



# Climate

## **VOLUNTARY GHG PROJECT CERTIFICATION PROGRAMS**

This document provides information to stakeholders about the Voluntary Carbon Standard, a voluntary GHG project validation and verification program. This document is distributed to stakeholders to provide them with an opportunity to evaluate whether Green-e Climate should endorse the Voluntary Carbon Standard. Comments are sought on the Voluntary Carbon Standard's conformance with the Green-e Climate Principles and Criteria ([www.green-e.org/getcert\\_ghg\\_standard.shtml](http://www.green-e.org/getcert_ghg_standard.shtml)). Stakeholders who wish to comment on this issue should use the Voluntary Carbon Standard comment form, which can be found here:

[http://www.green-e.org/getcert\\_ghg\\_endorsed.shtml](http://www.green-e.org/getcert_ghg_endorsed.shtml)

### **General Information**

Name of Program: The Voluntary Carbon Standard

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**Principle #1 – Transparent Program Development**

*Procedures for the development of the GHG Program requirements invite broad participation by interested parties, are transparent and require public availability of information*

Work to develop the Voluntary Carbon Standard (VCS) was initiated by The Climate Group, the International Emissions Trading Association (IETA) and the World Economic Forum in late 2005. Version 1 of the VCS was released on March 28, 2006 as both a consultation document and a pilot standard for use in the market. VCS Version 2 was released in October 2006 as a consultation document and did not replace Version 1 as the market standard. 150 written submissions were received from carbon market stakeholders on VCS versions 1 and 2. The VCS consultation periods were open for 30 and 45 days respectively.

After the release of version 2, a 19-member Steering Committee was established to consider all of the stakeholder comments and develop the final standard. Within the Committee seven technical working groups provided advice on VCS governance, additionality, validation and verification, registries, land use change and forestry, general policy issues and performance standards.

After two years of work, two public consultation rounds, 150 written submissions, 12 months of work from a 19 member Steering Committee, seven technical working groups, and consultation with approximately 1000 stakeholders, the VCS 2007 was released on November 19, 2007. The VCS shall be updated on a yearly basis for the first two years, and every two years subsequently.

Members of the VCS Steering Committee are:

Jan-Willem Bode (Ecofys), Derik Broekhoff (World Resources Institute), Mike Burnett (Climate Trust), Robert Dornau (SGS), Steve Drummond (CantorCO2e), Mitchell Feierstein (Cheyne Capital), Yoshito Izumi [Observer] (Taiheiyo Cement), Mark Kenber [co-chair] (The Climate Group), Adam Kirkman (World Business Council on Sustainable Development), Andrei Marcu [co-chair] (IETA), Erin Meezan (Interface), Ken Newcombe (Goldman Sachs), Mark Proegler (BP), Robert Routliffe (Invista), Richard Samans (World Economic Forum), Marc Stuart (Ecosecurities), Einar Telnes (DNV), Bill Townsend (Blue Source), and Diane Wittenberg (California Climate Action Registry).

Members of the VCS Board are: Mark Kenber (The Climate Group), Andrei Marcu (International Emissions Trading Association), Adam Kirkman (World Business Council for Sustainable Development), Richard Samans (World Economic Forum), Marc Stuart (Ecosecurities), Ken Newcombe (Goldman Sachs),

Anthony Hopley (Norton Rose), Gudmundur Sigurthorsson (DNV) and John Drexhage (International Institute for Sustainable Development).

The VCS is not membership-based. All materials can be found online at: [www.v-c-s.org](http://www.v-c-s.org)

### **Principle #2 – Balance and Impartiality**

The three founding partners of the VCS Program (The Climate Group, IETA and the World Business Council for Sustainable Development) are non-profit legal organizations with no direct financial stake in carbon markets. The VCS Program is managed by a non-profit Association registered under Swiss Law. The VCS Association does not develop emissions reduction or removal projects nor is it selling or buying GHG offsets or reductions.

### **Principle #3 – Environmental Integrity**

*GHG Program requirements ensure real, verifiable, permanent and enforceable GHG emission reductions*

#### *Baseline Emissions and Emission Reduction Calculations*

The project proponent shall select the most conservative baseline scenario for the project based on the requirements in the applicable VCS methodology. The baseline scenario shall set out the geographic scope as applicable to the project. In addition to meeting requirements in ISO 14064-2:2006 clause 5.4, the project proponent shall also demonstrate that it has met all relevant regulations, legislation and project approvals (e.g. environmental permits).

