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NESTING GUIDANCE FOR VCS REDD+ PROJECTS

BACKGROUND AND INTRODUCTION

Verra is working to ensure that REDD+ projects support the development and implementation of government-led REDD+ programs and are helping countries to meet post-2020 commitments and to be able to scale up their GHG mitigation ambitions. Many governments have now developed REDD+ reference levels that have been assessed by the UNFCCC Roster of Experts (in the case of a UNFCCC submission) or another independent body (e.g., related to a results-based payment scheme). Verra recognizes the importance of facilitating the alignment of VCS project activities with a national (or in the interim, subnational) REDD+ program, in particular with the data, parameters and methods of such a program's reference level and monitoring system. Beyond reference level and monitoring alignment, wherever possible, REDD+ projects should also align with a number of other aspects related to nesting¹ and seek any relevant government approvals if they are to be registered under the VCS Program.

The VCS Program document *Jurisdictional and Nested REDD+ (JNR) Requirements* provides rules for REDD+ projects nesting into a registered VCS JNR program or reference level. These requirements also serve as useful guidance where REDD+ projects are looking to nest into non-VCS JNR registered programs or reference levels. However, the current *JNR Requirements* warrant further clarification for the following reasons:

- 1) When the *JNR Requirements* were first developed and released in 2012, it was envisioned that many jurisdictions would develop reference levels with a spatially-explicit projection of deforestation and/or degradation, which makes nesting easier by allowing projects to more easily identify their own baselines from the jurisdictional level (see *JNR Requirements*, Section 3.11.15(1)). In practice, most jurisdictions have not developed such spatially-explicit reference levels. The *JNR Requirements* also provide high-level requirements for cases where there is a jurisdictional reference level with no spatially-explicit projection of deforestation and/or degradation (i.e., projects must use the same data, parameters and methods as the jurisdictional reference level, where appropriate, and seek government approval (see *JNR Requirements*, Section 3.11.15(2))). However, the *JNR Requirements* do not go into further technical details regarding different possible approaches for jurisdictional and project baseline alignment.

¹ Relevant aspects of nesting beyond baseline alignment include (but are not limited to) the following issues: monitoring, leakage, performance, permanence, uncertainty, safeguards, benefit sharing, carbon rights and government approvals.

- 2) There are many existing or emerging REDD+ reference levels and programs that are not registered under, and may not intend to register under, the VCS JNR. In instances where a VCS REDD+ project is looking to nest inside a non-VCS JNR registered program or reference level, the *JNR Requirements* may be pointed to as guidance, but the *JNR Requirements* are not encompassing enough to be useful in all instances of VCS REDD+ project nesting.
- 3) Existing and emerging carbon credit demand sources such as domestic and international compliance markets will likely require REDD+ VCUs to be nested, as a way to address leakage and double counting, and to increase transparency. Nesting requirements and guidance may differ based on whether a project wishes to issue voluntary units, compliance-grade units eligible for a domestic market and/or compliance-grade units suitable for international transfer, such as under Article 6 or the Carbon Offsetting Scheme for International Aviation (CORSA). The VCS Program will be issuing requirements and guidance around these issues in early 2020, and will also be establishing procedures by which nested projects can be designated as such in the Verra Project Database.

For these reasons, Verra is developing further guidance for governments and projects on REDD+ project nesting, as well as additional requirements for projects seeking to nest. Verra will require all VCS REDD+ projects to nest to the extent possible, regardless of whether they are inside a VCS-registered JNR program or other REDD+ program. Verra will provide requirements and guidance on project nesting for a range of circumstances, including where there is a formalized government-led approach (in which case projects must accept the baseline negotiated or allocated to them and approved by the government), and cases where there is not yet such a formalized government-led approach (in which case projects must undertake some minimum alignment based on predefined parameters). Verra's nesting guidance for governments and projects, and requirements for projects, will include method(s) for aligning project baselines with government reference levels, including the option to allocate² reference levels to support project nesting and/or benefit sharing within a jurisdiction (e.g., through the use of risk-based mapping), and address other relevant nesting issues¹.

Verra is currently convening a JNR Expert Working Group and engaging governments, project developers and other key stakeholders to advance such solutions on key nesting challenges. Associated updates to the VCS Program document *AFOLU Requirements* and the *JNR Requirements*, along with guidance for both governments and projects, are anticipated to be released for public consultation in late 2019, and finalized and published in early 2020.

² An allocation approach could provide a means to spatially distribute the baseline deforestation and/or degradation, based on the fact that smaller areas (e.g., at a district or municipality level) may have different relative threats, thereby strengthening the viability of a REDD+ program and ensuring resources are delivered to forested areas under greatest threat. The allocation may be subject to public consultation and would need to be approved by the government.

NESTING GUIDANCE

In the interim, Verra encourages VCS REDD+ project proponents to assess the possibility of a nested pathway for new and existing projects. A project should take steps towards nesting within an existing or emerging national (or in the interim, subnational) REDD+ program by, wherever possible, aligning its project baseline with the jurisdictional reference level (e.g., by adopting an allocation determined by the government, or otherwise agreeing on an adequately aligned project baseline) and aligning with other aspects and requirements of the jurisdictional program (e.g., government approvals, monitoring, leakage, performance, safeguards and benefit sharing).

