
Governance	Operational expertise
	Anti-corruption
	Anti-money laundering
	Emergency preparedness and response

Category	Subcategory
Social safeguards	Human rights *(Includes requirements regarding inclusion of marginalized groups, and anti-discrimination and harassment)*
	Property rights *(Includes prohibition of involuntary resettlement)* *(To be determined whether this section is still necessary or whether all requirements will be consolidated in the "Ownership" section of the* VCS Standard *– see proposal in Section 1.6 of this document)*
	Indigenous Peoples' rights and cultural heritage
	Benefit sharing
	Gender equality *(Includes requirements about equal labor opportunities, equal pay for equal work, and safety of women and girls)*
	Labor rights and safe employment conditions *(Includes requirements prohibiting human trafficking and forced and child labor, as well as requirements regarding training, capacity-building, and just transition)*
	Armed personnel
Environmental safeguards	Biodiversity conservation and sustainable management of living natural resources *(Includes requirements on ecosystem conversion – see related proposal in Section 1.9)*
	Resource efficiency and pollution prevention *(Includes requirements regarding waste management)*

2) Digitally enabled risk-based approach to safeguards

The digitally enabled risk-based approach to safeguards is an innovative way in which Verra will revise safeguards requirements to focus on risk identification and management and develop accompanying guidance and criteria for acceptable evidence. Further, digital tools will simplify project design and implementation. The digitally enabled risk-based approach consists of three elements:

a) Enhanced, streamlined requirements and definitions that enable project proponents to:

i) know the necessary process to engage stakeholders adequately from the early stages of project design and throughout project implementation, according to the project category or activity type and context, as the foundation to successful risk identification and mitigation.

ii) identify social and environmental risks and design commensurate measures at project design to mitigate such risks. Identified risks and mitigation measures must be socialized with stakeholders through the engagement process and public consultation, and any feedback used to strengthen mitigation measures before validation.

iii) continually monitor the risks and effectiveness of the mitigation measures during project implementation.
iv) adjust the measures and report any project deviations at verification, through adaptive management.

b) Guidance (e.g., in questionnaire format) and criteria for sufficient evidence to support project design, implementation, monitoring, and assessment, to enable project proponents to identify which requirements are applicable to their project context and type, and tailor mitigation measures accordingly

c) Digital tools that facilitate project development, review, and assessment (e.g., decision tree-like backend design according to the project context or the project category or activity type in the Verra Project Hub). Verra envisions these tools to be:
i) modular (e.g., a stakeholder engagement module and a safeguards module), and
ii) laid out in a procedural way, supporting conformance to VCS Program requirements where a stepwise or process-oriented approach is more suitable.

In developing the guidance associated with this update, Verra aims to build on existing resources from market actors and international organizations that have developed robust guidance on safeguards, and adapt those resources to the needs of VCS projects.

This update seeks to simplify requirements for successful and more practical project design, implementation, monitoring, and assessment.

Verra plans to:

- include the enhanced requirements and the accompanying guidance in the *VCS Standard, v5.0*.
- make the tool available for projects to use before the effective date of the *VCS Standard, v5.0* safeguards requirements, estimated to be 12–18 months.

Table 1.7.2.1 Risk-based approach proposal example

Table 1.7.2.1 provides an example of the risk-based approach proposal and Figure 1.7.1 illustrates the decision tree-like backend using the Verra Project Hub.

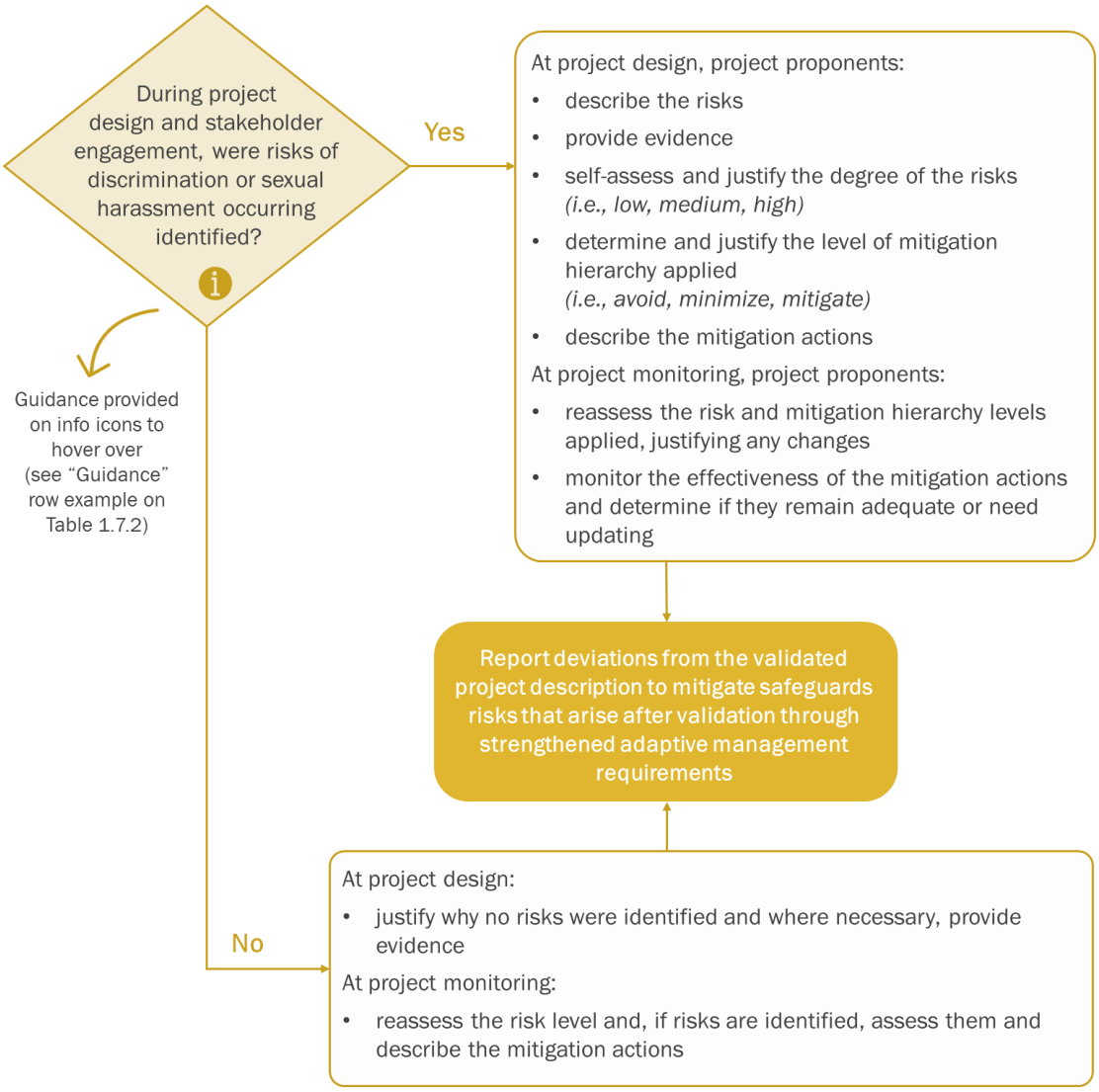
Table 1.7.2.1 Risk-based approach proposal example

Topic	Pollution
Existing requirement	3.19.10 The project proponent shall identify, minimize, and mitigate any impacts caused by pollutant emissions to air, discharges to water, noise and vibration, the generation of waste, and the release of hazardous materials and chemical pesticides and fertilizers as a result of project activities.
Proposed requirement under the risk-based approach	The project proponent shall: • identify whether the project could involve or lead to the release of pollutants to the environment due to routine, non-routine, and accidental circumstances. • identify the potential for adverse local, regional, and/or transboundary impacts resulting from pollution. • describe at project development, and demonstrate for every monitoring period:

	○ how risks were assessed. ○ measures taken to minimize the identified risks. ○ measures put in place to mitigate the impacts of those risks. ○ remediation measures. • demonstrate how stakeholder input has influenced the identified risks or mitigation measures.
Guidance	Sample guiding questions include: • Has the nature of the receiving environment, such as the existence of water bodies, soils, airsheds, and forests, as well as temporal and seasonal factors been considered? • Has the assimilative capacity of the environment in the project area been considered for different natural resources that could be polluted? ○ For water: the total volume, flow and flushing rates, temperature of received discharge, and the loading of pollutants from other effluent sources in the area or region ○ For soil: the received discharge and the type of microbial, chemical, and physical reactions that take place in the soil layer, and climatic conditions ○ For airshed: the emission levels, ambient air quality standards, and prevailing meteorological conditions • Has existing and planned land use, ambient conditions, or proximity to ecologically sensitive protected areas been considered?
Sufficient evidence	Calculations, models, or other documents demonstrating the assimilative capacity of the environment according to internationally accepted benchmarks and thresholds for pollutants
Definition	**Pollution** Introduction of hazardous and nonhazardous chemical pollutants in solid, liquid, or gaseous phases into the environment

Note – This table illustrates the elements of the risk-based approach to safeguards. The final requirements, guidance, and related elements are subject to change.

Figure 1.7.1. Depicted example of the decision tree-like backend using digital tools



II. Enhance stakeholder engagement and safeguards requirements

Verra considered feedback received during the September–November 2024 public consultation that included suggestions to enhance inequality considerations, clarify stakeholder engagement processes, and update requirements with a gender-marginalized lens. The following updates to requirements are proposed. The specific text of the requirements will be developed following the risk-based approach proposed in Proposal I(2) in Section 1.7.2.

