

SECOND METHODOLOGY ELEMENT ASSESSMENT REPORT



Document Prepared by First Environment, Inc.

Methodology Element Title	Revisions to AMS-III.BC to Include Mobile Machinery	
Version	2.11	
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Sectoral Scope(s)	Tool	
	07 – Transport	

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Summary:

First Environment, Inc. (First Environment) was retained to provide the second assessment in the VCS double-approval process for the proposed Methodology Element titled, “Revisions to AMS-III.BC to Include Mobile Machinery.” The Methodology Element expands upon the approved Clean Development Mechanism small-scale methodology AMS-III.BC to include mobile machinery and provides procedures for monitoring and calculating emission reductions associated with efficiency improvements of these types of equipment.

The methodology assessment process consists of an independent third-party review of the Methodology Element. In particular, the methodology assessment shall confirm that the Methodology Element is consistent with relevant VCS rules and procedures. The assessment of the Methodology Element is done through a double-approval process, according to the VCS Standard, and is necessary to provide assurance to stakeholders of the quality of the Methodology Element.

The methodology assessment was conducted using the VCS Standard, v3.3 as the criteria. Additionally, First Environment followed guidance in the VCS Methodology Approval Process, v3.4 and the VCS Program Guide, Version 3.4 and applied its professional judgment as informed by ISO 14064-3 in assessing the proposed methodology revision.

During the methodology assessment process, First Environment issued several clarification and corrective action requests – all of which were addressed sufficiently by Carbon Offset Aggregation Cooperative. First Environment is of the opinion that the “Revisions to AMS-III.BC to Include Mobile Machinery” as described in the Methodology Revision, Version 2.11 dated March 13, 2013, meets all relevant VCS requirements.

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1 INTRODUCTION

This report is provided to Carbon Offset Aggregation Cooperative (COAC) as a deliverable of the Verified Carbon Standard (VCS) methodology assessment process for the proposed revisions to the Clean Development Mechanism (CDM) small-scale methodology AMS-III.BC, “Emission reductions through improved efficiency of vehicle fleets,” Version 1.0 (AMS-III.BC). The proposed VCS methodology element (ME) is titled, “Revisions to AMS-III.BC to Include Mobile Machinery.” This report provides a description of the steps involved in conducting the second methodology assessment as part of the VCS double-approval process and summarizes the findings of the second methodology assessment.

First Environment, Inc. (First Environment) was provided a copy of the ME and the first assessment report on October 9, 2012 and September 27, 2012, respectively. Based on this documentation, the Audit Team performed a document review and desktop audit, which resulted in corrective action requests (discussed later in this report) and revisions to the ME. The final version of the ME, dated March 13, 2013, serves as the basis of the final conclusions presented herewith.

1.1 Objective

The purpose of the methodology element assessment is to have an independent third party assess the conformance of the ME with VCS requirements.

1.2 Scope and Criteria

The methodology assessment scope is defined as an independent and objective review of the proposed ME. The methodology assessment is conducted using the *VCS Standard: VCS Version 3, 4 October 2012, v3.3* (VCS Standard) as the criteria. The *VCS Methodology Approval Process, 4 October 2012, Version 3.4* (VCS Methodology Approval Process); the *VCS Program Guide, 4 October 2012, Version 3.4* (VCS Program Guide); and the ISO 14064-3 standard guided First Environment’s process.

First Environment and COAC have agreed that a reasonable level of assurance be applied to this assessment.

1.3 Summary Description of the Methodology Element

The ME expands the applicability of AMS-III.BC to include mobile machinery as an additional vehicle category. This revision allows emission reductions to be claimed for efficiency improvements implemented in fleets of mobile machinery. Generally, the same approach is used to establish the project boundary, determine the baseline scenario, and demonstrate additionality as described in the original version of AMS-III.BC. The ME provides additional criteria for identifying eligible project activities and revised procedures for monitoring fuel efficiency and quantifying baseline and project emissions for mobile machinery.

