VCS VERSION 4 CONSULTATION ROADMAP

11 April 2019

1   INTRODUCTION

This VCS Version 4 Consultation Roadmap is designed to advance consideration of the various proposals set out during the first VCS Version 4 public consultation which took place from 17 May to 16 July 2018. Specifically, this roadmap highlights whether those proposals have been updated based on feedback received during the consultation and/or developments in the carbon markets or beyond, and sets out concrete proposed changes to the VCS Program requirements. This Consultation Roadmap also sets out a few new proposals which were not included in the first consultation. Finally, this document provides details on the updated (or new) proposals, which serve as the basis for this second VCS Version 4 consultation.

Section 2 below sets out a timeline for this second consultation and an indicative timeline for the release of VCS Version 4. Section 3 sets out the catalogue of proposals which will make up the core of VCS Version 4. For each proposal, there is an embedded hyperlink which will lead to an individual consultation document that sets out the background and details of each proposal, including the main points of feedback received during the first consultation and any corresponding updates to the proposal.

We encourage stakeholders to review as many proposals as possible, though this Consultation Roadmap is designed to facilitate review of proposals which are most relevant to individual stakeholders' work. Please provide comments in any form, including email or by preparing formal documents, and send those to secretariat@verra.org.

After the consultation, we will use the input received to finalize the content of VCS Version 4. As always, please let us know if you have any questions as you engage in this consultation. We look forward to your feedback.

2   INDICATIVE TIMELINE

Start of public consultation	11 April 2019
End of public consultation	10 June 2019
Consideration of consultation feedback	June - August 2019
Tentative VCS Version 4 release date	September 2019

3   CONSULTATION ITEMS

Item	Description
[Revision to Scope of VCS Program](#) **Status**: Revised proposal developed	During the first public consultation for VCS Version 4, Verra proposed a revision to the scope of the VCS Program such that a number of project types, under particular circumstances, would be excluded from future eligibility. The background and details of the original proposal can be found [here](#). The feedback received during the first consultation was evenly split between those in favor of the proposal, and those opposed. Comments from those in favor of the proposal commended the strict approach taken, and agreed that the project types identified had in many cases moved beyond their need to rely on carbon instruments as a source of critical, early-stage finance. Comments from those opposed to the proposal largely fell under three categories. First, those opposed felt that the project types proposed for exclusion provided significant sustainable development benefits which may not be realized if they are not able to be certified under the VCS Program. Second, that Verra should introduce more strict criteria for assessing additionality rather than exclude entire classes of activities. Third, that the geographic restrictions of the original proposal were too restrictive. Verra has considered all feedback received and has concluded that the original proposal will move forward with a few updates. The updated proposal is available at the hyperlink provided in the adjacent column. The revised proposal includes details on Verra's reaction to the main feedback received and its rationale for updating the proposal. The main updates to the proposal are to: (1) provide clarification on the impact of this proposal on existing grouped projects; (2) provide clarification on the impact of this proposal on the ability to convert approved GHG program credits into VCUs; (3) provide more precise definitions of the project types proposed for exclusion; and (4) remove Small Island Developing States (SIDS) as a categorization of countries warranting flexibility under this proposal. Verra seeks comment on its revised proposal.

Domestic Climate Contribution (DCC) **Status**: On hold	During the first public consultation for VCS Version 4, Verra proposed the creation of a new unit under the VCS Program: the Domestic Climate Contribution (DCC). Verra proposed that DCCs would permit an end user to claim a contribution toward host country climate ambition, rather than an offset against emissions. The aim of the DCC was to address perceived double counting risks in respect of who would ultimately claim ownership of emission reductions generated by voluntary projects in the context of the Paris Agreement, which requires countries to undertake climate action. The background and details of the original proposal can be found here. Many stakeholders expressed appreciation that Verra had started a discussion about the relationship between voluntary and compliance markets through this proposal. However, several stakeholders made the critical point that introducing a new unit into the market could create confusion at a stage when negotiations on the Paris rulebook, and other developments, are ongoing. Further, discussions on how voluntary and compliance markets may interact and co-exist in the context of the Paris Agreement, while avoiding double counting, have since developed into a wider conversation with a range of stakeholders and initiatives. These conversations are early and ongoing, and are being led by a number of organizations, including the International Carbon Reduction and Offset Alliance (ICROA). Verra is participating in these conversations, and we encourage stakeholders to track these developments. Due to the evolving nature of this conversation, and notwithstanding the good feedback received on the DCC proposal, Verra has decided to place the DCC proposal on hold at this time. We believe this is a prudent step given ongoing developments in the space, including further work that is yet to be done under Article 6 of the Paris Agreement. That said, our current thinking is that instead of introducing an entirely new unit into the market, it may make more sense to consider an evolution of the existing VCU. More precisely, Verra is considering whether a distinction could be made between a VCU and, for example, a "VCU+". Under this approach, a VCU (without a "+") would remain a purely voluntary unit as it always has, while a VCU+ would represent a compliance-grade unit. A VCU+ would comply with any requirements (for corresponding adjustments, letters of approval or others) under future compliance regimes (e.g., Article 6 of the Paris Agreement, the Carbon Offsetting and Reduction Scheme for International Aviation - CORSIA). This more nuanced approach would build on an existing construct which already has a positive