1) Stakeholder engagement

Verra proposes updating the *VCS Standard* as follows:

a) Clarify that stakeholder consultation is a process, rather than an individual occurrence, providing guidance and best practices for successful consultation processes.
b) Specify that effective stakeholder participation must be sensitive to culture and gender.

c) Introduce a requirement for the project proponent to categorize stakeholders during stakeholder identification, based on how affected the stakeholder will be by the project activity and how much influence they have on the project. The exact categories are still to be defined, and Verra will include guidance to support categorization. Example categories include:

- Most impacted, positively or negatively, by the project activity, such as:
  - stakeholders with property, tenure, access, and use rights or claims to territories and resources in the project area (statutory or contractual)
  - stakeholders with customary rights or claims to territories, lands, or resources (individual or collective)
  - marginalized or underrepresented stakeholders
  - stakeholders whose livelihoods will be affected by the project activity or project outcomes
- Most influential, positively or negatively, for project success, such as:
  - any stakeholder whose support or endorsement is critical to the project's implementation (e.g., government agencies providing approvals or permits, legislators)
  - stakeholders who implement the project activity on behalf of the project proponent
- Moderately influential in project development and success (e.g., non-governmental organizations, religious leaders, other influential figures within or around the project area)
- Interested stakeholders, who have shown an interest in the project activity but will not be materially affected by it, such as the private sector

Stakeholder categorization will help project proponents understand the spectrum of stakeholders and how to better engage them (e.g., language considerations, level of technicality of information, adequate number of consultations). It could also help differentiate target audiences for certain requirements, mostly regarding safeguards, to ensure that the necessary stakeholders are engaged at the right times.

d) Clarify that ongoing communication, while allowing stakeholders to raise concerns about potential negative impacts, must also occur throughout project design and implementation in order to open participatory spaces. Currently, requirements could be interpreted to mean that communication is only necessary where negative issues or impacts arise.

2) Social safeguards

Verra proposes updating the *VCS Standard* to require project proponents to:

a) give women and marginalized people a fair chance to fill work positions for which they are qualified or can be trained.

b) inform workers of identified risks to their safety and health and explain how risks can be mitigated. Where safety cannot be guaranteed, the project proponent must demonstrate that they are using best practices to mitigate risks.
c) demonstrate that measures are in place to prevent engagement in illegal activities (e.g., anti-money laundering and anti-corruption policies).
d) demonstrate that the project activity does not lead to the relocation of activities that are important to the culture or livelihood of property rights holders (including customary rights holders).
e) submit a list of national and local laws and regulations in the host country relevant to the project activity and demonstrate how the project complies with them. This list is already required in Section 1.15 of the *VCS Project Description Template, v4.4*).

3) Environmental safeguards

Verra proposes to expand existing requirements in the *VCS Standard* to require project proponents to:

a) demonstrate the project team's expertise regarding biodiversity assessment for agriculture, forestry and other land use (AFOLU) projects.
b) identify all species used in the project activity.
c) describe possible adverse effects on the region's environment of non-native species used in the project activity, including impacts on native species and disease introduction or facilitation of disease spread.
d) justify any use of non-native species over native species.
e) assess potential negative impacts on biodiversity that the project activity can cause outside of the project area, and measures taken to mitigate them.

1.7.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree with the safeguards framework? If not, please explain why and, to the extent possible, provide suggestions to strengthen or clarify the framework.
2) Do you agree with the risk-based approach to safeguards? If not, please explain why and, to the extent possible, provide suggestions for improvements or alternatives.
3) Are there any additional general updates to requirements that could help strengthen or clarify safeguards? Please explain your response.
4) Do you agree with the proposed stakeholder categorization and updates? Please explain your response.
5) What types of evidence could be provided by project proponents to justify their selection of stakeholder categories?
6) Do you agree with the proposed enhancements to social and environmental safeguards in Section II of this proposal? If not, please explain your response.

1.8 Increasing financial transparency requirements for benefit sharing

1.8.1 Background

Proponents of projects with activities that impact property rights, usage, or resources must develop and implement a benefit-sharing agreement between affected stakeholder groups and the project proponent (see Section 3.19.22 of the *VCS Standard, v4.7*). The September–November 2024 public consultation included proposals to require a benefit-sharing agreement where Indigenous Peoples (IPs), local communities (LCs), and customary landowners are present or participating in the project. Respondents indicated that guidance and clear terminology would be critical to implementing such an update.

Verra proposes to update the *VCS Standard* to strengthen requirements for financial disclosures from proponents of projects that include a benefit-sharing agreement and to specify that in-kind benefits may be part of such agreements.

Financial transparency can promote the equitable and fair distribution of benefits among project stakeholders. This transparency is a key metric to assess a benefit-sharing agreement's initial design and ongoing implementation, ensuring that project stakeholders, especially IPs and LCs, receive benefits where relevant. It also facilitates informed decision-making among beneficiaries, leading to more effective and sustainable agreements. Transparent financial practices can help beneficiaries to understand how project funds are allocated, building confidence in a project's legitimacy. Future iterations of the Integrity Council for the Voluntary Carbon Market's (ICVCM) Core Carbon Principles (CCP) Assessment Framework will include requirements ensuring transparency on use and management of revenues for benefit sharing.[18]

1.8.2 Proposal

Where projects include a benefit-sharing agreement, Verra proposes a new requirement that project proponents disclose to beneficiaries a breakdown of financial information on project revenues and costs. The aim is to support beneficiaries in making informed decisions when considering the appropriateness of the benefit-sharing agreement. Financial transparency will also facilitate the design and ongoing implementation of the agreement.

The financial information must include specific aggregated budget line items on project revenues and costs to provide beneficiaries with sufficient information for agreement. The specific budget line items are detailed in the proposed requirement text below. At validation, financial information must be projected, as accurately as possible, and at verification, adjusted to give actual values.

Complementary to this proposal, more detailed updates are under development to clarify requirements and provide guidance on the content of and process for developing benefit-sharing agreements. As part

[18] As stated on p.71 in the *ICVCM Core Carbon Principles, Assessment Framework and Assessment Procedures, v1.1*

of these updates, Verra is exploring specifying that in-kind benefits may be included in the benefit-sharing agreement. The following are not considered to be in-kind benefits:

- The implemented project activity itself (e.g., in an afforestation, reforestation, and revegetation (ARR) project, the trees planted for the project may not be claimed as in-kind benefits)
- Infrastructure necessary to implement the project that would have occurred regardless (e.g., roads to access the project area)
- Any measures designed to mitigate safeguards-related risks (e.g., not adversely impacting habitats for rare, threatened, or endangered species adjacent to the project)

Where projects include infrastructure or other long-term construction, the project proponent must create a medium- to long-term plan for the continued functioning and utility of the benefits, where necessary (e.g., provisions for ongoing operational needs, such as staffing or supplies for infrastructure like schools, clinics, or other facilities).

Verra proposes the following changes to the *VCS Standard*.

Proposed Text: VCS Standard

3.18 Stakeholder Engagement

...

3.18.2 The project proponent shall conduct a stakeholder consultation before implementation of the project activity~~ies~~. Such consultations shall be ~~done in a manner that is~~ inclusive, culturally appropriate, and respectful of local knowledge, and shall include:

1) A representative from each stakeholder group.
2) A discussion of the project design and implementation, including agreement and consent from stakeholder groups to participate in the consultation.
3) The high-level risks, costs, and benefits the project may bring to stakeholders.
4) All relevant laws and regulations covering workers' rights in the host country.
5) Information on impact ~~to~~ on property rights as part of the free, prior, and informed consent (FPIC) process.
6) Discussion of benefit sharing, where ~~relevant~~ benefit sharing is required.
7) Financial information on expected revenues and costs of the project, where benefit sharing is required (see Section 3.19.27 for the minimum line items that must be included).
8) The process of VCS validation and verification and the validation/verification body's site visit.

...

3.18.5 The project proponent shall establish mechanisms for ongoing communication with stakeholders to allow stakeholders to raise concerns about potential negative impacts during

project implementation. As part of ongoing consultation, the project proponent shall communicate at least:

1) The high-level risks, costs, and benefits the project may bring to stakeholders.
2) The benefit-sharing mechanism, where ~~relevant~~ benefit sharing is required.
3) Financial information on actual revenues and costs of the project, where benefit sharing is required (see Section 3.19.27 for the minimum line items that must be included).
4) The ongoing FPIC process.
5) All relevant laws and regulations covering workers' rights in the host country.

3.18.6 Prior to each validation/verification event, the project proponent shall communicate:

1) The project design and implementation, including the results of monitoring.
2) The high-level risks, costs, and benefits the project may bring to stakeholders.
3) The benefit-sharing mechanism, where ~~relevant~~ benefit sharing is required.
4) Financial information on actual revenues and costs of the project, where benefit sharing is required (see Section 3.19.27 for the minimum line items that must be included).
5) The ongoing FPIC process.
6) All relevant laws and regulations covering workers' rights in the host country.
7) The process of VCS validation and verification and the validation/verification body's site visit.

...

3.18.8 The project may affect property rights only if free, prior, and informed consent is obtained from those concerned, including IPs, LCs, and customary rights holders, and a transparent agreement is reached that includes provisions for just and fair compensation. In the event there are any ongoing or unresolved conflicts over property rights, usage, or resources, the project shall undertake no activity that could exacerbate the conflict or influence the outcome of an unresolved dispute. Prior to establishing such an agreement, the project proponent shall disclose, at a minimum, the following information:

1) The nature, size, pace, reversibility, and scope of any proposed project or activity;
2) The reason(s) or purpose of the project and/or activity;
3) The duration of the project activity~~ies~~;
4) The locations that will be affected;
5) A preliminary assessment of the likely economic, social, cultural, and environmental impact, including potential risks and fair and equitable benefit sharing and considering the financial information on revenues and costs of the project, in a context that respects the precautionary principle;
6) Personnel likely to be involved in the execution of the proposed project (including Indigenous Peoples, private sector staff, research institutions, government employees, and others).

3.19 Safeguards

...

