



The Verified Carbon Standard: Scaling up REDD+

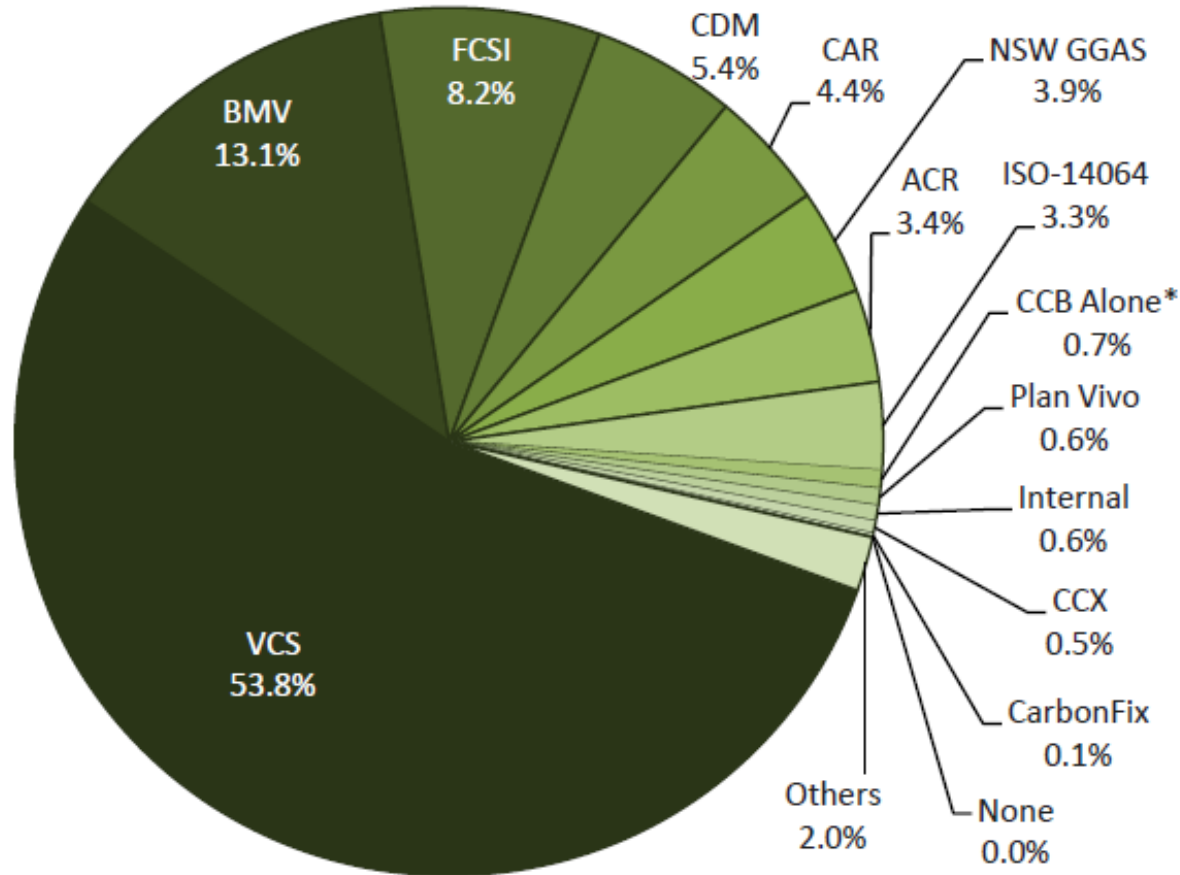
Jurisdictional and Nested REDD+

World Bank Reference Levels Workshop
Washington D.C.

Agenda

- **Part 1: Brief Update on VCS and AFOLU**
- **Part 2: Jurisdictional and Nested REDD Initiative**

VCS Leads the Forest Carbon Market...

