A NEW ERA FOR VERRA

FOREST CARBON STRATEGY

VERRA

AGENDA

1. **Situational Analysis**
2. **Vision, Goals, & Strategies, 2024-2026**

A New Era for Verra

Photo by Nick Hall, Avoiding Planned Deforestation and Degradation in the Valdivian Coastal Reserve #1175

Verra's 3 Immediate Priorities

1

Operational Excellence

Goal Statement

To invest in developing the capabilities and infrastructure needed to deliver excellence.

2

Program Impact & Scientific Integrity

Goal Statement

To leverage the latest science and best-practices to enhance VCS Program integrity & scale up climate action.

3

Accountability

Goal Statement

To acknowledge and uphold our duty to others – stakeholders, the market, people, and the planet.

Verra's Forest Carbon Program Development & Innovation Team

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SITUATIONAL ANALYSIS

Current issues, opportunities, achievements & threats

VERRA

The Importance of Forest Carbon

“Living ecosystems, notably tropical forests and peatlands, contain over 100 gigatons (Gt) of carbon stocks that, once lost, cannot be recovered in any time frame relevant to addressing the climate crisis.”

– TFCI (Goldstein, A., et al. (2020). Protecting irrecoverable carbon in Earth’s ecosystems. Nature Climate Change, 10(4): 287–295. https://doi.org/10.1038/s41558-020-0738-8.)

Forest carbon includes:

- **REDD:** Reducing Emissions from Deforestation and Forest Degradation
- **Forest Management** (the + in REDD+): conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries

Voluntary Carbon Market

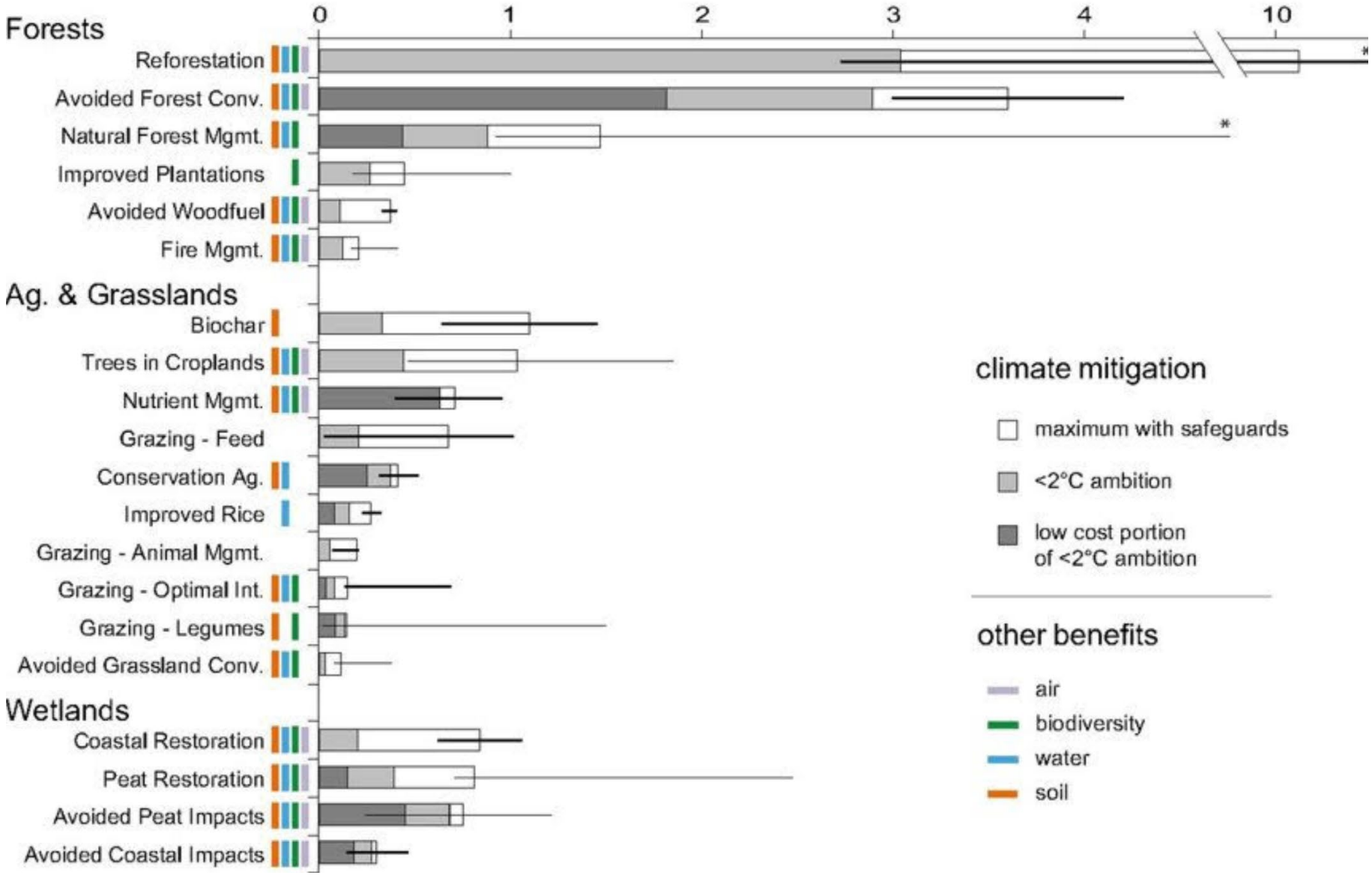
"Nature is fundamental to human survival and economic prosperity, yet there remains an estimated $700 billion funding gap per year for nature and biodiversity."

