Intro to the VCS Program
Issues Under Consultation

27 July 2022
Agenda

• Webinar overview – 5 min
• Individual updates & questions – 40 min
• Next steps – 5 min
Proposed Updates

1. Introduction of requirements for geologic carbon storage (GCS) activities, including associated tools and requirements

2. Addition of a discount factor for crediting in cases of upstream displacement

3. Updates to the requirements for avoiding double-counting of carbon credits in Scope 3 emissions inventories

4. Clarification of the long-term average GHG benefit calculation for afforestation, reforestation, and revegetation projects as well as improved forest management projects
Geologic Carbon Storage (GCS)
Inclusion of GCS in the VCS Program

Background:

• Significant ERR potential with GCS projects globally
• Methodology being developed through the CCS+ Initiative
• Amendments to VCS Program documents to:
  • Establish requirements for GCS project activities
  • Allow inclusion of GCS project activities in the VCS
• 1st phase- storage in saline aquifers and depleted oil & gas reservoirs
Proposal to introduce GCS in the VCS Program

1. Introduction of eligibility criteria for CCS projects:
   - Regulatory approval by the jurisdictional regulator(s)
   - Site characterization and well design, construction and, operating requirements
   - Subsurface evaluation requirements
   - Site monitoring and closure requirements

   ![Diagram of CO2 capture, transport, and storage](CO2_capture_transport_storage.png)

   - Capture
     - Concentrates and compresses CO2 from source (process gas, flue gas or the atmosphere)
   - Transport
     - Moves CO2 from capture site to injection site
   - Storage
     - Injects CO2 into underground geologic storage reservoirs or into materials or products like cement

Reference: [CCS Image Library - Global CCS Institute](https://www.globalccsinstitute.org), accessed on: July 06, 2022
Proposal to introduce GCS in the VCS Program

2. GCS Non-Permanence Risk Tool (NPRT):
   • NPRT score is based on key globally applicable criteria and risk categories
   • Ensures integrity and transparency of projects while mitigating environmental, social and safety risks

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Total Risk Score</th>
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<tbody>
<tr>
<td>RFR</td>
<td>Regulatory Framework Risk</td>
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<tr>
<td>PR</td>
<td>Political Risk</td>
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<tr>
<td>LRTR</td>
<td>Land and Resource Tenure Risk</td>
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<tr>
<td>CFR</td>
<td>Closure Financial Risk</td>
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<tr>
<td>DR</td>
<td>Design Risk</td>
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Overall risk rating = RFR + PR + LRTR + CFR + DR
Proposal to introduce GCS in the VCS Program

3. Introduction of a GCS buffer account and GCS crediting period:
   • The GCS buffer account contribution is based on the final NPRT score
   • Proposed 35-year crediting period for projects

4. Introduction of project expansions:
   • Addition of capture facilities, transport infrastructure and/or storage sites
   • Criteria for projects with multiple storage sites
   • Additionality and baseline re-assessment requirements
Guidelines on crediting upstream displacement
Upstream Displacement

Background:

- Upstream displacement occurs when a reduction in primary production is divided by an increase in secondary production. It is often assumed that displacement occurs on a 1:1 basis.

- Currently, the VCS Program offers no guidance on unequal displacement, or when displacement is less than 1.

- A discount factor can account for when 1:1 displacement does not occur while still allowing an intervention with a net positive atmospheric benefit.
Proposal: new guidelines

- Account for displacement that is less than 1 by requiring the use of a discount factor. This will require updates to the following sections within the VCS Methodology Requirements:
  - Project Boundary
  - Quantification of GHG Emission Reductions and Removals
  - Monitoring
Double counting of carbon credits in Scope 3 inventories
Scope 3 Claims

Background:

- Interest to address gaps in existing standards, guidance, and assurance frameworks for Scope 3 emissions intervention accounting and claims

- Significant double-counting risk if an ERR is both sold as a carbon credit and claimed in a company’s Scope 3 emissions inventory

- Update to the VCS Program seeks to ensure integrity and compliance with the principles of uniqueness, additionality and transparency
Proposal to avoid double-counting

1. New section on Company Scope 3 Emissions Accounting includes:
   • Disclaimer that a project proponent shall not promote or facilitate double-counting of VCU to also represent a GHG reduction or removal in a supply chain
   • Requirement of a demonstrated notification to the buyers of impacted goods or services that GHG reductions or removals sold as VCU cannot be claimed in companies’ Scope 3 emissions inventories

2. Included Scope 3 emissions inventory claims under several sections of the VCS Program documents:
   • other GHG Programs;
   • Double Counting Definition;
   • Registration Representation Documents;
   • Issuance Representation Documents.
Long-term average
Long-term average

Background:

- VCS Standard requires ARR and IFM projects that harvest, or plan to harvest, to cap the credits at the long-term average (LTA) of the GHG benefit maintained by the project. The intent of this requirement is to prevent over crediting of projects.

- Updating *Program Definitions* and *VCS Standards* to provide clarity on when LTA must be applied.
Proposal: new guidelines

• Update *Program Definitions* by adding a quantitative definition of ‘harvesting activity’

• Update *VCS Standard* to require that projects exceeding the harvesting activity threshold apply an LTA

• Update *Program Definitions* by adding a definition of ‘commercial species’

• Update *VCS Standard* to require projects that plant commercial species apply an LTA, unless the project proponent provides a forest management plan with clear justification for why non-native commercial species are required and limit the percent of the project planted in commercial species
Next steps
## Timeline (2022)

<table>
<thead>
<tr>
<th>Tentative Date(s)</th>
<th>Activity</th>
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<tbody>
<tr>
<td>13 July – 11 September (inclusive)</td>
<td>Public consultation</td>
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<tr>
<td>September – November</td>
<td>Review comments and finalize proposals</td>
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<tr>
<td>December</td>
<td>Publish VCS Program updates</td>
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Questions and answers

- Verra strongly prefers receiving comments using the template on the Announcement page.

- To submit clarifying questions or comments about these updates, email programupdates@verra.org.

- verra.org > For Stakeholders > Updates > Proposed Updates to the VCS Program: Consultation (13 July 2022)
Thank you!

programupdates@verra.org