2 ASSESSMENT APPROACH

2.1 Method and Criteria

The following assessment process was used:

- conflict of interest review;
- selection of assessment team;
- kick-off meeting with COAC;
- development of the validation plan;
- desktop review of the ME and other relevant documentation;

- follow-up discussions with COAC for supplemental information, as needed, as well as the corrective action cycle; and
- report development.

The validation process was utilized to evaluate whether the ME is consistent with the stated criteria. A methodology assessment checklist was developed which summarizes the criteria used to evaluate the ME, the conformance of the ME with each criterion, and the Audit Team's assessment findings.

Conflict of Interest Review

Prior to beginning any assessment project such as this, First Environment conducts an evaluation to identify any potential conflicts of interest associated with the project. No potential conflicts were found for this project.

Audit Team

First Environment's audit team consisted of the following individuals who were selected based on their assessment experience.

Lead Auditor – Iris Caldwell
Auditor – Howard Kanter, Jeff Daley, Michael Carim
Internal Reviewer – James Wintergreen

Audit Kick-off

The assessment process was initiated with a kick-off conference call on September 28, 2012 between First Environment and the primary COAC contact, George Stedeford. The communication focused on confirming the assessment scope, objectives, criteria, schedule, and the information required for the methodology assessment.

Development of the Validation Plan

Based on the information discussed during the kick-off conference call, the Audit Team formally documented its validation plan and provided the validation plan to COAC.

Desktop Review

The Audit Team performed a desktop review of the ME and supporting documentation, as further described in Section 2.2 below.

Corrective Actions and Supplemental Information

The Audit Team issued requests for corrective action and clarification during the methodology assessment process, as described in Section 2.5. The corrective action and clarification requests and the responses provided are summarized in Section 4.

Assessment Reporting

This methodology assessment report documents the methodology assessment process and identifies its findings and results.

2.2 Document Review

Eligibility requirements, baseline approach, additionality, project boundary, emissions, leakage, monitoring, data and parameters, and other pertinent criteria were assessed to evaluate the ME against

VCS program requirements. Discrepancies between the assessment criteria and the ME were considered material and identified for corrective action, as further described in Section 2.5.

2.3 Interviews

The Audit Team held teleconferences with the following individuals throughout the course of the methodology assessment:

- George Stedeford – COAC
- Jurg Grutter – Grutter Consulting

2.4 Use of VCS-Approved Expert

A VCS-approved expert was not retained for the purposes of this methodology assessment. In accordance with the VCS Standard, a VCS-approved expert is not necessary for non-AFOLU ME assessments where a standardized method is not applied.

2.5 Resolution of Any Material Discrepancy

As described in Section 2.1, the Audit Team issued formal requests for corrective action, clarification, and supplemental information during the methodology assessment process. In particular, discrepancies between the ME and the VCS Standard were identified for corrective action and required appropriate justification. Clarification and supplemental information requests served to provide the Audit Team additional context or background information in order to complete the assessment process. COAC was given the opportunity to resolve raised issues through the submittal of additional evidence or justification, revisions to the ME, and/or other means as appropriate. The specific corrective action and clarification requests issued by the Audit Team, as well as the responses provided by COAC, are summarized in Section 4. As indicated, COAC adequately resolved all of these requests.

2.6 Internal Quality Control

First Environment is an accredited validation and verification body by the American National Standards Institute (ANSI). This accreditation assures the quality controls inherent in our assessment process, which includes an independent internal review process as required by the ISO 14064-3 standard. The Internal Reviewer, who is selected as a senior member of First Environment’s staff, conducts a review of the methodology assessment activities and conclusions and confirms that they are consistent with the assessment criteria as well as First Environment’s internal management procedures. All issues identified during the internal review are resolved before the issuance of deliverables to the client.

3 ASSESSMENT FINDINGS

3.1 Applicability Conditions

The ME identifies several changes to the applicability conditions given in AMS-III.BC. Specifically,

- “Other energy efficiency measures identified by the project owner ex ante project start” was added as an eligible measure in Paragraph 2.
- Paragraph 4 was revised to more clearly describe the requirements for project ownership, avoidance of double-counting, and right of use requirements in the VCS program.
- Paragraph 5 was revised to describe the cap on emission reductions in terms of the generic activity level indicator. Additional detail was also provided regarding the calculation of the ex ante estimation and emission reduction cap.
- Paragraph 9 was revised to require project proponents to evaluate projects participating in other GHG programs in addition to the CDM.