	reputation and understanding in the market. Details on how voluntary credits (such as the VCU) should be used, accounted for, and claimed by both host countries and corporate users is being discussed in the working groups noted above, and the VCU+ would comply with all applicable compliance market rules.
	Again, Verra's thinking on this new concept is early and ongoing, and details will be released separately from the larger development of VCS Version 4. Accordingly, we have not yet developed a detailed proposal for the concept.
Update to Project Crediting Period Requirements **Status**: Original proposal unchanged	During the first public consultation for VCS Version 4, Verra proposed revising the crediting period length and renewal requirements for non-AFOLU projects. The background and details of the original proposal can be found here. The feedback received during the first consultation was significantly positive. In particular, the vast majority of commenters suggested that the proposal provided sufficient flexibility for project developers, and that the proposed crediting period lengths were sufficient from a financially viability perspective. Further, most commenters agreed that it is not necessary to align crediting periods with NDC assessment periods. The few comments received that opposed the proposal suggested that the shortened crediting period length would impose additional costs on new projects, and that the revised crediting period lengths would not align with typical financing structures. Verra has considered all feedback received. Particularly given the significantly positive response to this proposal, Verra is moving forward with the original proposal. Accordingly, the updated proposal document provided at the hyperlink in the adjacent column simply lays out how the proposal would be written into the VCS rules. Note that the updated proposal document does propose a revised grace period for this update, however. The same document also includes details on Verra's reaction to the feedback received.
Update to Validation/Verification Body Accreditation Recognition **Status**: Revised proposal developed	During the first public consultation for VCS Version 4, Verra proposed revising the scope of recognized auditor accreditation for the VCS Program to include only accreditation to *ISO 14065* by an accreditation body that is a member of the International Accreditation Forum (IAF). The background and details of the original proposal can be found here. The feedback received during the first consultation was largely positive. Comments from those in favor of the proposal recognized the value of moving towards a consistent form of auditor accreditation, and the positive effect this would have on Verra's ability to provide performance feedback to auditors' accreditation bodies. Comments from those opposed to the proposal largely

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<td>expressed concern regarding the potential for increased costs of accreditation for those VVBs that would need to achieve ISO 14065 accreditation, and the potential for the pool of available VVBs to shrink.

Verra has considered all feedback received and has set out a revised proposal, available at the hyperlink provided in the adjacent column. The revised proposal includes details on Verra's reaction to the main feedback received and its rationale for updating the proposal.

The main update to the proposal is to extend the timeline over which the transition to recognizing only ISO 14065 accreditation would be implemented. In particular, Verra is sensitive to the potential that this proposal could quickly increase auditing costs and limit the available pool of VVBs available in the market if it is not rolled out over a sensible timeframe. Further, in order to operationalize this proposal, a critical mass of IAF members must first offer VCS Program accreditation; Verra does not believe that critical mass has been reached to-date. Accordingly, Verra will continue working with IAF members to operationalize this proposal, and will reassess the viability of this proposal on an annual basis. However, at the latest, this proposal will go into effect two years from the release of Version 4.

Verra seeks comment on its revised proposal.</td>
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<td><u>Project Sustainable Development Goal Contributions</u>

Status: On hold</td>
<td>During the first public consultation for VCS Version 4, Verra proposed an optional process for projects to create sustainable development contribution reports, which would be reviewed internally by Verra staff, and would provide a consistent means for project developers to communicate their projects' sustainable development contributions. The background and details of the original proposal can be found <u>here</u>.