#### *Text from ISO 14064-2:2006, clause 5.10:*

“The project proponent shall establish and maintain criteria and procedures for obtaining, recording, compiling and analysing data and information important for quantifying and reporting GHG emissions and/or removals relevant for the project and baseline scenario (i.e. GHG information system). Monitoring procedures should include the following:

- purpose of monitoring;
- types of data and information to be reported - including units of measurement;
- origin of the data;
- monitoring methodologies, including estimation, modelling, measurement or calculation approaches;
- monitoring times and periods, considering the needs of intended users;
- monitoring roles and responsibilities;
- GHG information management systems, including the location and retention of stored data.”

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*Monitoring reports for the GHG project*

Monitoring reports shall include all monitoring data, calculations, estimations, conversion factors and others standard factors as defined in the monitoring clause of the applied VCS Program methodology and set out in the VCS PD. A list of VCS approved methodologies is available on [www.v-c-s.org](http://www.v-c-s.org).

*Crediting Period*

The project crediting period is ten years and can be renewed up to a maximum of two times. At each renewal a VCS Program approved validator shall determine that the original project baseline scenario(s) and additionality is still valid or has been updated taking account of new data and changed VCS Program requirements where applicable.

The project start date for the VCS shall not commence before January 1, 2002.

*Additionality*

In addition to using a VCS Program approved methodology; the project proponent shall demonstrate that the project is additional using one of the following tests:

Test 1 - The Project test

*Step 1. Regulatory Surplus:* The project shall not be mandated by any enforced law, statute or other regulatory framework.

*Step 2. Implementation Barriers:* The project shall face one (or more) distinct barrier(s) compared with barriers faced by alternative projects.

- Investment Barrier – Project faces capital or investment return constraints that can be overcome by the additional revenues associated with the generation of VCUs.
- Technological Barriers – Project faces technology-related barriers to its implementation
- Institutional barriers – Project faces financial, organizational, cultural or social barriers that the VCU revenue stream can help overcome.

*Step 3. Common Practice:*

- project type shall not be common practice in sector/region, compared with projects that have received no carbon finance.
- if it is common practice, the project proponents shall identify barriers faced compared with existing projects.
- demonstration that the project is not common practice shall be based on guidance in the GHG Protocol for Project Accounting, Chapter 7.

Test 2 – Performance test

*Step 1. Regulatory Surplus:* The project shall not be mandated by any enforced law, statute or other regulatory framework.

*Step 2. Performance Standard:* The emissions generated per unit output by the project shall be below the level that has been approved by the VCS Program for the product, service, sector or industry, as the level defined to ensure that the project is not business-as-usual Performance standard based additionality tests shall be approved through the double approval process and by the VCS Board. The list of approved performance standards is on [www.v-c-s.org](http://www.v-c-s.org).

### Test 3 – Technology test

*Step 1. Regulatory Surplus:* The project shall not be mandated by any enforced law, statute or other regulatory framework.

*Step 2. Technology Additionality:* The project and its location are contained in the list of project types and applicable areas approved as being additional by the VCS Program. These project types are defined as those in which all projects would also be deemed additional using Additionality test 1 and will be determined on a case by case basis. The approved list is available on [www.v-c-s.org](http://www.v-c-s.org).

### *Forestry*

Agriculture, Forestry and Other Land Uses (AFOLU) projects are allowed under VCS. Rules regarding non-permanence, biodiversity standards, and other forestry issues can be found at:

<http://v-c-s.org/docs/AFOLU%20Guidance%20Document.pdf>

### *Environmental and Social Impact*

The VCS require all projects to demonstrate conformity with all local legislation addressing its social and environmental impacts.

## **Principle #4 – Validity of Emissions Reductions**

*GHG Programs ensure the validity of GHG emission reductions with respect to the program requirement*

Validation and verification is carried out in conformance with ISO 14064-3:2006 and ISO 14065:2007. Projects seeking registration under the VCS Program shall be validated and verified by a validator and verifier accredited under either:

- an approved GHG Program (within the scope of their accreditation); or
- ISO 14065:2007 with an accreditation scope specifically for the VCS Program.

Validation and verification reports shall:

- be written in English;
- describe the validation and verification process;

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- describe any issues raised during the validation and verification and their resolutions; and
- document the conclusions reached by the validation and verification body.

Validation and verification reports shall comply with the template requirements as set out on [www.v-c-s.org](http://www.v-c-s.org). They shall include both a validation and verification statement as appropriate to the activity undertaken.

