PUBLIC CONSULTATION ON PROPOSED UPDATES TO THE VCS PROGRAM

27 June 2023

1 INTRODUCTION

As the Verified Carbon Standard (VCS) Program evolves, requirements are updated periodically to maintain integrity, align with the latest science, improve usability, and meet the evolving needs of the voluntary carbon market. This public consultation invites stakeholders to review proposed changes to the VCS Program rules. The proposed changes are expected to enable the VCS to meet the requirements for the Integrity Council for Voluntary Carbon Markets (ICVCM) Core Carbon Principles (CCP) and eligibility for the next phase of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

This document presents the following proposed updates to the VCS Program:

1. Updated VCS safeguard and stakeholder engagement requirements
2. Updated AFOLU Non-Permanence Risk Tool, minimum project longevity and crediting period requirements to reduce non-permanence risk
3. Updated rules for when project construction emissions and upstream emissions increases must be included in VCS methodologies
4. Updated process for revising standardized methods that use the activity penetration approach

Verra will incorporate these changes, accounting for consultation feedback, in future updates to the VCS Program. This consultation builds on the open consultation on the VCS program in February 2023. Verra is in the process of reviewing and responding to input from that consultation and relevant input will be considered in the finalization of the next program update. All VCS Program documents referenced herein can be found on the Verra website at https://verra.org/project/vcs-program/rules-and-requirements/.

1.1 Consultation Process and Timeline

The planned timeline for implementing the consultation and publishing the proposed updates is set out in Table 1 below.

Dates	Activity
27 June – 31 July 2023	Public consultation
17 July 2023	Consultation webinar
July - August 2023	Review comments and finalize proposals
Late August 2023	Publish VCS Program rule changes

Please provide comments on any part of the proposed updates. We would especially appreciate responses to questions in the 'Requested Feedback' sections. Comments may be submitted electronically via the provided online form by 31 July 2023. After the consultation, we will use the input provided on these proposals to finalize the associated VCS Program requirements.

We look forward to your feedback. Please let us know if you have any questions as you engage in this consultation at programupdates@verra.org.

2 UPDATES TO THE VCS SAFEGUARD AND STAKEHOLDER ENGAGEMENT REQUIREMENTS

2.1 Background

The ICVCM has set out a list of criteria that GHG Programs must meet to apply CCP labels to credits. These criteria include Safeguards and Stakeholder Engagement requirements that must be met by crediting programs. The VCS Program currently includes a no-net-harm safeguard and AFOLU-specific safeguards. To meet the ICVCM criterion, the no-net-harm safeguard has been expanded to collect more specific safeguard information. Additionally, the AFOLU-specific safeguards have been expanded to apply to all projects, as many of the requirements on stakeholder engagement existed within this subset of safeguard requirements.

Verra is also updating safeguards related to ecosystem health to prevent land conversion and use of invasive and non-native species that threaten ecosystems and the integrity of projects.

The proposed updates below move all safeguards into one section of the VCS Standard and separate the safeguards and stakeholder engagement sections. Instead of providing a redlined version of all affected sections, the draft below has been color-coded for readability. Lack of highlighting indicates text that is already in the *VCS Standard*. Green highlighted text is the proposed new text. All definitions related to ecosystem health are new. Section 3.18.1 of the *VCS Standard, v4.4*, has been removed.

2.2 Proposed Updates to the *VCS Standard*

3.17 Sustainable Development Contributions

3.17.1 The project proponent shall demonstrate that the project activities, or additional activities related to the project that are implemented by the project proponent, contribute to sustainable development, as defined by, and tracked against the United Nations Sustainable Development Goals (SDGs). The project proponent shall demonstrate that a project contributes to at least three SDGs at validation, and in each monitoring period. Where possible, project proponents should demonstrate how the project activity(s) is consistent with the SDG objectives of the host country.

3.17.2 Projects that complete a verification to the Climate, Community & Biodiversity (CCB) Program or the Sustainable Development Verified Impact Standard (SD VISta) Program at the same time as a VCS Program verification and report contributions to at least three SDGs in the CCB or SD VISta project documentation do not need to conduct a separate demonstration of conformance with the requirements set out in Section 3.17.1.

3.18 Safeguards

Concept

Project activities must not negatively impact the natural environment or local communities. Project proponents must identify and address any negative environmental and socio-economic impacts of project activities.

Requirements

3.18.1 Project activities shall not negatively impact the natural environment, local communities, or any SDGs. Project proponents shall identify any such potential negative impacts of project activities and shall design and implement mitigation activities to ensure there are no negative impacts to the natural environment, local communities, or any SDGs.

No Net Harm

3.18.2 The project proponent shall identify potential negative environmental and socio-economic impacts and shall take steps to mitigate them. Additional certification standards may be applied to demonstrate social and environmental benefits beyond GHG emission reductions or removals (details about labeling with additional certifications are set out in Section 3.23 below)

3.18.3 For the requirements in Section 3.18.5 – 3.18.13, in order to ensure these safeguards are met, the project proponent shall assess the risk of any negative impacts on the environment, employees, and local residents and communities. Where the assessment identifies any such risks, the project proponent shall disclose the risks and demonstrate that the project has taken measures to prevent or mitigate such impacts in the project documents. Any such impact and mitigation measures shall be reported in the applicable project document at initial validation and each verification.

