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Jurisdictional and Nested REDD Initiative: Summary of Technical Recommendations

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Part 1: Introduction and overview of jurisdictional process

1. Introduction

1.1. Purpose and organization of this paper

The objective of this paper is to recommend solutions to the issues outlined in the document *VCS Jurisdictional and Nested REDD Initiative Scoping Paper*¹ (Scoping Paper) presented at the second Jurisdictional and Nested REDD+ Initiative (JNRI) Advisory Committee meeting in April 2011. Advice and input on the recommendations contained here is now being sought from the Advisory Committee. In parallel, this document is being circulated amongst the Technical Experts, additional experts and stakeholders for their input. Input from the Advisory Committee and other experts and stakeholders is central to ensuring the final set of VCS requirements is informed by on-the-ground realities and needs to establish a useful and practical standard. Feedback on this document will be used to help prepare the initial draft of the new VCS rules and requirements for jurisdictional and nested REDD+. The new VCS rules and requirements may be used in a number of ways. If a jurisdiction wants to generate Verified Carbon Units (VCUs – the carbon credits issued under the VCS) they will need to meet the rules and requirements and register their jurisdictional crediting scheme with a VCS-approved registry. A jurisdiction may also choose to adapt and apply the rules and requirements as best practice without seeking formal recognition under the VCS. In this case the rules and requirements could be read as guidance.²

This paper is divided into four parts. Part I includes this introduction, definitions and an overview of the proposed jurisdictional cycle from jurisdictional baseline development to credit issuance.

Parts II, III and IV contain the substantive detail on the recommended rules and requirements to implement jurisdictional and nested REDD+. Part II covers all the relevant steps to develop a jurisdictional baseline including deciding on scope and addressing additionality. Part III covers the key process steps from baseline development to credit issuance. Part IV contains issues that do not fit neatly in the other sections such as safeguards, role of government, and legal issues. For consistency and to facilitate review, the three substantive sections follow a common structure, as follows:

Each section starts with a simple title and issue statement

This is followed by a brief elaboration of the issue being considered to provide some background and context to the recommendations.

Recommended rules and requirements

The green section contains the recommended rules and requirements, including the rationale behind the proposed approach. These recommendations will be developed into the formal VCS program documents that make up the new jurisdictional and nested REDD+ standard.

Recommended good practice guidance

The blue section contains brief notes on possible good practice that may be developed in a separate document to the VCS program documents after the rules and requirements are completed, possibly as a second phase of the current initiative. This work may be done during or after the new standard is piloted in a number of jurisdictions to provide key lessons learned from implementation.

¹ Available online at <http://www.v-c-s.org/node/296>

² For additional information on how the new VCS rules and requirements may be useful to governments, donors, and project developers please refer to the “JNRI Factsheet” available online here: <http://www.v-c-s.org/node/296>

Issues for Advisory Committee attention

The purpose of this section is to highlight particular technical and/or political issues that the technical experts flagged for the Advisory Committee, though feedback is also welcome on the entire document. The issues are numbered sequentially through the document for easy reference.

1.2. Methodology to develop recommendations

Jurisdictional and nested REDD+ is a simple idea in theory, but there are many different ways it can be designed and implemented, and a number of complexities that arise in practice. The complexity can increase significantly if specific rules are developed for every possible scenario and issue that may arise when a jurisdiction implements a jurisdictional and nested program. The recommendations here strive to create a system that is environmentally robust, workable, simple and consistent, while providing jurisdictions with needed flexibility and autonomy.

The recommendations in this document were developed over a period of approximately six months by a group of 14 technical experts along with the Secretariat of the Initiative.³ The 14 experts were divided into three groups which addressed the issues in Parts II, III, and IV. Each group analyzed the issues in the Scoping Paper and elaborated a series of options for addressing them. The final set of options papers totaled more than 230 pages. The options were analyzed to weigh their advantages and disadvantages before a recommendation was made. The final compilation of recommendations found in this document was put together by the Secretariat and the lead technical expert. This required some adjustments to the options and recommendations presented by the technical experts in order to bring the different sections together into a cohesive whole.

2. Definitions and Acronyms

The following defined terms are used in this document:

- **'AFOLU pooled buffer'**: This is the current pooled buffer used to manage non-permanence risk for VCS AFOLU projects.
- **'Baseline'**: The term "Baseline" (sometimes also called "reference level") is used herein as a general term for the rate of deforestation, degradation, or carbon stock enhancement, the location of deforestation, degradation and/or changes in carbon stock and GHG emissions, that have occurred historically or may be expected to occur in a "business as usual" (BAU) scenario. In this document, explicit distinctions are made between business as usual, crediting, and historic baselines, which may or may not be the same in practice.
- **'Business-as-usual baseline'**: A forecast of projected changes in carbon stocks and GHG emissions for a given time period.
- **'Co-dependency'**: Occurs when there is direct crediting to multiple scales and the performance of one scale affects the crediting of another because more VCUs cannot be issued than ERRs generated at the highest scale. For example, in jurisdictional crediting schemes, project reversals will affect the net number of ERRs generated across the entire jurisdiction, and as a result the total number of VCUs "available" to be issued to other "co-dependent" actors in the jurisdiction. Similarly a reversal within non-project areas may reduce the total number of ERRs generated across the entire jurisdiction and VCUs "available" for issuance to (co-dependent) projects.

³ A list of participating individuals is available online at <http://www.v-c-s.org/node/296>

- **‘Conservative’**: Conservative assumptions, values and procedures must be used to ensure that the GHG ERRs are not over-estimated (e.g. for baselines, it is conservative to underestimate emissions and to overestimate sequestration).
- **‘Crediting baseline’**: The reference level used to estimate ERRs that are credited, in this case with Verified Carbon Units (VCUs).
- **‘Crediting scale’ and ‘scale’**: Refers to the scale at which a jurisdictional baseline can be registered under the VCS and VCUs issued. This is sometimes discussed in terms of higher or lower crediting scales where, for example, a project is one crediting scale and a subnational or national jurisdiction is another. A project is the lowest scale, a subnational jurisdiction is a higher scale, and a national jurisdiction is the highest scale.
- **‘Crediting shortfall’**: Occurs when there is co-dependency and fewer ERRs are generated across the entire jurisdiction than the sum of the VCUs claimed at each scale. For example, if a jurisdiction generated emission reductions/removals in non-project areas but a project reversal prevented sufficient ERRs from being generated across the entire jurisdiction for the jurisdiction to be fully credited for its non-project reductions.
- **‘Direct crediting’**: Refers to credits being issued directly by the VCS to a particular crediting scale. This may be a jurisdictional (national or subnational) government and/or a project nested within a jurisdictional crediting scheme, or subnational jurisdiction nested within a national jurisdictional crediting scheme.
- **‘Emission factor’**: The term emission factor is used here to refer to the emission/removal to be associated with a given unit used with the “rate” calculations in the baseline. The particular unit could be quite different depending on how the baseline is calculated, and could be expressed in a variety of ways such as per forest type, per m³ of timber extracted, per tonne of fuel wood, per cook stove, etc.
- **‘Historic baseline’**: The historic GHG emissions and/or changes in carbon stocks over some time period in the past.
- **‘Internal allocation program’**: A program developed by a jurisdiction if a jurisdiction wants to claim all VCUs generated across the entire jurisdiction and not allow direct crediting from a VCS registry to smaller scales such as nested projects.
- **‘Jurisdiction’**: A government administrative area, such as a nation, state, province, region, department or district.
- **‘Jurisdictional crediting scheme’**: A scheme established by a national or subnational government and registered under the VCS that defines and operationalizes rules and requirements to enable crediting of REDD+ policies and measures and/or nested projects.
- **‘Jurisdictional pooled buffer’**: The account managed by the VCSA (or VCS registries) containing non-tradable buffer credits and used to cover reversals of carbon stocks associated with credits issued to jurisdictions and nested projects.
- **‘Multiple crediting scales’**: Where VCUs are issued to multiple scales (e.g. VCUs issued directly to both a nested project and the jurisdiction itself, or a subnational jurisdiction and a national jurisdiction).
- **‘Nested activity’**: This may refer to a project nested under a subnational or national crediting scheme, or a subnational jurisdiction nested under a national crediting scheme.

- **‘Nested project’**: A project registered under the VCS that falls within a jurisdictional crediting scheme registered under the VCS.
- **‘Nested subnational jurisdiction’**: A registered subnational jurisdictional crediting scheme (that may or may not include an internal allocation program) which falls within a national jurisdictional crediting scheme that is also registered under the VCS.
- **‘Non-performing entities’**: An entity that suffers a reversal. This may be a jurisdiction where the reversal occurred in non-project areas or a project where the reversal occurred within the project boundary.
- **‘Non-permanence risk’**: The risk that forest carbon stocks will be lost and a reversal will occur.
- **‘Non-project areas’**: Forest areas outside project boundaries that are used by a jurisdiction to generate VCUs, e.g. as a result of ERRs generated through the implementation of government policies and programs. This can be applied *mutatis mutandis* to areas outside a subnational jurisdiction boundary that are used by a national jurisdiction to generate VCUs.
- **‘Performing entities’**: An entity that reduces emissions or increases removals compared to the baseline scenario.
- **‘Rate’**: The term rate is used here to refer to the annual quantity of deforestation, degradation or carbon stock enhancement occurring. Rate will most often be expressed as an annual area or percentage of an area (e.g. hectares per year) but could be, especially for degradation and carbon stock enhancement, an annual volume (e.g. m³ of timber per year). Other metrics, where justifiable, would be allowable.
- **‘Reversal’**: Where credits have been previously issued from an area and where net reported emissions in the MRV period for the area exceed those in the baseline, resulting in ‘negative’ emissions for that MRV period.⁴
- **‘Single crediting scale’**: Where VCUs are issued to only one scale (e.g. a jurisdiction with an internal allocation program that does not allow direct crediting to projects).
- **‘Subnational jurisdiction’**: A jurisdiction operating below the national-level jurisdiction (e.g. state, province, region, department or district – see section 6.1 for additional detail).

Acronyms are avoided wherever possible. However, for simplicity some acronyms are used:

- **ERR**: Emission reduction and/or removal (of GHGs)
- **GHG**: Greenhouse gas
- **IPCC**: Intergovernmental Panel on Climate Change
- **JNRI**: (VCS) Jurisdictional and Nested REDD+ Initiative that will produce new VCS requirements (an expansion of the standard) to enable jurisdictional and nested REDD+ crediting

⁴ The current VCS definition of reversal is: “A situation where the net GHG benefit, taking into account project emissions, removals and leakage, in any monitoring period is negative. The amount of a reversal is calculated as the difference between the current total to date net GHG benefit of the project, compared to the total to-date net GHG benefit of the project at the previous verification event” (VCS Program Definitions, p 9)

- **UNFCCC:** United Nations Framework Convention on Climate Change
- **VCS:** Verified Carbon Standard
- **VCSA:** Verified Carbon Standard Association (the entity that manages the VCS)
- **VCU:** Verified Carbon Unit (the credits issued under the VCS to both projects and jurisdictions)

3. Overview of jurisdictional cycle

The proposed VCS jurisdictional and nested REDD+ cycle will vary depending on the crediting scenario a jurisdiction chooses. Three scenarios are possible: i) develop and register a jurisdictional baseline only; ii) develop and register a jurisdictional baseline and jurisdictional crediting scheme; or iii) develop and register a jurisdictional baseline, jurisdictional crediting scheme, and internal allocation program. A jurisdiction's choice may evolve over time. For example, the jurisdiction may start off by defining a jurisdictional baseline to support stand-alone project activities and then evolve into a jurisdictional crediting scheme at the national and/or subnational scales. See figure 1 for a simple flow diagram outlining the three scenarios.

All three scenarios start with developing a jurisdictional baseline. This requires defining the jurisdictional boundary and choosing the activities and pools included in the baseline. After this initial step, the program cycles diverge based on the individual crediting scenario.

3.1. Scenario 1: Jurisdictional baseline with standalone project crediting

This is the simplest scenario for a jurisdiction. In this scenario, once the jurisdictional baseline is registered, projects may use the jurisdictional baseline for their own activities that are subsequently registered with the VCS. The smaller-scale (e.g. project) baselines would be “cookie cut” out of the larger jurisdictional baseline if it is spatially explicit. If it is not spatially explicit, the same data sources and emission factors would be used to calculate the smaller-scale baseline. The VCS rules applicable to that smaller scale are used to estimate leakage, conduct MRV, address non-permanence risk, calculate VCUs etc. Non-permanence risk is addressed via the AFOLU pooled buffer account currently in use for VCS AFOLU projects. In scenario 1, there is no MRV at the higher jurisdictional scale or issuance of VCUs for any areas outside the boundary of a smaller scale registered with the VCS (e.g. no VCU issuance for non-project areas within the jurisdiction).

For example, a jurisdictional baseline is developed for province A. Province A does not want (or is not able to) claim VCUs for GHG reductions achieved across the entire jurisdiction. Each individual project uses the registered jurisdictional baseline and achieves project registration with the VCS. Each project then conducts MRV, leakage assessments etc. and is issued VCUs. In effect, these are standalone projects that are benefitting from the establishment of a consistent, broader scale baseline. In this case, the jurisdictional baseline helps reduce the transaction costs and promotes environmental integrity for a number of smaller REDD projects being developed within the jurisdiction.

It should be noted that under this scenario a national jurisdictional baseline may also be registered and a subnational jurisdiction could develop and register a subnational jurisdictional baseline, jurisdictional crediting scheme, and/or internal allocation program. In such cases, the subnational baseline would be developed based on the broader national baseline, while crediting within the subnational jurisdiction would be handled according to scenarios 2 or 3.

3.2. Scenario 2: Jurisdictional crediting scheme with direct crediting to nested activities

In this scenario a jurisdiction develops and registers a jurisdictional baseline and jurisdictional crediting scheme. This allows a jurisdiction to claim VCUs for ERRs generated across the entire jurisdiction, plus allows nested projects or nested subnational jurisdictions to also claim VCUs directly from a VCS registry. The jurisdictional crediting scheme can be developed and registered either simultaneously with a jurisdictional baseline or at a later point in time. The jurisdictional crediting scheme contains a number of important elements such as approval procedures, additional requirements for nested activities and policies to address leakage within the jurisdiction. Jurisdictions would also need to provide information on how social and environmental safeguards were being applied and how “right of use” will be demonstrated to allow the jurisdiction to claim VCUs from non-project areas. Once the scheme is registered, smaller-scale activities can use the jurisdictional baseline for their own activities which are then registered with the VCS. MRV is conducted across the entire jurisdiction and at the smaller scale, and both the jurisdiction and smaller-scale activities may be issued VCUs directly from a VCS registry. A jurisdictional pooled buffer addresses non-permanence risk and any crediting shortfall risk.

This scenario can be implemented to allow crediting to projects only (i.e. no crediting of non-project areas), or crediting to both non-project areas within the jurisdiction plus projects. In both cases MRV is carried out across the entire jurisdiction.

As an example of the first option, a jurisdictional baseline is developed for province B. Province B wants to stimulate private sector investment in projects but does *not* want to claim VCUs for non-project areas within the jurisdiction. It does, however, intend to conduct MRV across the jurisdiction and wants to ensure that project leakage and any reversals/losses within the jurisdiction are accounted for. This therefore differentiates it from Scenario 1 where there is no jurisdiction-wide MRV. The jurisdiction develops a jurisdictional crediting scheme that allows direct crediting for projects but does not claim any VCUs for non-project areas. Each individual project uses the registered jurisdictional baseline and achieves project registration with the VCS (while applying certain additional rules set by the jurisdiction). Each project then conducts leakage assessments, MRV, etc. and is issued VCUs. The jurisdiction also conducts leakage assessments and MRV. If there is a loss in non-project areas that affect the number of VCUs generated across the entire jurisdiction, this is compensated by the jurisdictional pooled buffer and projects are still issued their VCUs.

As an example of the second option, a jurisdictional baseline is developed for province C. Province C wants to claim VCUs across the entire jurisdiction for ERRs generated by the REDD+ policies and programs it implements plus stimulate private sector investment in projects. It develops a jurisdictional crediting scheme that allows crediting to both scales. Each individual project uses the registered jurisdictional baseline and achieves project registration with the VCS (while applying certain additional rules set by the jurisdiction). Each project then conducts leakage assessments, MRV, etc. and is issued VCUs. The jurisdiction also conducts leakage assessments, MRV etc. and is issued VCUs. Any reversals in non-project areas that affect the number of VCUs generated by the jurisdiction are compensated by the jurisdictional pooled buffer, enabling projects to still be issued their VCUs. Similarly, project reversals are covered by the jurisdictional pooled buffer, which enables the other REDD+ projects and the jurisdictional government to receive their full allocation of VCUs.

