



CINCS In Focus

**REDD + Demands a Rigorous Carbon Accounting
Process to Enable Project Investment and Sale of
its Credits - A Summary of the VCS Steps**

29 May, 2013

The Rigor of REDD

Author: Olivia Fussell, Founder & Managing Director, CINCS LLC www.cincs.com

This is the second of a series of short articles that Olivia Fussell is writing over several months that demonstrate that carbon offsets derived from Reducing Emissions from Deforestation and Degradation (REDD) can benefit all parties if well designed, managed and monitored against a set of internationally agreed upon rules. Articles will bridge REDD and other areas as follows.

Article #1: AB-32 - Assembly Bill 32 (also known as the Global Warming Solutions Act)

Article #2: The rigorous process to derive offsets

Article #3: Risks and Up-side of Investing

Article #4: Due Diligence and Choice of Optimum Project

Article #5: Supply and Demand and Pricing

Article #6: Two Case Studies in Latin America

Article #7: The Financial Benefits Delivered

Article #8: The Environmental and Social Benefits Delivered

REDD + Demands a Rigorous Carbon Accounting Process to Enable Project Investment and Sale of its Credits - A Summary of the VCS Steps

By CINCS Founder and Managing Director Olivia Fussell

Introduction

The Issue: If tropical nations are unable to accurately quantify emissions of forest carbon to the atmosphere, then there is no basis for establishing a pay-for-performance mechanism, such as a carbon offset.¹

REDD (reduced emissions from deforestation and forest degradation), is a category of “project type” that has received much attention throughout its existence. The Verified Carbon Standard (VCS) has delivered guidance and methodologies for project proponents and project developers to follow.² This brief article highlights the technical process that a REDD project must go through to be eligible to attract project-land investment and sell its offsets on the voluntary market. A compliance market for these offset types does not yet exist.

Background on REDD Methodology

Before starting to design a REDD+ project (the + refers to social and environmental benefits derived from implementing the project) it is advisable to analyze the policy environment to clearly define the options. Many tropical countries have signed agreements with the Forest Carbon Partnership Facility (FCPF), the UN-REDD Programme and/or the REDD+ Partnership and, in parallel, are at different stages in establishing national REDD+ frameworks that could be under a future compliance UN arrangement, but not likely to happen for a while.

¹ The REDD (reduced emissions from deforestation and forest degradation) Offset Working Group - established in February 2011 from draft April 2013

² The term project proponent is used to refer to those individuals or organizations generally responsible for the overall organization, management, and legal representation of the forest carbon project. Project developer is used to refer specifically to entities tasked with the technical design aspects of the project as required by the carbon and/or co-benefit standard(s).

Currently, REDD projects are being developed under the VCS for a voluntary market – i.e. the credits are likely to be purchased on a voluntary basis to meet for example, a private company’s partial greenhouse gas liabilities. VCS credits (VCUs) have been particularly sought-after by buyers and investors preparing themselves for forthcoming compliance schemes beyond the UNFCCC, e.g., in the context of US national and regional climate legislation and other national programs (e.g., Japan).³

The VCS requires evidence that project-based emissions reductions will not be double-counted at the jurisdictional level. Options for coordination of accounting with the governmental authorities in charge of REDD negotiations must be sought and approved. Several governments are already evaluating the option of creating a national registry for project-based or subnational REDD activities.⁴

The VCS Standard (2011) states, “Where projects 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, evidence shall be provided that the GHG emission reductions or removals generated by the project have not and 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.” In cases where a REDD+ country or jurisdiction may enter into a binding REDD (+) commitment or participate in a trading program (e.g., between some GCF member states) project proponents would be required to present some form of approval of project activities by (sub) national authority.

REDD - Analysis of Drivers, Causes, and Agents

REDD is about tackling the drivers, causes, and agents of deforestation and degradation. Without a coherent analysis of these elements, it will be difficult or impossible to define project interventions that can effectively lower emission rates and achieve lasting (permanent) success. This analysis is key and contributes to other essential aspects of project development.

It is also necessary for the definition of the reference areas and leakage belt as well as for deciding on a baseline modeling approach and monitoring baseline assumptions. The definition of agents and drivers will have implications for the risk assessment. Developing an accurate model of drivers, causes, and agents and understanding the motivations of agents and benefits derived from deforestation is an

³ Seifert-Granzin, Joerg. REDD Guidance: Technical Project Design. In Building Forest Carbon Projects, Johannes Ebeling and Jacob Olander (eds.). Washington, DC: Forest Trends, 2011.

⁴ Ibid.

integral part of assessing the social impacts of a project and engaging communities. These constitute the main aspects of a typical REDD project.⁵

Step 1 – Choose a Methodology

Focus on activities with the greatest viability under current conditions, including those

- Which can address deforestation and degradation pressures?
- Which approved or submitted methodological elements are already available?
- Which achieve (co)benefits at an early stage during implementation phase?

