

SUMMARY OF PUBLIC COMMENTS: JUNE 2022 CONSULTATION ON PROPOSED NEW VERRA UNIT LABELS

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1 INTRODUCTION

This document summarizes the feedback from comments received during the 2022 consultation on proposed new Verra Unit Labels. It provides the full list of comments alongside a summary of comments and Verra responses to the summaries. Overall, Verra received 567 comments from stakeholders representing 29 different organizations. We sincerely appreciate all submitted comments and thank the respondents for providing their insight and feedback.

During the consultation, Verra sought input on the following proposed market labels:

- Type of mitigation outcome
- Activity type
- Authorization for Article 6 purposes
- Sustainable development benefits

Verra analyzed all the comments received and drew useful insights from all viewpoints. We will take this feedback into consideration in the continued development of the proposed labels. The Verra responses provided below to the comment summaries indicate which labels will be ready for implementation in the near-term and which proposals will be considered in the future, including in other potential public consultations.

More information about Verra unit labels can be found on the Verra [website](#).

2 SUMMARY OF COMMENTS AND VERRA RESPONSES

The table below provides a summary of the comments received in the consultation and Verra’s responses to these comment summaries.

MITIGATION OUTCOMES		
Question	Summary of Comments	Response to Comments
1.1 What do you think about the proposal to use labels (instead of different units) to differentiate VCUs that represent emission removals from those that represent emission reductions?	<p>Most comments (80 percent) provided a positive response to the proposal for several reasons, including that such labels would address the evolving needs of the voluntary carbon market, and that they would reduce confusion and complexity that may arise from establishing separate units.</p> <p>Around 10 percent of comments were opposed. Many comments, including a mix of supportive and opposed (around 30 percent of the total comments) indicated that removals versus reductions should be demarcated as different units entirely rather than as labeled units.</p> <p>Of those (30 percent) who preferred separate units, the rationale was that the intrinsic differences between emissions removals and reduction necessitate different units entirely.</p> <p>Of those opposed (10 percent), the reasons provided included: that the market may over-prioritize one type of project type (e.g. removals) over others, even though both types are essential to address the climate change crises, and that uniformity between the two label types in terms of quality/credibility should be maintained and communicated to stakeholders.</p>	<p>Verra agrees with the majority of stakeholders who responded positively to the proposed labels to differentiate VCUs that represent emission removals from those that represent reductions.</p> <p>We are currently working on the overall structure and design of these labels. This will include developing the registry functionality, program definitions and methodology requirements to differentiate removals and reductions (including taking into consideration feedback received during the Public Consultation on the VCS Program open 6 February - 7 April 2023).</p> <p>Verra plans to launch the first phase of Removals/Reductions labels in mid- 2023, with a second phase of further refinement to the label design, as needed, included in the launch of VCS Version 5.</p>
1.2 A) Verra is proposing two labels, one for reductions and one for removals. Do	<p>Over 90 percent of comments were favorable to this approach and cited a variety of reasons including:</p>	<p>Verra agrees with the majority of stakeholders who responded positively to the proposal to distinguish between reductions and removals. We will develop</p>

<p>you agree that both reductions and removals are worth distinguishing? Why or why not?</p>	<ul style="list-style-type: none"> differentiating between VCUs representing removals versus reductions would respond to the evolving mandates of buyers in the voluntary carbon market offering labeled VCUs would be important to ensure that Verra remains relevant in the voluntary carbon market labeled VCUs would give buyers more clarity and confidence in the market <p>Some comments noted that it may be worth exploring further differentiation for mitigation types, e.g. introducing a separate category for avoided emissions project types, and noted that Verra should be attentive to any forthcoming definitions for mitigation outcomes from the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles.</p>	<p>this approach as part of our initial rollout of removals/reductions labels in mid- 2023.</p>
<p>1.2 B) Verra is proposing two labels, one for reductions and one for removals. Should we add a 'mixed' label, or is it enough to leave units that cannot be attributed as reductions or removals unlabeled?</p>	<p>The majority of comments were not favorable to a 'mixed' label approach for reductions and removals. Reasons included: 1) a mixed label may cause confusion in the market, leading to ambiguity/uncertainty and undermining buyer confidence; and 2) units can be classified in a binary way through strict carbon accounting/MRV specified at the methodology level.</p> <p>Several comments stated that they would prefer that VCUs remain unlabeled if they cannot be attributed as either removals or reductions.</p>	<p>Based on the responses received, Verra will not consider a 'mixed' label at this time. As part of the longer-term phase of the removals/reductions label rollout, we will consider appropriate ways to identify methodologies that have the potential to lead to both reductions and removals and explore how to label these transparently.</p>
<p>1.3 Should labeling such units as reductions or removals be optional, or should it be mandatory? Why or why not?</p>	<p>A majority (78 percent) of comments expressed support for mandatory labeling of units as either reductions or removals. Reasons included: 1) allowing labeling to be optional would undermine market confidence in unlabeled units; 2) doing so would create artificial preference for labeled units and would create confusion in the marketplace, and 3) mandatory application of labels would encourage more transparency and consistency in the marketplace.</p>	<p>Verra thanks the respondents for their comments. We will continue to explore mandatory removals/reductions labeling of VCUs as part of our longer-term phase of the removals/reductions label rollout. In the initial phase of the rollout, label application will be optional to allow early-movers to take action while not overburdening VVBs or methodology developers with limited advance signaling.</p>