– TFCI (Deutz, A., et al. (2020). Financing Nature: Closing the global biodiversity financing gap. The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability.

VCM finance has the power to close the funding gap

Forest Carbon Mitigation Potential

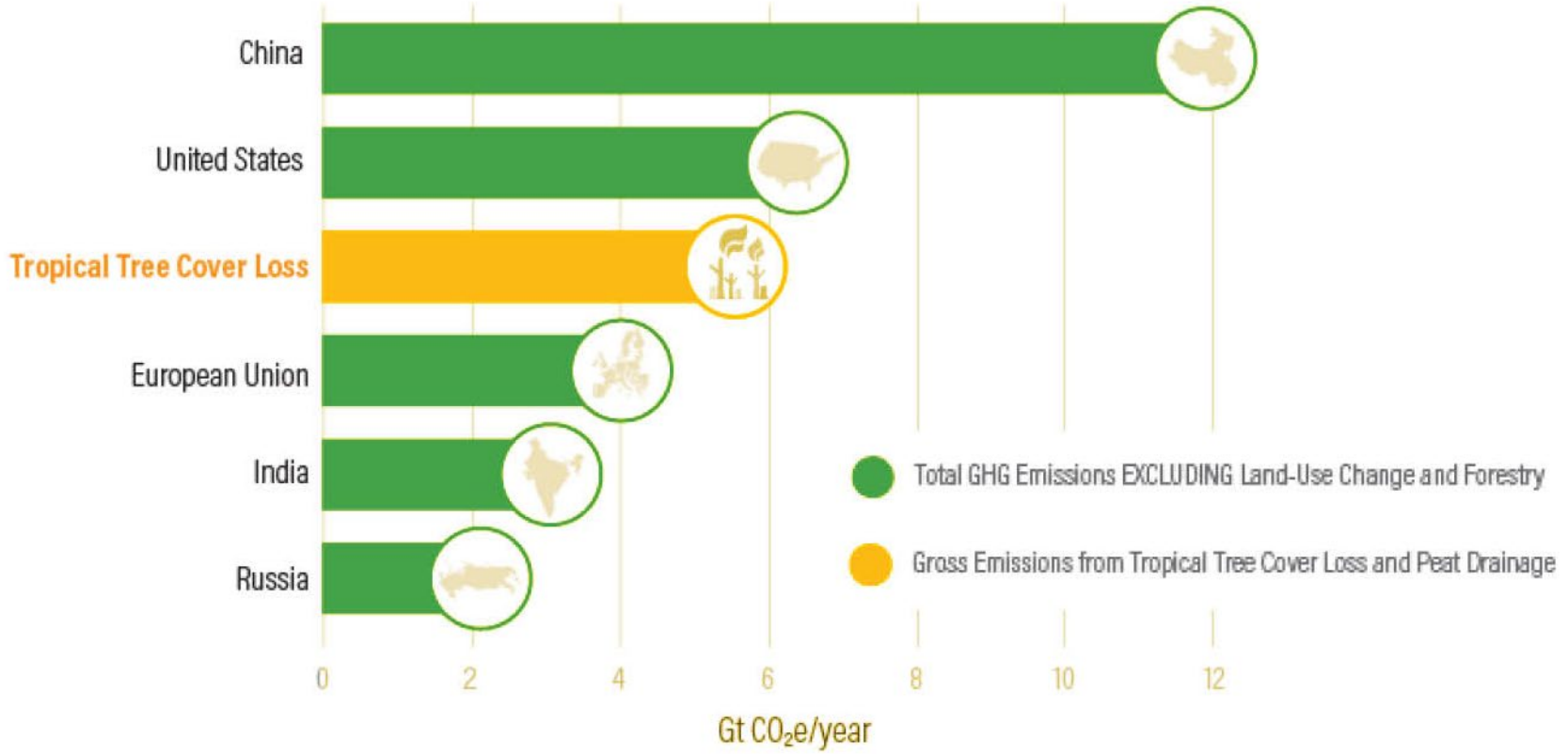
Climate change mitigation potential in 2030 ($PgCO_2eyr^{-1}$)