While some positive feedback was received during the first consultation, several comments raised concern about Verra staff's ability to meaningfully review the information within the sustainable development contribution reports. Multiple stakeholders indicated a strong preference that such reviews be carried out by a VVB. In addition, other stakeholders expressed concern over potential confusion that this proposal could create, particularly in light of other options project developers have for communicating sustainable development contributions, namely through the <u>CCB Program</u> and the <u>SD VISta Program</u>.

Verra has considered all feedback received and has decided to place this proposal on hold at this time. Verra is particularly sensitive to feedback that we may create confusion by setting out too many pathways for communicating similar benefits. Accordingly, Verra will instead look to develop more streamlined pathways for developing</td>
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	VCS projects in combination with other certification programs, and particularly in this case, with SD VISta. We will look to develop these streamlined pathways by the end of the year.
Streamlining the Methodology Approval Process **Status**: Revised proposal developed	During the first public consultation for VCS Version 4, Verra proposed to remove the first VVB assessment from the methodology approval process, and replace it with an in-depth review of the methodology by Verra staff. The background and details of the original proposal can be found here. The feedback received during the first consultation was significantly positive. In particular, the majority of commenters recognized the time and cost savings that would result from this proposed change, and also expressed a positive view toward increased involvement of Verra staff as a means to ensure consistency and quality of methodologies. However, some commenters expressed concern regarding Verra staff's qualifications to carry out a detailed technical review of certain methodologies. Verra has considered all feedback received and has set out a revised proposal, available at the hyperlink provided in the adjacent column. The revised proposal includes details on Verra's reaction to the main feedback received and its rationale for updating the proposal. The main update to the proposal is to specify that where Verra believes that its staff does not have sufficient technical expertise to complete its review, that Verra would contract an outside expert, at its expense, to assist the review. Verra seeks comment on its revised proposal.

[Updates to AFOLU Requirements](#) ([Versión en Español](#)) **Status**: Revised proposal developed	During the first public consultation for VCS Version 4, Verra proposed a number of updates to the VCS *AFOLU Requirements* intended to make them more streamlined and user-friendly, and to address several identified key risks to help maintain the integrity and improve the quality of VCS AFOLU projects, including facilitating their nesting within emerging jurisdictional programs. The background and details of the original proposal can be found [here](#).
	Verra has considered all feedback received and has set out a revised proposal, available at the hyperlink provided in the adjacent column. The revised proposal includes details on Verra's reaction to the main feedback received and its rationale for updating the proposal.
	As shown below, Verra is proposing to move forward with some of the original proposals, others we are putting on hold, and we are also proposing a few new proposed updates to the VCS *AFOLU Requirements* that were not included in the first consultation.
	Each proposed update and its current status are summarized below. Further information in respect of each proposal is included in the updated proposal document:
	• Standardized reference region selection criteria: Not including in VCS Version 4 updates. See consultation document for further information.
	• Optional default non-permanence risk ratings: Not including in VCS Version 4 updates. See consultation document for further information.
	• Mechanism for identifying potentially inactive projects: Moving forward with update in VCS Version 4, with only minor changes to original proposal.
	• Strengthened local stakeholder engagement: Moving forward with update in VCS Version 4, with only minor changes to original proposal.
	• REDD+ projects nesting in jurisdictional REDD+ programs: Not including in VCS Version 4 updates. See consultation document for further information.
	• Positive activity implementation: New proposal that was not included in first consultation.
	• Standardized leakage defaults: New proposal that was not included in first consultation.
	Verra seeks comment on its revised proposal.

	During the first public consultation for VCS Version 4, Verra proposed updating the structure and format of the VCS Program documents to make them more user-friendly. The background and details of the original proposal can be found here.
Reorganizing and Restructuring VCS Program Documents **Status**: Original proposal unchanged	The feedback received during the first consultation was significantly positive, although some stakeholders raised concern regarding the fact that they would need to adapt to the new document structure. Verra has considered all feedback received. Particularly given the significantly positive response to this proposal, Verra is moving forward with the original proposal. Accordingly, the updated proposal document provided at the hyperlink in the adjacent column simply provides access to samples of the new program documents. Additionally, to address concerns regarding difficulty becoming familiar with new structure, Verra include a document which identifies where certain rules and requirements have been moved in the new versions of the documents, and whether the requirements themselves have changed.