3.3. Scenario 3: Jurisdictional crediting scheme with internal allocation program

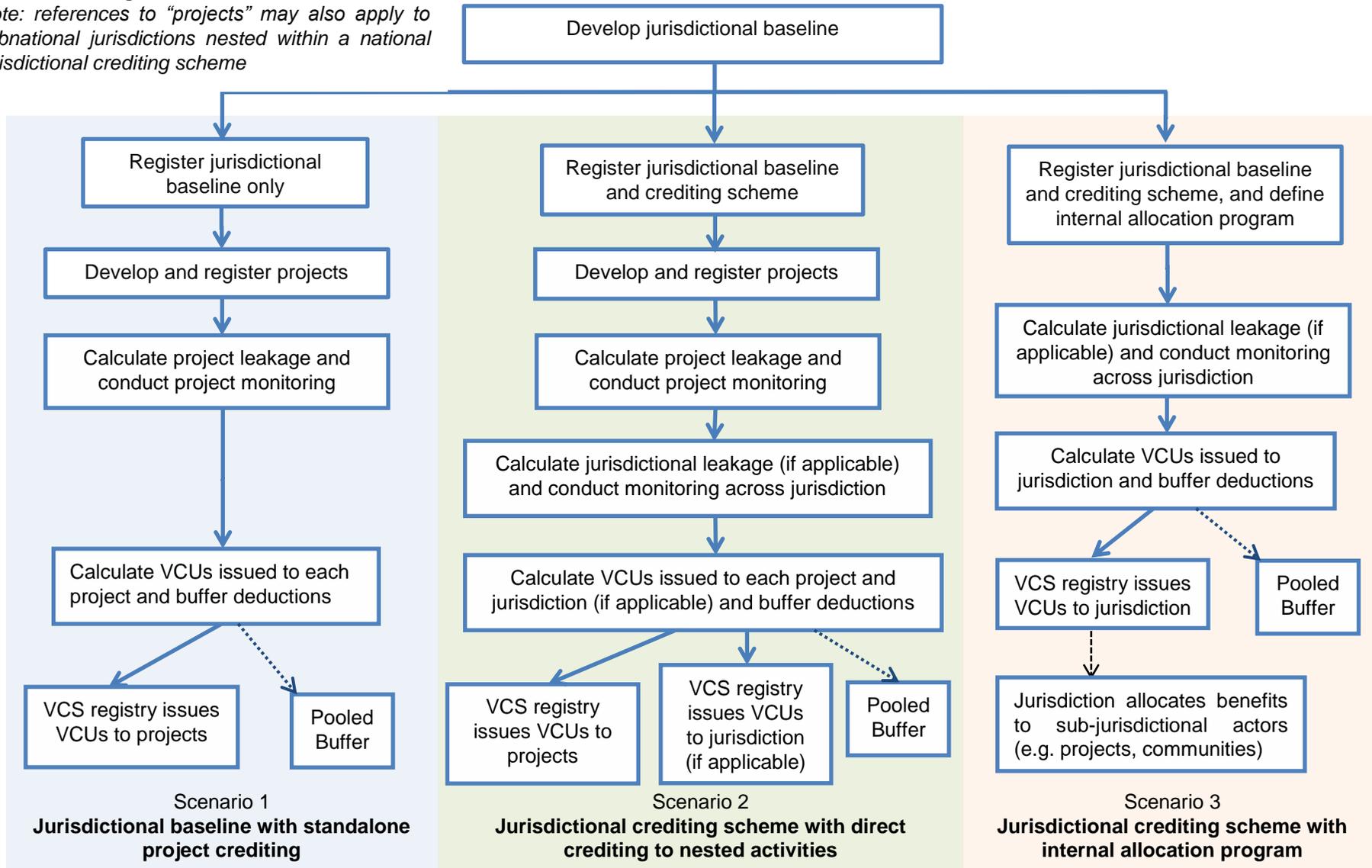
This scenario requires a jurisdiction to develop and register a jurisdictional baseline, crediting scheme, and internal allocation program. It allows jurisdictions to claim VCUs for ERRs generated across the entire jurisdiction, but does not allow direct crediting to projects or subnational jurisdictions nested within it. The jurisdiction is issued all VCUs and is responsible for re-allocating credits or other benefits to participants (including project developers) or stakeholders within their jurisdiction. As with

scenario 2, the jurisdictional crediting scheme and internal allocation program may be developed and registered either simultaneously with a jurisdictional baseline or at a later point in time. Similar to scenario 2, the jurisdictions would need to provide information on how safeguards were being applied and the existence of a “right of use” to allow the jurisdiction to claim VCUs. In addition, the jurisdiction would be encouraged to spell out how internal allocation decisions would be made and operationalized (i.e. how the benefits would flow and in what form to the sub-jurisdictional REDD+ actors). Because smaller-scale activities will not be registered with the VCS, the jurisdictional crediting scheme is not required to contain information on approval procedures, additional requirements for nested activities, or addressing leakage within the jurisdiction. MRV is conducted across the entire jurisdiction and the jurisdiction is issued VCUs from a VCS registry. Reversals are addressed via the jurisdictional pooled buffer.

For example, a jurisdictional baseline is developed for province D. Province D wants to claim VCUs across the entire jurisdiction for policies and programs it implements. This includes its own payment for the ecosystem services scheme that involves paying for the protection of forest under threat along with the conservation of less threatened forests that may not be eligible to receive VCUs under the VCS. It develops a jurisdictional crediting scheme and internal allocation program that documents these plans and demonstrates the jurisdiction has a right of use over the forest areas falling under the payment for ecosystem service (PES) scheme. Province D conducts leakage assessment, MRV etc. and is issued VCUs. It then either distributes these VCUs to participants in the domestic scheme or sells the VCUs and uses some or all of the proceeds to fund the payment for ecosystem services scheme. The choice is up to the jurisdiction.

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



Part II: Defining scope and setting baselines

4. Guiding principles

The VCS program⁵ is governed by a core set of principles, including conservativeness, accuracy and transparency. These same principles should apply to the requirements and supporting program elements developed under JNRI.

In addition, the development of jurisdictional baselines and crediting schemes should:

- Adhere to the safeguards requirements in section 11.
- Be developed and documented in a transparent manner.
- Be developed with the involvement of stakeholders. Such consultation should include parties affected by the proposed scheme or program, such as existing VCS REDD+ projects, private land owners, local communities and/or indigenous peoples. The nature of these consultations (including who was consulted and the manner in which the consultations occurred) along with the outcomes of these consultations (including input received and how this was considered) shall be included in the scheme or program submitted for registration with the VCS. Principle 6 of the REDD+ Social & Environmental Safeguards (SES)⁶ titled “All relevant rights holders and stakeholders participate fully and effectively in the REDD+ program” may be useful to guide stakeholder consultation.

5. Scope

5.1. Accounting method

Issue: For jurisdictional accounting, should the VCS continue with activity based approaches (as used by projects), or allow (or even require) landscape accounting?

LULUCF accounting under the Kyoto Protocol and AFOLU accounting under the VCS is currently categorized based on specific activities – i.e. emissions/removals from the defined activity (such as reforestation or avoided deforestation). If there are emissions or removals that are due to activities outside the defined activities, these emissions or removals are simply not included. The alternative approach is landscape-based accounting, whereby all emissions and removals occurring within a landscape unit (e.g. jurisdiction) are accounted for regardless of the activity that caused them.

Recommended rules and requirements

An activity-based accounting approach should be followed to maximize precision and minimize data collection costs. It is possible that the VCS framework could be expanded to accommodate landscape accounting approaches in the future. A landscape accounting approach was not recommended primarily because of the cost and concern that it would not achieve high enough precision.⁷

Note: Activity-based accounting will not prevent a jurisdiction from accounting for its forests in accordance with IPCC categories of forest converted to non-forest, forest remaining forest, and conversion of non-forest to forest.

⁵ Available at http://www.v-c-s.org/sites/v-c-s.org/files/VCS%20Program%20Guide%2C%20v3.0_2.pdf, Section 3

⁶ Available at: <http://www.redd-standards.org/>

⁷ An example of a type of landscape approach is the US Government's Forest Inventory and Analysis (FIA) program which forms the basis for US reporting to the UNFCCC. The FIA costs US\$80 million each year and achieves at the State level (large Jurisdiction) a sampling error equivalent to the 67% confidence level (as opposed to the 95% confidence level required by the current VCS project standard). It should be noted that even at this high cost the US FIA does not include interior Alaska which has access issues similar to many areas of tropical forests.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

5.2. Eligible activities (RED, REDD, or REDD+)

Issue: Which activities should be included in a jurisdiction's baseline and crediting scheme?

The UNFCCC and VCS divide REDD+ up differently (see Annex I for a breakdown of the different activities and their relationship). Which activities should be included in the VCS standard for jurisdictional and nested REDD+?

Recommended rules and requirements

The new VCS jurisdictional & nested REDD+ standard will cover the VCS activities of:

- Reduced emissions from deforestation and degradation
- Improved forest management (IFM)
- Afforestation, reforestation and revegetation (ARR)

Note: Peat activities are discussed under the carbon pools section immediately below.

IPCC guidance (which is expected to form the basis of any future UNFCCC international climate agreement) underpins the requirements of the VCS jurisdictional and nested REDD+ standard.. All IPCC forest-related categories are covered, specifically:

- Conversion of forest to non-forest;
- Forest remaining forest; and
- Non-forest converted to forest.

However, for the purposes of VCS jurisdictional and nested REDD+, these activities are discussed in terms of the UNFCCC REDD+ activities – albeit with the exception of conservation of non-threatened carbon stocks. This is broken down as follows:

- Reduced emissions from deforestation
- Reduced emissions from degradation (which also includes most VCS IFM activities)
- Carbon stock enhancement (e.g. through ARR, assisted natural regeneration and one VCS IFM activity - low productive to high-productive forest)

It will be up to each jurisdiction to choose which activities will be accounted for within their specific REDD+ program. The following requirements will be in place to ensure choices are conservative:

- Forest sequestration activities may not be included in a jurisdictional baseline if emissions from deforestation (and degradation, if data is available) are not also accounted for.
- Where deforestation is included but degradation is not, methods must be in place to account for possible leakage from deforestation to degradation (see section 8.1).

Note that projects may include – using the existing VCS project-based accounting rules -- activities not included in the jurisdictional baseline. For example, a project occurring in a jurisdiction with a jurisdiction-wide deforestation baseline may decide to create their own degradation baseline and generate (i) jurisdictional credits from deforestation and (ii) project-level credits from degradation from the same project (though the areas defined as deforestation and degradation could not overlap).

Recommended good practice guidance

Guidance may be provided on how to select an optimal set of permissible activities based on e.g. available historical remote sensing imagery, capacity of the jurisdiction for executing the MRV, existing deforestation and forest degradation threats and historical rates.

Issues for Advisory Committee attention

1. The earlier discussion on scope contained a recommendation to *require* degradation to be included after a certain number of years if a country started with deforestation only. Feedback from the Advisory Committee on this point was mixed. Some supported the notion, while others disagreed with it because (i) degradation may never be significant enough to warrant inclusion in certain jurisdictions; and/or (ii) capacity constraints may make adding degradation within a set period of time difficult. We suggest dropping this idea as it can be addressed under leakage (thereby maintaining environmental integrity), which leaves any requirement to include degradation by a set date an arbitrary policy position. It should be noted that this does not prevent others using the VCS jurisdictional and nested REDD+ standard from adding this requirement themselves if desired.

5.3. Carbon Pools and GHGs

Issue: Which carbon pools and GHGs should be included?

The following pools can be accounted for in VCS forest carbon project activities: i) above ground biomass; ii) below ground biomass; iii) dead wood; iv) litter; v) soil carbon; and vi) wood products. The VCS requires projects implemented on peatlands to follow additional Peat Rewetting and Conservation (PRC) requirements, to address specific hydrological issues and the addition of the (usually very significant) soil carbon pool. The following sources of GHGs are also normally accounted for in the VCS project standard: i) fossil fuel emissions; ii) fertilizer emissions; iii) non-CO₂ biomass burning emissions; iv) emissions from manure management; and v) non-CO₂ emissions from wetlands/flooded lands.

How should this current list of carbon pools and GHGs be treated in the jurisdictional context? Can/should fossil fuel, fertilizer and manure applications be tracked at the jurisdictional scale? Should projects be required to follow the pools and GHGs accounted for in the jurisdictional baseline? Can projects add a pool (such as soil carbon) where it is not included in the jurisdictional baseline?

These issues were analyzed under two broad options; i) government decisions dominate and projects (or lower level jurisdictions) must quickly follow the higher level (e.g. national) schemes; or ii) allow flexibility to include more pools at the lower scale, which requires direct crediting at the lower scale when more pools/sources are selected compared to the higher scale.

Recommended rules and requirements

Jurisdictions set the pools that they include in their baseline. Subnational jurisdictions can include additional pools in their subnational baseline that are not included in a national baseline. Projects cannot expand the jurisdiction's selection of pools (to reduce creating additional complexity). If there are forested peatlands (or peatland forests would be created with afforestation/reforestation and/or with changes in drainage) within a jurisdiction then for those specific areas soil carbon must be included. In addition, the following overarching rules and requirements would apply for jurisdictions:

- The choice of carbon pools/sources must be conservative, i.e. pools that are at risk of decreasing (relative to the baseline) due to program/project activities cannot be excluded.
- There should also be an option to exclude pools/sources where they are insignificant. Without this, baseline setting and monitoring could be unnecessarily burdensome.

With regard to determining the significance of pools/sources, the current VCS AFOLU Requirements set de minimus (insignificance) at 5% (i.e. individual emissions sources need not be accounted for if they represent less than 5% of total project emissions), and allow methodologies to determine how to calculate this. This approach could be applied to jurisdictional baselines, although the threshold percentage could be changed. While this is consistent with IPCC guidelines for projects, the IPCC guidelines do not clearly state what significance is at a national level.

Peat should be treated as a sub-section of the soil carbon pool and be subject to the same conservativeness/significance tests as any other pool. However, should peat be included in a

jurisdictional program, further rules and requirements, like those in the VCS AFOLU (project) Requirements will be required for baseline setting and monitoring to assure that the unique properties of the pool are handled correctly.

Recommended good practice guidance

Guidance may be needed on the appropriate selection of pools depending on individual national and sub-national (incl. project) circumstances, based on the fact that only some pools/sources are likely to be significant while others could be conservatively ignored. A method to determine what constitutes de minimis could be explained in the good practice guidance.

Issues for Advisory Committee attention

2. Is 5% an appropriate threshold for de minimis at the jurisdictional scale?

6. Jurisdictional baselines

6.1. Jurisdictional boundary

Issue: How is a “jurisdiction” defined?

Boundaries of jurisdictions define the extent over which the baseline is produced and MRV is conducted. In addition, explicitly defining the boundaries of jurisdictions enables the VCS to ensure overlap between jurisdictions is avoided. Therefore, the VCS must keep a record of all boundaries of all registered jurisdictions.⁸

The technical analysis on how to define a jurisdiction was broken into the following key issues:

- Should there be a minimal size of jurisdictions?
- Should jurisdictional boundaries be allowed to cross administrative boundaries (e.g. following ecosystem boundaries)?
- Should the boundary of a jurisdictional baseline or a jurisdictional crediting scheme be allowed to contain holes?
- Should jurisdictional boundaries be allowed to consist of multiple and non-contiguous parts?
- How can jurisdictional boundaries be defined and registered?

Recommended rules and requirements

Jurisdictions shall follow existing administrative (i.e. politically defined) boundaries rather than ecosystems or other forest type designations. It is suggested to limit boundary size to one administrative level below the national level, e.g. a state in Brazil or Mexico, province in Indonesia and department in Peru. No minimum size of a jurisdiction is imposed because (i) this could be difficult to set and apply to smaller countries; and (ii) the complexity of jurisdictional crediting and approval requirements will likely lead to a de facto minimal size.