- “Mobile machinery equipment which may be further differentiated” was added as an eligible vehicle category in Paragraph 10.

These revisions expand the applicability of the original AMS-III.BC methodology to allow for the inclusion of mobile machinery. The Audit Team concluded that the revised applicability requirements given in the ME are appropriate, adequate, and consistent with the VCS Standard.

3.2 Project Boundary

No changes were made to the original requirements in AMS-III.BC for describing the project boundary and identifying relevant SSRs. The Audit Team confirmed that the procedures given in AMS-III.BC are adequate for projects applying the methodology revision.

3.3 Procedure for Determining the Baseline Scenario

No changes were made to the original procedure in AMS-III.BC for determining the baseline scenario. The Audit Team confirmed that the procedures given in AMS-III.BC are adequate for projects applying the methodology revision.

3.4 Procedure for Demonstrating Additionality

No changes were made to the original procedure in AMS-III.BC for demonstrating additionality. The Audit Team confirmed that the procedures given in AMS-III.BC are adequate for projects applying the methodology revision.

3.5 Baseline Emissions

The general quantification approach for baseline emissions is similar to that given in the original AMS-III.BC methodology. However, in order to accommodate mobile machinery, a general term known as the “activity level indicator” is introduced. This metric replaces tonne-kilometer and kilometer, which were the given metrics for on-road vehicles in the original AMS-III.BC methodology, as the representation of project activity level for mobile machinery. In order to address the risk that the activity level indicator may not be adequately representative of fuel consumption or equipment efficiency, the ME establishes criteria for demonstrating the appropriateness of the activity level indicator at the project level. The Audit Team concluded that adequate guidance is given in the ME to ensure the selection of an appropriate, project-specific activity level indicator.

As in the original AMS-III.BC methodology, the baseline emission factor can be determined based on fuel consumption by a control group. The ME identifies specific requirements for establishing a control group for mobile machinery that is comparable to the project group.

The ME expands the guidance given for electric or hybrid vehicles to include the specific equation from AMS-III.C that has been revised for use in this methodology’s context.

The Audit Team reviewed all formulae and quantification methods for accuracy and concluded that the approach to calculate baseline emissions is appropriate, adequate, and consistent with the VCS Standard.

3.6 Project Emissions

The general quantification approach for project emissions is similar to that given in the original AMS-III.BC methodology. As above, the generic activity level indicator serves as the project-specific metric for monitoring activity level and replaces the tonne-kilometer and kilometer metrics used in the original AMS-III.BC methodology for on-road vehicles. The same activity level indicator that is selected and justified per the guidance in Section 8.1 of the ME is also used for the purpose of quantifying project emissions and should be consistently determined between baseline and project monitoring periods.

The Audit Team reviewed all formulae and quantification methods for accuracy and concluded that the approach to calculate project emissions is appropriate, adequate, and consistent with the VCS Standard.

3.7 Leakage

No changes were made to the procedure in AMS-III.BC for leakage emissions. The Audit Team confirmed that the procedures given in AMS-III.BC are adequate for projects applying the methodology revision.

3.8 Quantification of Net GHG Emission Reductions and/or Removals

Emission reductions are calculated as the difference between baseline and project emissions. Baseline and project emissions are aggregated across all groups of mobile machinery and fuel types in a given year. The Audit Team determined that this approach to calculate emission reductions is appropriate, adequate, and consistent with the VCS Standard.

3.9 Monitoring

The monitoring of all data and any new parameters introduced as part of the revision are described and appropriately defined in the ME. Specifically, the ME establishes requirements for monitoring procedures, measurement frequency, quality control and quality assurance, and record retention for all monitored data and parameters that have been added to the underlying methodology as a part of the revision. The Audit Team determined that the monitoring approach is appropriate and sufficient in order to obtain the necessary data for emission reductions quantification as well as meets relevant requirements in the VCS Standard.

3.10 Data and Parameters

No additional parameters available at validation are identified in the ME.