The VCS provides methodology elements (including methodologies, methodology revisions, modules, and tools,) that have been approved through a double-auditing process by accredited auditors. In addition, the VCS recognizes tools and methodologies of the CDM (which are partly referenced in VCS REDD methodologies). Generally, the choice of methodologies is bound to specific applicability and eligibility criteria to be met by the project.⁶

Step 2 – Project Description

The project proponent drafts a project description, using the VCS+CCB Project Description Template, that contains information about the carbon, community and biodiversity aspects of the project. The carbon component follows the VCS rules and requirements (e.g., the project-level requirements set out in the VCS Standard and the requirements of the applied methodology). The community and biodiversity aspects follow the CCB Standards requirements.⁷

The project must have a start date which triggers the definition of the crediting period, the monitoring period and the validation time. Under the VCS, the crediting period for REDD shall be a minimum of 20 years up to a maximum of 100 years which can be renewed.⁸

Historical rates of deforestation need to be established in order to estimate future projections of the baseline scenario. The VCS has established specific requirements for developing the baseline period which needs to be up-dated every 10 years.

⁵ Ibid.

⁶ Ibid.

⁷ VCS + CCB Project Development Process Guide www.v-c-s.org

⁸ Ibid.

Once the deforestation pattern has been determined for a given period, the fate of land-use change has to be assessed, classifying the final land use in the changed areas. This requires knowledge about common land use patterns in the project area and reference area, requiring the project proponent to be very familiar with the causes of deforestation.

Leakage Assessment

VCS-approved REDD methodologies indicate that the methodologies differ substantially in how leakage is addressed. Some include market leakage while others do not, and those that do include it vary in their approach and scale. All methodologies require the assessment of activity-shifting leakage, and the “delimitation” of a “leakage belt” (or “leakage zone”) where these activities might move and increase deforestation or degradation emissions. The leakage area will need to be monitored to capture and account for leakage.⁹

Step 3- Hire a Validation and Verification Organization and Register the Project

The project proponent selects a validation-verification organization eligible under both the VCS and the CCBA (Climate, Community & Biodiversity Alliance) Standard to undertake the project validation. The project proponent submits the draft project description this organization, who in turn submits it to the CCBA.¹⁰

The validation – verification company assesses the project against all applicable VCS and CCB Standards rules and requirements and produces a validation report, using the VCS+CCB Validation Report Template. They then issue a VCS validation representation and a CCB validation statement on the project.¹¹

Once validation is complete, the project proponent may register the project on the VCS registry system by submitting the project description, validation report, VCS validation representation, CCB validation statement and VCS registration representation to a VCS registry. The validation – verification company submits the project description, validation report and CCB validation statement to the CCBA for posting on the CCBA website.

Step 4 – Monitoring, Verification and Issuance of Credits

⁹ Seifert-Granzin, Joerg. REDD Guidance: Technical Project Design. In Building Forest Carbon Projects, Johannes Ebeling and Jacob Olander (eds.). Washington, DC: Forest Trends, 2011.

¹⁰ VCS + CCB Project Development Process Guide www.v-c-s.org

¹¹ Ibid.

The VCS requires that the monitoring plan be described in the project description. The CCBA Standards do not require that the monitoring plan for the community and biodiversity components of the project be described in the project description (i.e., the project proponent may submit the monitoring plan within six months of the project start date or within one year of validation).

At the end of the monitoring period the project proponent drafts a monitoring & implementation report, using the VCS+CCB Monitoring & Implementation Report Template, containing information about the carbon, community and biodiversity components of the project. The monitoring & implementation report serves as the VCS monitoring report and the CCB project implementation report when projects are following the joint VCS+CCB process.¹²

The project proponent submits the draft monitoring & implementation report to the validation – verification company who in turn submits it to CCBA. The draft monitoring & implementation report is posted on the CCBA website for a public comment period. The project proponent updates the monitoring & implementation report, as necessary, taking due account of comments received as part of the public comment period.¹³

The validation – verification company assesses the project and its GHG emission reductions and removals against all applicable VCS and CCB Standards rules and requirements. They produce a verification report, using the VCS+CCB Verification Report Template, and issue a VCS verification representation and a CCB verification statement.

The VCS advises that projects obtain external verification every 5 years. Also, the projects need to be synchronized and up-dated with national or jurisdictional REDD+ policy and schemes.

“Once the verification is complete, the project proponent may request issuance of VCU’s tagged with a CCB label by submitting the monitoring & implementation report, verification report, VCS verification representation, CCB verification statement and VCS issuance representation to a VCS registry. The CCB submits the monitoring & implementation report, the verification report and CCB verification statement to CCBA for posting on the CCB website.”¹⁴

Project proponents may register the project and issue the VCU’s simultaneously, in which case the project documents shall also be provided to the VCS registry.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

Conclusions

The steps are rigorous and therefore buyers of VCS accredited offsets should be confident that verified offset credits truly represent GHG emissions reductions. The VCS provides trusted, robust framework, standard and process that bring quality assurance to the voluntary carbon markets. The REDD(+) landscape is constantly changing due to the ongoing international negotiations, national policy changes on one side and emerging voluntary initiatives on the other. It is thus challenging for project developer, proponent and investor-buyer to work against. However, achieving credibility, transparency and robust carbon accounting is being developed under the VCS and most buyers and investors feel comfortable with the standards and process set.

The development of a universally recognized standard for quantifying forest carbon is an investment opportunity for conservationists and corporations seeking recognition for environmental stewardship. It also has the power to positively impact people living around these endangered forests. Global climate change is addressed AND social welfare increases. By monetizing the positive value of the existence of natural resources, the whole planet and its inhabitants can benefit.