Tropical Deforestation

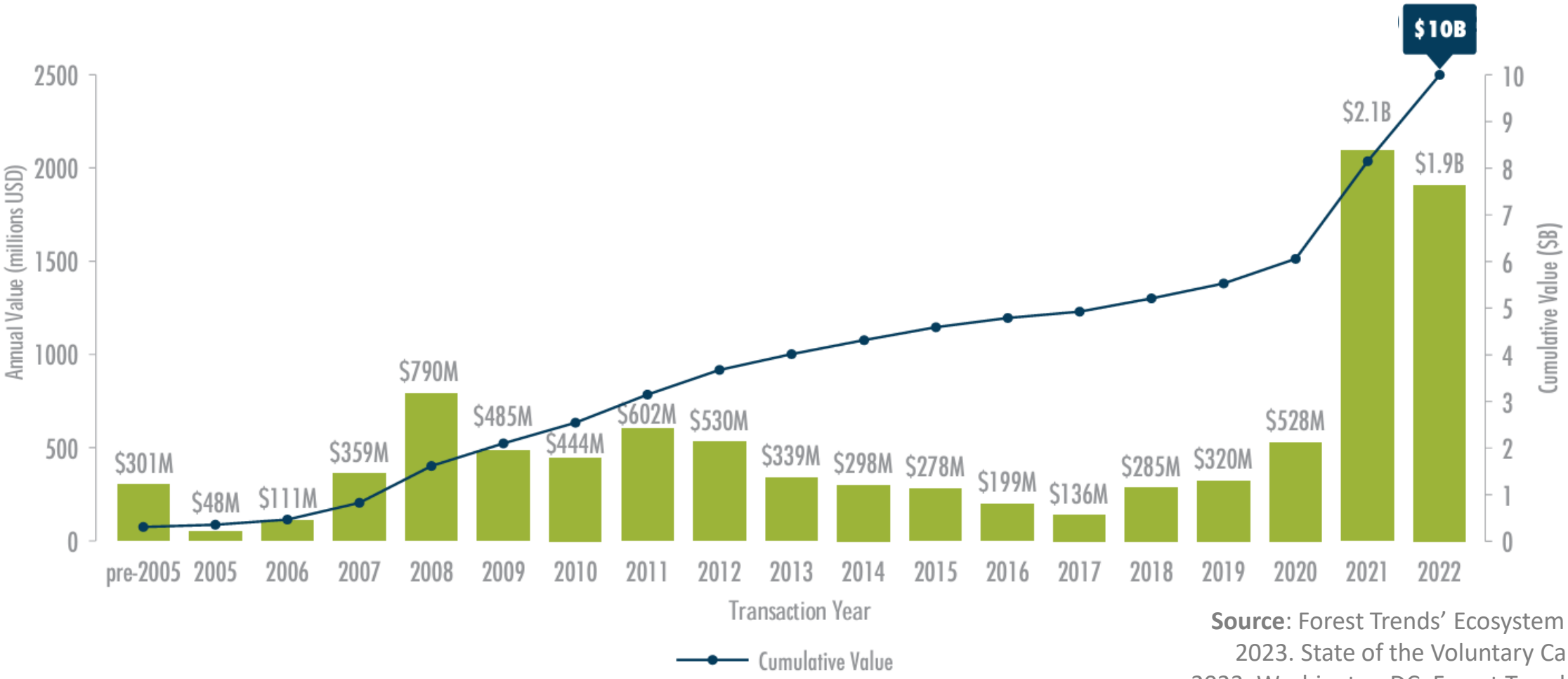
IS 8% OF GLOBAL GHG EMISSIONS

If tropical deforestation were a country, it would rank third in CO_2e emissions



Growth in the VCM

Value of traded carbon credits, pre-2005 through 2022



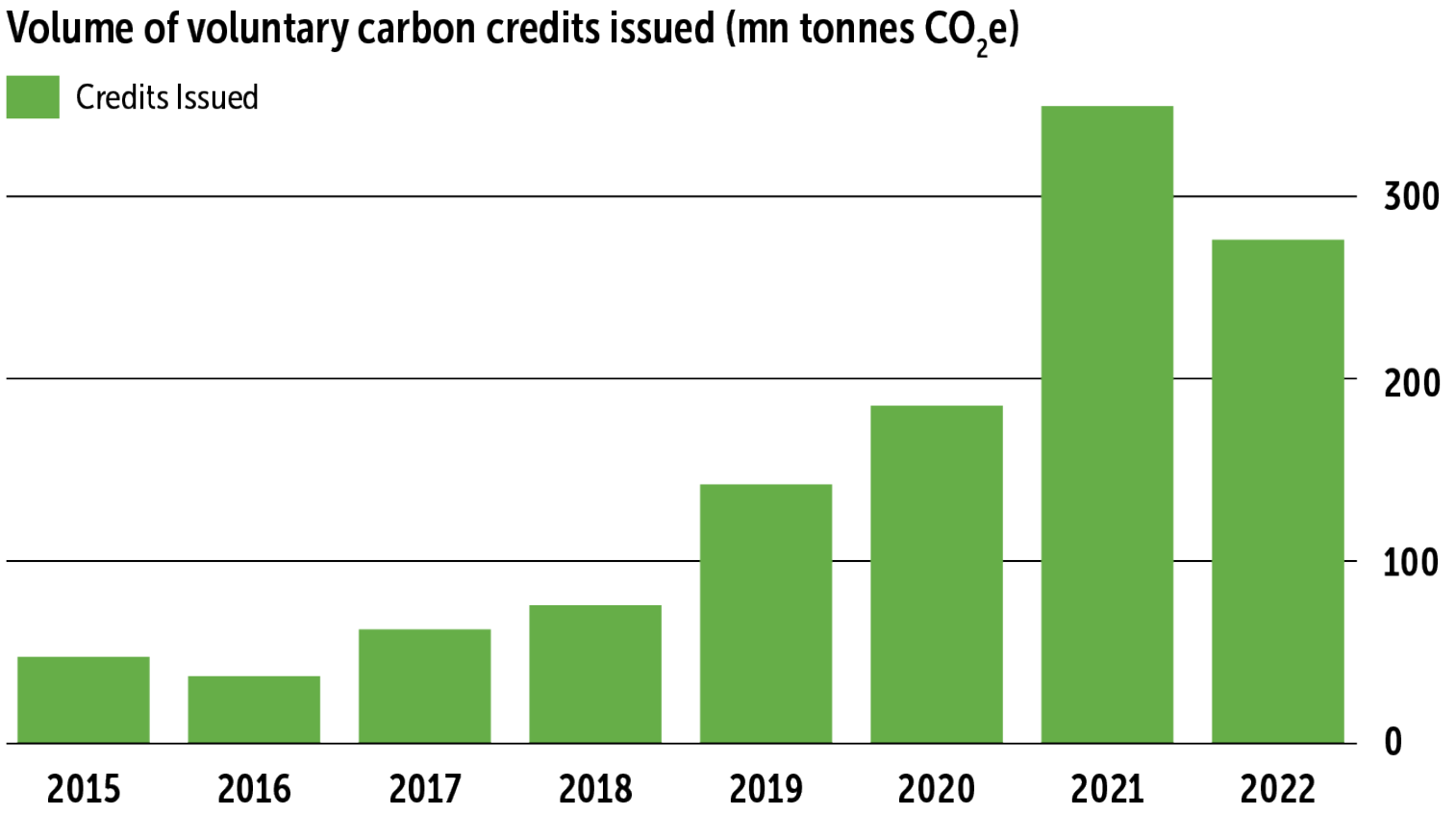
Source: Forest Trends' Ecosystem Marketplace. 2023. State of the Voluntary Carbon Markets 2023. Washington DC: Forest Trends Association.

VCM Volumes, Prices, and Values by Category 2021-2023

CATEGORY	2021			2022			2021-2022 PERCENT CHANGE			2023 (YTD)
	VOLUME ($MtCO_2e$)	VALUE (USD)	PRICE (USD)	VOLUME ($MtCO_2e$)	VALUE (USD)	PRICE (USD)	VOLUME	VALUE	PRICE	PRICE (USD)
FORESTRY & LAND USE	242,339,151	$1,401,461,426	$5.78	113,253,651	$1,148,848,783	$10.14	-53%	-18%	+75%	$11.21
RENEWABLE ENERGY	214,508,581	$463,950,451	$2.16	92,477,042	$386,054,729	$4.16	-57%	-17%	+93%	$3.97