The ME describes three new or revised monitored parameters that are required for quantifying emissions from mobile machinery: $AL_{i,x,y}$, $SFC_{PJ,i,x,y}$, and $SFC_{BL,i,x,y}$. The descriptions include source of data, unit of measurement, measurement procedures and frequency, quality control and quality assurance, and other comments necessary for project implementation or validation/verification. The Audit Team concluded that the data and parameters given in the ME and the associated requirements for monitoring and measurement are appropriate and sufficient to reduce uncertainty in the emission reduction calculations.

3.11 Use of Tools/Modules

The Audit Team confirmed that the ME does not include the use of any additional tools or modules beyond those already incorporated by in the underlying methodology. However, additional guidance documents from the CDM are referenced where appropriate.

3.12 Adherence to the Project Principles of the VCS Program

The ME was developed in accordance with the requirements of VCS and adequately addresses the principles of relevance, completeness, consistency, accuracy, transparency, and conservativeness.

3.13 Relationship to Approved or Pending Methodologies

Not applicable – ME represents a methodology revision, not a new methodology.

3.14 Stakeholder Comments

The ME did not receive any comments during the public stakeholder consultation process.

4 RESOLUTION OF CORRECTIVE ACTION REQUESTS AND CLARIFICATION REQUESTS

As described above, the Audit Team requested corrective actions, clarification, and supplemental information during the ME assessment process. The corrective action and clarification requests and the responses are summarized in the tables below.

ID	Corrective Action Request	Summary of Methodology Developer Response	Validation Conclusion
1	Please further justify the removal of the fourth applicability condition from AMS-III.BC. Specifically, explain how the right of use requirements in the VCS Standard will be adequately met without this condition.	The fourth applicability condition was revised to specifically address double-counting and right of use. Specifically, the revised applicability condition states: "Where the project proponent is not the owner of the commercial fleet vehicles (e.g., the project proponent is a fleet manager with many clients, each client being the owner of its respective commercial fleet vehicles), there shall exist a contract between the project proponent and each fleet owner to establish clear ownership of the emission reductions. The project description of the PD shall in addition be accompanied by documentary evidence establishing the Right of Use based on the VCS Standard."	Response is acceptable.
2	The ninth applicability condition from AMS-III.BC has not been revised for the VCS context. Please revise or justify why only CDM transport projects need to be considered.	The ninth applicability condition was revised to include <i>any</i> other GHG programs or trading mechanisms.	Response is acceptable.
3	The ME does not describe how uncertainty in the activity level parameter ($AL_{i,x,y}$) will be addressed, or what constitutes an acceptable level of uncertainty. Please revise Sections 8.1 and 9.2 as appropriate.	Sections 8.1 and 9.2 of the ME were revised to indicate that monitored activity level must be accurate to within $\pm 10\%$. Section 9.2 further describes a procedure to address uncertainty.	Response is acceptable.
4	The ME does not provide sufficient guidance for determining the baseline emission factor for mobile machinery. Specifically, please elaborate on: (1) guidance for a Randomized Control Trial and (2) how "similar equipment" and "comparable usage" are determined in a control group.	(1) The ME was revised to reference paragraph 16 of AMS-III.BC for the guidance on Randomized Control Trials. (2) Criteria for establishing similar and comparable usage between the control and project groups have been more clearly defined in the ME.	Response is acceptable.
5	Definitions and certain acronyms identified in Section 3 are not relevant for the methodology revision. However, key terms introduced in the revised ME such as "mobile machinery equipment" and "activity level indicator" are not defined.	All acronyms were eliminated from the ME. Definitions of "mobile machinery equipment" and "activity level indicator" were included in Section 3.	Response is acceptable.