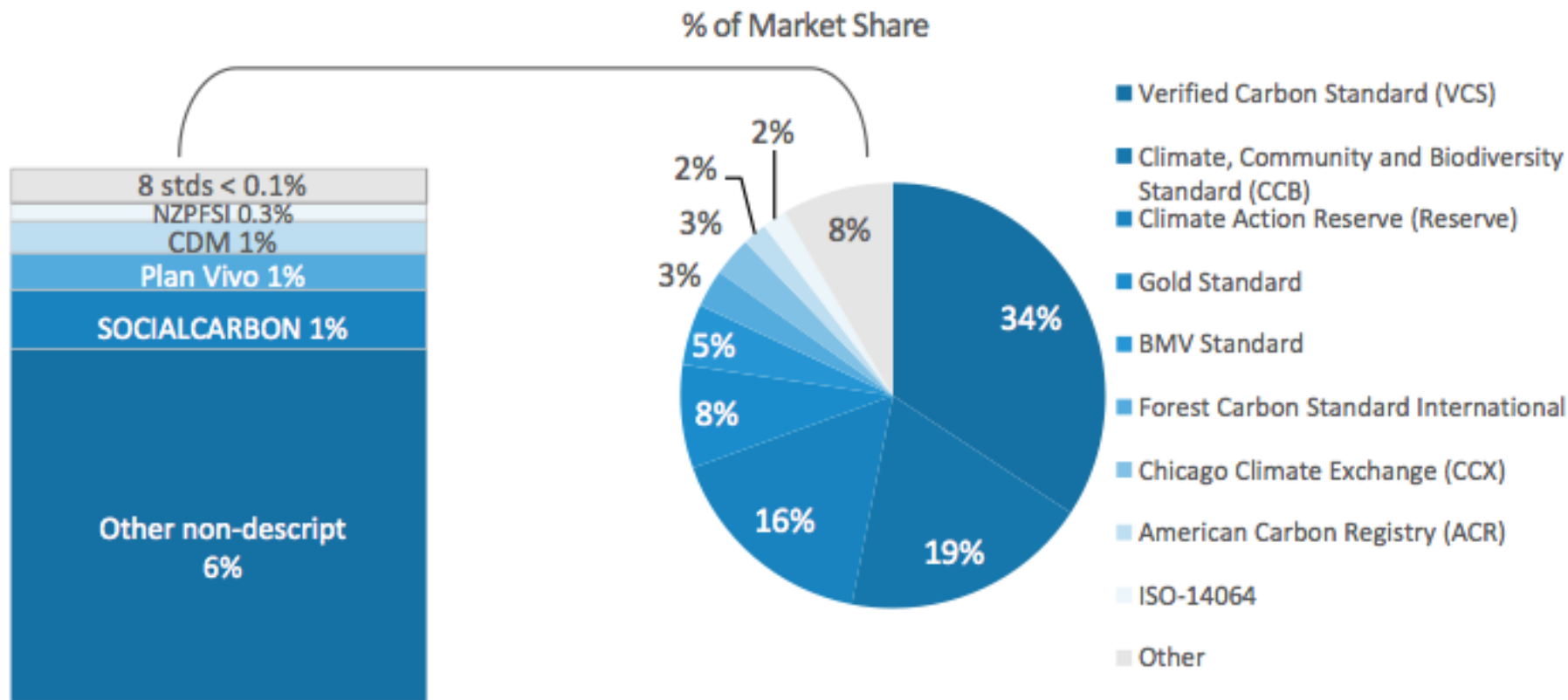


Note: Projects must be verified under a carbon quantification standard in order to be issued verified offset credits.

Source: Diaz D. et al, (2011) *State of the Forest Carbon Market 2011, From Canopy to Capital*, Ecosystem Marketplace

...and the Voluntary Carbon Market Generally

Figure 3: Third-Party Standard Utilization by Primary and Secondary Standard, OTC 2010³



Source: Ecosystem Marketplace, Bloomberg New Energy Finance.

Note: Based on 676 observations.

Source: Ecosystem Marketplace, Bloomberg New Energy Finance,
Back to the Future: State of the Voluntary Carbon Markets 2011

VCS Global Reach

- **Registered projects**

- ✓ Over 700 registered projects across six continents
- ✓ 21 AFOLU projects registered to date

- **Credit Volumes**

- ✓ Over 69 million VCUs issued
- ✓ ~4.6 million AFOLU credits issued
- ✓ Nearly 1.1 million buffer credits in AFOLU buffer account

Jurisdictional and Nested REDD+ Initiative

- **Objective and use. JNRI will...**
 - ✓ Expand VCS to allow baseline development and crediting for REDD+ at multiple “jurisdiction” and project scales, e.g.:
 - ✓ national
 - ✓ state/province
 - ✓ project
 - ✓ JNRI may serve multiple markets/donors, e.g.:
 - ✓ Voluntary
 - ✓ Bilateral or multilateral
 - ✓ Pre-compliance, potentially compliance

JNRI expert committee participants...