Further guidance is provided below. This guidance is high-level and preliminary, and, as noted, additional REDD+ project nesting requirements and guidance from Verra are forthcoming:

- 1) Projects remain subject to any and all national or subnational laws, regulations, agreements or other official government rules, including those relevant to nesting.
- 2) Projects within registered (or emerging) VCS JNR programs or reference levels should follow all nested project requirements in the *JNR Requirements*, *AFOLU Requirements* and other relevant VCS Program requirements documents.
- 3) Projects outside of registered (or emerging) VCS JNR programs or reference levels should:
 - a) Identify whether a jurisdictional (national or subnational) reference level has been developed for the project area, relevant activities and carbon pools, and has been third-party assessed (e.g., by FCPF TAP or UNFCCC Roster of Experts). Where this is the case, and where data at the jurisdictional scale is sufficiently robust for use by projects:
 - i) For deforestation and/or degradation activities, projects should identify whether an allocation of the jurisdictional reference level to projects has been undertaken and approved by an appropriate entity (e.g., national or subnational government agency). In such a case, projects should adopt the jurisdictional reference level allocation established by the government. Otherwise, projects (or project associations) are encouraged to work with the government to develop an allocation of the jurisdictional reference level (to the project area), and to apply such allocation once approved by an appropriate government entity.
 - ii) For reforestation/afforestation activities, and for deforestation and/or degradation activities where no allocation has been approved and is not under development, projects (or project associations) should negotiate a baseline with the government, or otherwise develop and justify a project-specific baseline aligned to the extent practicable with the data, parameters and methods of the jurisdictional reference level (see Section 3.11.15 of the *JNR Requirements* for more guidance).

- b) Where there is no jurisdictional (national or subnational) reference level developed for the project area, relevant activities and carbon pools and assessed by a third-party (e.g., by FCPF TAP or UNFCCC Roster of Experts), or where data at the jurisdictional scale is insufficiently robust for use at the project scale, projects should follow the applied methodology(ies) and all relevant VCS Program rules.
- 4) In all cases, projects should determine whether adequate uncertainty assessments³ have been undertaken at the jurisdictional level and project levels, as appropriate.
- a) Where a jurisdiction has established a cap on project emission reductions/removals that does not exceed the jurisdiction's overall performance, and:
- i) Where an adequate uncertainty assessment has been undertaken at the jurisdictional level, projects do not need to undertake any further uncertainty estimation on jurisdictional data, parameters or methods applied by the project.
- ii) Where an adequate uncertainty assessment has not been undertaken at the jurisdictional level, projects should undertake a full and transparent uncertainty estimation on the project baseline and overall emission reductions/removals including on all applied jurisdictional data, parameters and/or methods (and apply an appropriate deduction, where relevant), following the uncertainty rules in the *VCS Standard*.
- b) Where a jurisdiction has not established a cap on project emission reductions/removals (i.e., there is not assurance that credits are only issued within the jurisdiction's overall performance)⁴ projects should undertake a full and transparent uncertainty estimation on the established project baseline and overall emission reductions/removals including on all applied jurisdictional data, parameters and/or methods (and apply an appropriate deduction, where relevant) following the uncertainty rules in the *VCS Standard*.
- 5) In all cases, projects should seek any relevant approval of the project baseline from an appropriate government agency.
- 6) Projects should also align their monitoring data, parameters and methods to the extent possible with those of the National Forest Monitoring System. Projects may follow the monitoring frequency of the jurisdictional government, or may set their own monitoring frequency, but are encouraged to reconcile with government-level data at least every five years,

³ An adequate uncertainty assessment refers to a full and transparent uncertainty estimation of the activity data and emission factors, and of the aggregate uncertainty of baseline GHG emissions and overall emissions reductions/removals, including a confidence interval at a specified accuracy (e.g., 90% or 95%). An appropriate uncertainty deduction should be taken, where relevant. See Section 3.14.12 of the *JNR Requirements* for more guidance.

⁴ Note that in this scenario, jurisdictions should determine, and set out clear policies and procedures, for how leakage from nested REDD+ project activities within the jurisdiction is addressed to avoid the over issuance of credits at the project scale.

or at the country's next Biennial Update Report to the UNFCCC. Note that incorporating project-level monitoring results into higher-level monitoring is considered best practice (see Section 3.14 of the *JNR Requirements* for more guidance).

- 7) Where a project is undergoing validation or baseline reassessment, and where the government is likely to approve a relevant jurisdictional reference level within two years, Verra intends to work with project proponents on a case-by-case basis to permit extensions to the validation or project baseline reassessment deadlines, as appropriate. Any grandfathering period established for project baselines by the jurisdictional government must be adhered to, noting that Verra is unlikely to allow an extension to a project baseline reassessment deadline beyond two years.
- 8) Beyond baselines and monitoring, there are a number of other aspects of nesting¹ where projects should align wherever possible with the jurisdictional program and seek any relevant government approvals. Projects should always meet any requirements relevant to nesting set out by the jurisdictional government (e.g., with regard to leakage, safeguards or approvals).

Verra encourages governments, project proponents and other relevant stakeholders to reach out with any questions or comments on REDD+ project nesting through secretariat@verra.org.