CHEMICAL PROCESSING & INDUSTRIAL MANUFACTURING	17,253,275	$53,877,016	$3.12	13,338,781	$68,531,895	$5.14	-23%	+27%	+65%	$4.69
HOUSEHOLD / COMMUNITY DEVICES	8,687,821	$46,606,814	$5.36	9,070,331	$77,590,244	$8.55	+4%	+66%	+60%	$7.33
ENERGY EFFICIENCY / FUEL SWITCHING	10,936,656	$23,583,132	$2.16	6,601,354	$35,577,952	$5.39	-40%	+51%	+150%	$3.69
WASTE DISPOSAL	11,647,530	$42,292,142	$3.63	6,207,615	$44,870,139	$7.23	-47%	+6%	+99%	$9.00
AGRICULTURE	987,026	$9,525,119	$9.65	3,783,393	$41,700,362	$11.02	+283%	+338%	+14%	$6.43
TRANSPORTATION	5,405,466	$6,257,391	$1.16	176,338	$770,485	$4.37	-97%	-88%	+277%	-

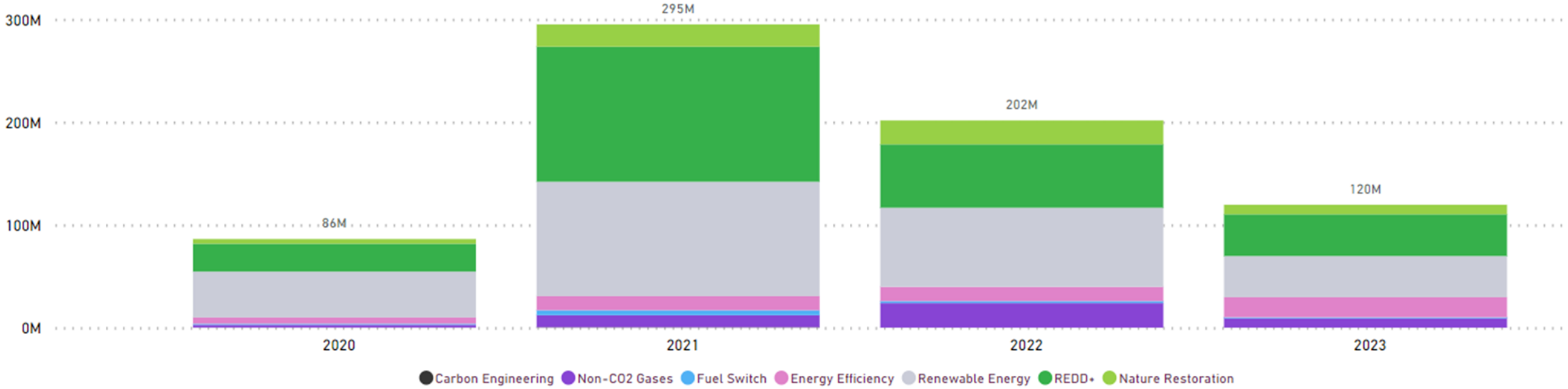
Source: Forest Trends' Ecosystem Marketplace. 2023. State of the Voluntary Carbon Markets 2023. Washington DC: Forest Trends Association.