- **Who is involved?**

- ✓ Advisory Committee (23)

- ✓ Public sector leaders from emerging economies, international organizations, civil society and private sector

- ✓ Some overlap with FCPF

- ✓ Technical Experts (14)

- ✓ Secretariat (3)

- ✓ VCS, Climate Focus, Conservation International

- ✓ Peer review

- ✓ Public consultation

JNRI expert committee participants...

Advisory Committee members

- **Linda Adams**, Climate Action Reserve Chair, USA
- **Dr. Girma Amente**, Director General, Oromia Forest and Wildlife Enterprise, Ethiopia
- **Benoit Bosquet**, Team Leader, Forest Carbon Partnership Facility (FCPF)
- **Alejandro Callejas Linares**, Deputy Environment Secretary, Chiapas, Mexico
- **Marco Chiu**, Undersecretary of Climate Change, Ministry of Environment, Ecuador
- **Mariano Colini Cenamo**, Executive Director, Institute for Conservation and Sustainable Development of Amazonas (IDESAM), Brazil
- **Dr. Mark Dangerfield**, Technical Director, GreenCollar Climate Solutions, Australia
- **Christian Del Valle**, Director - Environmental Markets & Forestry, BNP Paribas, UK
- **Joanna Durbin**, Director, Climate, Community & Biodiversity Alliance, USA
- **Adam Diamant**, Senior Project Manager, Global Climate Change Program, Electric Power Research Institute (EPRI), USA
- **José Carlos Fernandez**, Head of International Affairs and Financial Development Unit, National Forestry Commission, Mexico □
- **Greg Fishbein**, Managing Director, Forest Carbon, The Nature Conservancy, USA
- **Andrea García-Guerrero**, Chief of Climate Change Mitigation Group, Ministry of Environment, Colombia
- **Tobias Garritt**, Advisory Board Member, Papua Low Carbon Development Task Force & CEO, Emerald Planet, Indonesia
- **Nicolas Grondard**, Project Officer, ONF International, France
- **Bruno Guay**, Technical Advisor, National REDD Coordination of the DRC, UNDP /United Nations REDD program (UN-REDD), Democratic Republic of the Congo
- **Jeffrey Hayward**, Director, Climate Program, Rainforest Alliance, USA
- **Rezal Kusumaatmadja**, Partner, Starling Resources, Indonesia
- **Monica Julissa De Los Rios**, Commissioned Charge at the Institute of Regulation, Control and Registration, Acre State Government, Brazil
- **Ludovino Lopes**, Partner, Ludovino Lopes Lawyers, Brazil
- **Dr. Lucio Pedroni**, President and Chief Executive Officer, Carbon Decisions International, Costa Rica
- **Lucia Ruiz**, Executive Director, CIMA Cordillera Azul, Peru
- **Dr. D. Andrew Wardell**, Programme Director, Forests and Governance, Center for International Forestry Research (CIFOR), Indonesia

Secretariat:

- **Charlotte Streck and Robert O'Sullivan**, Climate Focus
- **Toby Janson-Smith**, Conservation International
- **Naomi Swickard**, VCSA

Technical Expert Leads:

- **Dr. Timothy Pearson**, Program Officer II, Ecosystem Services, Winrock International
- **Dr. Steven De Gryze**, Managing Director, Carbon Analytics, Terra Global Capital, LLC
- **Manuel Estrada**, Independent Consultant
- **Adam Gibbon**, Technical Specialist, Climate Program, Rainforest Alliance

Technical Experts:

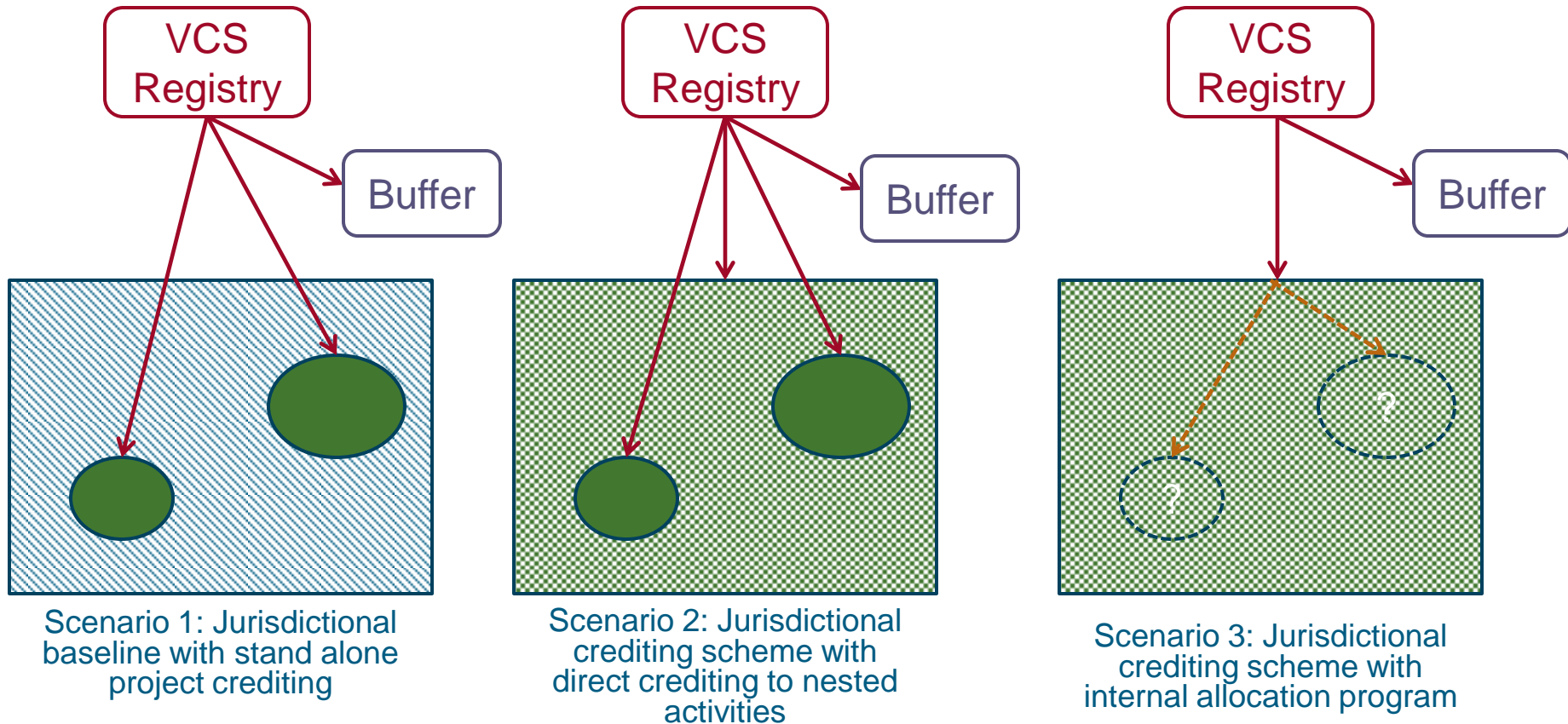
- **William Garrett**, Principal Consultant, Camco
- **Dil Raj Khanal**, Policy Facilitator, The Federation of Community Forestry Users, Nepal
- **Dr. Ruben Lubowski**, Senior Economist, Environmental Defense Fund
- **Dr. Marcelo Rocha**, Founder and Partner, Fabrica Ethica Brasil - Sustainability Consultancy
- **Zoe Ryan**, Forest Carbon Specialist, Fauna & Flora International
- **David Shoch, M.F.**, Director of Forestry and Technical Services, TerraCarbon LLC
- **Joanna Silver**, Vice President, Environmental Market Product Design & Development, Markit Group Limited
- **Dr. Gordon Smith**, Managing Partner, Ecofor LLC
- **Georgina Varley**, Manager, Macquarie Global Investments, Macquarie Bank
- **Dr. Sarah Walker**, Program Officer II, REDD+ Specialist, Winrock International

<http://www.v-c-s.org/node/283>

Current thinking

- **Multiple crediting pathways to give flexibility**
 - ✓ Project crediting only (with jurisdictional baseline)
 - ✓ Jurisdictional and project crediting
 - ✓ Jurisdictional crediting only
- **“Nesting” can occur at multiple scales**
 - ✓ Project within jurisdiction
 - ✓ Subnational jurisdiction within national jurisdiction

Simplified visual representation....