The following approved validators and verifiers are:

**UNFCCC Clean Development Mechanism** - Designated Operational Entities approved under the Clean Development Mechanism. The list of DOEs is at: <http://cdm.unfccc.int/DOE/list/index.html>

**UNFCCC Joint Implementation** - Accredited Independent Entities (AIEs) approved under Joint Implementation. The list of AIEs is at: <http://ji.unfccc.int/AIEs/List.html>

The VCS Program is currently considering approval of Certification Bodies (CBs) approved under the Californian Climate Action Registry. The list of CBs is at: <http://www.climateregistry.org/SERVICEPROVIDERS/Certifiers/>

All validators and verifiers must sign the VCS validation and verification agreement with the VCS Association before they can perform any validations and verifications in connection with the VCS Program. Validators and verifiers are only eligible to carry out work for the project scopes and geographies that they are accredited for.

### *Small Scale*

Projects are divided into three groups:

- micro projects: under 5,000 tCO<sub>2</sub>-e per year;
- projects: 5,000 – 1,000,000 tCO<sub>2</sub>-e per year; and
- mega projects: greater than 1,000,000 tCO<sub>2</sub>-e per year.

Micro projects can be validated and verified by micro project validators and verifiers not accredited by an approved VCS Program when they meet the requirements outlined in the VCS 2007. A minimum of the first five verification reports from the micro verifier must be reviewed by an approved VCS validator or verifier. The project proponent must cover the costs of all verifiers.

Once a micro project verifier has successfully undertaken 5 validations or verifications, it will be able to apply to the VCS Secretariat for permission to no longer need the review by a VCS approved validator or verifier. The VCS Secretariat will then approve the small project verifier within a given scope. The small projects verifier must have a minimum of three successful verification reports to establish competency in a given scope.

It is up to the VCS accredited validators or verifiers reviewing the micro project validator or verifier work to ensure that the micro project validator or verifier meets the requirements of VCS 2007. The VCS Secretariat will be responsible for reviewing the performance of micro project validators and verifiers. The review process will be outlined and announced on [www.v-c-s.org](http://www.v-c-s.org).

**Principle #5 – Disclosure and No Double Counting**

*The GHG Program includes measures to require disclosure and prevent double counting*

To avoid double counting the VCS requires that:

1. Proponents of projects that reduce GHG emissions from activities that:

- are included in an emissions trading program; or
- take place in a jurisdiction or sector in which binding limits are established on GHG emissions;

shall provide evidence that the reductions or removals generated by the project have or will not be used in the emissions trading program or for the purpose of demonstrating compliance with the binding limits that are in place in that jurisdiction or sector. Such evidence could include:

- a letter from the program operator or designated national authority that emissions allowances (or other GHG credits used in the program) equivalent to the reductions or removals generated by the project have been cancelled from the program; or national cap as applicable or;
- purchase and cancellation of GHG allowances equivalent to the GHG emissions reductions or removals generated by the project related to the program or national cap.

2. Project(s) that have created another form of environmental credit (for example renewable energy certificates) unless they provide a letter from the program operator that the credit has not been used and has been cancelled from the relevant program.

All Voluntary Carbon Units are issued, held and cancelled in VCS registries. All new projects are checked against the central VCS project database to ensure that they have not been registered before. All VCUs are issued with unique serial numbers. Multiple VCS registries will be available under the VCS. The VCS Association will call for expressions of interest to operate VCS registries before the end of 2007.

*Public Disclosure - Project Database*

All VCS projects are publicly displayed on the VCS project database. This

includes VCS project descriptions and validation and verification reports. The project database is under development and will be launched in the first quarter of 2008.

**Additional Criteria**

*Referenced GHG Project Protocols or Standards*

The following programs are approved under the VCS:

UNFCCC Clean Development Mechanism

UNFCCC Joint Implementation

The California Climate Action Registry ([www.climateregistry.org](http://www.climateregistry.org)) is currently going through the approval process. Other GHG Programs can apply to the VCS to be approved.

**Additional Criteria**

*Project Specific Criteria*

**Eligible Project Types**

The scope of the VCS Program includes:

- all six Kyoto Protocol greenhouse gases;
- all technologies supported by an approved VCS Program methodology, including AFOLU project types as set out on [www.v-c-s.org](http://www.v-c-s.org);
- any approved GHG Programs;
- project category(ies) which is part of an approved GHG Program;
- project methodologies, not part of an approved GHG Program, when approved under the VCS Program through the double approval process.

The scope of the VCS Program excludes:

- project(s) that can reasonably be assumed to have generated GHG emissions primarily for the purpose of their subsequent reduction, removal or destruction.
- project(s) that have created another form of environmental credit (for example renewable energy certificates) unless they provide a letter from the program operator that the credit has not been used and has been cancelled from the relevant program.

Nuclear and hydro projects are not excluded from the VCS Program, but they must have a VCS approved methodology to register VCU's