Recent Trends



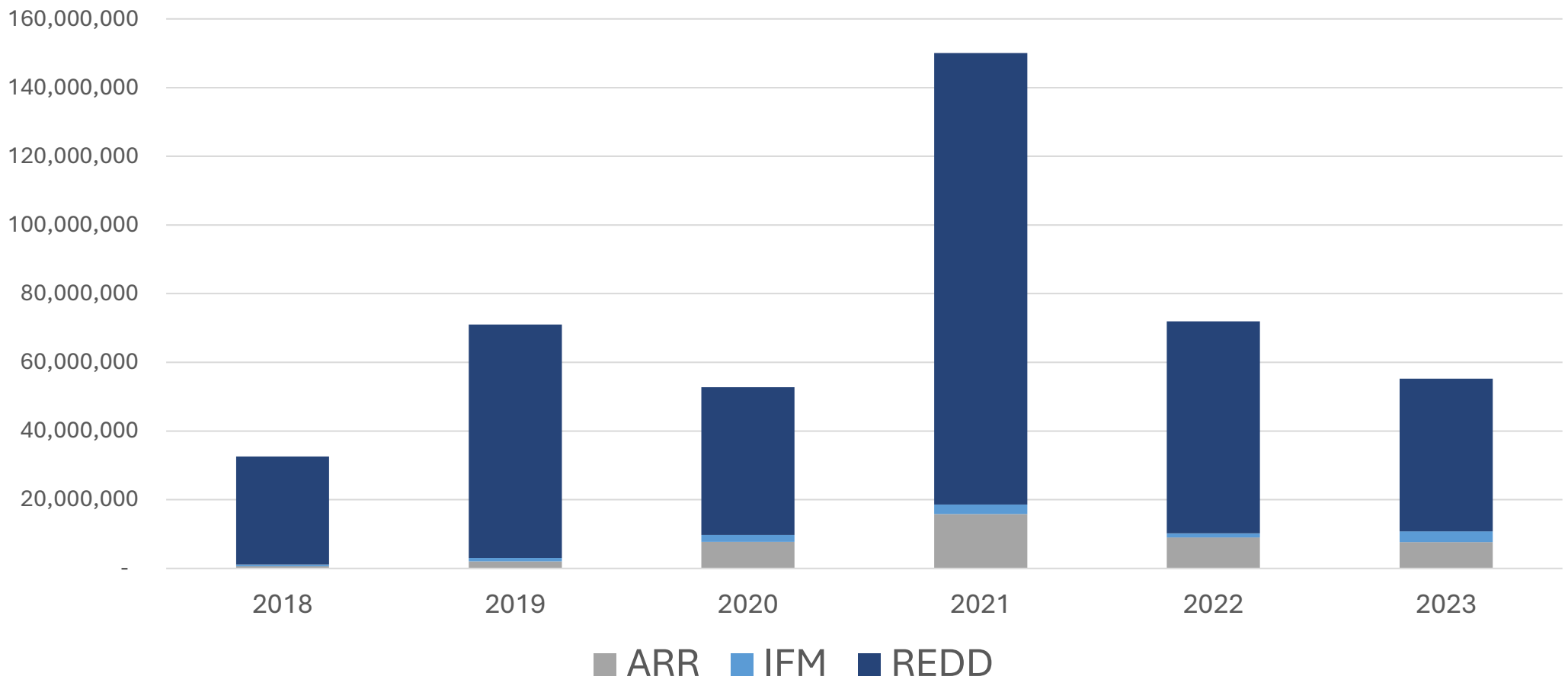
Sources: Climate Focus, Sustainable Fitch ©FT

Recent Trends by Sector



Data from Trove, 3 Oct 2023. Nature Restoration includes all non-REDD+ AFOLU project types – ARR, ALM, ACoGS, blue carbon, IFM and peatlands

Forest Carbon VCU Issuance



Forest Management Challenges

- Scale use of new methodologies to ensure integrity and consistency
- Enable use of rapidly developing dMRV technologies while ensuring conservative quantification
- Incorporate life-cycle assessment of wood products into FM methodology accounting
- Address landscape-scale degradation and climate disturbances

REDD Issues & Threats

- Credibility of accounting allegations
- Rapid improvements in science and tech
- Need to improve community engagement and safeguards
- Need for increased alignment with national strategies
- Lack of clarity in how corporates should use units

VISION & STRATEGY

What is the role that forest carbon must play as a climate change mitigation solution in the immediate future?