3.19.22 Where the project activity impacts property rights, usage, or resources, the project shall include a benefit-sharing agreement between affected stakeholder groups and the project proponent. Benefits may be monetary, in-kind, or a combination of both, provided they improve community livelihoods and are agreed upon through participatory and good faith negotiation processes with all affected stakeholders. Such an agreement shall be:

1) Appropriate to the local context.
2) Consistent with applicable national rules and regulations, and international human rights laws and standards.
3) Consistent with customary rights, to the maximum extent feasible.
4) Agreed upon by IPs, LCs, and legitimate customary rights holders, considering the financial information provided by the project proponent.
5) Shared in a culturally appropriate manner.

...

3.19.25 The following shall not be considered in-kind benefits:

1) The implemented project activity (e.g., in an ARR project, the planted trees must not be claimed as an in-kind benefit)
2) Other infrastructure necessary to implement the project (e.g., roads to access the project area)
3) Any measures designed to mitigate safeguards-related risks (e.g., not adversely impacting habitats for rare, threatened, or endangered species adjacent to the project)

3.19.26 Where a project includes infrastructure or other long-term construction as in-kind benefits, the project proponent shall create a medium- to long-term plan for the continued functioning and utility of the benefits (e.g., provisions for ongoing operational needs, such as staffing or supplies for infrastructure like schools, clinics, or other facilities).

3.19.27 The project proponent shall:

1) provide stakeholders participating in the benefit-sharing agreement with projected information on the project's finances at validation, and actual information at each verification.

2) provide the financial information as aggregated amounts of revenues and costs, evidenced by a paper trail.

3) include in the financial information at least the following line items:

a) Revenues: commercial revenue streams associated with the project, where relevant, secured and conservatively projected revenue from the sale of GHG credits, and other funding sources, such as donor funds and carbon credit prepayments

b) Costs: project implementation costs (e.g., project development, staff, monitoring, data collection and analysis, permits, and any other direct implementation costs), costs associated with VCU generation (e.g., validation, registration, verification), and, where applicable, interest, loan repayment, tax payments, and any required equity distributions

1.8.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you support the proposal that, where a benefit-sharing agreement is in place, project proponents must share financial information with beneficiaries to enable appropriate design and implementation of the agreement? Please explain your response.
2) Are the budget line items in Section 3.19.27 in the proposed text of the *VCS Standard* sufficient for stakeholders to make an informed decision about the benefit-sharing agreement's design and implementation?
3) Do you have any other suggestions related to strengthening financial disclosure requirements for projects?

1.9 Enhanced ecosystem conversion safeguards

1.9.1 Background

Verra has made several updates to environmental safeguards in the *VCS Standard* following two public consultations held in July and November 2023. Since these updates, stakeholder feedback has highlighted the need to further enhance and refine safeguards around ecosystem conversion to strike the right balance between protecting the environment and ecosystem integrity and encouraging effective and scalable generation of GHG emission reductions (reductions) and carbon dioxide removals (removals).

Project activities that result in ecosystem conversion can increase reductions and removals, but may cause significant biodiversity loss and disrupt ecosystem services. Safeguards to reduce risks of ecosystem conversion are essential to uphold environmental integrity and support climate and conservation goals.

The intent, exclusions, and exceptions of the existing VCS Program requirements related to ecosystem conversion can be ambiguous, particularly in certain contexts when interpreted with VCS Program definitions. This could affect project proponents trying to meet the requirements under certain contexts and could lead to inconsistent project assessments.

1.9.2 Proposal

To clarify and streamline requirements, Verra is considering these summarized intents and changes:

1) Reinforce the prohibition on converting high- and medium-integrity ecosystems under the VCS Program. This prohibition would be moved to the "general requirements" section of the *VCS Standard* to enable project proponents to identify the eligibility of their projects upfront. Proposed updates include:
    a) replacing the term "native ecosystem" with the concept of ecosystem integrity. If this proposal moves forward, related requirements in the *VCS Standard* and methodologies will be edited accordingly (e.g., Appendix 1 of the *VCS Standard*).
    b) adding an ecosystem integrity categorization (high, medium, and low) based on degradation characteristics exhibited by an ecosystem.
    c) removing the existing requirement 3.19.28 from the *VCS Standard, v4.7*, as the restriction on draining or degrading hydrological functions is covered under the proposed updated holistic prohibition on conversion of high-integrity ecosystems.
2) Clarify that project activities that convert an ecosystem may only be implemented:
    a) in ecosystems with demonstrated low integrity. For this purpose, three factors of degradation are proposed: degradation drivers, biotic conditions, and abiotic conditions.

b) where the state of low integrity has existed for 10 or more years prior to the project start date, unless the project proponent demonstrates that degradation within 10 years:
   i) was independent from the project activity or parties with a material interest in the project,
   ii) took place where and when carbon finance was not an incentive, and
   iii) occurred where the dominant land cover was an invasive species threatening ecosystem integrity.

3) Maintain the intent that restoration of degraded ecosystems in afforestation, reforestation, and revegetation (ARR) or restoring wetland ecosystems (RWE) projects results in a high-integrity ecosystem.

Verra proposes the following updates to requirements and definitions.

Proposed Text: VCS Standard

3.1 General Requirements

...

3.1.10 Activities that result in the degradation or conversion of high- or medium-integrity ecosystems are not eligible under the VCS Program. Ecosystem integrity is inherently linked to the degradation characteristics that the ecosystem exhibits. Ecosystem integrity categories are described in Table C.

Table C2: Categories of ecosystem integrity and their degradation characteristics

Ecosystem integrity category	Ecosystem degradation characteristics
High integrity	The ecosystem does not exhibit significant signs of degradation: • The ecosystem experiences no imminent or serious historical or present drivers of degradation; and • It maintains its ability to sustain its biotic and abiotic characteristics.
Medium integrity	The ecosystem exhibits signs of degradation: • The ecosystem experiences likely historical or present drivers of degradation; and • It maintains its ability to sustain its biotic or abiotic characteristics.
Low integrity	The ecosystem exhibits significant signs of ecosystem degradation: • The ecosystem experiences imminent or serious historical or present drivers of degradation, or a combination of more than one of those drivers, and • It has lost its ability to sustain its biotic and abiotic characteristics.

...

3.19 Safeguards

...

~~3.19.28 Activities that drain or degrade the hydrological functions of ecosystems are not eligible under the VCS Program.~~

3.19.28 Where the project activity converts an ecosystem, the project proponent shall demonstrate that the ecosystem has been in a state of low integrity for at least 10 years before the project start date by providing evidence:

1) of significant ecosystem degradation for at least two of the degradation factors (i.e., drivers and conditions) described in Table D. Evidence other than the examples indicated in Table D may be used where it is robust and scientifically sound.

2) that the significant signs of ecosystem degradation existed 10 years prior to the project start date, unless the requirements in Section 3.19.29 are met, through one or more of the following:

a) Land-use records (e.g., official government records, agricultural production data)

b) Remote sensing imagery (e.g., satellite imagery showing historical deforestation, land clearing, or significant land-use changes)

c) Official land titles or land-use designations indicating historical use of the land for agriculture or resource extraction

d) Community surveys or historical reports (e.g., participatory rural assessments, historical documentation showing traditional land-use practices associated with degradation)

Table D:3 Degradation factors for demonstrating low-integrity state of an ecosystem

Degradation factor	Example characteristics and evidence for demonstration
a) Serious historical, serious present, or imminent drivers of degradation	• Policy, academic, or expert reports correlating ecosystem degradation with the underlying drivers (e.g., economic growth, population growth, urbanization, agricultural intensification, cattle ranching expansion, fuel wood collection, overfishing, climate change)
b) Biotic conditions have been disrupted to a point where they cannot be self-sustained compared to a high-integrity ecosystem	• Social aspects: Community surveys or historical reports (e.g., participatory rural assessments, historical documentation showing traditional land-use practices associated with degradation) • Invasive species dominance: Ecological studies or surveys demonstrating invasive species dominance • Dependence on inputs: Records showing the regular use of inputs such as fertilizers, pesticides, or irrigation that indicate the ecosystem's altered functionality (e.g.,

	agricultural input records or soil nutrient management plans)
c) Abiotic conditions have been disrupted to a point where they cannot be self-sustained compared to a high-integrity ecosystem	• Social aspects: Community surveys or historical reports (e.g., participatory rural assessments, historical documentation showing traditional land-use practices associated with degradation) • Soil compaction: Soil studies demonstrating metrics such as bulk density, water infiltration rates, or resistance to root penetration • Erosion: Visible signs (e.g., rill or gully erosion), sedimentation in nearby water bodies, or studies quantifying erosion rates • Alteration of soil chemistry: Soil tests showing significant deviations in soil pH, salinity, or loss of organic matter compared to natural conditions (e.g., laboratory soil analysis) • Hydrological regime (outside of the natural range of variation): Water surface elevation, volume of water flow, ground water recharge, or nutrient transformation • Water quality: Physical (e.g., temperature, turbidity), chemical (e.g., dissolved oxygen, pH, nutrient concentration), and biological (e.g., microbial indicators) parameters of water quality

~~3.19.29 Activities that convert an ecosystem shall only be implemented in degraded ecosystems (see *VCS Program Definitions*) for the definition of degraded ecosystem).~~

~~1) ...~~

~~2) ...~~

~~3) ...~~

~~4) ...~~

3.19.29 Where an ARR, ALM, WRC, or ACoGS project activity converts an ecosystem that has been degraded within the previous 10 years, the project proponent shall demonstrate that:

1) degradation occurred independently of the project activity (e.g., natural disturbance such as wildfire, storm, or flood).

2) degradation was not carried out or encouraged by the project proponent, any related parties with a material interest in the project, or anyone who stands to benefit financially from the project (e.g., investors, project representative).

3) degradation took place under circumstances and at a time when carbon finance was not a known or accessible incentive.

4) the dominant land cover is an invasive species that is further threatening ecosystem integrity.