	<p>However, many comments also expressed that there should be a grace period for mandatory labeling or other form of advance signaling to the market, or that mandatory labeling should only be on a go-forward basis rather than a retroactive one.</p>	
<p>1.4 What sources should Verra look to for definitions of emission reductions and removals?</p>	<p>Verra received almost 50 suggested sources in total. Of these suggestions, around half (46 percent) directed Verra to sources from the IPCC and UNFCCC, such as the 2006 IPCC Guidelines for National Greenhouse Gas Inventories or the IPCC 6th Assessment Report. A further 15 percent of suggestions pointed to the Oxford Principles for Net Zero Aligned Carbon Offsetting (2020). The other half of the suggestions provide a range of sources from non-governmental (10 percent), scientific (10 percent), governmental (12.5 percent), and other.</p> <p>Some respondents expressed concern with the inclusion of 'permanence' in the potential definitions and stated that this concept requires further consultation and/or refinement.</p>	<p>Verra thanks all respondents for providing insight on sources that Verra should look to for definitions of emissions reductions and removals. We understand that these definitions will be a key component of the necessary guidance and framework to implement removals/reductions labels and will endeavor to provide a workable definition as part of the initial rollout of removals/reductions labels, which may be subject to further refinement.</p>
<p>1.5 Should climate-driven emissions/avoided ecosystem loss (e.g., thinning forests due to over-densification and climatic changes; methane capture from thawing peatlands) due to climate change be classified as removals or reductions?</p>	<p>Of the responses, around 46 percent said that the activities used as examples in the question should be classified as reductions, while around 42 percent expressed some variant of the response 'it depends.' The preponderance of responses indicated that categorization of ERRs as reductions or removals should depend on the baseline versus project scenario and the activity type.</p> <p>Another sentiment expressed here was that Verra should consider an avoided emissions label (in addition to reductions and removals), which was also expressed in comment responses to Question 1.2a.</p>	<p>Verra agrees with commenters that climate-driven emissions/avoided ecosystem loss should be classified as removals or reductions based on how they meet those respective definitions.</p>
<p>1.6 What additional guidance would be required for validation/verification bodies (VVBs) to assure</p>	<p>The majority of comments expressed two main ideas: 1) that clear, comprehensive definitions should be the primary resource that VVBs would rely on to verify the reduction vs removal statements, and; 2) that the methodologies themselves should provide the primary tools, elements, and guidance to differentiate between removals/reductions, and that the VVB role is to continue to check</p>	<p>Verra thanks the respondents for their comments. We will take this feedback into account as we prepare any necessary guidance and requirements to accompany the rollout of the</p>