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Forest Carbon Strategy, 2024-2026

Vision: Unlock institutional-scale investment and uptake in avoided deforestation, degradation and forest carbon restoration projects by **increasing integrity and usability of forest carbon methodologies, while respecting and benefiting IPs and LCs**.

Strategic Objectives: Forest Carbon Projects and Programs...

Goals and Objectives

Goal One: **Forest carbon activities are a large-scale driver of emission reductions and removals in the VCM and Article 6.2.**

- FC **credits are recognized by ICVCM** CCPs and other current/future **definitions of 'high quality'**
  - Existing REDD & IFM methodologies reviewed and revised, using performance benchmarks for IFM
  - New REDD & IFM methodologies launched and widely adopted (Incl Vm0048)
  - Overlaps/gaps and synergies between ARR, IFM and REDD identified and addressed
  - Linkages with Scope 3 accounting identified and facilitated
  - JNR updated (incorporating *VM0048* innovations)
  - Market leakage accounting rules updated
  - Permanence approaches updated (Long-Term Monitoring System; potential re-insurance options)
  - Impact assessment mechanism implemented
  - Auditor training and improved oversight implemented

Goals and Objectives

Goal One: **FC activities are a large-scale driver of emission reductions and removals in the VCM and Article 6.2.**

- Forest carbon activities are recognized as high integrity activities that **deliver multiple benefits, including biodiversity and SD outcomes, with respect for IPs and LCs and improved FPIC**
  - Rules for FPIC and safeguards strengthened
    - Criteria for grievance reporting and redress mechanisms strengthened
  - Tools for identifying and quantifying SD benefits released
  - Auditing of safeguards and SD benefits improved through increased auditor training and oversight
  - Nature Framework released and implemented

Goals and Objectives

Goal Two: **FC activities help advance governmental programs and strategies.**

- Countries have clear strategies that maximize the potential of the VCM to contribute to NDCs and support national ambition.
- This includes increased:
  - government and other local stakeholder engagement and capacity building (on the VCM, *VM0048*, risk-based allocation)
  - long-term harmonization of data and methods
  - coordination with other programs such as FCPF, ISFL, etc

Goals and Objectives

Goal Three: **FC activities are optimized to leverage the latest science and technology in credible, consistent and transparent ways.**

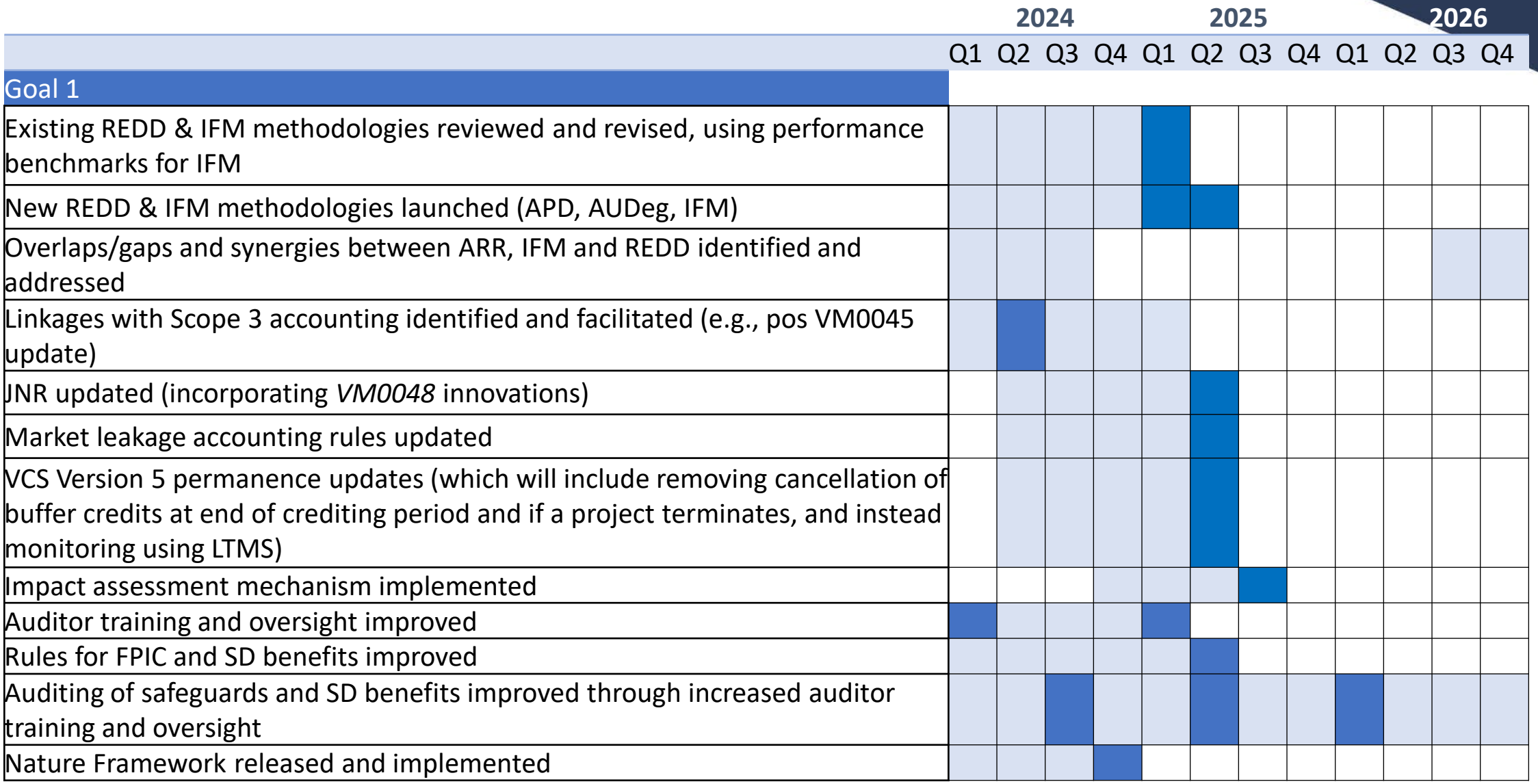
- Research collaboration established to provide input to and independent analysis of methodologies and key technical issues
- Forest Carbon Technology Working Group established to provide clear guidance and boundaries around the incorporation of new technologies, while promoting adoption of those that deliver accurate and cost-effective improvements, including DMRV technology