3.19.30 Where an ARR or RWE project activity restores degraded ecosystems, the project proponent shall use remote sensing, aerial imagery, modeling, or peer-reviewed literature to demonstrate that the project activity restores the ecosystem by:

1) re-establishing the ecosystem's structure, function, species, and/or composition to ecologically suitable reference conditions (e.g., to a pre-disturbed state), or

2) improving the ecosystem's structure, function, species, and/or composition to increase ecosystem integrity to an adapted state that is based on or consistent with scientific evidence (e.g., adjacent ecosystem represented within the same ecoregion).

Note – In connection with this proposal, the new sectoral scopes proposal (Section 3.2 of this document) explores classifying projects and VCUs according to their sectoral scopes, project categories, and project activity types in the Verra Registry. Projects conforming to proposed requirement 3.19.30 would be easily identifiable by stakeholders as a "restoration" project type through searchable fields.

Table 1.9.1 sets out proposed updates to definitions.

Table 1.9.14. Proposed updates to ecosystem conversion-related definitions

Term	Existing definition	Proposed changes
Forest Degradation	The persistent reduction of canopy cover and/or carbon stocks in a forest due to human activities such as animal grazing, fuelwood extraction, timber removal, or other such activities, but that does not result in the conversion of forest to non-forest land and falls under the *IPCC 2003 Good Practice Guidance* land category of *forest remaining forest*.	Edit the term to "forest degradation." *Rationale for change: Maintain this term, necessary for avoiding unplanned degradation (AUD) projects, while clarifying that it is only applicable to forests, not other ecosystems.*
Degraded Ecosystem	An ecosystem where ecosystem function is disrupted to an extent where it can no longer sustain its biotic and abiotic characteristics, as demonstrated by peer-reviewed literature, or expert judgement	Edit definition: An ecosystem where ecosystem integrity is disrupted to an extent where ~~it~~ the ecosystem can no longer sustain its biotic and abiotic characteristics. Note – Methodologies may include specific definitions of degraded ecosystems relevant to the context of the activities eligible under the methodology, where relevant. *Rationale for change: Make a clear connection between ecosystem degradation and ecosystem integrity.*
Ecosystem	A complex of living organisms and the abiotic environment with which they interact in a specified location	Edit definition: A dynamic complex of plants, animals, and microorganisms interacting with one another and with their non-living environment and functioning as a unit[19] Ecosystem types are classified according to level 3 (functional group) in the IUCN Global Ecosystem Typology.

[19] Definition adapted from Secretariat of the CBD. 1992. *Convention on Biological Diversity*. https://www.cbd.int/doc/legal/cbd-en.pdf

Term	Existing definition	Proposed changes
		Rationale for change: Align with the SD VISta Nature Framework definition and add an ecosystem typology.
Ecosystem Conversion	The altering of an ecosystem through clearing, planting or seeding, or negative changes to vegetation, soil, or hydrology as a result of species introduced as part of project activities, or other project activities which impact the ecosystem	Replace definition: Alteration of an ecosystem caused by changes in land or water or by pollutants, leading to an irreversible transformation that negatively impacts ecosystem integrity. Examples of conversion include land clearing; replacement of natural vegetation (e.g., by crops or tree plantations, through vegetation clearing); permanent flooding (e.g., by a reservoir); drainage, dredging, or filling wetlands; and surface mining. *Rationale for change: Align with the SD VISta Nature Framework definition and clarify that the alteration of and impact on the ecosystem are negative.*
Ecosystem Integrity	N/A	New definition: The ability of an ecosystem to support and self-sustain ecological processes and a diverse community of organisms. It is measured as the degree to which a diverse community of native organisms is maintained. It is used as a proxy for ecological resilience, or the capacity of an ecosystem to adapt in the face of stressors while maintaining ecosystem functions of interest. *Rationale for change: This concept is broader than the native ecosystem definition (which is proposed for removal, see below), and introduces resilience, which could be used to demonstrate ecosystem integrity and thus enable project activities to occur in climate-resilient ecosystems rather than restricting them to native ecosystems that might be less resilient.* *Source: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Glossary.*
Forest	Land with woody vegetation that meets an internationally accepted definition (e.g., UNFCCC, FAO, or IPCC) of what constitutes a forest, which includes threshold parameters, such as minimum forest area, tree height, and level of crown cover, and may include mature, secondary, ~~degraded,~~ and wetland forests	Remove the term "degraded." *Rationale for change: Clarify that degraded could be the state of a forest, but is not part of the definition of a forest.*
Grassland	Areas dominated by grasses with a density of trees too low to meet an internationally accepted definition of forest, including savannas (i.e., grasslands with scattered trees). Grasslands also include managed rangeland and pastureland that is not considered cropland where the primary land use is grazing, and which may also include grass-dominated systems managed for conservation or recreational purposes	Replace definition with: Land dominated by natural herbaceous plants (e.g., prairies, steppes, savannahs) with minimal tree cover, irrespective of human and/or animal activities such as grazing occurring on the land *Rationale for change: Clarify the definition of a grassland ecosystem.* *Source: Edited from the IPBES Glossary*
~~**Native Ecosystem**~~	~~A landscape composed of naturally occurring and self-sustaining biotic and abiotic components demonstrated by peer-reviewed literature, expert judgement, or government registry~~	Remove from the VCS Program Definitions. *Rationale for change: Climate change is increasingly leading to changes in ecosystems, meaning that demonstrating they are native becomes challenging.*

Term	Existing definition	Proposed changes
		Note – VCS methodologies using the term "native" for related requirements will be updated for consistency with new program requirements.
Restoration	N/A	New definition: The process of reversing ecosystem degradation to enhance ecosystem integrity, productivity, and capacity to sustainably meet societal needs by: • re-establishing the ecosystem's structure, function, species, and/or composition to ecologically suitable reference conditions (e.g., to a pre-disturbed state), or • improving the ecosystem's structure, function, species, and/or composition to an adapted state that is based on or consistent with scientific evidence (e.g., adjacent ecosystem represented within the same ecoregion). *Rationale for change: Edited definition from the SD VISta Nature Framework for alignment* *Source: Adapted from UNESCO*

1.9.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you support the introduction of the ecosystem integrity concept and categorization? Please explain your response.
2) Are there justifiable reasons to use the term ecosystem function instead of ecosystem integrity?
3) Could an approach to demonstrate only significant signs of degradation (including the characteristics shown in Table C) suffice as an alternative to the ecosystem integrity categorization? Please explain your response.
4) Are there any other characteristics of degradation that the VCS Program could require project proponents to demonstrate (e.g., irreversibility)? If so, please indicate suitable evidence for its demonstration.
5) Would requiring project proponents to demonstrate drivers of degradation (Section (a) in Table D) and either biotic or abiotic conditions (Section (b) or (c)) increase integrity by covering complementary aspects of degradation? Please explain your response.
6) Is the 10-year rule in the proposed requirement 3.19.28(2) an adequate threshold, considering the rule's exemptions included in the proposed requirement 3.19.29? If not, please justify another suitable threshold.
7) Do you agree with the proposed requirement 3.19.30 for restoration projects? If not, please explain your response.
8) Could the proposed updates to requirements and definitions have unintended consequences when interpreted together? If so, please explain your response and provide examples, where possible.
9) Are there other definitions that should be included, edited, or deleted to clarify the requirements?

2 ENHANCING PROGRAM TRANSPARENCY AND USABILITY

2.1 Standardized effective date guidance for program updates

2.1.1 Background

Introduction of new or revised program requirements and procedures are referred to as "program updates." An "effective date" for each update is set to give project proponents and validation/verification bodies (VVBs) an appropriate amount of time to adjust any project planning, implementation, or reporting to conform to the program update. All project requests submitted to Verra on or after the effective date are expected to conform to the program update.

Verra has not provided public guidelines or criteria for establishing effective dates of VCS Program updates. This has led to stakeholder frustration, due to a lack of predictability or advance notice of forthcoming updates. Effective dates are established based on several factors. Shorter periods of time between the release and effective date of an update are necessary for updates that address program and project quality, particularly where Verra needs to align with other market initiatives such as the Integrity Council for the Voluntary Carbon Market (ICVCM) and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Longer periods of time between the release and effective date are set when appropriate and feasible, to allow for more flexibility for project proponents and VVBs. The length of time between release and effective date may also depend on the complexity of the program update.

Effective dates are established on an individual basis because many program updates only apply to new projects, while others apply to all projects. However, it is often unclear how effective dates apply to version changes and which "version" of the *VCS Standard* a project must conform to at validation and verification.

Verra strives to maintain consistency in setting effective dates and to find the right balance between requiring updates for the sake of program integrity and avoiding overburdening project proponents with unrealistic expectations. Verra recognizes that increased transparency will allow project developers, VVBs, and the market to better anticipate, interpret, and apply program updates.

2.1.2 Proposal

Verra proposes to implement the following changes:

- Release the guidelines and criteria for effective dates that Verra will use for all VCS Program updates moving forward. Verra may need to establish effective dates outside of these guidelines where program or project integrity or other concerns warrant doing so. The proposed text of the effective date guidance is included in the table below.
- Include the proposed effective date when program update proposals are published for public consultation.
- List VCS Program updates by effective date in the Overview of Program Updates and Effective Dates document, to help stakeholders understand which updates must be incorporated soonest.

- Streamline effective dates for groups of updates in a single release, to ease tracking and implementation by:
    - aligning effective dates as much as possible.
    - rounding up to the nearest month or quarter (e.g., August 1 instead of July 24).
- Require project proponents to report which version of the *VCS Standard* the project conformed to at validation and at the most recent verification, in new fields that will be added to VCS Program templates. Project proponents will then be able to say that their projects are in conformance with all applicable requirements of the most recent version of the *VCS Standard* at their latest verification ("applicable" meaning that some requirements only apply to new projects).
- After the release of VCS Version 5.0, release no more than one program version change (e.g., Version 5.0 to Version 5.1) each calendar year, except for extraordinary circumstances such as out-of-cycle updates needed for compliance with the ICVCM, CORSIA, or other regulatory frameworks, or Corrections and Clarifications needed to address urgent issues.