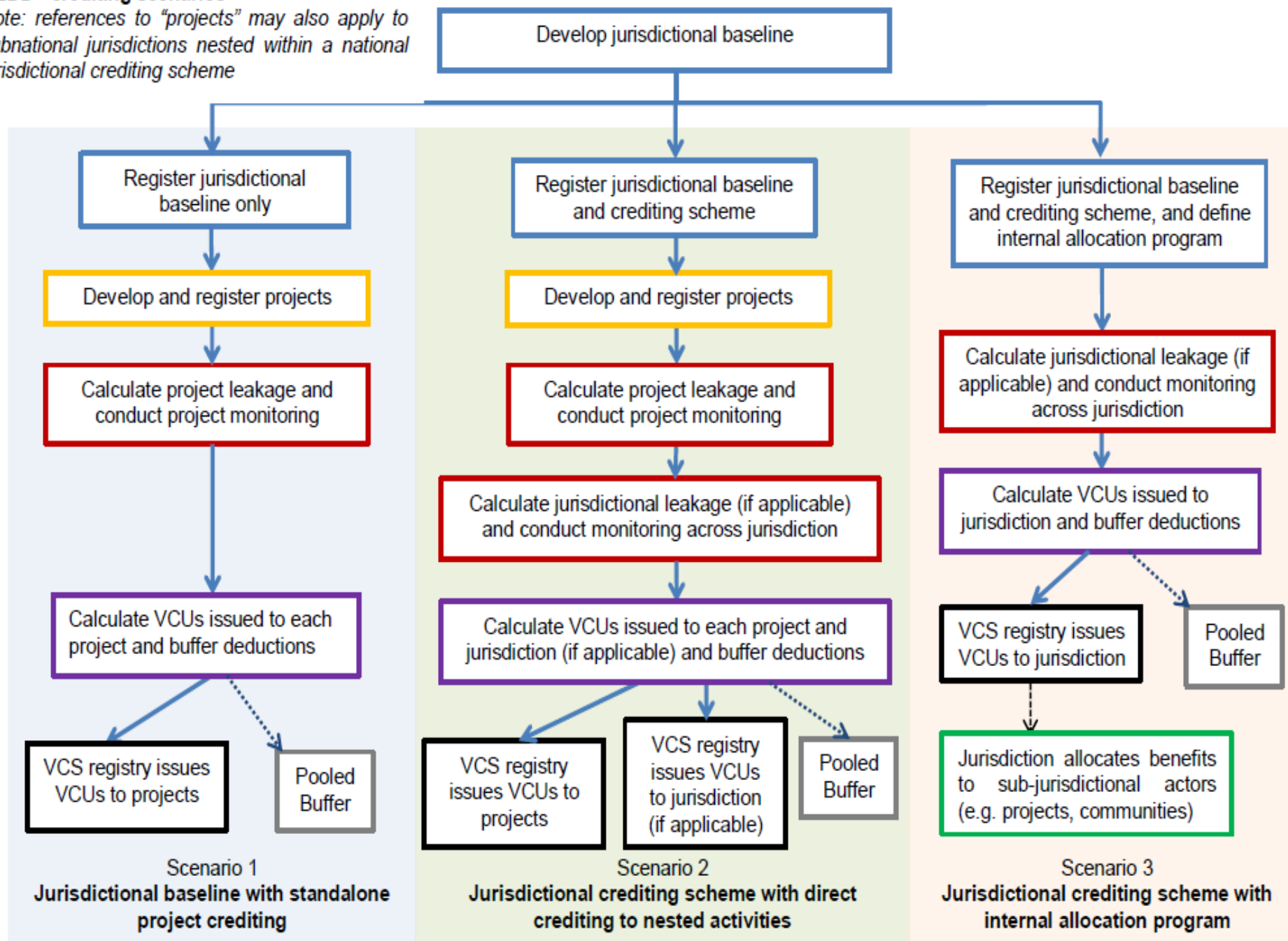


Note: Only 1 jurisdictional scale is shown. Grandfathering is not depicted



Figure 1: Overview of jurisdictional and nested REDD+ crediting scenarios

Note: references to “projects” may also apply to subnational jurisdictions nested within a national jurisdictional crediting scheme



Developing a nested system

- Requires addressing **technical issues** such as:
 - ✓ Defining boundaries
 - ✓ **Developing and nesting baselines** (inc. scope, pools, additionality, updating)
 - ✓ **Grandfathering**
 - ✓ Leakage
 - ✓ MRV
 - ✓ Crediting (inc. timing, distribution, double counting)
 - ✓ **Reversals** and force majeure (inc. crediting implications in nesting)
- Requires addressing **other issues** such as:
 - ✓ Legal issues
 - ✓ Safeguards
 - ✓ Approvals

Current thinking on baseline development...

- **Step 1: Determine scope of baseline**
 - ✓ Decide which activities are included in the baseline (may follow UNFCCC REDD+ activities and/or VCS AFOLU activities – with some exceptions)
 - ✓ Decide which pools are to be included in the baseline
- **Step 2: Estimate historic emissions**
 - ✓ Estimate historic rates + emission/removal factors
- **Step 3: Establish baseline for estimating emission reductions/removals for crediting**
 - ✓ May use certain UNFCCC RLs
 - ✓ If no UNFCCC RL may use historic rate or projection if there is a “statistically significant trend”
- **Additional step: Location analysis for spatially explicit baselines**

Current thinking on nesting...