Under exceptional conditions, holes within the boundaries are allowed, such as when land is either inaccessible and not at risk of leakage, not under the jurisdiction's control (e.g. due to civil unrest), falls under another standard (e.g. a CDM AR project in a jurisdiction developing a VCS REDD+ baseline) or the political boundaries concerning the land is disputed. However, disputed boundaries may be included if the parties subject to the dispute can agree on a boundary for the purposes of the VCS.

Multiple administrative subdivisions such as several states may form one jurisdiction for the purposes of VCS accounting and crediting, as long as the subdivisions are adjacent to each other to manage leakage.

⁸ Note that defining boundaries of a jurisdiction does not automatically imply that all the land within the boundary is eligible for crediting. See section 9.4

Jurisdictions must provide exact geographic coordinates of their boundaries to the VCS. The VCS must verify that there is no overlap with existing registered jurisdictions before registering a new jurisdiction. The description of the boundary is made publically available.

Recommended good practice guidance

The guidance will contain recommendations on determining the appropriate jurisdictional boundary. This should take into account issues such as the amount of control or authority a jurisdiction has over the forest land and other relevant land falling within a jurisdiction.

Issues for Advisory Committee attention

3. Should there be a minimum size threshold, or is the suggested recommendation regarding administrative level sufficient?
4. Should subnational jurisdictions two levels below the national level (e.g. regencies located in Indonesian provinces) qualify as discrete accounting and crediting units? Note that this may increase complexity in the system if multiple subnational jurisdictions are nested (e.g. resulting in a project nested in a sub-subnational jurisdiction nested within a subnational jurisdiction nested within a national jurisdiction).

6.2. Developing a jurisdictional baseline

Issue: How is a jurisdictional baseline developed?

Developing a jurisdictional baseline is one of the key elements of a jurisdictional and nested REDD+ crediting scheme. A number of issues associated with developing a baseline are contained in this section including:

- Step 1: What should be included in a jurisdictional baseline?
- Step 2: How are historic emissions/removals calculated?
- Step 3: What sort of baseline is used to estimate ex-ante ERRs? Is this based on (i) the historic rates of deforestation, ii) projected rates of deforestation, iii) a jurisdiction's own efforts to reduce emissions (potentially as part of the projected rates); or iv) be set as a crediting baseline that is below the BAU baseline?
- How is "location" calculated in unplanned deforestation baselines?

6.2.1. Scope of Baseline

Issue: What is the scope of a baseline?

This is the first step in developing a jurisdictional baseline and addresses issues such as: How should the baseline be divided between activities? Should there be a separate baseline for each of deforestation, degradation and carbon stock enhancement? Should these broad activities be further divided? What activities should be included in the baseline? For each activity is it sufficient at the jurisdictional level to use only a rate, or must rate be paired with an emission/removal factor? Is there a requirement to specify location?

Recommended rules and requirements

A jurisdictional baseline may be broken down into any of the broad activities discussed in section 5.2 on scope. These are the UNFCCC REDD+ activities expressed as i) reducing emissions from deforestation; ii) reducing emissions from degradation; and iii) carbon stock enhancements.

It may also be further divided into specific VCS AFOLU activities where doing so provides jurisdictions with flexibility and potential cost savings in carbon accounting. (See Annex 1 for a comparative breakdown of these different activities).

Irrespective if a baseline follows UNFCCC REDD+ or VCS project activity categories, the following criteria shall always be met:

- Deforestation or forest degradation caused by non-anthropogenic natural disasters such as hurricanes, earthquakes, or landslides, or infrequent fires shall be excluded from the baseline;

- The overall baseline for the jurisdiction shall be the sum of all activity baselines selected by the jurisdiction.

Where broad UNFCCC REDD+ activities are divided into specific VCS AFOLU activities the following criteria shall be met:

- The single activities must be explicit and non-overlapping;
- Deforestation activities must be comprehensive (i.e. a jurisdiction cannot select only planned or only unplanned deforestation);
- Different activities do not have to be comprehensive within broad degradation or sequestration activities.⁹

In all jurisdictions where VCS crediting can occur directly to projects operating within a jurisdictional crediting scheme, a deforestation baseline shall be divided between planned and unplanned deforestation if planned deforestation exceeds [10%] of annual historic deforestation.¹⁰ In the context of jurisdictional schemes, planned deforestation shall be defined as [legally permissible, commercially motivated] deforestation each exceeding [200] ha in area and for a single post-deforestation land use. To simplify tracking, patches smaller than [200] ha can be assumed to be associated with unplanned activities, and should be classified as such.

Recommended good practice guidance

Good practice guidance should be developed on how best to analyze historic emissions and drivers of emissions to help jurisdictions determine what categories and activities should be included.

Good practice guidance should also be included on whether and how to divide the UNFCCC REDD+ activities or UNFCCC activities into VCS AFOLU activities. Costs and benefits may be elaborated.

Issues for Advisory Committee attention

5. What proportion of total historic baseline emissions (e.g. 10%) should planned deforestation comprise before planned and unplanned deforestation must be separated out?
6. How should we define planned deforestation under jurisdictional and nested REDD+? The objective is to avoid areas that are following an unplanned pattern from being included under “planned” and to simplify tracking of planned instances.

6.2.2. Historic emissions/removals

Issue: How are historic emissions/removals estimated?

This is the second step in developing a jurisdictional baseline. It covers: What data may be used to create a historic baseline for different activities? Must remote sensing be used in all instances? What resolution of remote sensing imagery is acceptable and what accuracy of forest/non-forest differentiation? What stratification must occur? What would be the criteria for using techniques that do not use remote sensing imagery? What criteria should be in place for creating emission and removal factors?

⁹ For example, within degradation a jurisdiction may elect to focus on timber harvesting but not fuelwood collection (except where associated with leakage), or afforestation may be included but not the enhancement of stocks of existing forests.

¹⁰ The rationale for the specific rules and requirements separating planned and unplanned baselines when crediting occurs directly to projects is that planned deforestation may bias spatial baselines and all subsequent project-level carbon accounting for unplanned deforestation. This is because future planned deforestation activities are much less constrained by location than unplanned deforestation activities. The mere existence of a spatial location baseline for planned activities will immediately influence the location of new activities, negating the concept of a spatially-explicit baseline. This bias can only be avoided if planned deforestation is excluded from any spatial baseline. This issue is not relevant if only the jurisdiction is credited, since the total number of credits claimed by the jurisdiction will not be biased. It should be noted that, in line with the current VCS AFOLU requirements, projects (even if nested) can continue to include planned activities in their spatially explicit baseline if they can demonstrate that such activities would have occurred within the project boundary.

Recommended rules and requirements

General:

- A historical level of emissions must be calculated for each selected activity.
- The calculation of historical emissions of activities must be conservative.¹¹
- Where crediting occurs directly to projects operating within a jurisdictional scheme, the spatial location of activities under unplanned deforestation must be identified across a historic period.
- Delineating the spatial location of unplanned degradation activities is optional.
- Rates for activities under unplanned deforestation must be determined using remote sensing (RS) imagery.
- Rates for all other activities may use RS imagery, but are not required to. Examples of other data sources that could be used include surveys, relevant statistics, inventories, etc.
- Significant emissions caused by any non-anthropogenic natural disasters must be excluded from the historical baseline.¹²
- If the jurisdiction is nested within a higher-level jurisdiction, the activity rates must be assigned according to the rules and requirements for nesting. (see section 6.3)

Estimating activity rates and/or emission levels using remote sensing imagery:

- All land use and land-use change (LULC) maps created using RS imagery and used for calculating activity rates must have a final spatial resolution of not greater than [100m x100m]. Imagery with a coarser resolution (e.g. 250m x 250m) can be used to verify forest cover in areas with very low probability of deforestation such as areas distant from roads and forest frontiers.
- The minimum mapping unit (MMU) size of the LULC maps created using RS imagery shall be one hectare.
- Land cover maps must be created using a forest stratification and LULC system¹³ with unambiguous and non-overlapping LULC classes and forest strata. Jurisdictions may further divide lands into sub-classes as long as each class is distinct and unambiguous. Areas where forest systems are present that have cyclical changes in forest cover, such as slash and burn systems, short-rotation managed forests, and temporarily unstocked forests, must be present in a separate stratum.
- Remotely sensed spatial data from at least three points in time taken from a similar season¹⁴ within the last [10-15] years must be present in the series. At least three years shall separate each of the three data points. Additional data points (including older data points) beyond the three may be included in the series, as long as they are from a similar season.
- Up to [10%] of an LULC map within the historical series may be classified as “unknown” due to involuntary gaps in the original RS data, including cloud cover, dust, smoke, or banding. If more than [10%] of the area in original image has gaps, one of the following two approaches shall be followed:
 - It is allowed to combine multiple RS images within a ± 12 month period to create one single LULC map where [90%] of the area has a known LULC class.
 - Rates may be calculated by averaging pixel-based rates calculated from a large set of individual images if at least [90%] of the pixels are included in the rate calculation for the period between 0 and 6 years, and 6 and 12 years.

¹¹ Conservative is relative to ultimate net ERRs. A conservative emissions baseline will underestimate baseline emissions and a conservative sequestration baseline will overestimated baseline sequestration

¹² Note section 10.3 where *force majeure* events that occur after the baseline has been set shall be revisited and adjusted.

¹³ A Land-use and land cover (LULC) class is a broad land class, while a forest stratum is a subdivision within the forest LULC class.

¹⁴ The season may vary for different strata within the Jurisdiction. For example areas with high cloud cover will likely be examined during the dry season but areas of deciduous forests will have to be examined during the season when leaves are present

In addition, forest areas may be systematically excluded where it can be justified that the forest area is 'unmanaged'. Unmanaged forests are defined as forests that are located >[50] km from roads and/or from existing cleared forests. Alternatively, a jurisdiction may create its own definition of managed forest on the condition it leads to a conservative baseline estimation.

- The most recent point in time of the historical series must be within two years of the crediting period start date. The LULC map created from this point will serve as the 'benchmark map', indicating which areas are forest and non-forest at the start of the crediting period. An accuracy test is required for the forest benchmark map. The accuracy test requires a minimal accuracy of [85]% for the distinguishing forest vs. non-forest classes. This accuracy must be tested using the appropriate forest definition.

Estimating historical activity data not based on RS imagery

Historical activity data for some activities may be based on other data sources than RS imagery, including social surveys, governmental and non-governmental records. These data sources may be used as long as it can be demonstrated that they yield activity rates that are conservative

Emission/Removal Factor Creation

Activity data must be converted to emission levels using an emission/removal factor.

- The carbon stock densities (before and after deforestation/degradation/sequestration), combined for all selected pools, must be calculated with a precision (determined by the half width of the confidence interval) of no more than [15]% at the [95]% confidence level. Locations of new field measurements used to calculate carbon stocks must be selected without bias.¹⁵ Existing inventory data may be used as long as it can be demonstrated that the data accurately represent strata within the jurisdiction.
- Field measurements used to calculate carbon stocks must have been collected within [10] years prior to the crediting period start date.

Recommended good practice guidance

Excellent resources already exist that provide general guidance on the use of remote sensing analysis for mapping deforestation (e.g., appropriate existing VCS REDD methodologies, the GOFCC GOLD guidebook). Guidance specific to the VCS would be drawn from these.

Issues for Advisory Committee attention

7. Input on the bracketed numbers is welcome.
8. Are the suggested rules and requirements too prescriptive?
9. In cases where data does not exist to establish three data points over at least nine years, should jurisdictions be able to establish their baseline using fewer (i.e. two) data points, potentially over a shorter time period than nine years? If this were allowed, could the baseline be updated to reflect additional data as it becomes available, or would that create problems with penalizing early action (through reduced baseline emissions)?

6.2.3. Establishing a baseline to estimating ERRs for crediting

Issue: What sort of baseline should be used to estimate ex-ante ERRs and VCUs?

The third step is to determine how to set a baseline that is used to estimate ex-ante ERRs and issue VCUs. This is referred to here as the crediting baseline. Should it be based on international agreements such as commitments under UNFCCC? Where no such commitments exist should the baseline be the historic average? Or should a projection be allowed based on increases through time or changes in for example population or GDP?

¹⁵ Plots must be allocated statistically. Allocation shall be random or systematic. It shall be demonstrable that measurements are representative of all included areas.

Recommended rules and requirements

Where a reference level or reference emissions level (RL or REL) has been set under the UNFCCC for the purpose of determining performance for market mechanisms

- The UNFCCC RL or REL must form the crediting baseline under the VCS jurisdictional crediting scheme for the corresponding activities. The duration of the jurisdictional crediting baseline shall be equal to the RL/REL under the UNFCCC.
- The data used for justification during negotiations for the UNFCCC RL/REL will form the basis of the division of the RL/REL into separate jurisdictional baselines. All activities included in the UNFCCC RL or REL shall be included under the VCS jurisdictional baseline. Where activities are not included under the RL or REL then an independent baseline can be developed. In addition, it is allowed to further split up the RL or REL into activities identified in step 1, as long as the sum of the baselines for each of the activities remains equal to the RL or REL.
- Where a RL was developed, a jurisdiction must create its own emission factors. Where a REL was developed, a jurisdiction must adopt the activity rates and emission factors that were the basis for the REL.
- Where a UNFCCC RL or REL is developed between baseline periods it shall be adopted at baseline renewal.

Where no Reference Level or Reference Emissions Level (RL or REL) has been set under the UNFCCC

- The baseline under the VCS shall be calculated from analysis of the historic baseline. Where no statistically significant trend can be identified in the historic baseline the historic annual average shall be used. Where a trend can be identified it can be projected forward for the [10] year baseline period before the baseline is due for renewal.
- Projections may be i) based on changes through time, ii) based on changes in variables such as population estimates and economic factors (e.g. GDP or commodity prices) and other variables for which credible projections are available.¹⁶
- The baseline should take into account any relevant commitments by the jurisdiction to reduce emissions or increase sequestration within the jurisdiction that are not intended to be financed via market mechanisms (including certain types of nationally appropriate mitigation activities that are undertaken as “own effort” and not intended to be financed through market mechanisms).
- The baseline shall be fixed for [10] years, but may be updated and/or renewed after [10] years (see section 6.5 on updating/renewing baselines).

Recommended good practice guidance

Good practice guidance would be provided on how to project a baseline rate into the future and how to demonstrate a statistically significant projection.

Issues for Advisory Committee attention

10. What is the appropriate crediting period for a jurisdictional baseline?

6.2.4. Estimating the “location” of an activity under the baseline for unplanned deforestation

Issue: Where a location of emissions or removals is required in the baseline how is this to be determined?

This issue relates to unplanned deforestation baselines that are spatially explicit. How is the predicted location of future deforestation estimated? What must be included in the analysis? What form must the analysis take?

¹⁶ A projection approach is valid when: 1) there is greater certainty in projection of the correlated independent variable than of deforestation; 2) the trends in the independent variable precede trends in deforestation.

Recommended rules and requirements

A location analysis (i.e., a geographical allocation of a total quantity of deforestation within the jurisdiction) is required only for unplanned deforestation in jurisdictions if projects can or will be directly credited by the VCS.

The location analysis shall be based on modeling the likely location of deforestation based on consideration of the impact of factors influencing deforestation in historic analyses (e.g. distance from existing deforestation, distance from roads, rivers or towns, distance from mills, slope, elevation etc.)

It is not permitted to include location in the jurisdiction baseline for any planned activity. The rationale is that planned deforestation/degradation activities are relatively unconstrained by the location. In addition, setting a location-specific baseline may influence the location of future planned deforestation activities.

If the location analysis predicts a specific area will be deforested in the [10] year baseline period, then crediting for other activities cannot occur on the same area except for the enhanced stocks of the forests that would otherwise be absent.

Recommended good practice guidance

The good practice guidance could explain how land-use change modeling can be used to extrapolate historical deforestation observations into the future. A number of existing VCS REDD methodologies include methods to project the spatial location of deforestation and/or forest degradation into the future. The procedures in these methodologies are a good guidance for the spatial extrapolation.

Issues for Advisory Committee attention

None

6.3. Multiple baselines at different scales for the same forest

Issue: How to deal with baselines at different scales occurring over the same forest?

The issue of how to treat different baselines developed at different scales for the same patch of forest can arise when:

- A larger-scale baseline is developed that covers existing smaller-scale baseline(s). For example, a jurisdictional baseline is developed that covers an existing VCS project. This is often discussed in terms of “grandfathering” the existing baseline into the new baseline.
- A smaller-scale baseline is developed in an area that already has a larger-scale baseline. For example, a state with a jurisdictional baseline allows new projects to be developed within the jurisdiction.