Risks to Local Stakeholders and the Environment

3.18.4 The project proponent shall identify likely natural and human-induced risks to local stakeholder well-being expected during the project lifetime and outline measures needed and implemented to mitigate these risks.

3.18.5 The project proponent shall identify the risks for local stakeholders to participate in the project, including project design and consultation. Risks may include trade-offs with food security, land loss, loss of yields, and climate change adaptation. The project shall be designed and implemented to avoid trade-offs and mitigate the identified risks to local stakeholders.

3.18.6 The management teams involved in the project shall have expertise and prior experience implementing carbon projects, or land management projects if applicable, with community engagement at the project scale. Where relevant experience is lacking, the project proponent shall either demonstrate how they have partnered with other organizations, or have a recruitment strategy, to fill the identified gaps.

3.18.7 The project proponent shall identify any risks related to working conditions associated with the project and shall design and implement mitigation measures to provide safe and healthy working conditions for employees.

3.18.8 The project proponent shall identify any risks related to the safety of women and girls in the local community and shall design and implement mitigation measures to protect local communities against and appropriately respond to harm to women and girls.

3.18.9 The project proponent shall identify and mitigate any project impacts caused by pollutant emissions to air, discharges to water, noise and vibration, the generation of waste, the release of hazardous materials as a result of project activities.

Respect for Human Rights and Equity

3.18.10 The project proponent and any other entity involved in the project design or implementation shall not be involved in any form of discrimination or sexual harassment.

3.18.11 The project proponent and any other entity involved in the project design or implementation shall respects human rights in accordance with the International Bill of Human Rights and universal instruments[1] relating to human rights ratified by the host country.

3.18.12 The project proponent shall provide equal opportunities in the context of gender and provide equal pay for equal work.

3.18.13 The project proponent shall prohibit the use of forced labor, child labor, or trafficked persons.

3.18.14 The project proponent and any other entity involved in the project design or implementation shall identify local communities and indigenous peoples as set out in Section 3.19.1 below, and recognize, respect, and promote the protection of the rights of indigenous peoples and local communities in line with applicable international human rights law, and the United Nations

[1] https://www.ohchr.org/en/instruments-listings

Declaration on the Rights of Indigenous People and ILO Convention 169 on Indigenous and Tribal Peoples.

3.18.15 The project proponent and any other entity involved in the project design or implementation shall preserve and protect cultural heritage consistent with indigenous peoples and local communities practices or UNESCO Cultural Heritage conventions as part of project activities.

Ecosystem Health

3.18.16 The project shall not negatively impact terrestrial and marine biodiversity and ecosystems. Projects shall identify any risks to ecosystems and implement measures to ensure no negative impacts on ecosystems. Projects in, or adjacent to, habitat for rare, threatened, or endangered species shall demonstrate that they will not adversely impact these areas.

3.18.17 For projects that include planting or introduction of species:

1) The project shall not introduce any invasive species or allow an invasive species to thrive through project implementation. Project proponents shall identify invasive species using, in order of priority: local, regional, or global invasive species registries. In instances where no local or regional registries exist, the project proponent shall provide the registry used in the project documents.

2) The project shall not use any species in the project activities that threaten the existence of endangered species. The project proponent shall use the Integrated Biodiversity Assessment Tool's Species Threat Abatement and Recovery Metric to identify threats to endangered species in the project area.

3) The project shall not introduce non-native monocultures for the purpose of restoration.

3.18.18 Activities that convert existing ecosystems are not eligible under the VCS Program.

1) Evidence shall be provided in the project description that any ARR, ALM, WRC or ACoGS project areas were not cleared of existing ecosystems (e.g., evidence indicating that clearing occurred due to natural disasters such as hurricanes or floods).

2) Such proof is not required where such clearing or conversion took place at least 10 years prior to the proposed project start date, or where the dominant land cover is an invasive species and threatening ecosystem health as demonstrated using the Global Invasive Species Database[2], and supporting documents such as evidence from peer reviewed literature or expert judgement.

3) Where the land is considered degraded, the project proponent shall demonstrate that the project activity will not convert the ecosystem type which existed at least ten years prior. Such demonstration shall use remote sensing, arial imagery, modelling, or other relevant literature.

Property Rights

[2] https://www.gbif.org/species/search

3.18.19 The project proponent shall recognize, respect, and support local stakeholders' property rights and where feasible, take measures to help secure rights. The project shall not encroach on private, stakeholder, or government property or relocate people off their lands without consent.

3.18.20 Where the project activity impacts property rights, usage or resources, the project shall include a benefit-sharing arrangement appropriate to the local context and consistent with applicable national rules and regulations. Such arrangement shall be agreed upon by local communities and indigenous peoples, and the project proponent shall provide evidence of such agreement. The project proponent shall share the draft and final benefit sharing plan with the affected communities in a culturally appropriate manner and shall provide such evidence, along with the final benefit sharing arrangement with project documentation.