ID	Corrective Action Request	Summary of Methodology Developer Response	Validation Conclusion
6	The data units of parameter $EF_{CH_4,x,y}$ are inconsistent between Sections 8.1, 8.2 and 9.2 of the ME. Also, please justify the likelihood that data will be available to determine a unique emission factor for each category of mobile machinery and describe the consequences if such data are unavailable.	Methane emissions are no longer considered in the ME; therefore, the equations were revised and relevant parameters (e.g., EF_{CH_4}) were removed.	Response is acceptable.
7	Please justify the appropriateness of validation and verification bodies (VVBs) validating the percent reduction of baseline emissions of particular energy efficiency measures that have not been peer reviewed and published. What criteria should VVBs use to evaluate energy efficiency measures and confirm that the ex-ante cap is reasonable and accurate?	The language for the fifth applicability condition, which requires VVBs to evaluate studies carried out by the project proponent for the purpose of establishing the ex ante estimations, is consistent with similar language given in AMS-III.BC. Additional assurance that the implemented energy efficiency improvement measures are recognized, peer reviewed activities is provided per COAC's response to Clarification Request No. 2 below.	Response is acceptable.

ID	Clarification Request	Summary of Methodology Developer Response	Validation Conclusion
1	Please describe anticipated implementation barriers and net benefits faced by the project activity and its alternatives as they relate to the identification of the baseline scenario.	There are no unique implementation barriers relevant to the scope of the methodology revision. Mobile machinery was not included in the original version of AMS-III.BC because the original methodology developer was solely interested in emission reductions from bus, car, and truck fleets, not because of any other unique barriers faced by mobile machinery.	Response is acceptable.
2	Please clarify under the second applicability condition what is meant by "Other energy efficiency improvement measures," provide examples of other energy efficiency improvements, and elaborate on what criteria VVBs should use to evaluate any alternative measures.	The ME was revised to specify that "other energy efficiency improvement measures" must be described in independent third-party studies as fuel savings measures. In addition, COAC further explained that emission reductions are achieved only through documented reductions in fuel consumption from an equipment group on the whole, not based on data for specific implemented efficiency measures (although, the available information on efficiency measures does serve as a cap on specific emission reductions, as described in the fifth applicability condition).	Response is acceptable.

ID	Clarification Request	Summary of Methodology Developer Response	Validation Conclusion
3	Please clarify whether it is the intention of the ME to consider "ton-hours" as a pre-approved activity level indicator, not subject to further justification by the project proponent or adherence to the four criteria in Section 8.1.	Ton-hours are not intended to be a pre-approved activity level indicator and all references were removed from the ME.	Response is acceptable.
4	It is unclear in the ME whether a linear relationship between activity level and fuel consumption is required. Please further clarify, including the consequences of a non-linear relationship and which relationship (i.e., higher activity levels leading to higher fuel consumption or a linear relationship between the two) must be proven in the Project Description (PD). Please also clarify what is meant by "theoretical arguments" and whether a proof is required in the PD.	A linear relationship is not required; rather, the relationship must be described in the PD based on measurements or literature. The ME was revised appropriately.	Response is acceptable.
5	Please explain how the third requirement for justifying the activity level indicator given on Page 6 of the ME shall be justified at validation and whether this must be re-proven at each verification.	The ME was revised to indicate that the sample used to determine the baseline emission factor at the lower boundary of the 90% confidence interval should have a deviation of less than 20% from the average value based on data available at verification, not validation. The specific verification check is also described in Section 9.2. In addition, the ME was further revised to indicate that qualitative arguments or ex-ante data must be used at validation to demonstrate that changes in fuel consumption are directly related to efficiency or changes in fuel type. This provides confidence that the verification check will be successful.	Response is acceptable.
6	Please clarify the appropriateness of a production output-based activity level indicator and provide an illustrative example.	The requirements for establishing the activity level indicator include demonstration that the indicator is related to efficiency or changes of fuel type used and not random or due to external factors not under the influence of the project. Demonstration of this at validation and verification will ensure that a production output-based activity level indicator is appropriately chosen and justified.	Response is acceptable.
7	Please clarify how the ex-ante emissions cap will be calculated during validation and verification. Please provide example calculations as appropriate.	Additional detail was added to the ME in order to further clarify how the ex-ante emissions cap is established.	Response is acceptable.