In either of these situations, it is possible that the ERR estimates for the same forest may differ. This can cause a number of issues, such as smaller-scale baselines (or credits issued against them) not “adding up” correctly compared to the larger-scale baseline. The two scenarios above are each discussed separately below.

6.3.1. Grandfathering

The technical team developed and analyzed five options for how to deal with existing baselines when a larger-scale jurisdictional baseline is developed. These were:

- Grandfather for a set number of years
- Grandfather for the period the smaller-scale baseline is valid
- Grandfather the smaller scale for the full crediting period of the project
- Allow the higher scale jurisdiction to choose the length of time grandfathering is allowed (with or without minimum and maximum times set by the VCS)
- Require reconciliation immediately (no grandfathering)

Recommended rules and requirements

Two different options are described along with an additional issue for consideration:

Option 1: Grandfather for a set number of years set by the VCS

- Smaller-scale baselines remain valid for a set period of time before being replaced by the larger-scale baseline. During this time period the smaller-scale project or jurisdiction will be able to use their original baseline for calculating ERRs that occurred within their original boundary (i.e. prior to any leakage calculations)
- Existing baselines shall remain valid for [5] years from the date of the registration of the larger-scale baseline or up to the end of the existing smaller-scale baseline's crediting period, whichever comes first.
- If the smaller-scale baseline has a different scope (i.e. RED(D)(+) category or carbon pools included) than the larger-scale baseline, these rules and requirements only apply to those activities overlapping with the larger scale.

Option 2: Allow the higher scale jurisdiction to set the grandfathering period within bounds set by the VCS

- The jurisdiction that develops the larger-scale baseline shall choose how long smaller-scale baselines remain valid within a time range set by the VCS. This may, for example, be a minimum of [4] years and no more than [the duration of the smaller-scale crediting period].
- In either case grandfathered projects or subnational jurisdictions will be entitled to continue to receive credits directly from a VCS registry for the duration of the grandfathering period.

Additional issue

Grandfathering is recommended to provide security to early movers. However, in both options presented there is a period of time where there may be a discrepancy between what the larger-scale jurisdictional baseline determines the ERRs may be and what the smaller scale determines. This could either result in overall conservativeness, or it could result in the appearance of over-crediting (depending on which baseline was considered more accurate).

Recommended good practice guidance

Guidance should be given to higher-scale jurisdictions on how to calculate their baseline across the jurisdiction while incorporating grandfathered smaller-scale baselines. Holes may be cut in the broader baseline and the emissions and / or sequestration present in the baseline in these holes will have to be considered when calculating the full jurisdictional baseline.

If the first option is adopted, additional Good Practice Guidance is not envisioned. If the second option is adopted some guidance on the advantages and disadvantages of different time periods may be useful.

Issues for Advisory Committee attention

11. Which option is preferred?
12. How long should the grandfathering period be in each option?
13. How should apparent differences between ERRs at the different scales be addressed?
Options include:
 - a. Use the VCS buffer (or something similar) to "true up" any apparent differences (this could involve additions to and deductions from the buffer depending on if the project over or under estimates compared to the jurisdiction).
 - b. If the project generated more VCUs during the grandfathering period than estimated by the jurisdictional baseline deduct this difference from the VCUs issued to a jurisdiction. If the project generated less, do nothing as this is conservative.
 - c. Do nothing on the assumption the lower scale baseline is more accurate – if more credits are issued based on the smaller scale this therefore has integrity, if less are issued to the smaller scale this also has integrity and is conservative. Some apparent over or under crediting may also net out across the entire jurisdictional and nested REDD+ initiative.

14. How should pools included in a grandfathered project but not included in a jurisdiction be treated? Under the current recommendations some project pools may no longer be included in the baseline after the grandfathering period expires. Options to address this include:
 - a. Ignore the excluded pools as they will likely be insignificant if not accounted for at the jurisdictional scale.
 - b. Continue to monitor these pools in the project area for any reversals (but not issue additional VCUs).
 - c. Presume all VCUs already issued that correspond to these pools are lost, and cancel an equal number of ERRs from the buffer.
 - d. Allow continued crediting to such pools (directly to projects, noting this conflicts with the recommendations in section 5.3 and will cause additional complexity).

6.3.2. Establishing a new smaller-scale baselines within a pre-existing jurisdictional baseline

Issue: How is a new baseline developed within an existing jurisdictional baseline?

What happens when a smaller-scale baseline is developed within a larger-scale baseline? Specifically, what if the smaller scale wishes to use more robust input data or more localized factors and the smaller-scale analysis results in a baseline that is different to the larger-scale baseline? The technical team focused on two options: (i) maximize use of the jurisdictional baseline; and (ii) allow divergence across scales.

Recommended rules and requirements

For unplanned deforestation projects

The smaller-scale baseline shall be identical to the higher-scale baseline but cut to the relevant area; identical deforestation pixels shall be applied for each baseline year for both the higher and lower scales. Where the smaller-scale has more refined carbon stock data, these data shall be incorporated at the larger-scale for the relevant strata or, if chosen, for a newly created substratum.

For all other activities

No spatial baseline will exist so specific baselines shall be required and developed for the smaller scale and will be subject to approval by the jurisdiction. Such baselines shall use the larger-scale emission factor and/or removal factor but will calculate project-specific activity data and prove project-specific additionality. For activity data, the jurisdiction should, where applicable, require the smaller scale to use the same data sources to enhance correlation between the two baselines. Where the smaller scale has more refined emission factors or removal factors these shall be incorporated at the larger scale.

For all activities

If a new smaller-scale baseline is registered in the middle of a baseline period for the larger-scale, the larger-scale emission factors or removal factors shall be updated at the beginning of the next baseline period.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

6.4. Projects straddling a jurisdiction

Issue: What happens to projects that straddle or cross the boundary of a subnational jurisdiction?

It may be possible that an existing VCS REDD+ project crosses the boundary of a subsequently developed jurisdictional baseline and/or crediting scheme. This could result in part of the project area

falling within a jurisdiction and some outside of it. The neighboring jurisdiction could also subsequently develop a jurisdictional scheme, which could result in a project falling in two (or more) separate jurisdictional schemes. The project and jurisdictions may all have different approaches to setting baselines which raises issues for a jurisdictional system.

The technical team developed and analyzed six options to deal with this issue. The options were:

- Divide projects along the jurisdictional boundary
- Treat the project as belonging to a single jurisdiction based on area
- Treat the project as belonging to a single jurisdiction based on scope
- Choose the most conservative option
- Exclude the project from the jurisdiction
- Let the jurisdiction choose how to address the issue from the above options

Recommended rules and requirements

A project that crosses a jurisdictional boundary shall be grandfathered pursuant to the grandfathering rules (see section 6.3.1). Once the grandfathering period has expired a project straddling two jurisdictions shall be divided along jurisdictional boundaries – i.e. the project is cut into two separate projects if it sits in two different jurisdictions. Each piece of the project will be treated as an independent project. Additional rules and requirements will need to be prepared to detail how a project is split.

The other options have more problematic disadvantages that have a significant chance of resulting in the project accounting being incompatible with at least one jurisdiction where part of the project is located.

Recommended good practice guidance

None

Issues for Advisory Committee attention:

15. The only other viable option to the recommended approach is to permanently exclude a project that straddles a jurisdiction, but this did not seem to be reasonable. Does the Advisory Committee agree?

6.5. Updating a jurisdictional baseline

Issue: Updating jurisdictional baselines

Jurisdictional baselines will need to be updated from time to time to accurately reflect changing reality. This raises a number of questions:

- What is the adequate interval for such update?
- Would the validity period be the same for all BLs/ all jurisdiction?
- Who is responsible for updating the jurisdictional baseline, what is the scope of the update (e.g. how often, what is updated), and what are the consequences if this does not happen?
- Can an update be triggered by e.g., commodity price changes or other relevant factors?
- How is an update carried out?

Recommended rules and requirements

Components to be updated

The following components shall be included in an update:

- **Emission factor and removal factor component:** must be updated at every baseline update. The updated factor must be calculated using field measurements that are no more than 10 years old.
- **Activity rate component:** must be updated at every baseline update. For all activities except planned deforestation the activity rate for each activity shall be updated using the same procedures as in the initial baseline development, but the historic rate shall be adjusted for the impact of the REDD+ scheme by adding in emissions that would have occurred or

sequestration that would not have occurred and were credited in previous baseline periods. For planned deforestation the updated baseline shall be developed by adjusting the previous baseline using factors that reflect any changes in forest threats, such as GDP, access to forests, commodity prices, population growth, etc. The adjustment factors must be calibrated based on empirical data at the registration of the baseline.

- **Spatial component (specific location of baseline activity where applicable):** must be updated whenever the activity rate component is updated. The spatial component should use historical data that was not impacted by RED(D)(+) activities.

Changing the scope

- During a baseline update, the scope of the baseline may be broadened by including either additional RED(D)(+) categories, activities under these categories, and/or carbon pools.
- The scope of the baseline may only be narrowed if it can be demonstrated that the category/activity/pool in question is (or has become) insignificant, and will remain so for the duration of the next baseline period. For any nested projects or subnational jurisdictional baselines registered with the now absent category/activity, a project-specific or subnational jurisdiction specific baseline for the specific activity will have to be developed and registered for the smaller scale to continue claiming VCUs for this activity.

Changing the boundary

- A jurisdiction may change their jurisdictional boundary if i) a border dispute that affected the boundary when the baseline was first set has been resolved; or ii) a new border dispute that affects the boundary has arisen since the boundary was first set.

Frequency of update

The baseline shall be updated every [10] years. A baseline update shall be carried out immediately if a condition is in place that threatens the credibility of the carbon accounting, including;

- A baseline is suspended by the VCS due to significant errors discovered in the baseline that may lead to over-issuance or incorrect issuance of GHG credits
- Where the baseline is derived from an RL/REL approved by UNFCCC and the RL/REL is updated
- Significant natural disaster covered under VCS Force Majeure provisions

In addition, if the baseline is older than [5] years, the baseline shall be updated if any of the following situations are detected in MRV reports [during the [first [8] years of the [10]-year baseline period]:

- Significant changes to national and subnational policies relevant to the sector that likely increased emissions or decreased sequestration rates, such as modifications to existing policies and programs or the publication of new ones (e.g. whenever there is a change of national administrations);
- Significant market, demographic and other changes affecting the country's drivers and agents of deforestation. "Significant" meaning an [annual] [cumulative] change of at least [5%] compared to the average value recorded during the historic baseline period
- Subnational governments ceasing jurisdictional crediting schemes or similar initiatives

Consequences of not-updating

- If a baseline update is not registered as required, projects that were registered previously under the jurisdictional crediting scheme may continue to use the jurisdictional baseline for a grace period of [18] months after the baseline expiration. However, if the baseline update was triggered by detecting significant errors in the current baseline or a significant natural disaster a project must develop a project-specific baseline within [6] months for registration with the VCS if the jurisdictional baseline is not updated.
- If a jurisdictional baseline is not updated within [6] months of it expiring, a project can submit and register a project-specific baseline and switch to direct project crediting within an additional [12] months as long as the jurisdictional baseline has still not been renewed. The

project baseline must start from the jurisdictional baseline expiration date. The same rules apply *mutatis mutandis* to subnational jurisdictions if a national jurisdictional baseline expires.

Nesting issues

- If a subnational jurisdictional baseline is nested within a national level jurisdictional baseline the frequency of updates in the subnational baseline must follow the frequency of updates of the national baseline. This update shall happen within a grace period of [18] months following the update of the national baseline. The updated baseline shall be used to estimate any ERRs occurring during this grace period.
- If a project is nested within a jurisdiction and includes a project-specific baseline for activities that were not included in the jurisdictional baseline, all project-based baseline components that are dependent on jurisdictional baseline components shall be updated when a jurisdictional baseline occurs within the grace period of [18] months.
- In cases where a subnational jurisdiction becomes nested within a national jurisdiction, the lower-level jurisdiction shall adopt all relevant components of the higher-level baseline and update the components of its own baseline that are not included in the higher-level baseline within the grace period of [18] months.

Recommended good practice guidance

None

Issues for Advisory Committee attention

16. What is the appropriate frequency of baseline updates and which, if any, reasons are appropriate for the baseline to be updated in less than the fixed baseline time period?
17. Input on the numbers in brackets is also welcome.

6.6. Additionality

Issue: How is additionality addressed in the VCS jurisdictional and nested REDD+ system?

The concept of additionality needs to be considered in three circumstances:

- When a jurisdictional baseline is developed
- When a project is developed within a jurisdiction that has a jurisdictional baseline and jurisdictional crediting scheme in place
- When a project is developed within a jurisdiction that only has a jurisdictional baseline (but no crediting system)

6.6.1. When a jurisdictional baseline is developed for jurisdictional crediting

Issue: How is additionality assured for jurisdictions?

Additionality should be assured when VCUs are being generated at the jurisdictional scale. However, because baseline setting at the jurisdictional and project scales is different, separate additionality considerations may be needed.

Recommended rules and requirements

When a jurisdictional baseline is correctly set it will take into account all existing constraints and feasible lands for the activities considered in the baseline. As a result, additionality should be factored into the jurisdictional baseline when it is determined and specific rules and requirements on developing a separate jurisdictional additionality test are not necessary.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

6.6.2. Project additionality within a jurisdictional crediting scheme

Issue: What is needed to assure project additionality within a jurisdictional crediting scheme?

This issue has two main components: (i) who decides what sort of additionality test applies; and (ii) what should a possible additionality test contain? The technical team developed and analyzed two options:

- Jurisdiction decides how to test for additionality
- VCS decides how to test for additionality

Recommended rules and requirements

The jurisdiction being credited is responsible for setting requirements for project additionality. This recommendation is based on the recognition that if a jurisdiction is responsible for all emissions that occur within its boundaries, it should be allowed the full responsibility to manage projects.

Recommended good practice guidance

Good practice guidance could form the basis for jurisdictions to develop their own standards and requirements for proof of additionality within their crediting.

Such good practice guidance would detail the risks of poor additionality and the situations in which poor additionality might arise. This is especially important for avoided planned deforestation projects, where it is often challenging to justify a conversion threat and rate and additionality is often contentious. Specifically, the risk exists that avoided planned deforestation projects are implemented on land that is ineligible for the proposed conversion, either due to legal barriers or biogeochemical constraints.

The guidance would detail available options for proof of additionality. For example, a template Additionality Test could be developed that forms the basis of a jurisdiction-specific additionality test.

The outputs of the VCS Expert Steering Committee on Standardized Approaches¹⁷ could also be useful for jurisdictions to determine project additionality (and for establishing project crediting baselines for internal allocation programs)

Issues for Advisory Committee attention

None

6.6.3. When a project is developed within a jurisdiction that only has a jurisdictional baseline (but no crediting system)

Issue: What is needed to assure project additionality within a jurisdictional baseline?

If there is no jurisdictional crediting scheme, an entity has not assumed responsibility over the emissions and removals that occur within the jurisdiction. As a result the option suggested above where there is a jurisdictional crediting scheme is not appropriate. However, the existence of an already registered baseline makes additionality testing slightly different to a situation where a project is developing its own baseline and seeking registration – if the jurisdictional baseline is spatially explicit (e.g. in unplanned deforestation) there will already be a projection of which areas of forest will likely be deforested. This is not the case for activities that do have spatially explicit jurisdictional baselines (e.g. planned deforestation). As a result, the technical team determined that additionality testing in this situation can be divided into the two scenarios:

- Additionality testing where there is a spatially explicit jurisdictional baseline
- Additionality testing where there is not a spatially explicit jurisdictional baseline

¹⁷ See: http://www.v-c-s.org/consultation_draft_requirements_standardized_approaches.

Recommended rules and requirements

Scenario 1: Where there is a spatially explicit jurisdictional baseline

If there is a complete spatial jurisdictional baseline¹⁸ for a particular activity then a project of the same activity will be considered automatically additional where it performs better than the baseline and further additionality testing is not required.