3.19 Stakeholder Engagement

Concept

Projects must engage with local stakeholders during the project development and implementation processes.

Requirements

Stakeholder Engagement and Consultation

3.19.1 The project proponent shall conduct a thorough assessment of the local stakeholders that may be impacted by the project. The project description shall include information on local stakeholders at the start of the project, including:

1) The process(es) used to identify local stakeholders likely impacted by the project and a list of such stakeholders;
2) Identification of any legal or customary tenure/access rights to territories and resources, including collective and/or conflicting rights, held by local stakeholders;
3) A description of the social, economic and cultural diversity within local stakeholder groups and the differences and interactions between the stakeholder groups;
4) Any significant changes in the makeup of local stakeholders over time;
5) The expected changes in well-being and other stakeholder characteristics under the baseline scenario, including changes to ecosystem services identified as important to local stakeholders;
6) The location of communities, local stakeholders, and areas outside the project area that are predicted to be impacted by the project; and
7) The location of territories and resources which local stakeholders own or to which they have customary access.

3.19.2 The project proponent shall conduct a local stakeholder consultation before implementation of project activities. Such consultations shall be done in a manner that is inclusive, culturally appropriate, and respectable of local knowledge.

3.19.3 The project proponent shall take due account of all input received during the local stakeholder consultation and through ongoing communications, which means it will need to either update the

project design or justify why updates are not appropriate. The project proponent shall provide a summary of comments, including any negative comments, and demonstrate to the validation/verification body what action it has taken in respect of the local stakeholder consultation as part of validation, and in respect of ongoing communications as part of each subsequent verification. The project proponent shall provide such summary as part of the project request at validation, verification, and crediting period renewal.

3.19.4 The project proponent shall develop a grievance redress procedure to address disputes with local stakeholders that may arise during project planning and implementation, including with regard to benefit sharing. The procedure shall include processes for receiving, hearing, responding and attempting to resolve grievances within a reasonable time period, taking into account culturally-appropriate conflict resolution methods. The procedure and documentation of disputes resolved through the procedure shall be made publicly available. The procedure shall have three stages:

1) The project proponent shall attempt to amicably resolve all grievances and provide a written response to the grievances in a manner that is culturally appropriate.

2) Any grievances that are not resolved by amicable negotiations shall be referred to mediation by a neutral third party.

3) Any grievances that are not resolved through mediation shall be referred either to

   a. Arbitration, to the extent allowed by the laws of the relevant jurisdiction or

   b. Competent courts in the relevant jurisdiction, without prejudice to a party's ability to submit the grievance to a competent supranational adjudicatory body, if any.

3.19.5 The project proponent shall establish mechanisms for ongoing communication with local stakeholders to allow stakeholders to raise concerns about potential negative impacts during project implementation. The project proponent shall communicate:

1) The project design and implementation, including the results of monitoring.

2) The risks, costs and benefits the project may bring to local stakeholders.

3) All relevant laws and regulations covering workers' rights in the host country.

4) The process of VCS Program validation and verification and the validation/verification body's site visit.

Free, Prior, and Informed Consent (FPIC)

3.19.6 The project may affect property rights if free, prior, and informed consent is obtained from those concerned, including local communities and indigenous peoples, 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.

Public Comments

3.19.7 All projects are subject to a 30-day public comment period. The date on which the project is listed on the project pipeline as under validation marks the beginning of the project's 30-day public

comment period (see the VCS Program document *Registration and Issuance Process* for more information on the VCS project pipeline).

3.19.8 Projects shall remain on the project pipeline for the entirety of their 30-day public comment period.

3.19.9 Any comments shall be submitted through the project's page on the Verra Registry. Respondents shall provide their name, organization, country, and email address. At the end of the public comment period, Verra provides all comments received to the project proponent . All comments received are posted publicly on the project record on the Verra Registry.

3.19.10 The project proponent shall take due account of all comments received during the consultation, which means it will need to either update the project design or demonstrate the insignificance or irrelevance of the comment. It shall demonstrate to the validation/verification body what action it has taken.

3.19.11 The validation/verification body shall not finalize the audit until their 30-day public comment period has ended and the project proponent's responses evaluated.

3.19.12 Stakeholders may submit comments outside of the 30-day public comment period. The project proponent shall take due account of any comments at the subsequent validation or verification process, which means it will need to either update the project design or demonstrate the insignificance or irrelevance of the comment. It shall demonstrate to the validation/verification body what action it has taken.

4 Validation and Verification Requirements

4.1 Introduction and General Requirements

4.1.6 The validation/verification body shall evaluate the project proponent's response to comments received during the 30-day public comment period.

4.1.7 Where a comment on a project has been submitted to Verra outside the 30-day public comment period, in accordance with Section 3.19.12, the validation/verification body shall evaluate the project proponent's response to such comment.