reduction and removal assertions?	<p>conformance against the selected methodology. Other feedback indicated that Verra should ensure that VVBs have adequate and up-to-date training to do this, such as an updated VVB Manual, and updated templates where necessary.</p>	<p>removals/reductions labels, including guidance for any new methodology requirements.</p>
1.7 Do you expect a significant increase in costs associated with VVB assurance for projects with both reduction and removal assertions? To what extent?	<p>The majority of comments (65 percent) indicated that there would be no significant increase in costs associated with VVB assurance for projects. Of the comments that indicated that the measures would increase costs, many expressed that this would be temporary and/or minimal, or that it would be balanced out by the market willingness-to-pay for the labeled VCUs. Of the comments that indicated that there would be no significant increase, many pointed out the caveat that this depends on the quality and comprehensiveness of the guidance and definitions provided by Verra. Some also mentioned that the costs would vary depending on activity type. Another comment pointed out that there would be higher costs and more time-consuming processes on the methodology development and revision side rather than the VVB side.</p>	<p>Verra thanks the respondents for their comments. We will take this feedback into consideration as we prepare for the phased rollout of the removals/reductions labels. The phased rollout approach is intended to allow early-movers to take action without overburdening VVBs or methodology developers with limited advance signaling.</p>
1.8 If implemented, why should these labels be able to be added retroactively, or why should they not be?	<p>Most comments (70 percent) expressed that the labels should be applied retroactively, with a mixed reaction on whether this should be optional rather than a requirement. A concern expressed across a number of comments was that because the proposal is to differentiate removals and reductions via the chosen methodology, many methodologies may have to be revised, which could be time-consuming. The project would also have to be assessed by the VVB against the new/revised methodology at the next verification event, which could present an administrative burden if done at scale on a mandatory basis.</p>	<p>Verra thanks the respondents for their comments. Due to the varied reactions to this proposal, we will continue to explore retroactive labeling of VCUs as part of our longer-term phase of the removals/reductions label rollout. As mentioned above, the initial label will not be mandatory. The design of the labels will be further refined as we take stakeholder insight and other considerations into account.</p>

<p>1.9 Verra ensures all issued VCUs are permanent representations of atmospheric benefits through the buffer account. Should the non-permanence risk tolerance be different for removals, reductions and mixed projects? Why and to what extent?</p>	<p>Most respondents were supportive of differentiating credits based on non-permanence risk. It was noted that distinction could be made:</p> <ul style="list-style-type: none"> - Between nature-based and geological project types (i.e., based on storage type); - Based on duration of storage; - By project type or within the same project type (based on project specific features); - Between removals and reduction projects with non-permanence risk. <p>It was also noted that many reduction project types do not have non-permanence risk.</p>	<p>Verra thanks the respondents for their comments. While most respondents were supportive of distinguishing credits with non-permanence risk based on their attributes (e.g. removals vs reductions), due to the variance in responses no immediate action on this proposal will be taken without further consideration or consultation. We will continue to explore this proposal as part of future refinement to the labels approach.</p>
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ACTIVITY TYPE		
Question	Summary of Comments	Response to Comments
<p>2.1 Is the possibility to distinguish between VCUs generated by different activity types vital to you or to the market in general? Do you think activity type can already be sufficiently identified based on the methodology used by a given project?</p>	<p>83 percent of comments were supportive of distinguishing VCUs by activity type, although more comments stated it would be 'helpful' rather than 'vital' for the market. Supportive comments generally noted that buyers having more information through a broad activity-based label would be helpful to buyers as it can be time-consuming and confusing for some buyers who have less knowledge of market methodologies.</p> <p>17 percent of comments were not supportive of the activity-based labeling, stating reasons such as it being redundant because you can 'already filter by methodology activity-type in the registry'. Almost a third (28 percent) of comments highlighted how there is complexity in forcing all methodologies into the binary of 'nature-based' or 'industrial-based' credit labels. Comments highlighted</p>	<p>Verra thanks the respondents for their comments on activity-type labels. Overall, we heard that activity-type labels could be helpful for buyers with less knowledge of market methodologies, but that activity-labels may be an oversimplification of project methodologies. Due to a lack of consensus on activity-label definitions, we are not proceeding with activity-type label implementation at this time. Verra understands that there is interest in increasing the usability and functionality of the registry to search for relevant project information. We are working on incorporating more data analytics into the rollout of future registry updates</p>

	<p>biochar, plant-based CO2 capture that is later industrially processed, and others as examples of methodologies that fit into both camps of nature-based and industrial. There were several statements of concern related to how Verra would define 'nature-based' vs. 'industrial' labels.</p>	<p>which will further improve visibility of more detailed VCS credit information.</p>
<p>2.2 If you think the distinction is essential at the VCU level, how do you think it would best be achieved:</p> <p>a. A label that would combine the type of mitigation outcome with the activity type (e.g., nature-based reduction, technological/industrial reduction, nature-based removal, technological/industrial removal)</p> <p>b. A separate label in addition to a removal or reduction label for nature-based and technological and industrial VCUs</p> <p>c. Other (please explain).</p>	<p>Of the comments that were in favor of mitigation and activity-level VCU labels, 75 percent of respondents preferred option B (a separate label in addition to a removal or reduction label for nature-based and technological and industrial VCUs). Comments suggested the separate label would be more transparent. 41 percent of comments did not agree with option A or B. Most comments who chose option C did not agree with the suggested binary activity labeling. The most-cited alternative labeling strategy stated was to label based on permanence length and storage risk (as aligned with some IPCC recommendations).</p>	<p>Verra thanks the respondents for their comments. Please see response to Question 2.1 above.</p>
<p>2.3 Verra proposes using a binary categorization for activity type. Do you consider that all activities and methodologies can be unambiguously split into either nature-based</p>	<p>The vast majority of respondents (80 percent) are not supportive of a binary categorization for activity type. Of the respondents that are not supportive of the binary categorization, 85 percent suggested including a 'hybrid' or 'mixed' labeling in addition to the two categories (they suggest many project types could be considered both tech and nature-based). A 'mixed' label may defeat the purpose of the label to add clarity to the nature vs. technology</p>	<p>Verra thanks the respondents for their comments. Please see response to Question 2.1 above.</p>