Scenario 2: Where there is not a spatially explicit jurisdictional baseline

If a jurisdictional baseline is not spatial for a particular activity then projects of the same activity must demonstrate additionality through application and validation of an additionality tool. The current VCS AFOLU additionality tool may need to be revised for the purpose of the VCS jurisdictional and nested REDD+ system. Other additionality tools could also be developed by project or jurisdictional participants.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

Part III: Estimating and issuing VCUs

7. Monitoring, Reporting, and Verification (MRV)

Issue: Monitoring, reporting and verification

MRV contains a number of issues including:

What is required, who is required to undertake it, and how often should it be done? This section is divided into four sections covering the following:

- The purpose and structure of monitoring and monitoring reports
- The scope of activities monitored and using data from smaller scales
- Monitoring methods
- Internal verification / quality assurance and quality control

7.1. Purpose and structure of monitoring and reporting

Issue: What is the over-arching purpose and structure of monitoring and reporting?

What should monitoring, reporting and verification be seeking to achieve under jurisdictional schemes? What information should be collected and submitted for verification and with what frequency?

Recommended rules and requirements

Jurisdictional crediting schemes must use the monitoring methods set out in section 7.3 to produce monitoring reports containing a Monitoring Inventory which are able to meet the following purposes:

- Determine changes in sequestration by sinks and the emissions from sources within the country/sub-national area/project area which is covered by the scheme;
 - This includes emissions/sequestration related to the success or failure of each activity class and;
 - Emissions/sequestration associated with natural disturbances.

¹⁸ Indicating specific pixels for each year of the baseline period that would be deforested, degraded or otherwise impacted

- Determine changes in carbon stocks and emissions from sources outside the sub-national area/project area which has resulted from leakage (as required, see section 8.1);
- Determine the extent to which the activity classes were implemented;
- Update any land use map stratification that exists (as necessary);
- Gather data on the drivers of deforestation to be used in the baseline reassessment;
- Ensure that any social and environmental safeguards that are subject to MRV have been adhered to.

The monitoring inventory must follow the format provided by the VCS (to be developed).

Reports covering the entire jurisdiction must be submitted for external verification at least every [5] years from the scheme's start date. Monitoring reports from smaller-scale activities (nested subnational jurisdictions and projects) are able to be submitted for verification more frequently, but must also sync with the higher scale reporting cycle. For example, if a jurisdiction that conducts MRV every 5 years starting 2015, nested projects that receive credits directly from a VCS registry may conduct monitoring more frequently but they must also conduct monitoring and report to the jurisdiction in the 5 year intervals used by the jurisdiction.

It is the responsibility of the higher level scheme to demonstrate that lower level results have been reconciled prior to their submission for verification (see section 8.2 below on scope).

Projects must follow the most recent VCS AFOLU project based rules on monitoring.

Recommended good practice guidance

It will be necessary to set up some required structure (in the form of a monitoring template with tables for data and parameters to be monitored) that reporting entities will have to complete. They may not be as detailed as the UNFCCC tables, but could be created by working backwards from the final calculation that calculates the number of credits to be issued.

It would be beneficial to develop good practice guidance allowing jurisdictions to fully consider the costs and benefits of monitoring choices at different levels of a nested system.

Issues for Advisory Committee attention

18. How frequently should monitoring occur? Is at least every 5 years reasonable? Should there be variation in this requirement between National, sub-national and project entities?

7.2. Monitoring scope and scales

Issues: What is the scope of monitoring and how is data from smaller scales used at larger scale?

What must be monitored? Is the entity reporting required to only use their own monitoring data, or can results from lower levels be incorporated in higher level results? Can results from higher levels be used at lower levels?

Recommended rules and requirements

The jurisdiction must monitor the activities and pools that were selected in the jurisdiction's baseline.

The physical area that must be monitored is determined by the boundary of the activities selected, with the option to exclude areas that: (i) overlap with VCS registered subnational schemes or projects; or (ii) are determined not to have been impacted by the schemes activities (including leakage from those activities) following coarse-scale analysis.

Where possible the higher-level scheme shall adopt monitoring results from lower-level schemes for relevant areas.

Monitoring results from higher-level schemes may be used by lower levels where there is overlap in activities and boundaries. This data may be used on its own when it meets the minimum requirements in terms of accuracy and precision (see section 8.3) or be built upon as necessary.

Where there are inconsistent results between higher and lower scale monitoring, the lower scale monitoring shall always be presumed to be correct for the lower scale, on the assumption that lower scale data is more accurate.

Reporting must cover the previous monitoring period, which is a period of [5] years since the project start date or the end of the last monitoring period.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

7.3. Monitoring methods

Issues: How is monitoring to be conducted?

What are the minimum standards outlined by IPCC guidance for detecting land cover and for developing emission or removal factors that are relevant for jurisdictional and nested REDD+? What requirements should be developed for minimum accuracy and precision?

Recommended rules and requirements

Jurisdictional schemes:

- Must determine land use changes according to the IPCC's 'Approach 3'¹⁹ for REDD ,
- May use direct or indirect methods for monitoring REDD and enhancements in forest carbon stocks, and
- May use remote sensing or inventory records for AR project monitoring.

Any proxy measures of land use change used must be transparently documented and have a demonstration of their correlation with LUC proven.

IPCC Tier Two or higher methods must be used to derive emissions factors, with the precision level for each emissions factor being documented.

Leakage monitoring, where applicable, shall follow the same requirements as project/activity class area monitoring.

An assessment of accuracy and uncertainty must be presented, following IPCC guidelines. The following criteria must be met:

¹⁹ See the GOF-C-GOLD Sourcebook "The IPCC Guidelines describe three different Approaches for representing the activity data, or the change in area of different land categories: Approach 1 identifies the total area for each land category - typically from non-spatial country statistics - but does not provide information on the nature and area of conversions between land uses, i.e. it only provides "net" area changes (i.e. deforestation minus forestation) and thus is not suitable for REDD. Approach 2 involves tracking of land conversions between categories, resulting in a non-spatially explicit land-use conversion matrix. Approach 3 extends Approach 2 by using spatially explicit land conversion information, derived from sampling or wall-to-wall mapping techniques. Similarly to current requirements under the Kyoto Protocol, it is likely that under a REDD+ mechanism that land use changes will be required to be identifiable and traceable in the future, i.e. it is likely that only Approach 3 can be useful for land tracking and therefore for REDD+ implementation."

(http://www.gofc-gold.uni-jena.de/redd/sourcebook/Sourcebook_Version_Nov_2010_cop16-1.pdf)

- Net (against the baseline) change in GHG emissions during the monitoring period = $\pm [20]\%$ of mean at 95% confidence level
- Accuracy of forest/non forest classification = [80]%
- Accuracy of indirect emission calculation statistics on e.g. areas of deforestation concessions, volumes of timber or fuel wood collected = $\pm [25]\%$

The monitoring inventory must conclude with the number of credits that are being claimed for the monitoring period.

Information on social and environmental safeguards must be provided in accordance with the requirements of section 11.

Drivers should be reported on to aid LUC analysis²⁰ and any changes to stratification must be documented.

The report must document the roles, responsibilities and contact details for those organizations or individuals who are responsible for reporting.

The use of community monitoring is encouraged where appropriate and the results will be subject to the same accuracy assessment and uncertainty deductions as any other method.

Recommended good practice guidance

Additional guidance will be needed. This will principally refer to existing sources such as the IPCC good practice guidance and the GOFC GOLD Sourcebook. Beyond these sources additional good practice guidance will be needed in specific areas especially on wetland areas with a particular focus on peat emissions factors due to low coverage by IPCC good practice guidance and fast evolving science.

Issues for Advisory Committee attention

19. Are the presented requirements for accuracy and precision (i.e. uncertainty due to random errors) overly rigid or not strict enough?
20. Should these requirements be flexible, e.g. with additional discounting if certain levels of accuracy and precision are not achieved?
21. Should the same criteria be applied across all scales, or should there be higher requirements for projects?
22. Should these requirements be met in all instances before crediting can occur, or should there be a procedure in place for proportional deductions where requirements are not met?

7.4. Verification

Issues: External verification is covered in section 12. Internal verification refers to procedures for assurance of quality in monitoring results.

Recommended rules and requirements

The monitoring report must contain documented evidence of the QA/QC procedures undertaken according to IPCC good practice guidance.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

²⁰ e.g. changes in significance of drivers, changes in location of drivers etc.

8. Leakage

Issue: Leakage from a credited jurisdiction may impact areas outside the jurisdiction, either within the country or internationally.

Options considered by the technical experts under each crediting option include:

- International leakage:
 - Do not account for international leakage
 - Require mitigation of potential international leakage
- Domestic leakage (outside a jurisdiction with crediting):
 - Do not account for domestic leakage outside the subnational jurisdiction
 - Require mitigation of potential leakage outside the subnational jurisdiction
 - Require jurisdictional leakage belts to monitor and account for leakage outside the jurisdiction, but still within a country
 - Deduct a certain percentage from jurisdictional VCUs to account for external leakage within a country
 - Allow for leakage sharing agreements between jurisdictions where leakage may occur
- Domestic leakage (from projects) in a jurisdiction with a baseline but no MRV
 - Allow for leakage sharing agreements between projects where leakage belts may overlap

8.1. Jurisdictional leakage

Issue: Should international leakage be accounted for? How should leakage be accounted for outside and inside a subnational jurisdiction with crediting?

International and domestic leakage needs to be considered for all crediting scales (national, subnational, and project). The term 'leakage' below refers to both activity shifting or market effects.²¹

Recommended rules and requirements

National jurisdictions

International leakage need not be tracked and deducted from the national jurisdiction's accounting. The rationale is that, i) it follows established precedent under the UNFCCC and VCS; and ii) it is simple to apply, and avoids the political challenges of international leakage. However, steps (i) and (ii) below for subnational jurisdictions apply.

Subnational jurisdictions

Where subnational jurisdictions are credited directly, leakage should be addressed as follows:

²¹ *Activity shifting leakage* occurs where, as a result of the carbon project or jurisdictional policy/program, a specific agent (e.g. individual, community or operation) moves its/their deforesting activities to another area. Such actors and leaked emissions can often be tracked and monitored directly or through the use of a sufficiently wide leakage belt that captures potential displacements.

Market leakage occurs where a carbon activity reduces commodity production (typically timber or agriculture related) while not addressing underlying demand, in which case it can be expected that production will increase elsewhere to at least partially fill the supply shortfall – depending on supply/demand price elasticities. If the resulting displacement in commodity production is associated with forest or other GHG-emitting land clearing then market leakage occurs. Given its geographically dispersed nature, market leakage can be more challenging to track; instead credit deductions typically rely on estimations or discounting approaches based on kinds of the commodity(ies) being displaced.

- 1) Jurisdictions shall identify the baseline drivers of deforestation or degradation and their potential for leakage;
- 2) Jurisdictions shall design and implement appropriate measures to avoid and/or reduce the risk of leakage where possible (leakage prevention measures), taking into account the feasibility of such implementation within the jurisdiction, or where appropriate, in neighboring jurisdictions;
- 3) Any residual leakage (after implementing mitigation measures) shall be accounted for, as follows:
 - a) Where leakage from one jurisdiction may occur in another jurisdiction being credited under the VCS or another scheme (within the same country), jurisdictions may determine and implement an appropriate leakage sharing agreement, noting the following:
 - (i) Jurisdictions may agree that each jurisdiction is fully responsible for emissions (and reductions) within their own jurisdiction, regardless of whether some emissions may be the result of leakage from the other jurisdiction. In this case, jurisdiction A would not need to monitor or account for any leakage in jurisdiction B, and vice versa;
 - (ii) Agreements may include other requirements or other arrangements such as payments or credit sharing, as agreed by both jurisdictions. This may be based, for example, on the differentiated leakage risk between the jurisdictions.
 - b) Jurisdictions shall account for leakage in jurisdictions where leakage may occur and with which there is no agreement, or where the other jurisdiction does not have MRV and crediting in place, using one or more of the following options:
 - (i) Use a leakage belt or other method of monitoring and accounting for leakage outside the jurisdiction, using either a VCS-approved leakage methodology or a method developed by the jurisdiction. A leakage belt is an area surrounding the border of the jurisdiction that is subject to MRV in order to quantify any leakage. Leakage mitigation activities may or may not be carried out within the leakage belts. Jurisdictions shall justify that a leakage belt is correctly placed and sufficiently large to capture displaced activities; or
 - (ii) Use of a leakage deduction tool (potentially to be developed by VCS) for leakage outside the jurisdiction and/or leakage within the jurisdiction. I.e. estimate a 'leakage risk' to determine an appropriate leakage deduction for all leakage outside the jurisdiction plus leakage within the jurisdiction; or
 - (iii) For activity shifting leakage within the jurisdiction, identify likely shifts in activities (e.g. deforestation to degradation) and conduct monitoring for those activities not included in the baseline but that are at risk of experiencing increases in emissions due to leakage.
 - c) Any resulting leakage (as monitored or estimated) is subtracted from jurisdictional credits

Recommended good practice guidance

Where only the highest level jurisdiction is credited directly, good practice guidance may be developed for addressing leakage internally, such as leakage taxes or buffers

Issues for Advisory Committee attention

23. Is it politically feasible to implement leakage mitigation activities or conduct monitoring in neighboring jurisdictions within a country?

8.2. Project leakage within jurisdictional crediting

Issue: How is project-level leakage addressed in nested projects?

Project-level leakage can occur within a credited jurisdiction, as leakage from projects may impact performance in non-project areas. If projects are rewarded based on their performance, in order to ensure projects are not over-credited, project-level leakage will still need to be taken into consideration.

Options considered by the technical team include:

- Require current VCS project-level leakage assessments; or
- Deduct a percentage from recorded project-level ERRs to account for leakage within the jurisdiction.
- Collect a leakage tax.
- Leave leakage requirements to the jurisdiction to determine

Recommended rules and requirements

It is recommended to leave it up to the jurisdiction to decide how leakage within a jurisdiction is dealt with. This provides the greatest flexibility and allows the jurisdictions to choose an option they deem appropriate for their jurisdiction's circumstances. This would give jurisdictions the flexibility to develop their own policies or procedures, which could include any of the above options.

Where projects and jurisdictions are directly credited, jurisdictions should set out clear policies and procedures for leakage withholding from projects that would be registered with the VCS such that VCUs can be issued appropriately.

Recommended good practice guidance

Further detail could be developed on how leakage taxes or other deductions may be determined

Issues for Advisory Committee attention

None

8.3. Project leakage when there is a jurisdictional baseline only

Issue: Project-level leakage can occur and needs to be accounted for

The primary scenario where this arises is where a project uses a jurisdictional baseline but there is no jurisdictional MRV. In this scenario multiple projects will conduct their own leakage assessments which may result in overlapping leakage belts.

The Scoping Paper raised another possible scenario, where a jurisdiction develops a baseline and carries out jurisdiction wide MRV, but does not claim jurisdiction wide VCUs. In this scenario VCUs are generated and received by nested projects. In order to streamline the rules and recommendations this scenario has been included as a type of jurisdictional crediting scheme where the jurisdiction does not claim any VCUs from non-project areas.

Recommended rules and requirements

Where there is no jurisdictional crediting scheme, project-level rules and requirements for leakage should be applied.

Where leakage belts may overlap with those of other registered VCS projects (e.g. where the leakage belt area of the project includes the area or part of the areas of other VCS AFOLU projects or their leakage belts), it is recommended that this be addressed as follows:

Where the leakage belt of project A overlaps with the project area of one or more already registered VCS projects (individually and collectively referred to as project B):

- Project A's leakage accounting shall exclude the area of project B beginning with the start date of project B
- An excluded area shall again be included in the leakage belt area of project A if project B has not verified its ERRs for more than five consecutive years, or when it ends its project crediting period under the VCS.

Where the leakage belts of two or more projects overlap and the same pools are being monitored for the purpose of estimating leakage, the amount of leakage attributed to each project will be calculated as follows:

- Each project shall estimate the amount of leakage that occurred per VCU issued for their project to determine the leakage ratio for each project, based on the non-overlapping leakage areas
- The estimated leakage ratio shall then be used to apportion the amount of leakage between the projects, as monitored to have occurred in the areas of overlapping leakage belts. Where the amount of leakage estimated in the overlapping areas is different based on each project's monitoring results the highest estimate shall be used. For example, if two projects each have 1 tCO₂e deducted for every 10 VCUs issued, the leakage monitored in the overlapping belts will be divided equally between the projects. If project A has a ratio of 2 leaked to 10 issued, and project B has a ratio of 1 leaked to 10 issued, project A will assume twice as much leakage in the overlapping area as project B. If project A estimated 900 tCO₂e leaked in the overlapping areas and project B estimated 500 tCO₂e the amount of leakage will be assumed to be 900. 600 will be assigned to project A and 300 will be assigned to project B.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

9. Crediting

Crediting under VCS jurisdictional and nested REDD+ contains a number of issues that are often inextricably linked to other sections. These main issues analysed by the technical experts were:

- What type of credit is issued? (regular VCUs or another type of credit)
- When are credits issued? How does nesting affect timing of credit issuance?
- How is double counting avoided?
- What conditions need to be met for a jurisdiction to receive credits? What decisions does a jurisdiction need to make when it establishes a jurisdictional crediting scheme?
- How are VCUs calculated and distributed across different scales?

