Overview of Public Consultation on Proposed Updates to the VCS Program

17 July 2023

Photo by FUNDAECO / REDD Conservation Coast Project

Webinar Objectives

- Provide an overview of the public consultation on proposed updates to the VCS Program released 27 June 2023

Agenda

- Consultation timeline and logistics
- Overview of proposed updates
  - Updates to the VCS safeguard and stakeholder engagement requirements
  - Updates to the AFOLU non-permanence risk tool, minimum project longevity, and crediting period requirements
  - Updates to requirements for when project construction and upstream emissions increases must be included in VCS methodologies
  - Updates to the process for revising standardized methods that use the activity penetration approach
- Q&A

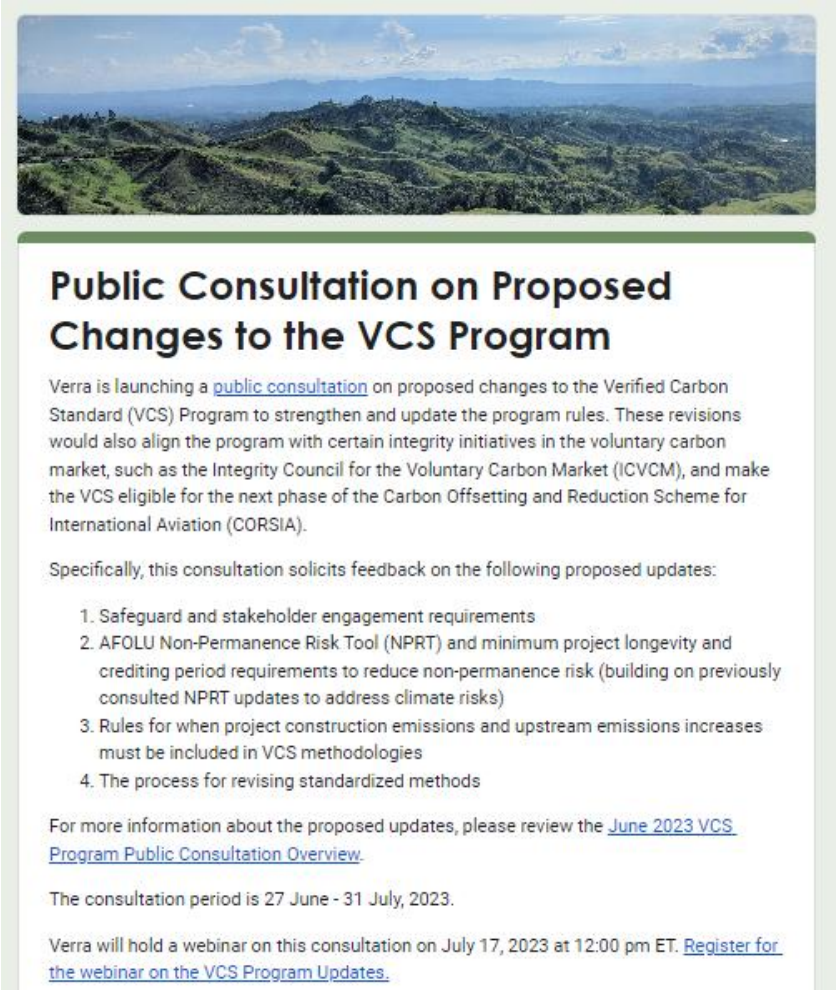
Consultation Timeline

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

Logistics

Comments may be submitted electronically via the provided online form by **31 July 2023**.

Stakeholders can also view the questions in the "Requested Feedback" section of the *Consultation Document (PDF)* to enable preparation of responses prior to using the submission form.



Public Consultation on Proposed Changes to the VCS Program

Verra is launching a public consultation on proposed changes to the Verified Carbon Standard (VCS) Program to strengthen and update the program rules. These revisions would also align the program with certain integrity initiatives in the voluntary carbon market, such as the Integrity Council for the Voluntary Carbon Market (ICVCM), and make the VCS eligible for the next phase of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

Specifically, this consultation solicits feedback on the following proposed updates:

1. Safeguard and stakeholder engagement requirements
2. AFOLU Non-Permanence Risk Tool (NPRT) and minimum project longevity and crediting period requirements to reduce non-permanence risk (building on previously consulted NPRT updates to address climate risks)
3. Rules for when project construction emissions and upstream emissions increases must be included in VCS methodologies
4. The process for revising standardized methods

For more information about the proposed updates, please review the June 2023 VCS Program Public Consultation Overview.