Goals and Objectives

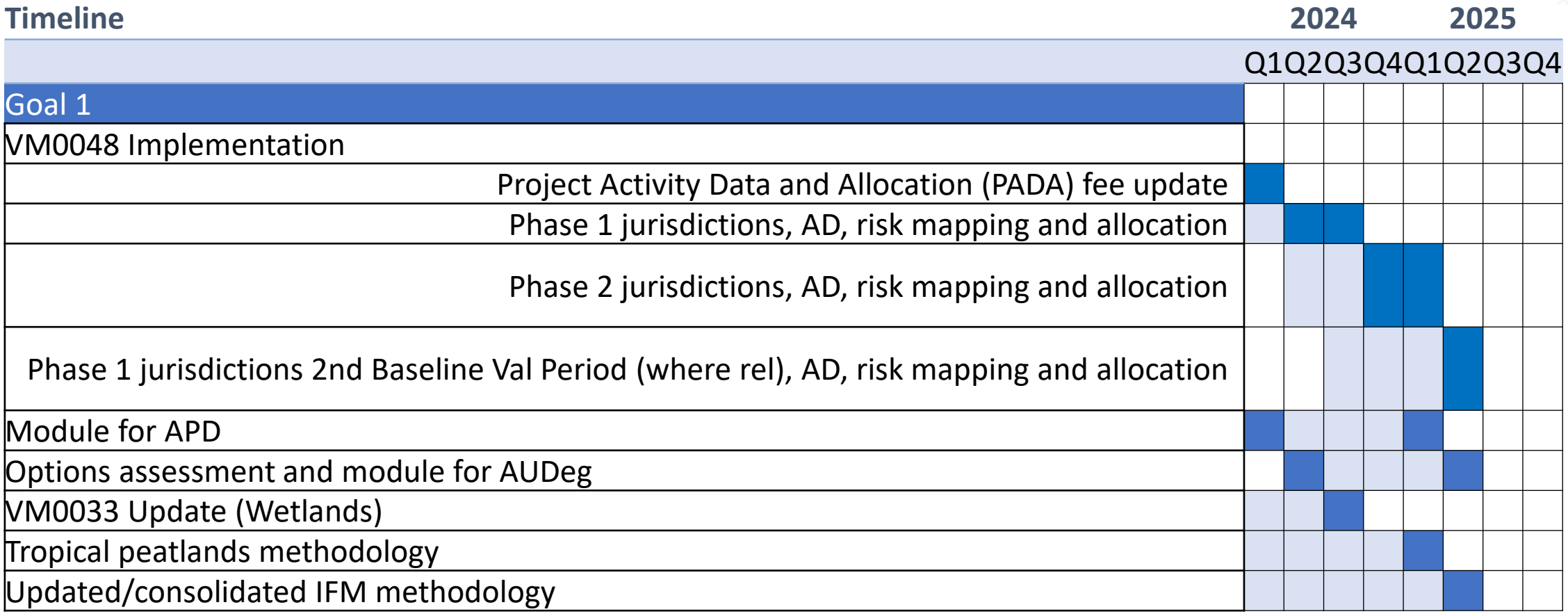
Goal Four: FC activities are used by corporates with high-integrity, including the use of reductions as well as removals.