9.1. What type of credits?

Issue: What type of credit is issued?

Should the jurisdictions be issued the same type of VCU as the existing project-based VCUs? Should a separate designation such as 'jVCU' be used for these credits?

Recommended rules and requirements

The VCS should not distinguish the source of VCUs by adding a descriptor to those generated under a jurisdictional REDD scheme.

Differentiating jurisdictional and project-based ERRs by creating a new unit adds unnecessary complexity because credits can already be distinguished based on their serial number. Issuing different credits could also create confusion in the marketplace about the quality and fungibility of the various AFOLU assets generated under the VCS. The design of the VCS JRNI standard is intended to generate credits of the same quality regardless of whether they are produced by jurisdictional, nested project or standalone project activities.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

9.2. Timing

Issue: Timing of credit issuance

If a jurisdiction allows VCUs to be issued at multiple scales within the country (e.g. VCUs issued to projects and jurisdictions), the timing of such crediting needs to be considered to avoid over-issuance to smaller scales that complete their MRV before the larger scale (i.e. the risk is that all credits in the jurisdiction are ‘taken’ by projects that conduct MRV before the jurisdiction does for the same time period). This may occur if: i) the project causes more leakage than it accounts for; ii) there is a reversal in the project after the project has received VCUs but before the jurisdiction does; or iii) the project level MRV over-estimates the number of VCUs generated compared to the jurisdictional MRV.

The technical team developed and analysed four options to address this issue:

- Synchronize MRV and credit issuance across all levels (i.e. crediting only occurs every [5] years irrespective of the scale).
- Allow credit issuance at different times, but issuance to projects prior to jurisdictional MRV is contingent on project contribution to a ‘truing up’ buffer to hedge against over-issuance risk. Such credits would be returned to projects following jurisdictional MRV.
- Allow credit issuance at different times, but issuance to projects prior to jurisdictional MRV is capped at conservative ex-ante estimates and approved by the jurisdiction.
- Allow unlimited crediting of smaller-scale entities – the larger jurisdiction assumes the risk.

Note: This issue is not relevant if all VCUs are issued to the jurisdiction – i.e. there is no direct crediting of the jurisdiction and project at the same time.

Recommended rules and requirements

Nested projects and nested subnational jurisdictions can undergo periodic MRV and receive credits at more frequent intervals than the higher scale, but must also conduct MRV at the same time as the higher intervals (section 7.1). To reduce the risk that a smaller scale (e.g. project or subnational jurisdiction) is issued too many credits prior to the larger-scale jurisdictional MRV, the number of VCUs the smaller scale can receive is capped [based on conservative ex-ante estimates approved by the higher jurisdiction] or [equal to [80%] of the ex-ante estimates provided when the smaller-scale baseline was developed]. Any ERRs that are generated but not issued prior to the larger-scale jurisdictional MRV are recorded in the smaller-scale entity’s monitoring reports and issued when the larger-scale jurisdiction conducts its periodic MRV (if credits are still available).

The approach is simpler than requiring an additional ‘truing-up’ buffer but reduces the risk of over-crediting smaller scales prior to a larger-scale issuance of VCUs. It should be noted that the two main risks that create the over-crediting risk (leakage and reversals) are also addressed elsewhere in the jurisdictional and nested REDD+ scheme. The larger-scale jurisdiction will set leakage rules for nested projects and/or subnational jurisdictions, so it is reasonable that it assumes some residual risk of over-crediting to projects or subnational jurisdictions that don’t account for leakage accurately. Non-

permanence risk is also addressed through the VCS buffer. As a result, the timing risk is not considered significant and this recommended approach should be sufficient to ensure environmental integrity whilst maintaining flexibility.

Recommended good practice guidance

The timing issue associated with leakage needs to be mentioned in the leakage guidance for jurisdictions.

Issues for Advisory Committee attention

24. Should the cap be based on ex-ante estimates approved by the jurisdiction, or a flat deduction of these estimates given that: i) experience from VCS projects indicates ex-ante estimates are often not conservative; and ii) using ex-ante estimates without any deductions will place a higher burden on jurisdictions to review the estimates in detail which increases transaction costs.

9.3. Double counting

Issue: How is double counting avoided?

The original JNRI scoping paper identified a number of areas where double counting of ERRs may occur. These were: i) at the project level, double counting may occur if there are overlapping projects and/or multiple credit issuances by different standards (e.g. a non-VCS project is developed that overlaps a VCS project); ii) at the project and jurisdictional level where projects and/or jurisdiction count the same reduction (this is especially relevant where there is a VCS jurisdictional program and non-VCS projects or vice versa); and iii) at the jurisdictional level where there are government policies or commitments alongside jurisdictional REDD+ actions (e.g. some NAMAs or other initiatives).

Recommended rules and requirements

Avoiding potential for some of these types of double counting in jurisdictional and nested REDD+ is already addressed in other parts of the system:

- Current VCS validation requirements for projects ensure that any areas already enrolled in another emissions trading program be identified and excluded (see existing VCS v3 Section 3.12.2).
- Current VCS project rules and requirements prevent VCS project boundaries overlapping.
- The risk that a nested VCS project and jurisdiction claiming the same emission reduction or removal from a jurisdictional policy is prevented by the 'right of use' rules and requirements (see section 13.1) along with the rules and requirements for developing project baselines after a jurisdictional baseline has been developed (see section 6.3.2).
- The risk that a government policy (such as a NAMA) results in double counting is addressed when the baseline is being developed (see section 6.2.3).
- The rules and requirements on setting jurisdictional boundaries prevent them from overlapping (see section 6.1)

The only additional rules and requirements are to apply the current VCS project rule to exclude any areas already enrolled in another emissions trading program to the jurisdictional scale, i.e. require jurisdictions to exclude forest areas covered under another crediting standard.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

9.4. Jurisdictional crediting schemes and internal allocation programs

Issue: What are the conditions or eligibility requirements for a jurisdiction to receive VCUs? (Jurisdictional crediting schemes and internal allocation programs)

The jurisdictional and nested REDD+ rules and requirements contain a number of options for how REDD+ programs are implemented within a jurisdiction. If a jurisdiction is to claim VCUs or implement monitoring across the jurisdiction with credits going to nested projects, a jurisdictional crediting scheme must be developed. A jurisdictional crediting scheme sets out how a number of aspects of jurisdictional and nested REDD+ work within a jurisdiction. Such schemes may or may not contain an internal allocation program. An internal allocation program is recommended if a jurisdiction does not allow direct crediting of nested projects or nested subnational jurisdictions by the VCS. A jurisdictional crediting scheme can be registered either at the same time as a jurisdictional baseline or after a jurisdictional baseline has been developed.

The two main issues for jurisdictional crediting schemes and internal allocation programs are:

- What does a jurisdictional crediting scheme and internal allocation program contain?
- How is it developed?

Recommended rules and requirements

Contents of a jurisdictional crediting scheme

A jurisdictional crediting scheme must specify, at a minimum, the following:

- Whether or not independent projects are able to be registered with the VCS and receive VCUs directly from a VCS registry. If they are, the scheme must state:
 - Details on any approvals the project must obtain from the jurisdiction including steps that must be followed to receive approval;
 - Additionality requirements that must be met.
- If the jurisdiction is a national jurisdiction, whether or not independent subnational jurisdictions are able to be registered with the VCS and receive VCUs directly from a VCS registry. If they are, the scheme must state details on any approvals the subnational jurisdiction must obtain from the national jurisdiction including steps that must be followed to receive approval.
- If the jurisdiction is subnational, which approvals or 'no objections' for operating the crediting scheme have been secured from the national government.
- How leakage will be addressed within the jurisdiction if there is direct crediting from a VCS registry to smaller scales nested within the jurisdiction. **Note:** Depending on the final choice of leakage rules and requirements, additional details may need to be elaborated..
- If there is no direct crediting to nested jurisdictions or nested projects, it is recommended that internal allocation rules and procedures be defined.
- Information on the process followed to develop the jurisdictional crediting scheme (see below).
- How the right to claim VCUs is met (see 'right of use' requirements in section 13.1). This does not need to cover all areas within a jurisdictional crediting scheme – it is only required for those areas for which the jurisdictional participant is seeking to be issued VCUs.
- Boundaries of the areas where VCUs are being claimed based on 'right of use'. Such boundaries may be equal to or less than the boundary of the jurisdictional baseline. If the boundary of the jurisdictional crediting scheme is less than the boundary of the jurisdictional baseline this will not affect any other rules or requirements (e.g. on monitoring) that will continue to apply to all areas included in the jurisdictional baseline.
- Any information a jurisdiction needs to provide on safeguards.
- Which REDD+ projects will be brought into the jurisdictional scheme, and any information on grandfathering rules (if flexibility is allowed?).

Process for developing jurisdictional crediting schemes

- For both jurisdictional crediting schemes (and internal allocation programs that may be developed) the jurisdiction shall include in its documentation, information on how the scheme

and/or program was developed. This information must include information on consultation with stakeholders and a statement that the development and implementation of the jurisdictional crediting scheme and internal allocation program complied and will comply with domestic law.

- Consultation with stakeholders will include parties affected by the proposed scheme or program such as existing VCS REDD+ projects, private land owners, local communities and/or indigenous peoples. The nature of these consultations (including who was consulted and the manner in which the consultations occurred) along with the outcomes of these consultations (including input received and how this was considered) shall be included in the scheme or program submitted for registration with the VCS. Principle 6 of the REDD+ SES titled “All relevant rights holders and stakeholders participate fully and effectively in the REDD+ program” may be useful to guide stakeholder consultation.

Recommended good practice guidance

Guidance should be developed for internal allocation programs, to provide transparency and certainty to the various REDD+ participants within the jurisdiction. This may include guidance on addressing issues such as:

1. Who receives benefits including how eligibility to receive benefits is determined;
2. How benefits are quantified (e.g. how decisions on quantifying VCU allocation or other compensation is made);
3. How the nature of the benefits is determined (i.e. if the benefits are a re-allocation of VCUs; monetary disbursements; or other benefits such as infrastructure development or other community development projects. If benefits are the latter, the decision-making process for identifying projects should be explained);
4. How benefits will be allocated, including distribution mechanisms used;
5. How project underperformance/reversals will be handled; and
6. Information on the process followed to develop the internal allocation program (see below).

A number of these and other issues in this section relate to safeguards requirements (see section 11). Good practice guidance for the current section should be developed with the final recommendations and guidance from the safeguard and benefit sharing section in mind.

Issues for Advisory Committee attention

25. Should some of the current recommended good practice guidance for internal allocation programs be included in rules and requirements?

9.5. Calculating and distributing VCUs across scales

Issue: Calculating and distributing VCUs across different scales

In a nested system, VCUs may be issued to entities operating at different scales, such as a project nested within a jurisdictional crediting scheme. How is the number of VCUs that each scale is issued calculated? How does the system ensure the sum total of credits issued at the smaller scales do not exceed ERRs achieved at the higher scale or, if they do, how is environmental integrity maintained? This relates to the baseline section, which deals with similar issues from the perspective of grandfathering existing, and estimating new, baselines within a jurisdiction (see section 6.3). The objective of this section is to set out how the credit issuance at different scales is estimated and reconciled.

Recommended rules and requirements

Crediting a single national or subnational jurisdiction only (i.e. no direct crediting of nested subnational jurisdictions or nested projects)

The following steps set out how to calculate the number of VCUs a jurisdiction is issued:

- Conduct monitoring (section 7)
- Estimate and deduct for jurisdictional leakage (subnational jurisdictions only – section 8.1)
- Deduct for jurisdictional pooled buffer (section 10)

- Deduct any VCUs issued to grandfathered activities (section 6.3.1)
- Complete verification (section 7.4 and 12.1)
- Jurisdiction is issued the remaining ERRs as VCUs

Note: A jurisdiction's re-allocation of VCUs within the jurisdiction is still possible, but because this falls outside the scope of what jurisdictional and nested REDD+ crediting scheme regulates (section 9.4) additional VCS rules and requirements on this point are not necessary.

Crediting a jurisdiction plus smaller scale(s) directly (i.e. directly crediting national and subnational jurisdictions; or national or subnational jurisdictions where projects are also directly credited)

Step 1: Calculate the number of VCUs a nested **project** or nested **subnational jurisdiction** is issued:

- Conduct monitoring (section 7)
- Estimate and deduct for leakage pursuant to leakage rules set out in the jurisdictional crediting scheme (section 8.1 and 8.2)
- Deduct for jurisdictional pooled buffer (section 10)
- Complete verification (section 7.4 and 12.1)
 - If the issuance is before the larger-scale jurisdiction conducts its MRV, apply any applicable cap on credits (section 9.2)
 - If the issuance is at the same time as the larger-scale jurisdiction conducts its MRV, estimate the total number of VCUs due based on smaller-scale MRV (section 7.2)
- Project or subnational jurisdiction is issued credits

Step 2: Calculate the number of VCUs the **highest scale jurisdiction** is issued:

- Conduct monitoring (section 7)
- Estimate and deduct for jurisdictional leakage (subnational jurisdictions only – section 8.1)
- Deduct for jurisdictional pooled buffer (section 10)
- Deduct any VCUs issued to smaller-scale activities including:
 - Grandfathered projects or subnational jurisdictions (section 6.3.1)
 - Approved projects or subnational jurisdictions (section 6.3.2)
 - **Note:** If these deductions result in a negative number when compared to the higher scale MRV a reversal will be assumed to have occurred within the jurisdiction that was not captured by the higher scale MRV (section 10.1).
- Complete verification (section 7.4 and 12.1)
- Jurisdiction is issued credits

Crediting projects nested within a jurisdictional baseline (i.e. no jurisdictional crediting scheme and no jurisdiction wide monitoring)

- Conduct monitoring (section 7)
- Estimate and deduct for leakage pursuant to VCS project leakage rules (section 8.3)
- Deduct for jurisdictional pooled buffer (section 10.2)
- Complete verification (section 7.4 and 12.1)
- Project is issued credits

Crediting projects nested within a jurisdictional baseline and jurisdictional monitoring (i.e. no jurisdictional crediting scheme but jurisdiction-wide monitoring occurs)

- This scenario was presented as a potential option in the JNRI Scoping Paper. It is recommended that this be included as a type of jurisdictional crediting scheme, except that the jurisdiction itself does not claim VCUs from non-project lands. Additional rules and requirements are therefore unnecessary.

Discrepancies across scales

- In some instances monitoring at smaller scales can be used as part of the larger-scale monitoring (e.g. unplanned deforestation or afforestation). In these instances there should not be any issues of differences in VCUs estimated at smaller and larger scales. However, in other activity types (such as reductions in degradation) smaller and larger scales may use different data and methods to estimate ex-ante ERRs. This may result in discrepancies

between VCUs issued at the smaller scale and ex-ante ERRs estimated at the larger scale. In these cases, the smaller scale estimates are used to calculate VCUs issued to the smaller scale and this number is deducted from the larger scale's estimates for the entire jurisdiction. This recommendation is based on: i) the smaller scale likely having more accurate data; and ii) the larger scale being responsible for the smaller scale via approval (see section 9.4 and 12.2), setting leakage rules (section 8.2 and 9.4), and potentially setting grandfathering rules (section 6.3.1).

Recommended good practice guidance

Good practice guidance may explain in more detail how the different crediting options could work. This may or may not be partially covered by the good practice guidance in other areas

Issues for Advisory Committee attention

None

10. Reversals and force majeure

10.1. Reversals and consequential risks for jurisdictional crediting schemes

Issue: How do jurisdictional and nested REDD+ crediting schemes address and mitigate non-permanence risks?