ID	Clarification Request	Summary of Methodology Developer Response	Validation Conclusion
8	Please clarify why methane emissions are only considered from mobile machinery and not other vehicle types. Additionally, why are methane emissions only considered from gaseous fuels and not liquid fuels?	Methane emissions are no longer considered in the ME for any vehicle type due to the marginal nature of these emissions compared to CO ₂ emissions.	Response is acceptable.
9	Please clarify and elaborate on the description of measurement methods/procedures and QA/QC procedures given in Section 9.2 of the ME.	Additional information was provided in the ME regarding minimum QA/QC procedures for monitored parameters. Where appropriate, approved guidance documents were cited and the acceptable outcome of certain QA/QC practices were more clearly described.	Response is acceptable.
10	Please clarify how the Source of Data options for parameters $SFC_{PJ,i,x}$ and $SFC_{BL,i,x}$ will apply in the context of a Randomized Control Trial or control group. Also, please further expand on the measurement conditions (i.e., “measurements are made during at least 1 month”) to ensure that data are representative for typical usage.	The Source of Data guidance was revised to reference the latest version of the “General guidelines for sampling and surveys for small-scale CDM project activities,” which provides guidance for several sampling methods. Additionally, the ME was revised to describe how the SFC parameters shall be quantified using the monitored fuel consumption and associated activity level.	Response is acceptable.
11	Section 8.1 states that “For electric or hybrid vehicles the EF is determined in accordance with UNFCCC CDM approved methodologies AMS-III.C latest version.” Please clarify whether this guidance applies to only $EF_{CO_2,x,y}$ and provide similar guidance as appropriate in Section 8.2 of the ME.	The ME was revised to more clearly indicate that the parameters $BEF_{i,x,y}$ and $PEF_{i,x,y}$ are determined in accordance with the latest version of AMS-III.C. Additional guidance, including the specific equation from AMS-III.C adapted for use in the ME, was included in the ME to clarify the application of AMS-III.C. in this context.	Response is acceptable.
12	Please further explain what is considered an appropriate confidence deduction, as referenced in Section 9.2 for the $SFC_{PJ,i,x}$ and $SFC_{BL,i,x}$ parameters. Specifically, what criteria should be used by VVBs to assess the appropriateness of a confidence deduction?	Additional guidance was added to the ME to direct project proponents to use the CDM Meth Panel’s guidance on addressing uncertainty per the Thirty Second Meeting Report, Annex 14, Table 4. The ME also clarifies that the confidence deductions shall be applied in a conservative manner.	Response is acceptable.
13	Please further clarify the guidance in Section 10 of the ME, which requires all measurements to be conducted with “calibrated measurement equipment according to relevant industry standards.” How would this requirement be met in the case of odometers, third-party fuel records, or other measurement methods that may not have clear industry standards or means of calibration?	Section 10 was revised to more appropriately describe measurement and calibration guidance.	Response is acceptable.

5 ASSESSMENT CONCLUSION

First Environment performed the methodology assessment of the ME as part of the VCS double-approval process. First Environment used the VCS Standard as the criteria for the assessment. The assessment process was further guided by the VCS Methodology Approval Process and the VCS Program Guide.

The review of the ME and the satisfaction of corrective action and clarification requests have provided First Environment with sufficient evidence to determine the fulfillment of stated criteria.

The ME was prepared in accordance with the VCS Standard, the VCS Methodology Approval Process, and the VCS Program Guide. The proposed methodology belongs to Sectoral Scope 7 – Transport.

In summary, it is First Environment's opinion that the ME titled, "Revisions to AMS-III.BC to Include Mobile Machinery, Version 2.11" and dated March 13, 2013, meets all relevant VCS requirements.

6 REPORT RECONCILIATION

No revisions were required to this report as a result of the reconciliation process with the first assessor.

7 EVIDENCE OF FULFILMENT OF VVB ELIGIBILITY REQUIREMENTS

First Environment, Inc. holds accreditation to perform validation for projects under Group 01 (GHG emission reductions from fuel consumption), as defined by ANSI. First Environment has also completed more than 10 previous methodology and project validations in ANSI Group 01. First Environment, therefore, is eligible under the VCS program to perform assessments for the ME, which falls under Group 01.

8 SIGNATURE

Signed for and on behalf of First Environment, Inc. on April 16, 2013.



Iris Caldwell
Senior Engineer



James Wintergreen
Senior Associate