2.3 Proposed Updates to the *VCS Program Definitions*

Definitions needed for Ecosystem Health Safeguards:

Invasive Species

A non-native species whose introduction and spread may cause socio-cultural, economic, or environmental harm or harm to human health per the Global Invasive Species Database

https://www.gbif.org/species/searchand/or a jurisdictional registry, which takes precedence over any global dataset

Ecosystem

A complex of living organisms and the abiotic environment with which they interact in a specified location

Ecosystem Conversion

The altering of an ecosystem through clearing, active 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

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;

Degraded Ecosystem

An ecosystem where ecosystem function is disrupted to where it can no longer sustain its biotic and abiotic characteristics as demonstrated by peer-reviewed literature, or expert judgement.

Native species

A species that has been observed in the region, is naturally occurring and self-sustaining as demonstrated by peer-reviewed literature, expert judgement, or government registry

Non-native species

A species that is not endemic to the region, or is not projected to exist in the ecosystem, as demonstrated by peer-reviewed literature, expert judgement, or government registry

Monoculture

A crop or a population of a single species

2.4 Requested Feedback

Verra is requesting feedback on the following:

1. Does the new structure of Stakeholder Engagement and Safeguards sections make sense?
2. Are there any project types that will not be able to meet the requirements above?
3. Are there any requirements above that should be strengthened?
4. What resources or guidance should Verra provide to project proponents and/or VVBs trying to meet the above requirements?

5. Are there other resources you think Verra should include in addition to or in place of those that we have included in our definition of invasive species?
6. Do you think that jurisdiction-level classification of invasive species should supersede global databases or vice versa?
7. What are the risks or benefits of prioritizing local, national, and regional classifications over international GBIF?
8. Will the requirements around land conversion or clearing prevent the development of a specific project type? Is the 10-year interval too long? Or too short?
9. Does the definition of ecosystem restrict activity types, such as agricultural land management (ALM)?

3 UPDATES TO THE AFOLU NON-PERMANENCE RISK TOOL, MINIMUM PROJECT LONGEVITY, AND CREDITING PERIOD REQUIREMENTS FOR PROJECTS WITH NON-PERMANENCE RISK

3.1 Background

The VCS Program addresses the non-permanence risk of its AFOLU projects and Jurisdictional and Nested REDD+ (JNR) programs by requiring them to deposit a percentage of their credits into a pooled buffer account which may be drawn upon in the case of a loss event (e.g., forest fire or hurricane). The percentage of credits that must be deposited into this shared pool is based on an assessment of the non-permanence risk using the AFOLU or JNR Non-Permanence Risk Tool (NPRT), as appropriate. Where a net reversal occurs, buffer credits are canceled from the buffer pool to cover the loss. The cancellation of buffer credits ensures that all VCUs issued to AFOLU projects or JNR programs are permanent.

Verra is finalizing an update to the NPRT to address predicted impacts of climate change and sea level rise, based on the February 2022 consultation. In reviewing the comments on those updates and the above proposed VCS safeguard updates, additional potential improvements to the NPRT were identified.

The proposed update addresses several issues:

- It removes the mitigation option for having an adaptive management plan and makes this a mandatory requirement.
- It introduces an added withholding for projects that have previously failed to submit their loss reports on time (i.e., within two years of detecting the loss event). Projects' failure to meet this requirement is problematic. An added two percent perpetual withholding is proposed for all projects that have previously failed to meet the two-year deadline to incentivize the timely submission of reports and penalize late submissions.

- It includes additional withholdings for countries/jurisdictions with a history of state land or resource use intervention. Recent state intervention in land and resource use could threaten the permanence of projects, increasing project non-permanence risk.
- It removes the mitigation measure under the stakeholder engagement section for net positive impacts on the social and economic well-being of the local stakeholders who derive livelihoods from the project area. Net positive impacts are now a requirement of the VCS Program and, therefore, cannot be used as a mitigation measure.
- It increases the project longevity period from 30 to 40 years, and the minimum crediting period for AFOLU projects from 20 to 40 years to match this length. It also changes the formulas for calculating the project longevity withholding so that projects with longevity of less than 100 years cannot receive a zero score.

3.2 Proposed Updates to the AFOLU Non-Permanence Risk Tool

Verra is proposing the following changes to the AFOLU NPRT. The text in blue indicates draft changes based on the February 2022 public consultation. Many of these changes are editorial. Text in green indicates new text addressing the issues listed above.

Section 2.2. Internal Risks

2.1.1 Project management (PM) shall be assessed using Table 1, noting the following:

1) Each project management risk factor set out in Table 1 shall be assessed.

1) Management teams are the individuals responsible for day-to-day management and implementation of project activities. Management teams may include the project proponent, the implementing partner (see the VCS Program document *Program Definitions* for the definition of implementing partner), and/or carbon project development partners who have contractual commitments to support the project activities.

2) Evidence that species planted are adapted to the same or similar agro-ecological zone(s) in which the project is located and that ALM practices are appropriate to the agro-ecological zone(s), soil types, and cropping/grassland systems, may be demonstrated through publications in scientific journals; technical reports from government agencies, NGOs or research groups; or successful use over time by other projects registered under the VCS Program or another approved GHG program.

3) Ongoing enforcement refers to protecting carbon stocks in the project area from encroachment by outside actors; for example, where a REDD project faces risk from external actors entering the project area for illegal logging.