This section looks at two related issues. First, to ensure the environmental integrity and permanence of verified emissions reductions, current VCS AFOLU projects are subject to a non-permanence risk assessment and buffer withholding to determine a portion of credits that must be contributed to a pool. Such buffer credits may be cancelled to offset a reversal of stocks on which credits have previously been issued.

Second, the risk of a crediting shortfall is analysed in jurisdictions where there is co-dependency due to multiple crediting scales, (e.g. how a loss event that results in a reversal within a jurisdiction affects the ability for a nested project to receive VCUs associated with ERRs it generated)

Due to the complexity of the issues the technical team did not develop multiple options. Rather, time was spent developing an approach that was considered environmentally robust and practical. A general summary is set out followed by separate sections containing more detailed recommendations.

General summary of recommendations

Non-permanence risk and crediting shortfall risk are addressed via a 'Jurisdictional Pooled Buffer'.

In the event of a reversal, environmental integrity is ensured by cancelling VCUs held within the jurisdictional pooled buffer. In this respect it will perform much like the current VCS project buffer.

A jurisdictional-level reversal will be deemed to have occurred (and must be addressed using the buffer) if there is a net reversal when accounting for the emissions reductions and removals from all activities being credited (e.g. REDD and ARR) under the VCS.

If there are multiple crediting scales and any reversal is compensated via the jurisdictional pooled buffer, credit shortfall risk disappears. Additional rules and requirements are therefore not necessary. This conclusion is based on the following:

- Smaller-scale estimates of VCUs are deducted from larger-scale estimates (see crediting section 9.5).
- If there is an underperformance in non-project areas VCUs will still be created in these areas (though the total number may be smaller than expected). The full amount of VCUs can be issued to projects with the remainder (of credits achieved) issued to the jurisdiction. In such a case, there is no credit shortfall risk. For example, a jurisdiction expects to generate 50,000 VCUs in non-project areas but only generated 10,000. Projects generated a total of 50,000

VCUs within the jurisdiction, with a total jurisdiction-wide achievement of 60,000. The VCS issues 10,000 to the jurisdiction and 50,000 to the projects.

- Credit shortfall risk only exists where there is a reversal at one scale that results in less VCUs generated across the jurisdiction compared to the sum of the individual claims. The reversal is rectified via the jurisdictional pooled buffer which should result in sufficient VCUs available for issuance to performing entities. For example, a jurisdiction generates 50,000 VCUs in non-project areas but a reversal of 10,000 in a project results in only 40,000 VCUs being generated across the jurisdiction. The reversal of 10,000 is rectified by the buffer, which results in a net of 0 being recorded for the project and 50,000 VCUs being issued to the jurisdiction.
- If there is a discrepancy between the highest jurisdictions MRV and the sum of the smaller scales the error is presumed to lie with the highest scale. This follows from point 1 above, which states the smaller-scale estimates are deducted from the larger scale. For example, if a jurisdiction verifies 10,000 VCUs across the jurisdiction but does not record any reversals in non-project areas, and the sum of the verified project VCUs is 11,000, a reversal of 1,000 is presumed to have occurred in the non-project areas. The jurisdictional pooled buffer rectifies the presumed reversal in non-project areas (by cancelling 1,000 buffer credits) and the projects receive 11,000 VCUs.

If a jurisdiction has a single crediting scale there is no credit shortfall risk within the VCS jurisdictional and nested REDD+ crediting scheme as all VCUs go to the jurisdiction. There may, however, be a credit shortfall risk associated with a jurisdiction not transferring benefits or credits down to smaller scales if there is a reversal or underperformance within the jurisdiction, but this risk is transferred to and assumed by the jurisdiction and its participants.

Recommended good practice guidance

Good practice guidance should include examples and explanations of how the jurisdictional pooled buffer works in practice. Guidance may also cover how jurisdictions with internal allocation systems may buffer against credit shortfall or underperformance risk, including the option to use the VCS jurisdictional pooled buffer.

Issues for Advisory Committee attention

See below for issues identified in the detailed explanation of the rules and requirements

10.1.1. Detailed rules and requirements for a jurisdictional pooled buffer

The following sets out more detailed rules and requirements needed to operationalize the jurisdictional pooled buffer.

Recommended rules and requirements

In any nested accounting scenario with co-dependency due to multiple crediting scales the following rules and requirements are proposed:

- 1) In the event of a reversal, the deficit shall be covered by the jurisdictional pooled buffer. The deficit shall be remedied by ERRs generated by the non-performing entity in its future monitoring periods. For projects and jurisdictions, the deficit must be fully replenished before any further credits are issued to the project (or jurisdiction), subject to the force majeure considerations (see section 10.3).
- 2) In no instance will the ERRs cancelled from the jurisdictional pooled buffer exceed the total number of VCUs issued to a particular jurisdiction or project.

3) In the event of a 'reversal'²² in non-project areas of a jurisdiction, if the reversal would otherwise result in a crediting shortfall, the reversal and crediting shortfall shall be covered by the jurisdictional pooled buffer as follows:

- a) Buffer credits shall be cancelled from the jurisdictional pooled buffer in an amount equal to the reversal (in the non-project areas)
- b) The VCS shall issue VCUs to the (smaller scale) performing entities based on the number of VCUs they claimed
- c) The jurisdiction shall replenish the jurisdictional pooled buffer as above

Note: The same applies *mutatis mutandis* where reversals occur in project areas and would otherwise result in a crediting shortfall to jurisdictions. It also applies to reversals within and outside of nested subnational jurisdictions.

4) To build up and maintain the jurisdictional pooled buffer, the following is proposed for the assessment of risk and determination of contributions to the buffer:

- a) Project risk shall be assessed using the existing AFOLU Non-permanence Risk Tool. Credits shall be deposited into the jurisdictional pooled buffer pool. Projects existing prior to the establishment of jurisdictional baselines/MRV shall transfer their existing buffers to the jurisdictional pooled buffer pool once a jurisdictional baseline and MRV is in place.
- b) Jurisdictional risk shall be assessed using a to-be-developed 'Jurisdictional Non-permanence and Crediting Shortfall Risk Tool'. Jurisdictions may choose to contribute a higher proportion of credits than that determined by the Tool. Doing so may help attract private investment and show a commitment to ensuring on-going crediting to projects regardless of achievement at higher scales (especially if buffer compensation is capped within each jurisdiction (see issues for Advisory Committee attention below).

5) In the event that a participant reports reversals for [3] consecutive monitoring periods, it may be necessary to consider that the participant is no longer implementing the project/program. In such a case, the following shall apply:

- a) Where a project continuously records reversals (or does not submit a verification report every five years) buffer credits shall be held or cancelled according to the current requirements for stand-alone projects (i.e. after 5 or 10 years without submitting a report, buffer credits shall be put on hold under the assumption that carbon has been lost, and after 15 years buffer credits shall be cancelled from the buffer pool to cover all credits previously issued to the project).
- b) Where the highest level jurisdiction records reversals for [3] consecutive monitoring periods the jurisdictional program may no longer be operational (as may result, for example, where there is a change of government and the new government does not support the program) or may not be successful. In such a scenario, there are two potential options:
 - (i) In the absence of national jurisdictional MRV, allow lower-level jurisdictions to operate as the new highest-level jurisdiction, or where no lower-level jurisdiction is participating, allow projects to operate independently (under VCS project requirements). This may have environmental integrity issues, as 'pulling back' to sub-national jurisdiction or project scale after higher-scale accounting may raise concerns that sub-national or project level participants could be credited in excess of emissions reductions achieved at higher scales – although without jurisdictional MRV this would be difficult or impossible to

²² The term 'reversal' is used here even though a jurisdiction may not have elected to be issued VCUs (e.g. when a jurisdictional crediting scheme only credits projects and not jurisdictions). In such cases, the jurisdictional buffer pool will still cover the loss in non-project areas regardless of whether the jurisdiction itself has contributed credits into the buffer.

determine. Acting conservatively, it may make sense to cancel all the buffer credits contributed by the jurisdiction if that jurisdiction stops monitoring and reporting on its emissions – similar to how projects are treated when they stop reporting to the VCS;

- (ii) Where jurisdictional MRV continues but jurisdictions continue to record reversals, allow crediting to lower scales to continue only until the buffer (including credits contributed by all participants within the same country) is exhausted [or until credits from all participants in the same country, plus [10%] of such total from the buffer pool is exhausted]. This would be a fairly high-risk option for projects, as they could face extinction if a change in government resulted in a discontinuation of activities at a higher scale.

- 6) The jurisdictional pooled buffer shall be pooled globally and tracked within the VCS Project Database and managed by the VCS and the registry system.

Recommended good practice guidance

Good practice guidance should include examples and explanations of how the jurisdictional pooled buffer works. This will include the examples currently contained in the definitions and rules and requirement sections along with additional examples and explanations.

Issues for Advisory Committee attention

The following questions remain to be answered:

- 26. Should the jurisdictional pooled buffer (covering both jurisdictional and nested project activities) be held separately from the current project-only VCS non-permanence risk buffer? It may be unfair to lump stand-alone projects with jurisdictional systems, and combining them may swamp the project-only buffer with larger-scale jurisdictional risk (although capping buffer pay-outs, per next question, may help address this).
- 27. Should the VCS buffer pool all credits and allow credits to be drawn from the pool to cover reversals greater than the total number of credits contributed to the pool by all participants within a jurisdiction, or should compensation be capped, e.g. at the total amount contributed by all participants within a jurisdiction? Not having a cap could undermine the overall stability of the pool if multiple countries continue to underperform over multiple monitoring periods, and unfairly affect the participation/compensation of jurisdictions suffering only minor setbacks. If caps are adopted, to maintain atmospheric integrity, no VCUs would be issued after the jurisdiction's buffer credits are exhausted. Any new ERRs would be deposited into the buffer until it is replenished by a certain amount, after which VCUs may be issued again.
- 28. Paragraph 1 of the recommended rules and requirements stated jurisdictions must replenish the buffer after a reversal before they are able to receive additional VCUs (subject to force majeure). Should some flexibility be provided here to allow jurisdictions that are able to demonstrate performance after a prior reversal to receive some VCUs to encourage continued performance? For example, the rules and requirements could state:
"For jurisdictions, once [50%] of the deficit is paid back, and if there are no prior reversals that have not yet been fully repaid, [50%] of subsequent ERRs will be used to replenish the jurisdictional pooled buffer and the remainder will be issued to the jurisdiction as VCUs until the jurisdictional pooled buffer has been fully replenished."

10.2. Project reversals using jurisdictional baselines

Issue: How are project reversals addressed where there is a jurisdictional baseline but no jurisdictional crediting scheme?

If there is a jurisdictional baseline but no jurisdictional crediting (and no jurisdiction wide MRV) the only reversals that exist are project reversals. There is also no crediting shortfall risk as there is no co-dependency.

Recommended rules and requirements

Apply current VCS AFOLU project rules and requirements – i.e. the current VCS AFOLU permanence risk buffer.

Recommended good practice guidance

None

Issues for Advisory Committee attention

29. Should jurisdictions that are able to demonstrate performance after a prior reversal be allowed to receive some VCUs before buffer is fully replenished?

10.3. Force majeure

Issue: How is force majeure addressed?

Force majeure events result in reversals due to events that are beyond the control of a jurisdiction or project and include hurricanes, earthquakes, flooding, drought, fires, tornados or winter storms. *Force majeure* will be deemed unavoidable if the event was not the result of negligence or wilful intent of the entity claiming catastrophic reversal.

Participants managing forest areas with a history of natural and/or anthropogenic disturbance may be unwilling to participate in a jurisdictional REDD+ initiative if they run the risk of incurring large liabilities due to *force majeure*. Furthermore, it would be unfair to punish jurisdictional and nested REDD+ actors for events that would have occurred in the baseline scenario, regardless of their actions.

Recommended rules and requirements

In order to maximise participation in the scheme and maintain participation over the long term a jurisdictional baseline will be adjusted to take into account an unavoidable *force majeure* event. If this does not occur jurisdictional actors faced with a *force majeure* might be incentivized to halt REDD+ activities and withdraw from REDD+ crediting programs, which would have additional negative environmental repercussions.

This shall be implemented as follows:

- 1) A jurisdictional baseline may be adjusted to take into account emissions caused by an unavoidable *force majeure* event as follows:
 - a) Events listed in the definition of *force majeure* are *prima facie* considered *force majeure*. The jurisdictional and nested REDD+ participant entitled to be issued VCUs from the area affected must demonstrate that they have implemented all reasonable mitigation actions to prevent carbon loss associated with the *force majeure event*; reasonable mitigation actions should be specified *a priori* by the participant based on VCS-established criteria.
 - b) It is the responsibility of the participant entitled to receive VCUs from the area affected to provide evidence that the *force majeure* event was unavoidable and that mitigation obligations had been implemented. Such evidence would need to be assessed [by a verification body/ VCS panel] at the cost of the participant. If the evidence is accepted the *force majeure* event will be deemed unavoidable and paragraph 2) below will apply.
 - c) In cases where the event was not an unavoidable *force majeure* event the baseline shall not be adjusted. Instead the loss shall be made up for by the accountable/responsible participant through the contribution of existing and/or future issued VCUs to the buffer pool, to cover any credits cancelled from the pool to cover the loss.

- 2) The procedures for adjusting the baseline to take into account an unavoidable *force majeure* event should be similar to those already in place for stand-alone projects under the VCS, including:
- b) Adjustment of the baseline and cancellations from the jurisdictional pooled buffer to take account of the *force majeure* event shall occur based on the following:
 - (i) Retrospective adjustment of the baseline should be based on monitoring to assess the quantity of emissions associated with the event;²³
 - (ii) If the baseline is spatially and temporarily explicit and VCUs have already been issued for areas affected by *force majeure*, an amount of ERRs equal to the lost VCUs shall be cancelled from the jurisdictional pooled buffer. All remaining emissions associated with *force majeure* shall be incorporated as a natural loss occurring within the revised baseline;
 - (iii) If the baseline is not spatially and temporally explicit (for example a reduced degradation baseline), the jurisdiction will not know how many (if any) VCUs had already been issued within the affected area. In this case the amount of VCUs issued within the entire boundary shall be divided by the number of ha within this boundary, and that ratio of VCUs issued per ha will be applied to the affected area. An equivalent amount of ERRs shall be deducted from the jurisdictional pooled buffer and the remaining emissions shall be incorporated as a natural loss occurring within the revised baseline (i.e. 'netted out').
 - c) Participants taking advantage of this rule shall be required to replenish the jurisdictional pooled buffer in an amount equal to the quantity of credits cancelled as a result of *force majeure*. [This may be required all at once, or in two instalments of 50% each.]

Recommended good practice guidance

Guidance should be provided on possible mitigation activities.

Issues for Advisory Committee attention

- 30. Should the definition of *force majeure* include terrorism and war?
- 31. Should the VCS define what constitutes 'reasonable mitigation actions' for force majeure events, or allow the jurisdiction to define this *a priori*?
- 32. Should buffer credits cancelled due to *force majeure* be replenished all at once or in installments?

²³ For example, if an unforeseen (i.e. not captured in the original baseline) natural disaster (e.g. hurricane) results in a loss of carbon stocks in the jurisdiction then the baseline should be updated to reflect this event (since it would have occurred regardless of jurisdictional activities – i.e. the emissions should be considered 'business as usual'). By updating the baseline, the emissions associated with the natural disaster would in effect be "netted out" since they would be accounted for in the baseline and REDD+ activity scenario. Only those emissions that would have occurred in the baseline would be netted out, e.g. where a hurricane destroys forest areas that would already have been deforested in the baseline, such emissions would not be 'netted out' and would need to be accounted for.

Part IV: Safeguards, procedures, and legal considerations

10.4. Safeguards and benefit sharing

Issue: How to ensure that the implementation of REDD+ activities do not result in negative social or environmental impacts.

The technical team assessed options for developing jurisdictional and nested REDD+ safeguards principles and criteria, but concluded that this would be risky (and unlikely to be perceived as being legitimate) without a broad and lengthy stakeholder process. Fortunately, the Cancun Agreements contain strong and widely accepted safeguards principles that can simply be referred to, which has the added benefit of harmonizing VCS jurisdictional and nested REDD+ with emerging international policy frameworks. In addition, there are well-regarded jurisdictional standards frameworks – in particular the REDD+ Social and Environmental Standards²⁴ – that establish criteria for operationalizing such safeguards.