<p>or technologically based categories? If not, what other categories would you propose?</p>	<p>labeling. A key challenge is that stakeholders do not agree on definitions of nature vs. technology.</p>	
<p>2.4 If implemented, why should these labels be able to be added retroactively, or why should they not be?</p>	<p>78 percent of respondents are supportive of retroactive labeling for the primary reason of creating a level playing field or ensuring fairness across all credits, particularly if a certain type of label is associated with a reputational or price premium. The 12 percent of respondents that aren't supportive of retroactive labeling, highlight that it would be administratively complex/time-consuming to do, with little benefit for the effort.</p>	<p>Verra thanks the respondents for their comments. Please see response to Question 2.1 above.</p>

AUTHORIZATION FOR ARTICLE 6 PURPOSES

Question	Summary of Comments	Response to Comments
<p>3.1 Are the proposed label statements clear? If not, how could the language be improved?</p>	<p>42 percent of comments thought the label statements were clear. 8 percent suggested they lacked information to comment. 50 percent of comments suggested that the clarity of the labels could be improved and highlighted two main areas where clarity could be improved:</p> <ol style="list-style-type: none"> 1) Authorization by the host country for a VCU to be used towards VCM targets is unclear; 2) Proposed labels should align with the existing language in the Article 6 text, which talks about “other purposes” (which could replace the VCM target label) and “international mitigation purposes” to replace the CORSIA label (this approach would avoid any limitations, such as future IMO schemes not being covered). 	<p>Verra thanks the respondents for their comments. Verra plans to launch the Article 6 labels and corresponding Registry functionality in mid-2023, with further refinement in subsequent updates as needed. Verra will work to align the authorization documentation and the definitions of terms with the latest information from the Article 6 text and other similar systems to the extent possible.</p>

3.2 What information should host countries include in their Letters of Authorization to be accepted for these authorization labels?	<p>Several comments suggest this information at minimum should be included in Letters of Authorization: Activity type, vintage, crediting period, information on OMGE contribution, admin fees etc. Several comments suggest information requirements could be defined at a later consultation stage.</p>	<p>Verra thanks the respondents for their comments and will consider the suggestions in the program guidance and requirements.</p>
3.3 How should any additional qualifications specified by host countries in their Letters of Authorization be reflected in the labels? Should more labels be developed to convey such qualifications, or should they be kept simpler through other means to associate the additional qualification with the relevant credits?	<p>52 percent of comments were supportive of Article 6 labels being kept as simple as possible. 19 percent of comments were supportive of Article 6 labels being adaptable through time as the Article 6 governance landscape evolves. 29 percent of comments needed more information to have an opinion.</p>	<p>Verra thanks the respondents for their comments and agrees with the proposal to keep the label itself standardized, with further information transparently provided through publication of the Letters of Authorization.</p>

SUSTAINABLE DEVELOPMENT BENEFITS

Question	Summary of Comments	Response to Comments
4.1 How do you think that the market will value these proposed additional sustainable development labels?	<p>More than three-quarters of comments suggested the market will react positively to sustainable development labels, as they will ease buyers' analysis with complementary information on the project's co-benefits, quality, or additional attributes. Comments also generally expect that such labels would increase VCU's financial value.</p>	<p>Verra appreciates the comments received and acknowledges the generally positive perceptions of the sustainable development labels under consideration.</p> <p>We recognize that sustainable development is a broad concept encompassing a comprehensive range of interventions that can be measured at distinct levels and</p>