Table 2.1.1 Guidelines on length of time between VCS Program update release and effective date

Time between release and effective date of program update	Proposed criteria
Effective immediately	• The update is urgently required for program integrity and must be implemented immediately regardless of the effort required. In such cases, Verra will offer guidance and training as needed. • Other updates as needed for consistency or clarification (See Table 2.1.2, below)
3–6 months	• The update is urgently required for program integrity and must be implemented after a short amount of time to allow for stakeholders to become aware of and conform to the update in terms of project design, implementation, and reporting.
12–18 months	• A longer period of time is allowable for stakeholders to become aware of and conform to the update in terms of project design, implementation, and reporting, and for Verra to offer training for project proponents and VVBs. • 12 months from the update release will be the default effective date set for most program updates.

Table 2.1.2 Criteria for setting effective date type for VCS Program updates

Effective date type	Description	Proposed criteria for use
"Effective immediately for all project requests"	All project requests submitted to Verra on or after the update publication date must conform to the program update.	This type of effective date would apply to the following: • Requirements that are urgently needed to ensure program and project quality, or to comply with external market initiatives such as CORSIA or the ICVCM • New or revised program definitions • Clarifications to reporting expectations for updates that maintain the intention of the existing requirement • Clarifications or changes to Verra's operating procedures

Effective date type	Description	Proposed criteria for use
"Effective for all project requests submitted on or after X date"	All project requests submitted to Verra (including registration and verification requests) on or after the effective date must conform to the program update	This type of effective date would apply to the following: • New or revised requirements that require a reasonable amount of time for the project proponent or VVB to conform to and report on the requirement update (such as updates that affect the project's ongoing implementation, monitoring, reduction and removal quantification, safeguards, or stakeholder communication mechanisms) • New or revised program definitions
"Effective for all registration requests [and/or crediting period renewal requests] submitted on or after X date"	For project registration or crediting period renewal requests. Any such request submitted to Verra on or after the effective date must conform to the program update.	This type of effective date would apply to the following: • New or revised requirements that must be incorporated into the project design stage or that affect validation-specific requirements (e.g., initial stakeholder engagement, start date specification and demonstration requirements, project ownership, project eligibility, validation-specific requirements for VVBs) • Other major updates to existing requirements or new requirements that only need to be adopted by new projects going forward
"Effective for all verification approval requests submitted on or after X date"	For existing projects only. Any verification approval request submitted on or after the effective date (including joint validation and verification approval requests) must conform to the program update.	This type of effective date would apply to requirements that are only reported on in a monitoring or verification report (e.g., ongoing monitoring, quantification of ex-post reductions and removals, ongoing free, prior, and informed consent (FPIC), demonstrating mitigation of safeguards risks).
"Effective for projects with a start date prior to / after date X" May be used in combination with other effective date types (e.g., "Effective for all project requests submitted after X date, except for projects with a start date prior to Y date")	For new or revised requirements that pertain to actions that occur prior to the project start date	This type of effective date would apply to new or revised requirements that pertain to actions that occur prior to the project start date (e.g., pre-start date stakeholder engagement, ecosystem health safeguards).
"Effective for all new methodologies under development and revisions to existing methodologies that are approved on or after X date"	Applies to the *VCS Methodology Requirements*. New approved methodologies and methodology revisions must conform to these requirements.	This type of effective date would apply to updates to the *VCS Methodology Requirements* that must be included in methodologies moving forward (e.g., provisions for baseline setting, reductions and removals quantification, new sections).

2.1.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you have feedback on the draft criteria, or any other suggested criteria for Verra to consider when establishing effective dates?

2) Do you have any further suggestions for Verra to consider to increase transparency and provide project proponents and VVBs with a reasonable transition time, while still promoting timely uptake of updates necessary to maintain program quality and integrity?

2.2 Updates to methodology transitions

2.2.1 Background

When a methodology, module, or tool is revised and a new version is issued, the prevailing version is inactivated. Verra may also inactivate a methodology where a well-founded concern exists or if no projects using the methodology have been registered within five years of the last update or review of the methodology.

Section 3.22 of the *VCS Standard, v4.7* sets out the rules for methodology grace periods, which provide a limited timeframe during which project proponents may submit a registration request, crediting period renewal request, or verification request with baseline reassessment using a recently inactivated version of a methodology, tool, or module. Unless an integrity issue exists, projects that have been validated or have completed a baseline reassessment prior to or within the grace period may continue applying the version of a methodology with which they were validated until their next crediting period renewal or baseline reassessment.

The current default methodology grace period is six months, although Verra may apply different timeframes depending on the circumstances. Experience shows that this default period is often too short and may be disruptive for projects under development, particularly those at an advanced stage of validation. To provide a more reasonable timeframe, Verra has frequently applied longer methodology grace periods.

However, the VCS Program must also encourage increased ambition over time and ensure projects adopt updated and improved methodology versions that reflect the latest developments, updated science, and improved methodological approaches, to a reasonable extent. In general, projects at an earlier stage of development or validation are expected to apply the most recent methodology version.

As a reference, the Clean Development Mechanism (CDM) and Article 6.4 Paris Agreement Crediting Mechanism (PACM) apply a default grace period of 240 days. Gold Standard has a default grace period of 90 days.

2.2.2 Proposal

Verra plans to cease using the term “methodology grace period.” Instead, methodology transitions will be handled through inactivation dates. When a methodology is revised and a new version is issued, the prevailing version will remain active until its inactivation date, which by default will be 12 months after the new version is issued, unless a different inactivation date is set by Verra. For example, if a methodology version 1.1 is revised and version 1.2 is issued on September 1, 2025, the prevailing version 1.1 will be active until August 31, 2026. Project proponents may submit a registration request, crediting period renewal request, or verification approval request with baseline reassessment under version 1.1 until its inactivation date (i.e., September 1, 2026). After this point, no further requests applying version 1.1 may be submitted.

This provides a more realistic timeframe while still encouraging project proponents to update to the most recent methodology version. Where practical, Verra encourages project proponents to use the

latest methodology version, even if the prior version remains active. This also aligns with the increasing ambition and continual improvement of the VCS Program. Verra may set a different timeframe for the inactivation date where deemed appropriate (e.g., shorter periods where a specific quality concern related to a methodology version has been identified). Section 3.22 of the *VCS Standard, v.4.7* will be removed, and the following revisions will be made to the *VCS Standard* and *Methodology Development and Review Process.*

Proposed Text: VCS Standard

~~3.1.2 Projects shall apply methodologies…~~

~~3.1.3 Projects shall apply the latest version…~~

3.1.2 Project proponents shall:

1) apply active methodologies, modules, and tools in full.

2) ensure that the version of the methodology, module, or tool applied is active on the date that the relevant registration request, crediting period renewal request, or verification approval request with baseline reassessment is submitted to Verra.

The project proponent may continue to apply such version of the methodology, module, or tool for the remainder of the project crediting period or baseline reassessment period, whichever is shorter.

Note – A list of active methodologies is on the Verra website.

…

3.2.6 ~~The following shall apply with respect to the~~ At baseline reassessment, the project proponent shall:

1) apply the latest version of the VCS Program rules (including the ~~latest version of the~~ *VCS Standard*) ~~and applied methodology or its replacement shall be applied at the time of baseline reassessment. The grace periods for using the previous version of a methodology are set out in Section 3.22 and in the document history section of each VCS Program document~~.

2) use active methodologies, modules, and tools per Section 3.1.2.

…

Proposed Text: Methodology Development and Review Process, v5.1 (exact section to be determined)

x.1.1 When a methodology, module, or tool is revised and a new version is issued, the inactivation date of the prevailing version is 12 months after the issuance of the new version, rounded to

the last day of the calendar month. Verra may establish a different inactivation date for a version of a methodology, module, or tool where deemed appropriate.

x.1.2 The status of each version of a methodology, module, or tool, including the inactivation date where applicable, is set out on the document's webpage on the Verra website.

2.2.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree with the proposed 12 months until inactivation following release of an updated version of a methodology, module, or tool? If not, can you provide an alternative timeframe and justify how it balances integrity and practicality?
2) Do you have any additional suggestions for how to balance flexibility for project developers with the need to adopt improved methodology versions in a timely manner?

2.3 Grouped projects: Definition of instance and capacity limit requirements

2.3.1 Background

The grouped project design requirements allow the addition of project activity instances to a project over time. This provides flexibility and efficiency to scale grouped projects without needing to undergo a separate registration each time a new instance is added. Instead, new instances are validated against pre-defined eligibility criteria at verification. However, Verra has observed the following challenges in implementing grouped project requirements:

- The current definition of a project activity instance is open to interpretation, leading to inconsistent application across projects using the same methodology. This is especially evident in projects implementing activities where units are distributed (e.g., water filters, cookstoves) or disaggregated (e.g., farms). Some project proponents treat each unit as an instance, while others combine multiple units to form a single instance. Consequently, grouped project requirements relevant to project activity instances are applied and assessed inconsistently.
- Inconsistent designation of project activity instances affects enforcement of capacity limit requirements, complicating project evaluation and comparability. The VCS Program requires instances to be capped at the capacity limit of the applied methodology (*VCS Standard, v4.7* Section 3.6.9). For example, a grouped project applying Clean Development Mechanism (CDM) methodology *AMS-I.D. Grid Connected Renewable Electricity Generation* must not exceed the limit of 15 MW at the discrete project activity instance level. Given the varying interpretation of instances, capacity limits are applied inconsistently. Verra has observed application of small-scale methodologies to grouped projects that exceed the capacity limit at the aggregate project level (e.g., a grouped project applying *AMS-I.D.* that exceeds 15 MW at the project level when all instances are aggregated). Such projects may benefit from simpler baseline scenario determination, additionality demonstration, and monitoring requirements by defining an individual unit (e.g., a windmill, solar photovoltaic module) as an instance, whereas a large-scale methodology may be more appropriate.
- Requirements and procedures for inclusion of project activity instances are not consistent with other VCS Program rules. The existing eligibility criteria for the inclusion of new instances are not consolidated and do not clearly state that new instances must conform to *VCS Standard* requirements such as no double counting, no net harm, stakeholder consultation prior to project start date, and a physical site visit by a validation/verification body (VVB). The current guidance and procedures for including new instances do not enable robust assessment against *VCS Standard* requirements.