- VCM credits are used as a bridge, to drive emission reductions and removals quickly, now, while transitioning to increasing emphasis on decarbonization of supply chains and regulation, in alignment with emerging high-integrity demand-side best practice (e.g., VCMI)
- Methodology updates are implemented to distinguish between reductions vs. removals
- Develop stackable modules and methodologies to quantify carbon storage in long-lived harvested wood products, biochar, and BECCS

Indicative Timeline



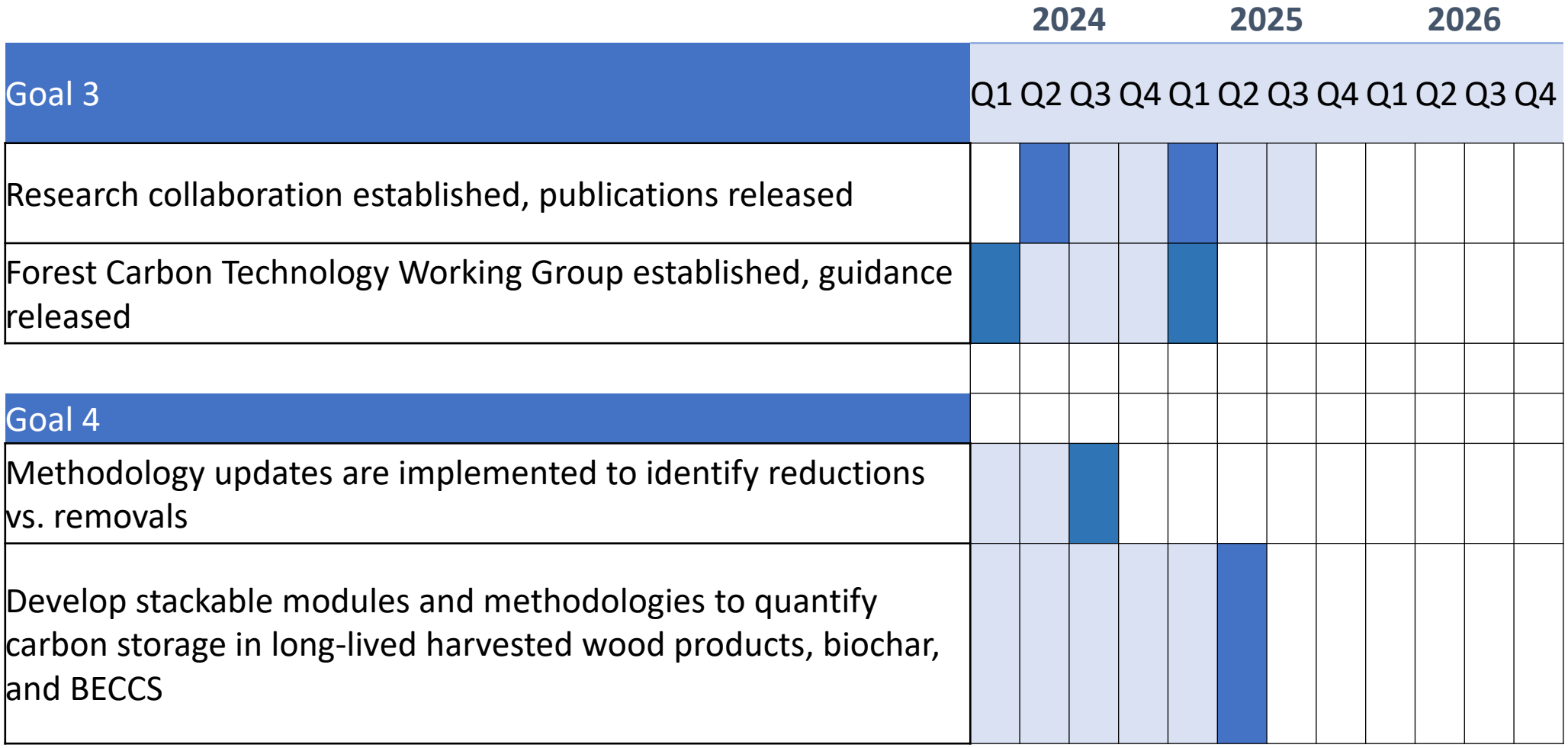
Timeline


Timeline
2024
2025
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Goal 1
VM0048 Implementation
Project Activity Data and Allocation (PADA) fee update
Phase 1 jurisdictions, AD, risk mapping and allocation
Phase 2 jurisdictions, AD, risk mapping and allocation
Phase 1 jurisdictions 2nd Baseline Val Period (where rel), AD, risk mapping and allocation
Module for APD
Options assessment and module for AUDeg
VM0033 Update (Wetlands)
Tropical peatlands methodology
Updated/consolidated IFM methodology

Timeline

Goal 2	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Government engagement and capacity building (on the VCM, *VM0048*, risk-based allocation)												
Long-term harmonization of data and methods												
Coordination with other programs such as FCPF, ISFL, UN-REDD, ART, etc												

Timeline


2024
2025
2026
Goal 3
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Research collaboration established, publications released
Forest Carbon Technology Working Group established, guidance released
Goal 4
Methodology updates are implemented to identify reductions vs. removals
Develop stackable modules and methodologies to quantify carbon storage in long-lived harvested wood products, biochar, and BECCS

THANK YOU

Questions?

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