	<p>Comments raised additional suggested issues for Verra's consideration:</p> <p>1. On standardization:</p> <ul style="list-style-type: none"> • There is a need for solutions to existing challenges of recognizing and standardizing SDGs • A potential hierarchy of labels according to project types (e.g., technology-based with energy efficiency) could support standardization and differentiation • The labels should increase disclosure and information on social, environmental, and economic outcomes <p>2. On labels' value:</p> <ul style="list-style-type: none"> • Labeled VCUs should be valued highly enough to justify higher prices, in line with the additional costs to verify against SDG outcomes • The labels' value depends on their credibility, so they should be linked to sustainable development in the national context, monitored, and reported on <p>3. Miscellaneous:</p> <ul style="list-style-type: none"> • SDG labeling should not impact the quality of climate claims • Implications for verification, increased activities to ensure the outcomes, or potential increases in VVB costs should be examined <p>Only two comments see minimal added value to these labels; these comments suggest labels could potentially confuse the market regarding the credit's effectiveness.</p>	<p>that these labels could help differentiate VCUs and support buyers' decision-making.</p> <p>Verra will continue to assess the best design and structure of sustainable development labeling for VCUs. We will seek to balance rigor with practicality to allow projects to demonstrate their additional high-quality sustainable development benefits in a standardized way.</p>
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	<p>Finally, one comment stated that the consultation should be reconvened once IC-VCM has provided a final draft of the Core Carbon Principles.</p>	
<p>4.2 What do you think about Verra's proposed approach of applying such labels based on our existing methods of documenting sustainable development contributions?</p>	<p>One-third of comments provided positive feedback on the proposal to use Verra's existing methods to claim sustainable development contributions.</p> <p>Another third provided suggestions for Verra's consideration on the following issues:</p> <p>1. On standardization:</p> <ul style="list-style-type: none"> • Label effectiveness is contingent on the development of more robust and detailed metrics and indicators to assess the actual SDG contributions in a standardized way • Verra should consider linkages between the label's attributes and the monitoring indicators to standardize sustainable development impacts • Verra should consider additional labels to capture the magnitude or extent of additional benefits, such as an optional grading system to assess SDG benefits quantitatively • Verra should consider supplementary tiered labels with more detail on particular SDG actions (e.g., SD VISTa as tier one, and then an additional SDG for women's employment as tier two to specify and strengthen this claim) • There should be categorizations of labels based on the number of SDGs • Verra should quantify projects' social, environmental, and economic outcomes and link the metrics used to do this to broader global natural capital initiatives <p>2. Miscellaneous:</p>	<p>Verra appreciates the comments received and acknowledges the varied opinions among respondents. We recognize that a significant number of respondents would like to explore further standardization mechanisms for SDG reporting and monitoring of benefits.</p> <p>Verra will continue to assess the best design and structure of sustainable development labeling for VCUs, including basing the proposed labels on existing methods of documenting sustainable development contributions.</p>

	<ul style="list-style-type: none"> • More clarity on the proposed mapping and categorization is needed • Verra should avoid unnecessary complexity beyond the SDGs <p>The last third of comments comprises those who prefer to comment on a new public consultation once the IC-VCM has established the final criteria for the Core Carbon Principles. Some comments are unsupportive of the proposal.</p>	
<p>4.3 Do you have other recommendations on sustainable development labeling?</p>	<p>Below is a summary of the recommendations:</p> <ul style="list-style-type: none"> • Differentiate VCUs via standardized subset of units, such as: Tiered impacts with levels (i.e., gold, silver, platinum) depending on certain benchmarks; A subset of co-benefits, such as water, health, or ecosystem restoration; Additionality labels. • Include in the methodologies suggested approaches to label SDG contributions to help projects identify those contributions in a standardized way. • Align sustainable development labels with international standards, e.g., UNFCCC A6.4M or the Sustainable Development Initiative. • Consider the post-2030 scenario when a new framework (other than the SDGs) might come into place and establish safeguards for an easy transition. • Allow labeling from third party standards (e.g., SocialCarbon) or underlying certifications (e.g., SBP). • Add more clarity for applicability in the rules and requirements once the proposal is ready, including scope 	<p>Verra appreciates the comments received and will take these into consideration when drafting a more detailed proposal. We will continue to assess the best design and structure of sustainable development labeling for VCUs.</p>

	<p>for VVB judgement calls or considerations for verified projects.</p> <ul style="list-style-type: none">• Create a short primer document for each SDG outlining core actions and core indicators as a guidance for project developers and VVBs.• Consider certification burdens and transfer the costs to report on sustainable development benefits to credit buyers.• Update the registry with more visuals on SDG contributions of each project once metrics and indicators are developed.• Reflect consistency with UN-SEEA and/or TNFD and references provided to access detailed information compiled using these assessment frameworks.	
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