4) Projects shall have an adaptive management plan. Otherwise, they fail the risk assessment. Adaptive management plans identify, assess, and create a mitigation plan for potential risks to the project, including those identified in this document, and any other obstacles to project implementation. They include a process for monitoring

progress, documenting lessons learned or corrections that may be needed, and incorporating them into project decision-making in future monitoring periods. The onus is on the project proponent to demonstrate that such plans are in place and have considered potential risks and obstacles to the project. Further, a system is in place for adapting to changing circumstances.

Table 1: Project Management

Project Management		Score
Q1	Does the project have an adaptive management plan in place that includes a monitoring plan?	Fail if answer to Q1 is "no"
a)	Species planted (where applicable) associated with more than 25 percent of the stocks on which GHG credits have previously been issued are not native nor proven to be adapted to the same or similar agro-ecological zone(s) as the project area.	2
b)	Ongoing enforcement to prevent encroachment by outside actors is required to protect more than 50 percent of stocks on which GHG credits have previously been issued.	2
c)	Management team does not include individuals with significant experience in all skills necessary to successfully undertake the project activities (i.e., any area of required experience is not covered by an individual with at least five years' experience in that area).	2
d)	Management team does not maintain a presence in the country or is located more than one day of travel from the project site, considering all parcels or polygons in the project area.	2
e)	**ALM projects:** Some or all the farmers participating in the project did not receive training on the improved ALM practices implemented as part of the project or the monitoring and reporting procedures the project will implement during the crediting period.	2
f)	**ALM projects:** Farmers participating in the project are unaware of the potential for yields to temporarily decrease due to the transition to improved agricultural practices.	2
g)	**Mitigation:** Management team includes individuals with significant (i.e., more than five years) experience in AFOLU project design and implementation, carbon accounting, and reporting (e.g., individuals who have successfully managed projects through validation, verification, and issuance of GHG credits) under the VCS Program or other approved GHG programs.	−2
~~h)~~	~~**Mitigation:** An Adaptive management plan~~	~~−2~~
i)	**Mitigation (ALM projects):** A comprehensive training plan for all farmers participating in the project (covering implementation of planned ALM practices, monitoring and reporting obligations and potential costs and financial necessities) is in place. Such training shall aim to	−2

	adequately disseminate knowledge, practices, and ongoing technical assistance, where appropriate.	
j)	Management team has previously failed to submit a loss report within two years of detecting a loss event	2
Total Project Management (PM) = [as applicable, (a + b + c + d + e + f + g + h + i + j)] Total shall not be less than zero.		

2.2.4 Project longevity (PL) shall be assessed using Table 2, noting the following:

5) Project longevity is the number of years, beginning from the project start date, that project activities will be maintained. This duration may be longer than the project crediting period, where projects can demonstrate that activities that maintain carbon stocks for which GHG credits have previously been issued will continue in the post-crediting period. The project longevity score shall be determined by the formulas set out in Table 2.

6) Evidence shall be provided demonstrating that project ownership (see the VCS Program document *VCS Standard* for project ownership requirements) can be maintained for the entire project longevity (e.g., where ownership is secured through a concession that is shorter than the project longevity, the concession is renewable for the entire longevity period being claimed).

7) For all AFOLU project types, the entire project longevity shall be covered by management ~~and~~ financial, and monitoring plans submitted to local government, financial institutions, or made public. The intention to continue management practices shall be stated and planned for in these documents. They may include external evidence such as municipal land-use plans, institutional structures, ecological-economic zoning, etc.

8) For ARR and IFM projects with harvesting, the project longevity is the number of years that project activities that maintain carbon stocks will be maintained, either through the continuation of the project activity or replanting or re-growth of trees after the last harvest/cutting cycle in the project crediting period. Projects shall demonstrate their commitment to continue the management practice or to replant or allow re-growth through evidence. Evidence may include certification of sustainable forest management under the Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), or other internationally recognized schemes, a detailed management plan outlining practices that will be implemented to maintain or increase carbon stocks over the long term, or contractual agreements for timber supply beyond the last harvest in the project crediting period. Re-growth may be considered only where project areas, after harvesting, will be managed for regeneration (naturally or with

assistance), maintaining the current species mix and allowing trees to re-grow at least to the age at which trees were harvested, as demonstrated in management plans.

9) Legal agreement or requirement to continue the management practice refers to any legally enforceable agreement or requirement, such as a conservation easement or protected area law requiring the continuation of the management practice that sequesters carbon or avoids emissions for the project's longevity. In ARR and IFM projects with harvesting, where allowing re-growth of harvested areas is required by law, this may be demonstrated by citing the appropriate legal statute and common practice. Any project with a legally binding agreement that covers at least 100 years from the project start date shall be assigned a score of zero for project longevity.

10) Where AFOLU project longevity is less than ~~43~~0 years, the project fails the risk assessment and is not eligible for crediting. Project longevity may be assessed at the project level (i.e., across aggregated project activity instances) in grouped projects.