To address these issues, Verra is proposing to provide a clear definition of project activity instance that can be consistently applied to all projects, to better align the current eligibility criteria with VCS Program rules, and to improve transparency in the procedure for including instances after initial validation.

2.3.2 Proposal

Verra is consulting on the following updates to address the issues outlined above and to enhance the usability, transparency, and integrity of grouped project design:

1) Revise the definition of project activity instance to be the "smallest functional unit."
2) Apply the applied methodology's capacity limit to the project level instead of the instance level.
3) Introduce the concept of "batches" as a new mechanism for inclusion of project activity instances.
4) Consolidate, clarify, and expand the existing requirements for determining eligibility criteria, to include all relevant VCS Standard requirements.

I. Revise the definition of project activity instance

Proposed Text: VCS Program Definitions

Project Activity Instance (Instance)

~~A particular set of implemented technologies and/or measures that constitute the minimum unit of activity necessary to comply with the criteria and procedures applicable to the project activity under the methodology applied to the project~~

The smallest or minimum unit of a project activity that enables the generation of GHG emission reductions or carbon dioxide removals in conformance to the applied methodology, while maintaining a unique identity. Examples of an instance include a cookstove, a photovoltaic module, a landfill gas facility, a farm field, and a contiguous forest plantation. Methodologies may provide further specification, as relevant to the methodology.

Grouped Project

A project to which ~~additional instances of the project activity~~ a new batch of project activity instances ~~which meet pre-established eligibility criteria,~~ may be added subsequent to project validation

Batch

A population of one or more project activity instances that conforms to a set of eligibility criteria specified under a grouped project and that is added to the project in a single monitoring period

II. Revise rules on applying methodology capacity limits

Proposed Text: VCS Standard

Capacity Limits

~~3.6.9 Where a capacity limit applies to a project activity included in the project, no project activity instance shall exceed such limit. Further, no single cluster of project activity instances shall exceed the capacity limit, determined as follows:~~

~~1) Each project activity instance that exceeds one percent of the capacity limit shall be identified.~~

~~2) Such instances shall be divided into clusters, whereby each cluster is comprised any system of such instances such that each instance is within one kilometer of at least one other instance in the cluster. Instances that are not within one kilometer of any other instance shall not be assigned to clusters.~~

~~3) None of the clusters shall exceed the capacity limit and no further project activity instances shall be added to the project that would cause any of the clusters to exceed the capacity limit.~~

3.6.9 A project shall not exceed any capacity limit in the applied methodology.

3.6.10 A project shall not be a fragmented component of another project. A project is considered a fragment of another project where all of the following conditions are met:

1) The project applies a methodology with a capacity limit.
2) The project has the same project proponent(s) as the other project.
3) The project implements the same project activity as the other project.
4) Any point in the project area lies within 1 kilometer of any point in the other project's project area (including project areas registered under other GHG programs).[20]
5) The project start date is within two years of the other project's start date.
6) The combined capacity of both projects exceeds the capacity limit of the applied methodology.

III. Introduce the concept of "batches" as a new mechanism for inclusion of project activity instances

1) Introduce the definition of batch in *VCS Program Definitions*

Please refer to part I above for the proposed definition of "batch."

2) Introduce a new procedure in the *Registration and Issuance Process* for the inclusion of project activity instances.

To include project activity instances during a monitoring period, the project proponent must submit a new "Batch Inclusion Form" at the corresponding verification approval request. The form will include clear instructions and enable more robust reporting of the new instances included. Information requested in the form may include the following:

- Brief description of the project activity instances implemented in the batch
- Location of the instances
- Inclusion date of instances
- Start date of crediting eligibility for the instances[21]
- Demonstration of conformance to eligibility criteria (see Section IV below)
- Ex-ante reduction and removal estimation for the instances

[20] This requirement does not apply to projects involving boundaries or sources that are mobile (e.g., sectoral scope 7: transportation).
[21] Determined in conformance to Section 3.6.17(6) of the *VCS Standard, v4.7*

- Description of sampling plan for the instances
- Description of monitoring plan for the instances

IV. Consolidate, clarify, and expand requirements on eligibility criteria for including new project activity instances

In the *VCS Standard*:

1) Consolidate Sections 3.6.16 and 3.6.17 of the *VCS Standard, v4.7* to remove overlapping content and clarify requirements related to eligibility of project activity instances and their inclusion criteria.

2) Add the following eligibility criteria:
   - Cutoff date for inclusion: Project activity instances must be added to the grouped project within two years of the date on which the instance began generating GHG emission reductions (reductions) or carbon dioxide removals (removals).
   - Local stakeholder consultation and social and environmental safeguards: Instances must conform to Sections 3.18 and 3.19 of *VCS Standard, v4.7*.
   - Double counting: To address double counting risks, each instance must have a unique identifier (e.g., geodetic coordinates or boundary, numeric code).
   - Physical site visit: In addition to the requirements outlined in Section 4.1.12 of the *VCS Standard, v4.7*, VVBs must conduct a site visit to facilities and/or project areas where a new batch is added to a grouped project at verification.

2.3.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree with Verra's proposal to apply methodology capacity limits at a project level rather than a project activity instance level? If not, please explain your response.
2) Are there any challenges that you anticipate if the above proposal is implemented? Please provide examples or case studies to support your response.
3) Do you anticipate any challenges in applying the proposed definition of project activity instance? If so, please explain your response.
4) How can the batch inclusion procedure be designed to ensure integrity while maintaining flexibility for project proponents?
5) Do you agree with the cut-off date to include project activity instances into a grouped project within two years of the date on which the instance began generating reductions or removals? Please explain your response.

2.4 Grouped projects: Redefining geographic areas as eligibility areas

2.4.1 Background

The existing requirements for grouped project design are unclear and challenging for project proponents and validation/verification bodies (VVBs) to apply and assess consistently. One requirement that leads to confusion is the concept of a "grouped project geographic area." The term is only indirectly defined in Sections 3.6.13–3.6.15 of the *VCS Standard, v4.7* and is not defined in the *VCS Program Definitions*.

"Geographic area" is too general to be fit for purpose. Requirements related to the concept are dispersed through several sections of the *VCS Standard.* The current rules are unclear regarding the purpose of a geographic area, whether one or more geographic areas should be established, whether areas can overlap, and where the boundary for a geographic area should be drawn. Further, the term is used several times in the *VCS Program Definitions* in other contexts unrelated to grouped projects. This leads to inconsistent interpretation of the rules and highly variable grouped project designs (e.g., multiple countries within one geographic area, one country within one geographic area, multiple geographic areas within one country).

2.4.2 Proposal

To address these issues, Verra is proposing the following updates:

I. Rename the "geographic area" as the "eligibility area"

The new term better characterizes the requirement's intent in that it is the eligible area in which the project proponent may add new project activity instances.

II. Add new definitions to the *VCS Program Definitions*

Proposed Text: VCS Program Definitions

Grouped Project Eligibility Area (Eligibility Area)

The area in which a grouped project has initial project activity instances and is eligible to add new instances

Initial Project Activity Instance (Initial Instance)

Project activity instance that has either been implemented by the time of, or planned and developed in sufficient detail to enable assessment at, validation

III. Revise and clarify requirements in Sections 3.6.10–3.6.15 of the *VCS Standard, v4.7*

Verra proposes to clarify the requirements related to "eligibility areas," by introducing a requirement that eligibility areas must be demarcated as a whole jurisdiction or a combination of jurisdictions within one country. A jurisdiction is an administrative unit such as a nation, state, province, region, department, or district.

Specifically, Verra proposes to revise the requirements such that:

1) the proponent of a grouped project shall specify one or more eligibility areas.
2) eligibility areas shall:
    a) be demarcated as a whole jurisdiction or a combination of jurisdictions (e.g., a province or multiple provinces as an eligibility area).
    b) not span more than one country.
    c) include initial project activity instances.
    d) have only one determination of baseline scenario and demonstration of additionality that is:
        i) based upon the initial instances, and,
        ii) reasonably applicable across the entire eligibility area.
3) eligibility areas may overlap where there are multiple determinations of baseline scenario and demonstrations of additionality within the same jurisdiction.

Such an approach:

- links the eligibility area to a policy framework that may impact the baseline or additionality of the project activity.
- provides clearer guidance for project proponents when selecting a boundary for their grouped project eligibility area.
- ensures the project activity is implemented within a similar policy framework, allowing for easier assessment by a VVB.

2.4.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) What challenges do you face when applying the geographic area concept as it is currently written in *VCS Standard, v4.7*, Sections 3.6.10–3.6.15?
2) Do you agree with renaming the concept of a "grouped project geographic area" to "eligibility area"? If not, do you have alternative suggestions for a better term?
3) What challenges might you encounter with the requirement that a grouped project eligibility area be demarcated as a jurisdiction or combination of jurisdictions that does not span more than one country?
4) Do you agree that the determination of baseline scenario and demonstration of additionality must be based upon the initial project activity instances within an eligibility area?
5) For the definition of "initial instances," what stage of development should qualify as "planned and developed in sufficient detail to enable assessment at validation" for the types of projects you develop or audit?

3 REFINING THE PROGRAM SCOPE FOR MAXIMUM IMPACT

3.1 Further revisions to Table 1: Excluded project activity types

3.1.1 Background

Verra introduced Table 1 in Version 4.0 of the *VCS Standard* to exclude certain project activity types. However, this table has been a source of confusion for some project proponents as it leads to ambiguity on project eligibility.