- **Grandfathering requirements will be established to:**
 - ✓ Provide investment certainty for a reasonable time
 - ✓ Accelerate transition to higher scale accounting
- **New and ongoing nested projects:**
 - ✓ Optional – i.e. direct crediting of nested projects allowed at the discretion of the jurisdiction
- **New nested projects**
 - ✓ Cut directly from higher scale if higher spatial baseline
 - ✓ All other cases, smaller scale to use existing (higher level) emission/removal factors but create own (localized) activity data

Reversals and crediting implications...

- **Traditional nesting risk:**
 - Interlinked performance of all activities within a jurisdiction
- **Solution:**
 - ✓ “Underperformance” outside a project will only affect a project if it is a reversal → address with buffer
 - ✓ If sum of project VCU exceeds amount verified for the jurisdiction, presume an un-monitored reversal in the jurisdiction → address with buffer
- **Rationale (smaller scale prevails):**
 - ✓ Smaller scale MRV likely more accurate
 - ✓ Jurisdiction has already approved project, baseline, set leakage rules etc. so should be responsible
 - ✓ Both projects plus jurisdiction contribute to buffer

Process and Timeline

- **4Q 2011:** Currently collecting input on technical recommendations
- **1Q 2012:** (estimated) Draft VCS requirements to be issued for public consultation
- **2Q 2012:** (estimated) Release of final VCS guidelines and requirements
- **Q3, Q4 2012- :** Phase Two: Pilots, etc

More information...

- For more information see www.v-c-s.org
- All key JNRI documents are available online:
 - ✓ JNRI Fact Sheet
 - ✓ Background scoping document
 - ✓ Summary of Technical Recommendations
 - ✓ More to follow...



Fact Sheet: Jurisdictional & Nested REDD

In 2011, VCS is overseeing a groundbreaking Jurisdictional and Nested REDD Initiative to provide a pathway for scaling up REDD activities.

The initiative is convening policymakers, practitioners and technical experts from around the world to develop guidelines for creating robust accounting frameworks that will allow for crediting REDD projects, policies and programs across national and sub-national jurisdictions.

Consensus is growing in global climate policy circles that efforts to Reduce Emissions from Deforestation and Forest Degradation (REDD) will require robust accounting at the national scale. At the same time, a growing number of individual REDD projects are being implemented successfully across dozens of countries. These projects, many of which are being developed under the Verified Carbon Standard (VCS), are demonstrating viable approaches to reducing deforestation while engaging local actors and leveraging private capital.

As a result of these trends, more and more governments are seeking to integrate individual project activities into national and sub-national (eg, state or provincial) REDD accounting. Most are seeking accounting frameworks that will ensure environmental integrity and the incentives needed to attract private investment.

The Need: Environmental & Financial Integrity for REDD

Ultimately, individual REDD projects must be integrated into larger-scale accounting frameworks, both to ensure that emissions reductions "add-up" across jurisdictions and to ensure that carbon credits issued to projects are recognized by jurisdictional governments.

And yet currently there are no regulatory or institutional frameworks for accounting and crediting REDD activities at sub-national or national scales. If rules for such accounting frameworks can be developed, it will have significant potential to increase policymaker and investor confidence and engagement in

REDD. This in turn could drive more emissions reductions and establish powerful demonstration models for emerging regulatory and results-based frameworks.

The Goal: Integrated REDD Accounting and Crediting

To address this need, VCS is advancing the Jurisdictional and Nested REDD Initiative (JNRI). This initiative is bringing together global experts and government representatives to formulate coherent guidelines and technical requirements for developing jurisdictional REDD accounting and crediting. Jurisdictions may be national, sub-national (eg, state or provincial) or regional.

The new guidelines and requirements, which are slated for release in early 2012, will establish the first available platform for crediting REDD reductions at multiple scales – national, sub-national and project – where projects are 'nested' and can be credited within broader jurisdictional accounting frameworks. Moreover, this new platform may be used by interested jurisdictions to develop actual REDD programs which could be credited under VCS for reductions achieved by jurisdictional policies and programs and by projects nested within the jurisdiction.

Ultimately, the initiative should help demonstrate the viability of nested frameworks for integrated REDD accounting and crediting

Thank you... Questions?

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