In terms of a right to claim GHG credits, the current VCS rules for projects require any project proponent to demonstrate their right to undertake activities and be credited for GHG reduction activities. Jurisdictions will need to demonstrate such a right of use covering activities (or polices) that produce ERRs across the jurisdiction that result in GHG credits, including those achieved by stakeholders across the jurisdiction. The technical team developed and analyzed options for how the VCS should address the disbursement or sharing of such benefits (that may be distributed as credits or other benefits) to stakeholders across the jurisdiction. The technical team determined that the allocation of benefits (and costs) associated with REDD+ is generally beyond the scope/control of a carbon standard such as the VCS. It was also determined that the rules and requirements proposed for safeguards (section 11) combined with rules and requirements for legal issues (section 13) and for developing jurisdictional crediting schemes and internal allocation plans (section 9.4) provided some protection and promoted benefit sharing. As a result specific rules and requirements on benefit sharing were not recommended.

Recommended rules and requirements

The following text is recommended for inclusion within the VCS jurisdictional and nested REDD+ system:

“Participating jurisdictions and nested project proponents shall provide information on how they have addressed and respected the safeguards contained in Annex 1 of Decision 1/CP.16 of the UNFCCC (“The Cancun Agreements”) and the steps they have taken to minimize any negative environmental and socio-economic impacts that may result from their VCS-credited REDD+ activities. Additional standards such as the Climate, Community & Biodiversity Standards (CCBS), Forest Stewardship Council (FSC) certification, and/or REDD+ Social & Environmental Standards (REDD+SES) may be used (if appropriate) to provide such information.”

Recommended good practice guidance

Regarding safeguards in general, the standards mentioned in the rules and requirements should be referred to and briefly explained.

Regarding benefit sharing, VCS participating jurisdictions could be referred to the criteria and indicators of the REDD+ SES’s Principle 2 covering how “The benefits of the REDD+ program are shared equitably among all relevant rights holders and stakeholders”.

²⁴ See: <http://www.redd-standards.org/>

Issues for Advisory Committee attention

None

10.5. Procedural issues

10.6. Validation and Verification

Issue: How is verification and validation addressed?

Independent assessment is an integral part of the VCS and other emissions trading systems. This helps promote environmental integrity and transparency. Validation is a process of checking jurisdictional or project documents before they are registered with the VCS. This may apply to: i) jurisdictional baselines; ii) jurisdictional crediting schemes; and iii) project level baselines. Verification is the process of checking the accuracy of monitoring reports before credits are issued.

The common issue in all these types of validation and verification activities is who should perform this task? The following options were developed and analyzed by the technical team:

- Apply the current VCS methodology approval procedures mutatis mutandis to other aspects of the jurisdictional and nested REDD+ crediting scheme that requires verification (which requires assessment by two accredited validation/verification bodies (VVB).
- Require assessment by a single accredited VVB.
- Create a new peer review process consisting of independent experts modeled on the UNFCCC expert review team concept for Annex I national inventories.
- Combine options 2 and 3 above, which reflects the current CDM process
- Allow 'self-verification' by a jurisdiction

Recommended rules and requirements

The table below sets out the recommended approaches for each issue subject to verification or validation.

Issue subject to verification or validation	Recommended approach
Jurisdictional baseline	[CDM model of VVB combined with an expert review panel or just an expert review]
Jurisdictional crediting scheme (national or a standalone subnational)	[CDM model of VVB combined with an expert review panel or just an expert review]
Jurisdictional crediting scheme (subnational nested within an existing national)	Up to the national jurisdictional crediting scheme to decide.
Project baseline and monitoring report within a jurisdictional crediting scheme (direct crediting by the VCS)	Single review by a VVB
Project baseline within a jurisdictional crediting scheme (no direct crediting by the VCS)	Up to the national jurisdictional crediting scheme to decide
Jurisdictional monitoring report (if used as the basis of claiming VCUs directly from a VCS registry)	Single review by a VVB

Recommended good practice guidance

None

Issues for Advisory Committee attention

33. Should the VCS adopt the CDM model with expert panel for assessing and approving jurisdictional baselines and crediting schemes?

10.7. Communicating with governments (government “approvals”)

Issue: What entity should serve as the focal point for communications with jurisdictions? How should domestic regulations be taken into account? What types of communication may be required?

The technical groups considered the following types of communications:

Written approval: Written confirmation, ratification, or assent to the VCS jurisdictional element being submitted for registration with the VCS is required from the relevant Focal Point(s).

No-objection: Information on an element that is to be registered with the VCS is provided to the relevant Focal Point(s) prior to it being submitted for registration. [The government body is given 30 days to formally object to the intended submission.] or [The government body is required to provide a letter stating they do not object to the element being submitted for registration.]

Notice of intent: Notice of intent refers to providing written notice to a government agency of an intention to register some action or element with the VCS. In the current context it does not request the recipient to either approve or formally object to the contents of the notice.

It should be noted that this does not preclude the recipient of the notice from either approving or objecting to the contents of the notice via domestic procedures outside the scope of the VCS.

Consultation: Consultation requires evidence that the entity submitting an element for approval has consulted with the Focal Point [and other relevant government body(ies)] prior to that element being submitted for registration to the VCS. In this document, this is used in combination with a no-objection.

Recommended rules and requirements

Focal Point for communication

- Jurisdictions are encouraged to designate a specific ministry, authority, agency or other government entity to serve as the focal point for the initiative. More than one focal point is possible within a country (e.g. multiple provinces may have their own focal point; there may also be a national and multiple subnational focal points).
- However, if such a designation is not made, any communications referred to in this section shall be directed to the government authority that has registered an element under the VCS jurisdictional and nested REDD+ crediting scheme (as shown on the VCS website) or, if no such registration has happened, to the relevant government agency or agencies (e.g. ministry or department) within the government. The choice must be justified.

Consideration of relevant domestic regulations

- If there are any domestic regulations governing government approval of any element covered by the VCS jurisdictional and nested REDD+ crediting scheme such as government approval of a jurisdictional baseline, the VCS shall require evidence that this domestic regulation was complied with. This provision applies in addition to the rules and requirements discussed below on VCS specific approvals required to register an element with the VCS.

Baselines

- If the entity that submits a jurisdictional baseline for registration is i) the Focal Point; or ii) has legislated control or authority over the jurisdiction covered by such baseline, evidence of additional communication to or with the government is not required (i.e. a government agency

submitting a baseline for registration does not need to get approval etc.). If the proponent does not have authority over the jurisdiction, the proponent needs to consult with the Focal Point and comply with the no-objection requirements (i.e. an NGO can submit a jurisdictional baseline for registration, but needs to demonstrate it consulted with the Focal Point and completed the No-Objection requirement).

- When a jurisdictional baseline is submitted for registration, the information contained in the request for registration shall specify what, if any, government communications are required for the registration of any subsequent smaller-scale (subnational jurisdictional or project level) baselines.

Crediting schemes

- Only the national Focal Point is eligible to submit national jurisdictional crediting schemes for registration under the VCS jurisdictional and nested REDD+ system.
- Either the national Focal Point or the subnational Focal Point is eligible to submit subnational jurisdictional crediting schemes.
- If a project falls within a jurisdictional crediting scheme, it shall follow any approval procedures set out in the jurisdictional crediting scheme.
- If the project sits within a jurisdiction that has a jurisdictional baseline only (but no crediting scheme), additional communication with the Focal Point is not required to be issued VCUs under the VCS jurisdictional and nested REDD+ system.

Recommended good practice guidance

None

Issues for Advisory Committee attention

34. Should a 'no-objection' require a letter or written confirmation from the Focal Point that they do not object, or should a lack of response within 30 days be considered 'no-objection'?
35. For establishing a subnational jurisdictional baseline, is 'no objection' sufficient, or should formal approval by the government be required (even if this may be hard to obtain given potential capacity and authority challenges)?

11. Legal issues

Issue: How does the VCS deal with legal issues associated with jurisdictional and nested REDD+?

There are a number of legal issues that arise with jurisdictional and nested REDD+, such as treatment of carbon rights in non-project areas within a jurisdiction that is issued VCUs (e.g. ownership of credits associated with government policies), how rights to credits from government policies relate to rights to project credits where the areas overlap (i.e. a policy operating within a project boundary), and ownership of credits.

11.1. Claiming credits under a registered baseline

Issue: How are credits claimed under a jurisdictional baseline?

Registering a jurisdictional baseline does not automatically give right to emissions reductions/removals – additional steps are needed to demonstrate the claimant is the appropriate entity. What are the legal requirements for claiming a right to emissions reductions/removals under a national or subnational jurisdiction-wide crediting scheme? What changes are required to the VCS project level requirements on demonstrating a right of use in order to be applicable to jurisdiction-wide activities²⁵?

²⁵ The VCS Standard requires the following of projects:

The project description shall be accompanied by documentary evidence establishing conclusively one or more of the following rights of use (see VCS document Program Definitions for definition of right of use) accorded to the project proponent(s):

- 1) A right of use arising or granted under statute, regulation or decree by a competent authority.

The VCS currently requires, for project activities, that the project proponent provide evidence establishing conclusively the project proponent's right of use in respect of a GHG emission reduction or removal in order to issue credits. It must be determined how such right may be demonstrated by a jurisdiction and by a project that is nested within a jurisdiction.

The technical team developed and considered the following options:

Where multiple crediting scales exist:

Jurisdiction- wide crediting:

- Jurisdiction to provide evidence of right of use to emissions reductions/removals in order to claim credits from land or forests where title to that land or forest is held by individuals or groups (e.g. privately owned land, community land), or exclude such areas from crediting claims
- Jurisdiction to provide evidence for right of use to emissions reductions/removals in order claim credits via a new type of usage right for ERRs that are generated from activities that are not spatially explicit
- Jurisdictions have sovereign rights to claim right of use to emissions reductions/removals and credits provided the legal basis for this is demonstrated (e.g. via statute)

Project crediting (where projects are credited directly):

- Projects have right to the full amount of emissions reductions generated within project boundaries
- Where emissions reductions within project boundaries may be partially due to project activities and partly due to jurisdictional policies and programs, right to emissions reductions/removals, and therefore credits, may be split between the project and the jurisdiction

Where only one crediting scale exists:

- Where only projects are credited, current VCS rules and requirements apply
- Credit distribution or benefit sharing to nested sub-national jurisdictions and projects is an issue of internal allocation (see section 9.4), and is not further discussed in this section

Recommended rules and requirements

Jurisdiction-wide crediting

- Where emissions GHG ERRs from jurisdictional scale activities are spatially explicit, the jurisdiction is required to provide evidence of 'right of use' with respect to ERRs from land or forests where title to that land or forest is held by individuals or groups (e.g. privately owned land, community land), or exclude such areas from the jurisdiction's crediting claims.

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- 2) A right of use arising under law.
 - 3) A right of use arising by virtue of a statutory, property or contractual right in the plant, equipment or process that generates GHG ERRs (where such right includes the right of use of such reductions or removals and the project proponent has not been divested of such right of use).
 - 4) A right of use arising by virtue of a statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions and/or removals (where such right includes the right of use of such reductions or removals and the project proponent has not been divested of such right of use).
 - 5) An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals which vests the right of use in the project proponent.
 - 6) An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG ERRs which vests the right of use in the project proponent.

- A new type of right of use is recommended to allow a jurisdiction to demonstrate a right of use with respect to ERRs that are not spatially explicit.
- In order for a jurisdiction (national or subnational) to be issued with credits, the proponent must demonstrate conformance with the right of use requirements of the current VCS Standard, though the current project specific definition of 'right of use' may need to be modified. A possible modification may be to define 'right of use' as:
In respect of a GHG emission reduction or removal, the unconditional, undisputed and unencumbered ability to claim that the relevant project or proponent of the jurisdictional crediting scheme, as applicable, will or did generate or cause such reduction or removal.
- Such right may be demonstrated by an additional right of use:
A right of use arising from the implementation or enforcement of laws, statutes, regulatory frameworks or policies that incentivize activities that generate GHG ERRs.

Project level direct crediting when nested within a jurisdiction

Two options are presented for additional input:

- If a project is nested within a jurisdictional scheme and the proponent can demonstrate right of use to GHG ERRs generated within the project area, the credits will be issued to the project proponent, even if some of the ERRs might have been caused by factors outside the project proponent's control; **or**
- If a project is nested within a jurisdictional scheme and credits are generated that relate to the project area due to a combination of project and government level activities (and right of use can be demonstrated by both the project and the jurisdiction), the credits will be split between the project proponent and the government according to a set percentage or formula.

Recommended good practice guidance

None

Issues for Advisory Committee attention

36. Do the proposed revisions to the 'right of use' definitions provide the necessary means to demonstrate a jurisdiction has a right to GHG ERRs?
37. Should a jurisdiction be able to claim a right of use to GHG ERRs generated by spatially explicit activities on privately- or community-owned land?
38. Should jurisdictions be able to claim a right of use to some GHG ERRs in project areas, where ERRs may be generated by both project activities and government policies or programs?

11.2. Underlying ownership of credits

Issue: Does VCS issuance of VCUs affect title to credits or underlying rights?

If the VCS issues VCUs, what, if anything, does this imply with respect to title or ownership of VCUs or underlying rights?

Recommended rules and requirements

The party claiming credits is required to apply existing VCS right of use tests, which does not directly address ownership but a right to claim credits. Any local legal requirements falling outside this framework are dealt with between the government and the project per domestic legal requirements²⁶ i.e. no new R&R on this topic are adopted.

²⁶ The current 'right of use' requirements (items 3-4) require that the project proponent has 'not been divested of such right of use' so arguably credits issued under these classifications would need to demonstrate that there isn't a legal restriction on their ownership. However, if you read the 'right of use' definition, it requires that the claimant "will or did generate or cause such reduction or removal" – this might need to be amended depending on the outcomes of the JNRI.

Recommended good practice guidance

None

Issues for Advisory Committee attention

None

Annex I: Comparison of IPCC, UNFCCC, and VCS division of REDD+

IPCC categories	UNFCCC REDD+ activities	Broad VCS jurisdictional and nested REDD+ activities	Major activities	Broad VCS project activities	Specific VCS project activities				
Conversion of forest to non-forest	RED (Reducing Emissions from Deforestation)	Reducing Emissions from Deforestation	Reducing deforestation (conversion of forest to non-forest).	REDD (reduced emissions from deforestation and degradation)	APD (avoided planned deforestation)				
					APD + RDP (avoided planned deforestation plus peat rewetting)				
					APD + CUPP (avoided planned deforestation and peat drainage)				
					AUD (avoided unplanned deforestation)				
					AUD + RDP (avoided unplanned deforestation plus peat rewetting)				
					APD + CUPP (avoided planned deforestation and peat drainage)				
					AUDD (avoided unplanned degradation)				
					AUDD + RDP (avoided unplanned degradation plus peat rewetting)				
					AUDD + CUPP (avoided unplanned degradation and peat drainage)				
Forests remaining as forests	REDD (Reducing Emissions from Degradation)	Reducing Emissions from Degradation	Reducing emissions from forests remaining forests.	REDD (reduced emissions from deforestation and degradation)	AUDD (avoided unplanned degradation)				
					AUDD + RDP (avoided unplanned degradation plus peat rewetting)				
					AUDD + CUPP (avoided unplanned degradation and peat drainage)				
					REDD+ (Sustainable management of forests and enhancement of forest carbon stocks)	Enhancement of forest carbon stocks	Increasing removals from forests remaining forests	ARR (afforestation, reforestation and revegetation)	RIL (reduced impact logging)
									LtPF (logged to protected forest)
									ERA (extended rotation age)
	IFM + RDP (improved forest management plus peat rewetting)								
	IFM + CUPP(improved forest management and preventing peat drainage)								
	LtHP (low productive to high-productive forest)								
	Conversion of non-forest to forest	REDD+ (Sustainable management of forests and enhancement of forest carbon stocks)	Enhancement of forest carbon stocks	Increasing conversion to forests.	ARR (afforestation, reforestation and revegetation)	ARR (afforestation, reforestation and revegetation)			
						ARR + RDP (afforestation, reforestation and revegetation plus peat rewetting)			
						ARR (afforestation, reforestation and revegetation)			
ARR + RDP (afforestation, reforestation and revegetation plus peat rewetting)									
ARR (afforestation, reforestation and revegetation)									
ARR + RDP (afforestation, reforestation and revegetation plus peat rewetting)									