In the past, the VCS Program allowed projects to apply any methodology from approved GHG programs, including all Clean Development Mechanism (CDM) methodologies, where they adhered to all VCS Program rules. However, the VCS Program now only allows projects to apply certain approved active CDM methodologies, which are listed on the Verra website. Because project proponents are only permitted to implement activity types that are covered by these approved methodologies, the need for Table 1 is diminished. However, some exclusions from Table 1 are not yet mentioned in the active CDM methodologies.

Verra will revise some CDM methodologies to adopt the new VCS Program additionality and grid emission factor tools that align with best practices and the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principle (CCP) requirements. This presents an opportunity to consider broadening the scope of eligibility for regions that are currently excluded from implementation of certain project activity types in Table 1 (e.g., grid-connected renewable energy generation). Current restrictions may inhibit meaningful climate action in countries where climate finance incentives can play an important role.

In the September–November 2024 public consultation, Verra proposed to remove Table 1. Feedback from this process and further considerations have helped to improve the proposal for this second consultation. Most notably, Verra has decided to keep Table 1 in the *VCS Standard*, but with several improvements, which include:

- Adding row numbers in Table 1
- Reframing Table 1 to convey default program eligibility for certain project activities rather than exclusions. Project proponents should check the applicability conditions of methodologies to determine whether the project activity is eligible. Verra is consulting on a revision to CDM methodology *ACM0002 Grid-connected Electricity Generation from Renewable Sources* (and subsequently other renewable electricity methodologies) that includes new applicability conditions to allow renewable electricity generation activities in low-, lower-middle-, and upper-middle-income economies. The revisions to *ACM0002* would take precedence over the default eligibility for project activities.
- Eliminating the exclusion of large-scale lighting efficiency projects in non-Least Developed Countries (LDCs) and replacing it with default eligibility for projects in LDCs only (see Row 6 in Table 1 below). Only small-scale CDM methodologies are currently active in the VCS Program, and so the proposed default eligibility combined with the active small-scale methodologies

(which have no geographic applicability conditions and limit project size to less than 60 kt CO_2/year) would constrain project registrations and crediting period renewals.

- Eliminating the exclusion of large-scale projects replacing electricity transmission lines and energy-efficient transformers in non-LDCs. Project proponents should rely instead on the applicability conditions of active methodologies to determine whether project activities related to this are eligible.
- Clarifying that projects eliminating hydrofluorocarbon-23 (HFC-23) emissions are not eligible where the emissions are a by-product of hydrochlorofluorocarbon-22 (HCFC-22) (rather than emissions from HFC-23 end use as a refrigerant itself) (see Row 7 in Table 1 below).

3.1.2 Proposal

Verra proposes the following updates to the *VCS Standard*:

Proposed text: VCS Standard

~~2.1.3 The VCS Program also excludes the following project activities under the circumstances indicated in Table 1, below.~~

2.1.3 The eligibility of certain activities in the VCS Program is determined according to Table 1 below. Where a methodology (including relevant Corrections and Clarifications) specifies applicability conditions for a project activity based on geography, that specification takes precedence over the default eligibility in Table 1.

Table 1: Default Eligibility for New Project Registrations and Projects Undergoing Crediting Period Renewal ~~Excluded Project Activities~~

	Project activity ~~Exclusions from VCS Program Scope~~	Default eligibility for new project registrations and crediting period renewals ~~Exclusion~~
1	**Grid-connected electricity generation activities using hydroelectric power plants** ~~The exclusion~~ This does not ~~apply to~~ include ocean energy (e.g., wave, tidal, salinity gradient, and ocean thermal energy conversion). ~~For hydro projects, large scale means a maximum capacity of greater than 15MW, where maximum capacity is the installed/rated capacity or authorized capacity (as determined in the activity approval from the project regulator, government, or similar entity), whichever is lower.~~ Grid-connected means >50% of total generation is exported to a national or regional grid. See the *VCS Program Definitions* for the full definition.	Where no geographic applicability conditions are described in the applied methodology, only small-scale activities are eligible, and only in LDCs.[22] Small-scale hydro projects have capacity less than 15 MW, determined as the higher of rated capacity and authorized capacity (as indicated in the activity approval from the regulator, government, or similar entity). ~~Excluded in non-LDCs. Further, large-scale projects excluded in LDCs~~[1]

[22] Least Developed Country, as designated by the United Nations

2	**Grid-connected electricity generation activities using wind, geothermal, or solar photovoltaic (PV) power plants** ~~The exclusion~~ This does not ~~apply to~~ include concentrated solar thermal-to-electricity, floating solar photovoltaic, or stand-alone energy storage systems (e.g., batteries). ~~Grid-connected means >50% of total generation is exported to a national or regional grid. See the *VCS Program Definitions* for the full definition.~~	Where no geographic applicability conditions are described in the applied methodology, activities are only eligible in LDCs. ~~Excluded in Non-LDCs~~
3	**Activities recovering waste heat for combined cycle electricity generation, or to heat/cool via cogeneration or trigeneration** ~~The exclusion~~ This does not ~~apply to~~ include waste gas recovery or electricity generation using waste heat recovery outside of combined cycle applications (e.g., organic Rankine cycles).	Where no geographic applicability conditions are described in the applied methodology, activities are only eligible in LDCs. ~~Excluded in Non-LDCs~~
4	**Activities generating electricity and/or thermal energy for industrial use from the combustion of non-renewable biomass, agro-residue biomass, or forest residue biomass** ~~The exclusion~~ This does not ~~apply to~~ include gasification, pyrolysis, combusting biofuels, biogas, fractions of renewable biomass in refuse-derived fuels, agro/forest biomass residues in waste streams that are sent to landfills, CO_2 capture and storage from renewable biomass combustion, or thermal efficiency improvements (e.g., cookstoves).	Where no geographic applicability conditions are described in the applied methodology, activities are only eligible in LDCs. ~~Excluded in Non-LDCs~~
5	**Activities generating electricity and/or thermal energy using fossil fuels, and activities that involve switching from a higher to a lower carbon content fossil fuel** ~~The exclusion~~ This does not ~~apply to~~ include the use of captured flare and/or vent gas or waste containing previously used petroleum products (e.g., used plastics, oils, lubricants).	Where no geographic applicability conditions are described in the applied methodology, activities are only eligible in LDCs. ~~Excluded in Non-LDCs~~
6	**Activities replacing electric lighting with more energy-efficient electric lighting, such as the replacement of incandescent electrical bulbs with compact fluorescent lights (CFLs) or light emitting diodes (LEDs)** ~~Large scale means energy efficient improvements with a maximum savings greater than 60 GWh/year or emission reduction greater than 60 kt CO_2e per year.~~	Where no geographic applicability conditions are described in the applied methodology, activities are only eligible in LDCs. ~~Excluded for large scale projects in Non-LDCs~~
	~~**Activities installing and/or replacing electricity transmission lines and/or energy efficient transformers.**~~	~~Excluded for large scale projects in non-LDCs~~

	~~Large scale means energy efficient improvements with a maximum savings greater than 60 GWh/year or emission reduction greater than 60 kt CO_2e per year.~~	
7	Activities that reduce hydrofluorocarbon-23 (HFC-23) emissions generated as a by-product of hydrochloro-fluorocarbon-22 production (HCFC-22)	~~Excluded in all countries~~ Not eligible

3.1.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree with the proposed changes to rely on methodologies to define applicability conditions that take precedence over the default eligibility described in Table 1? If so, why?
2) What are the downsides to this approach? What are the benefits?
3) Are the proposed changes to default eligibility for efficient lighting activities, activities eliminating HFC-23, and activities installing and/or replacing electricity transmission lines appropriate? Please explain your response.

3.2 A new classification system for VCS sectoral scopes

3.2.1 Background

There are 16 sectoral scopes set out on the "VCS Program Details" page of the Verra website. These are primarily based on the Clean Development Mechanism (CDM) Accreditation Standard, which derived its scopes from the list of sectors and sources contained in Annex A of the *Kyoto Protocol to the United Nations Framework Convention on Climate Change*.

Sectoral scopes are a way to group methodologies together based on their underlying industrial sectors or greenhouse gas (GHG) emission sources. New projects and methodologies can be developed under any of the sectoral scopes. They are primarily used to determine the equivalent accreditation scopes and other competency requirements that are required for validation/verification bodies (VVBs) to be eligible to audit a VCS project falling under each of the sectoral scopes.

Verra has identified an opportunity to improve the current list of sectoral scopes. This would involve splitting the agriculture, forestry and other land use (AFOLU) scope into two scopes to more closely match the underlying accreditation scopes required by accreditation bodies (one for forestry and one for agricultural projects), as well as adding new scopes to better characterize existing eligible project types (engineered removals, such as biochar and enhanced weathering) and enable new eligible project types (oceans and marine resources). The proposed revised list of sectoral scopes more closely aligns with the Article 6.4 Accreditation Standard's sectoral scopes and sector technical knowledge list.

There is a further opportunity to improve transparency, usability, and cross-market comparability by enabling stakeholders to search and filter projects and VCUs in the Verra Registry by more specific classifications than only by sectoral scope and methodology. Some institutions have made progress in developing sector classification systems that provide a common framework for comparing like-for-like across different standards and methodologies, in particular ratings agencies such as BeZero and MSCI/Trove. Other efforts are underway by institutions such as the CAD Trust to identify a common taxonomy for sectoral scope and project type that can help the carbon market align by classifying projects on a common platform. Verra aims to contribute to this effort by developing a classification framework for VCS projects that is compatible with these efforts.