Table 2: Project Longevity

Project Longevity		Score
Q1	Does the project have a legally-binding agreement that covers at least a 100-year period from the project's start date?	Yes or no
Q2	What is the project longevity in years?	Number of years
Q3	Does the project have legal agreement or requirement to continue the management practice(s)?	Yes or no
a)	Without legal agreement or requirement to continue the management practice.	= ~~24~~ 25 − (project longevity/5)
b)	With legal agreement or requirement to continue the management practice.	= ~~25~~ 30 − (project longevity/~~2~~ 4)
Q4	Is the project a grouped project where contract durations with individual project activity instances are less than the project longevity?	Yes or no
Total Project Longevity (PL) = [as applicable, (a or b)] Total shall *not* be less than zero.		

Section 2.3 External Risks

Table 3: Land Tenure and Resource Access/Impacts

Land Tenure and Resource Access/Impacts		Score
Q1	Does the project have endorsement (through a legal agreement or memorandum of understanding) from all entities with credible ownership claims or land/resource access/use rights (such as customary rights holders), including from formal and/or traditional authorities?	Yes or no
Q2	Do the same or different entities hold the ownership and resource access/use rights?	
a)	Ownership and resource access/use rights are held by the same entity(ies).	0
b)	Ownership and resource access/use rights are held by different entity(ies) (e.g., the land is government-owned, and the project proponent holds a lease or concession).	2
Q3	Is the project in country/jurisdiction with a history of national, sub-national, or local government ("Government") intervention in land or resource use?	
c)	Government has previously expropriated significant areas of land (i.e., 5% or more) in the project area	10
d)	Government has previously changed land rights in the project's jurisdiction (e.g., cancelled, or blocked land titles, expropriated land or issued overlapping land titles)	5
e)	No instances of Government intervention	0
Q4	What percent of the project area has disputes over land tenure or ownership?	
f)	In more than 5 percent of the project area, land tenure or ownership disputes exist.	10
g)	Disputes over land tenure or ownership exist in up to 5 percent of the project area.	5
h)	No disputes over land tenure or ownership exist.	0
Q5	What percent of the project area has disputes over access/use rights?	
i)	Disputes over access/use rights (or overlapping rights) exist in more than 5 percent of the project area.	10
j)	Disputes over access/use rights (or overlapping rights) exist in up to 5 percent of the project area.	5
k)	No disputes over access/use rights exist.	0

Q6	Can the upstream and sea impacts of WRC projects that could undermine issued credits in the next ten years be demonstrated to be insignificant or effectively mitigated?	
l)	WRC projects cannot demonstrate that potential upstream and sea impacts that could undermine issued credits in the next ten years are insignificant or effectively mitigated.	5
m)	WRC projects can demonstrate that potential upstream and sea impacts that could undermine issued credits in the next ten years are insignificant or effectively mitigated.	0
n)	**Mitigation**: Project area is protected by a legally binding commitment (e.g., a conservation easement, conservation servitude or protected area) to continue management practices that protect carbon stocks for the duration of the project crediting period.	−2
o)	**Mitigation**: Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that demonstrates projects have implemented activities to resolve the disputes or clarify overlapping claims.	−2
Total Land and Resource Tenure (LT) = [as applicable, ((a or b) + ((c + d) or e) + (f, g or h) + (i, j or k) + (l or m) + n + o)] Total shall *not* be less than zero.		

2.3.2 Stakeholder engagement (SE) shall be assessed using Table 4, noting the following:

1) Stakeholder engagement shall be assessed for projects where local populations, including those living in the project area or within 20 km of the boundary of the project area, are reliant on the project area, such as for essential food, fuel, fodder, medicines or building materials. Where local populations are not dependent on the project area, the risk rating for stakeholder engagement (SE) shall be zero. Evidence may include social assessments such as household surveys and participatory rural appraisals.

2) Stakeholders are considered consulted and involved in participatory planning where there have been direct meetings and planning with associations or community groups that are legally recognized to represent the households.

~~3) To achieve the mitigation credit, it shall be demonstrated that a current participatory assessment of the positive and negative impacts of the project activities on the local communities who derive livelihoods from the project area has been completed and demonstrates net positive benefits on the social and economic well-being of these communities. A participatory assessment is considered current where it is completed at least five years prior to the risk analysis. Certification against the Climate, Community & Biodiversity (CCB) Standards or SOCIALCARBON Standard may be used to demonstrate that a project satisfies this mitigation requirement.~~

Table 4: Stakeholder Engagement

Stakeholder Engagement		Score
Q1	Are local populations, including those living in the project area or within 20 km of the boundary of the project area, reliant of the project area?	Yes or no
Q2	Have more or less than 50 percent of stakeholders living within and reliant on the project area been consulted?	
a)	Less than 50 percent of stakeholders living within the project area and who are reliant on the project area have been consulted.	10
b)	More than 50 percent of stakeholders living within the project area and who are reliant on the project have been consulted.	0
Q3	Have more or less than 20 percent of stakeholders living outside the project area within 20 km of the project area, and who are reliant on the project area been consulted?	
c)	Less than 20 percent of stakeholders living outside the project area within 20 km of the project area, and who are reliant on the project area have been consulted.	5
d)	More than 20 percent of stakeholders living outside the project area within 20 km of the project area, and who are reliant on the project area have been consulted.	0
~~e)~~	~~**Mitigation:** The project generates net positive impacts on the social and economic well being of the local communities who derive livelihoods from the project area~~	~~=5~~
Total Stakeholder Engagement (SE) = [as applicable, ((a or b) + (c or d) ~~+ e~~)] Total shall not be less than zero.		