The consultation period is 27 June - 31 July, 2023.

Verra will hold a webinar on this consultation on July 17, 2023 at 12:00 pm ET. Register for the webinar on the VCS Program Updates.

Email *

Your email

Name *

Your answer

Organization *

Your answer

Country *

Your answer

Indicate here if you wish for your feedback to be published anonymously *

- ◯ Publish my feedback listed with my name and affiliation on the Verra website
- ◯ Publish my feedback anonymously

Proposed VCS Program Updates

Updates to the VCS safeguard and stakeholder engagement requirements

Key background information

- The ICVCM has set out a list of criteria that GHG Programs must meet to apply CCP labels to credits in part 1 of its Assessment Framework, published in March 2023.
- 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.
- Additional proposed safeguards related to the use of invasive species and ecosystem conversion have been added

Updates to the VCS safeguard and stakeholder engagement requirements

Proposed updates

Document	Updated Sections
VCS Standard	3.17 Sustainable Development Contributions 3.18 Safeguards 3.19 Stakeholder Engagement 4.1 Introduction and General Requirements (Validation and Verification Requirements)
VCS Program Definitions	Definitions needed for Ecosystem Health Safeguards

Updates to the VCS safeguard and stakeholder engagement requirements

Requested feedback

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)?

Updates to the AFOLU non-permanence risk tool, minimum project longevity, and crediting period requirements

Key background information

- Additional updates proposed to complement changes already consulted on in February 2022 (predicted impacts of climate change and sea level rise)
- Proposed update addresses several issues:
  - Removes the mitigation option for having an adaptive management plan and makes this a mandatory requirement.
  - 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).
  - Includes additional withholdings for countries/jurisdictions with a history of state land or resource use intervention.
  - 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.
  - 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.

Updates to the AFOLU non-permanence risk tool, minimum project longevity, and crediting period requirements

Proposed updates

Document	Updated Sections
AFOLU Non-Permanence Risk Tool	Section 2.2 Internal Risks Section 2.3 External Risks
VCS Standard	Section 3.2 AFOLU Specific Matters Section 3.9 Project Crediting Period

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Updates to the AFOLU non-permanence risk tool, minimum project longevity, and crediting period requirements

Requested feedback

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?

Updates to the AFOLU non-permanence risk tool, minimum project longevity, and crediting period requirements

Requested feedback

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 ?

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?

Updates to requirements for project construction and upstream emissions increases

- To improve quantification accuracy and program integrity, Verra is considering including emissions from:
  - fabrication or production of project inputs (embodied carbon), and
  - construction emissions.
- A revision is proposed to include these emissions in quantifications calculations when they:
  - Are not approximately equivalent between the baseline and project scenarios,
  - Are not de minimis, and
  - Occur during, or prior to the project start.
- Conservative and simplified guidance would provide a clear and workable approach, such as standard emission factors for common materials like steel and concrete.

Proposed updates

Document	Updated Sections
VCS Methodology Requirements	3.3 Project Boundary TBD

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Updates to requirements for when project construction and upstream emissions increases must be included in VCS methodologies

Requested feedback

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?

Updates to the process for revising standardized methods that use the activity penetration approach

Key background information

- The current VCS Methodology Requirements restrict revisions to methodologies using an activity penetration additionality assessment. These restrictions may create a barrier to climate action, as they have unclear benefits for additionality.
- For GCS projects, 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.

Proposed updates

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.

Updates to the process for revising standardized methods that use the activity penetration approach

Proposed updates (cont'd)

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.

Document	Updated Sections
VCS Methodology Requirements	2.8 Methodology Revisions
Methodology Development and Review Process	5.3 Outcome of Review

Updates to the process for revising standardized methods that use the activity penetration approach

Requested feedback

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?

Q&A

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Thank You

Photo: FUNDAECO / REDD Conservation Coast Project

For questions pertaining to VCS Program Updates and Consultations: programupdates@verra.org

For general questions pertaining to the Verra and the VCS Program: info@verra.org

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