3.2.2 Proposal

I. Revision of VCS sectoral scopes

Verra is proposing to revise the VCS sectoral scopes as follows:

1) Split sectoral scope 14 (AFOLU) into two sectoral scopes:[23]
    - Natural climate solutions (forests, wetlands, and grasslands)
    - Natural climate solutions (agriculture and livestock)

[23] Where the VCS Program documents refer to "AFOLU-specific requirements," these requirements would apply to projects using methodologies under both natural climate solution scopes.

The VCS Program has grouped together "agriculture" and "forestry and other land use" project categories and project types into one sectoral scope, but other systems often classify these separately. Notably, CDM and the Paris Agreement Crediting Mechanism (PACM) accreditation standards have two separate sectoral scopes for these, which form the basis for more clearly defining the underlying accreditation scopes and competency requirements for VVBs.

2) Create a new oceans and marine resources sectoral scope

The VCS Program includes methodologies for conserving and restoring coastal blue carbon ecosystems under sectoral scope 14 (AFOLU). However, the current *VCS Methodology Requirements* limit blue carbon project activities to coastal blue carbon ecosystems, supported by the wetland restoration and conservation (WRC) requirements.

Ocean carbon pools and oceanic uptake, transport, and storage dynamics are not well suited to existing sectoral scopes and carbon accounting procedures, which were originally developed primarily for land-based ecosystems. Verra is expanding the VCS Program to support emerging open ocean activities. Creating a sectoral scope that is distinct from AFOLU will allow Verra to set standard- and methodology-level requirements specific to open ocean projects.

3) Create a new sectoral scope called "Other engineered removals" to encompass biomass-based carbon removals (e.g., biochar)

The PACM accreditation standard includes a new sectoral scope called "SS 17: other activities involving removals" which covers processes to remove from the atmosphere through anthropogenic activities, and durably store, greenhouse gases. While there are overlaps with the activity types within this proposed sectoral scope and other sectoral scopes (e.g., waste handling and removal, chemical industry), encompassing these activities in a distinct scope provides a basis for requiring an "engineered removals" underlying accreditation scope and competency requirements for VVBs auditing projects in this scope.

II. Classification framework for sectoral scopes

Verra is proposing to define a clear classification framework for sectoral scopes, project categories, and project activity types to enable a more granular way of categorizing projects across the VCS Program on the Verra Registry.

Verra proposes to adopt the term "VCS project category" to describe groupings of project activity types that may be based on technical sectors, or sources and sinks of GHG emissions, and the term "VCS project activity type" to describe the specific types of project activity that may occur under one or more project categories and sectoral scopes. These terms have already been used in VCS Program documents; in particular, existing "AFOLU project categories" have been defined under sectoral scope 14 (AFOLU).

All approved VCS Program methodologies, including approved CDM methodologies, specify the sectoral scope(s) that apply to that methodology. Verra determines the sectoral scopes based on the underlying accreditation scope or scopes that are required for VVBs to audit projects applying that methodology. Some methodologies require multiple accreditation scopes, as different activities may be implemented

under one methodology. Verra provides a list of which VVBs are approved by Verra to audit the underlying sectoral scope(s) of the methodology.

Based on the activities that a project proponent chooses to implement, their project could be classified under multiple project categories and project activity types. Classification would be determined based on the following:

- In the project description, project proponents enter the project category(ies) and project activity type(s) that best apply to the project activity they are implementing, with the options enabled by the sectoral scope(s) specific to the applied methodology. Based on the available options, the project proponent chooses:
    - the project category(ies), considering the technical intervention type or GHG emission sources as the relevant grouping.
    - the project activity types, considering the type of project activity a project proponent is implementing.

  Verra would provide a list on the Verra website of which category and activity type options are available for each methodology, based on the assigned sectoral scopes. These would also be listed in dropdown lists for those using digital project templates. New project categories and activity types may be added by Verra as necessary when new methodologies are introduced.
- VVBs validate the classifications chosen by the project proponent and confirm that all relevant categories have been assigned correctly. Verra reviews this when the project request is submitted.

When the project proponent selects a methodology in the digital project templates, Verra will provide a link that, when clicked, would show the user which VVBs have been approved by Verra for the sectoral scope(s) the applied methodology requires.

The Verra Registry will track these classifications for both projects and VCUs and display them as searchable fields to sort and filter VCUs and projects.

Table 3.2.1 Proposed classification framework for sectoral scopes

Note – Revised sectoral scopes are listed in orange, and new sectoral scopes are listed in green.

VCS Sectoral Scope	Project Category	Project Activity Type
1. Energy industries (renewable/non-renewable)	Fuel switch	Non-renewable energy fuel switch
		Renewable energy fuel switch
	Supply-side energy efficiency	Energy efficiency measures
	Renewable energy	Wind energy generation
		Hydropower energy generation
		Geothermal energy generation
		Solar energy generation
		Biofuel and biomass energy generation
2. Energy distribution	Energy distribution	Power transmission and distribution system management
3. Energy demand	Demand-side energy efficiency or fuel switch (residential, commercial, industrial)	Domestic lighting energy efficiency and fuel switch measures
		Cookstove distribution
		Other residential energy efficiency upgrades (i.e., insulation, heating, and cooling)
		Water purifier distribution
		Cogeneration
		Other energy-efficient upgrades (e.g., boilers, generators)
4. Manufacturing industries	Manufacturing industries	Industrial process efficiency measures
		Industrial alternative materials usage
		Capture (from bioenergy, bioproducts fossil fuel combustion, or direct air capture) and utilization in products or processes for storage
5. Chemical industry	Chemical industry	Nitrous oxide abatement
		Low carbon hydrogen fuel switch
		Biochar production and application
		Capture (from bioenergy, bioproducts fossil fuel combustion, or direct air capture) and utilization in fuels for fuel switch
		Biofuel fuel switch
6. Construction	Construction	Use of alternative construction techniques
		Building material substitution
		Capture (from bioenergy, bioproducts fossil fuel combustion, or direct air capture) and utilization in durable building materials for storage
7. Transport	Transport	Transport fuel efficiency (e.g., fuel switch)
		Transport systems and infrastructure improvement
8. Mining / mineral production	Mining / mineral production	Mine methane management
		Mining waste gas capture and use

VCS Sectoral Scope	Project Category	Project Activity Type
		Enhanced weathering applications in mining
9. Metal production	Metal production	Emissions management in metal production
		Waste gas recovery and use in metal production
10. Fugitive emissions from fuels (solid, oil, and gas)	Fugitive emissions from fuels	Industrial methane abatement
11. Fugitive emissions from industrial gases (halocarbons and sulfur hexafluoride)	Ozone depleting substances and other fluorinated substances (e.g., refrigerants)	Fugitive emissions leak reduction
		Fugitive emissions capture and destruction/recycling
		Fugitive emissions substitution
12. Solvents use	Solvents use	Solvents use
13. Waste handling and disposal	Waste treatment	Landfill gas recovery
		Wastewater treatment
		Manure waste and energy management
		Other organic waste management
	Waste reduction and recycling	Waste reduction and recycling
14. Natural climate solutions (forests, wetlands, and grasslands)	Afforestation, reforestation, and revegetation (ARR)	ARR for productive forestry and other purposes
		ARR for ecosystem restoration[24]
	Improved forest management	Reduced impact logging
		Logged to protected forest
		Extended rotation age or cutting cycle
		Low-productive to high-productive forest
	Reduced emissions from deforestation and degradation	Avoiding planned deforestation
		Avoiding unplanned deforestation and/or degradation
	Avoided conversion of grasslands and shrublands	Avoiding planned conversion
		Avoiding unplanned conversion
	Wetlands restoration and conservation	Restoring wetland ecosystems
		Conservation of intact wetlands (avoiding planned wetland degradation)
		Conservation of intact wetlands (avoiding unplanned wetland degradation)
15. Natural climate solutions (agriculture and livestock)	Livestock and manure management	Enteric fermentation management
		Manure management
	Agricultural land management (ALM)	Improved cropland management
		Improved grassland management (with livestock)
		Enhanced weathering applications in ALM
		Cropland and grassland land-use conversions

[24] See a requested feedback question below pertaining to the project activity type differentiations proposed under ARR.

VCS Sectoral Scope	Project Category	Project Activity Type
16. Geologic carbon storage	Carbon capture and storage	Capture (from bioenergy, bioproducts fossil fuel combustion, or direct air capture) and storage in saline aquifers or depleted oil and gas reservoirs
	Geologic carbon mineralization	Capture (from bioenergy, bioproducts fossil fuel combustion, or direct air capture) and mineralization in reservoirs
17. Other engineered removals	Biomass-based carbon removals	Biochar production and application
	Enhanced weathering	Enhanced weathering in mines and industry
	Carbon capture utilization or storage	Capture (from bioenergy, bioproducts, or direct air capture) and storage in products or durable building materials
18. Oceans and marine resources	Seabed protection	Avoided bottom trawling
	Seaweed management	Seaweed mariculture
		Seaweed forest afforestation and restoration
		Seaweed forest conservation
	Ocean alkalinity enhancement	Enhanced weathering (mineral-based) applications in ocean alkalinity enhancement
		Electrochemical-based application in ocean alkalinity enhancement
	Direct ocean capture and storage	Direct ocean removal

3.2.3 Requested Feedback

Verra is requesting feedback on the following questions:

1) Do you agree with the proposed changes to the list of sectoral scopes? Please explain your response.
2) Should VCS Program sectoral scopes be aligned with CDM and PACM sectoral scopes as much as possible?
3) Will the proposed classification system make it easier for project proponents, ratings agencies, and buyers to access comparable project information?
4) Do you have any concerns about the compatibility of the proposal with classification systems used by other carbon crediting programs and meta standards?
5) Are there any changes you would suggest to the proposed project categories or project activity types? Are there any other types of projects that it would be helpful to see grouped together?
6) Verra is proposing two project activity types under the afforestation, reforestation, and revegetation (ARR) project category. Would these differentiations assist the market in identifying ARR activity types implemented for ecosystem restoration purposes versus other purposes? What suggestions do you have to improve this distinction?