3.3 Proposed Updates to the *VCS Standard*

Verra is proposing the following changes to the *VCS Standard*:

3.2 AFOLU Specific Matters

Non-Permanence Risk

3.2.16 When an instance leaves a grouped project or non-grouped project with multiple activity instances before the end of its ~~3~~40-year longevity period, the project shall:

1) Conservatively assume a loss of all previously verified emission reductions and removals associated with the instance; or

2) Continue to monitor the instance for the remainder of the instance's ~~3~~40-year longevity period following the monitoring requirements of the applied VCS methodology. If it can be demonstrated that the applied VCS methodology monitoring requirements cannot be followed (e.g., due to loss of access to the project area), a robust remote-sensing-based approach for the project types may be used to detect loss events, upon Verra approval. If a loss is identified, the size of the loss shall be quantified according to the applied methodology. Where this is not possible, the project shall conservatively assume a loss of all previously verified emission reductions and removals associated with the instance.

3.2.17 When a project crediting period is greater than ~~3~~40 years, the requirements under Section 3.2.16 shall apply until the end of the crediting period.

3.9 Project Crediting Period

AFOLU Projects

3.9.2 For ALM projects focusing exclusively on reducing N_2O, CH_4 and/or fossil-derived CO_2 emissions, the project crediting period shall be either seven years (twice renewable for a total of 21 years) or ten years fixed.

3.9.3 For all AFOLU projects other than such ALM projects described in 3.9.2, the project crediting period shall be a minimum of ~~2~~40 years up to a maximum of 100 years. The crediting period ~~which~~ may be renewed at most ~~four~~ two times, with a total project crediting period not to exceed 100 years.

3.9.4 AFOLU projects shall have a credible and robust plan for managing and implementing the project over the project crediting period.

3.9.5 For ARR or IFM extension of rotation age or low-productive to high-productive projects with harvesting, the length of the project crediting period shall be set to include at least one complete harvest/cutting cycle. In the case of selectively cut IFM projects, where trees are individually selected for harvest, the harvest/cutting cycle is the allowable re-entry period into the harvest area as determined by legal and regulatory requirements, and/or common practice.

~~3.9.6 The earliest project crediting period start date for AFOLU projects shall be 1 January 2002.~~

3.4 Requested Feedback

Verra is requesting feedback on the following:

1. Are the withholdings for a country/jurisdiction with a history of national, sub-national, or local government intervention in land or resource use appropriate? If not, should the values be higher or lower?

2. Should Verra increase the maximum external risk threshold in the NPRT (currently set at 20) because of these proposed changes?
3. Should Verra add an extra withholding for projects that have experienced a past non-catastrophic (i.e., avoidable) reversal? If so, how much should the withholding be?
4. As an alternative option to increasing the minimum crediting period to 40 years, Verra is also considering giving projects two options:
   a. Voluntarily commit to an initial crediting period of 40-years; or
   b. Adopt a minimum crediting period of 20-years and sign an agreement with Verra to monitor and compensate reversals for at least 40 years.

   Which option do you prefer and why?

5. If Verra introduced the monitoring agreement option (4b):
   a. How should reversals be quantified in the post-crediting period? For example, should they be based on net accounting (i.e., additional removals/reductions minus loss event size) since the project entered its post-crediting period?
   b. If a reversal occurs in the post-crediting period, how should projects replenish the buffer pool (see Section 5.3.3 of the VCS Program document *Registration and Issuance Process*)? For example, project proponents could be required to provide credits from their other projects or purchase credits from the broader market. Also, should this requirement differ for catastrophic (i.e., unavoidable) and non-catastrophic (i.e., avoidable) reversals[3]?
6. Verra is exploring non-permanence risk insurance. We know that some VCS projects have insurance that would provide financing in the event of a reversal to help restart the project (e.g., to buy seedlings). Verra is considering making this 1) a requirement; or 2) an optional mitigation measure in the non-permanence risk tool. Do you agree with this proposal, and if so, which approach do you think Verra should take?

4 UPDATES TO REQUIREMENTS FOR WHEN PROJECT CONSTRUCTION AND UPSTREAM EMISSIONS INCREASES MUST BE INCLUDED IN VCS METHODOLOGIES

4.1 Background

For some VCS projects, upstream emissions from fabrication or production of key inputs (sometimes rereferred to as embodied carbon emissions) and construction emissions can impact the calculated emissions benefit of a project activity. For example, direct air capture may have significant new dedicated equipment and infrastructure that requires emissions to produce key materials such as steel

[3] Note: Section 5.3.3 of the VCS Program document Registration and Issuance Process states that when the reversal is catastrophic, "GHG credits shall be deposited in the AFOLU pooled buffer account equivalent to the additional number of buffer credits canceled after the reversal, above what has been previously contributed by the project." When the reversal is non-catastrophic, "GHG credits shall be deposited in the AFOLU pooled buffer account in an amount equivalent to the full reversal."

and concrete. These emissions may occur outside the project boundary, before the project start date, or both. For large projects, fabrication and construction could take multiple years.

The start date of a non-AFOLU project is defined as the date on which the project began generating GHG emission reductions or removals, which typically excludes site preparation and construction emissions.

4.2 Proposed Updates to the *VCS Methodology Requirements*

Verra is proposing to revise the *VCS Methodology Requirements* to include upstream and construction emissions that are not de minimis, including those that occur prior to project start in the project emissions reduction and removal calculation. Conservative and simplified guidance would provide a clear and workable approach for the inclusion of upstream sources, such as standard emission factors for common materials like steel and concrete.

One-time emissions such as construction or equipment fabrication would be compared to expected emissions reductions or removals (ERRs) for the first seven years of the crediting period to determine if they are de minimis. Where such emissions are not de minimis, they would be included in the first verification period for the project and could be divided evenly between vintages within that period.

The following requirement would be moved from the AFOLU Methodologies section to the General requirements section:

3.3.6 Specific carbon pools and GHG sources, including carbon pools and GHG sources that cause project and leakage emissions, may be deemed de minimis and do not have to be accounted for if together the omitted decrease in carbon stocks (in carbon pools) or increase in GHG emissions (from GHG sources) amounts to less than five percent of the total GHG benefit generated by the project. The methodology shall establish the criteria and procedures by which a pool or GHG source may be determined to be de minimis.

The assessment of de minimis for upstream and construction emissions could be done during methodology development when appropriate (e.g., when the relative scale of emissions is expected to be similar for all projects) or prescribed for assessment at the project level.

The assessment would be on the net increase in upstream emissions; where upstream emissions are unchanged or reduced, their inclusion would be optional. For treatment of reductions in upstream emissions, please refer to the July 2022 consultation and comment responses on the proposed discount factor for crediting in cases of upstream greenhouse gas (GHG) displacement, also planned for inclusion in the next program update.

4.3 Requested Feedback

Verra is requesting feedback on the following:

1. Should emissions from before the emissions reductions or removals start be included in the overall project emissions accounting for all project types?

2. What conditions might be relevant when considering whether to include or exclude these emissions?
3. Do you agree with the proposal to assess whether such emissions are de minimis by comparing to the estimated ERRs for the first seven years of project activities to enable a standardized calculation across projects with different crediting periods?
4. Is it appropriate to account for these emissions in the first verification period, and divide them evenly across vintages within such a period?
5. Are any types of projects at risk of having a negative assertion (becoming a net emitter) given this proposed rule, and if so, what guidance might alleviate this?
6. Should increases in upstream emissions during project activities be considered? What conditions might be relevant when considering whether to include or exclude these emissions?
7. Is the current 5% de minimis threshold for AFOLU appropriate for assessing whether upstream and construction emissions should be accounted for across all project types?
8. Do you have any other comments on this proposal?

5 UPDATES TO THE PROCESS FOR REVISING STANDARDIZED METHODS THAT USE THE ACTIVITY PENETRATION APPROACH

5.1 Background

The current *VCS Methodology Requirements* restrict revisions to methodologies using an activity penetration option. These restrictions may create a barrier to climate action, as they have unclear benefits for additionality. If a methodology becomes inactive due to this rule, project crediting periods would not be renewable. For GCS projects for example, the activity is unlikely to become self-sustaining and the restriction on methodology revisions beyond activity penetration of 5% poses an unacceptable risk to projects expecting to see five crediting period renewals in their total crediting period. These proposed updates to the rules around activity penetration as an approach to demonstrate additionality would help scale climate action.

5.2 Proposed Updates to the *VCS Methodology Requirements*

2.8 Methodology Revisions

2.8.5 Where an activity method uses the activity penetration option and the level of activity penetration has risen (since initial approval) to exceed the five-percent threshold level, ~~the activity method may not be revised to use the financial feasibility or revenue streams options.~~ the methodology shall be inactivated. Inactive methodologies can be reactivated by revising the methodology as per the procedures in the *Methodology Development and Review Process* and adopting a different additionality approach.

5.3 Proposed Updates to the Methodology Development and Review Process

5.3 Outcome of Review

5.3.4 (3) For activity methods, additionality shall be re-determined from scratch, using the activity penetration, financial viability, or revenue stream options. Where the activity method uses the activity penetration option and the level of activity penetration has risen to exceed the five percent threshold, the methodology shall be inactivated. Inactive methodologies can be reactivated by revising the methodology as per the procedures in the Methodology Development and Review Process and adapting a different additionality approach.

5.4 Requested Feedback

Verra is requesting feedback on the following:

1. What are the risks of reactivating a methodology that originally relied on activity penetration to demonstrate additionality and has since seen the activity penetration increase beyond 5%?
2. Are there other project types that rely on activity penetration that might benefit or suffer from this proposed change? How?