



Verified Carbon Standard (VCS) and its rules and projects

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November 1, 2011



VCS foundation

- Founded in 2006 by the Climate Group, the International Emissions Trading Association, the World Economic Forum and later joined by the World Business Council for Sustainable Development
- Used by more than 600 projects worldwide
- The VCS Standard provides a global standard for GHG emission reduction and removal projects. It uses as its core the requirements set out in ISO 14064-2:2006, ISO 14064-3:2006 and ISO 14065:2007.
- Updated version: V3.1, 15 July 2011

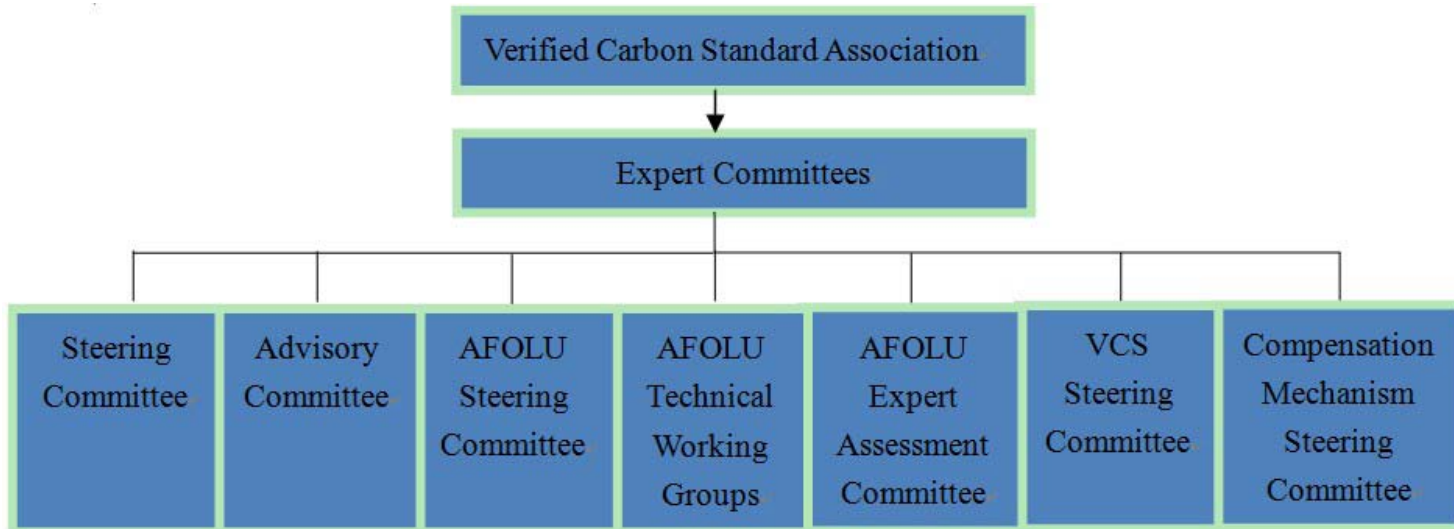
Scope of VCS Program

The scope of the VCS Program includes:

- The six Kyoto Protocol greenhouse gases.
- Ozone-depleting substances as set out in VCS document ODS Requirements.
- Project activities supported by a methodology approved under the VCS Program through the methodology approval process.
- Project activities supported by a methodology approved under a VCS approved GHG program, unless explicitly excluded under the terms of VCS approval.

Excludes: Emission reduction under obligation or reduce HFC

VCS Governance



VCS definitions

- **VCSA: (Verified Carbon Standard Association):**
As EB in the CDM but not review individual projects (as do the CDM, JI and Gold Standard)
- **VVB(Validation/Verification Body):**
An organization approved by the VCSA to act in respect of providing validation and/or verification services in accordance with the VCS rules
- **VCU(Verified Carbon Unit):**
A unit issued by, and held in a VCS registry representing the right of an accountholder in whose account the unit is recorded to claim the achievement of a GHG emission reduction or removal in an amount of one (1) metric tonne of CO₂ equivalent that has been verified by a validation/verification body in accordance with the VCS rules.
- **Proof of right:**
The document(s) demonstrating the entity's right to all and any GHG emission reductions or removals generated by the project during the project crediting period or verification period, as the case may be. Distinct from right of use

VCS project crediting period

- For non-AFOLU projects and ALM projects focusing exclusively on reducing N₂O, CH₄ and/or fossil-derived CO₂ emissions:
A maximum of ten years which may be renewed at most twice

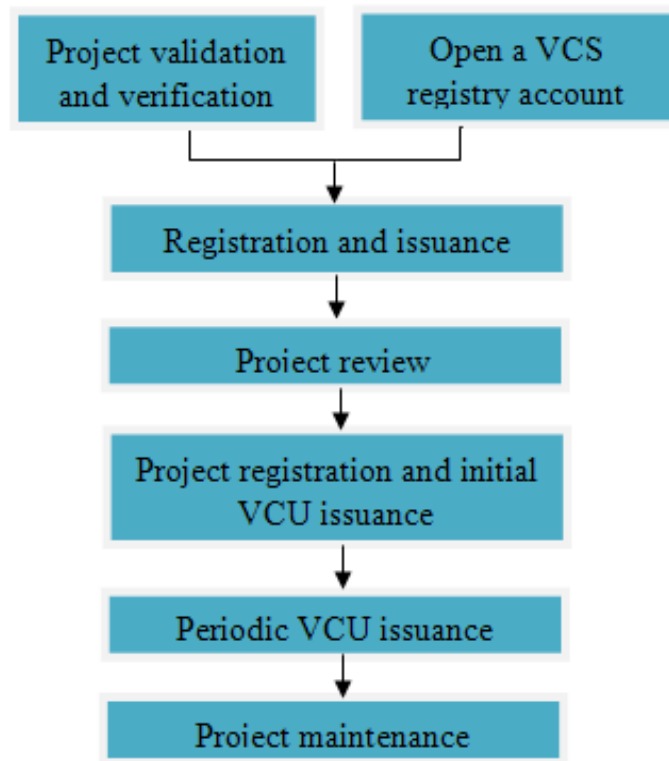
- For all other AFOLU projects other than such ALM projects:
A minimum of 20 years up to a maximum of 100 years, which may be renewed at most four times with a total project crediting period not to exceed 100 years.

- Renewal of the project crediting period
 - ✓ A full reassessment of additionality is not required.
 - ✓ The validity of the original baseline scenario shall be demonstrated
 - ✓ The updated project description shall be validated in accordance with the VCS rules.

VCS and other GHG program

- Projects may be registered sequentially under the VCS Program and an approved GHG program
- Project proponents shall not claim credit for the same GHG emission reduction or removal under the VCS Program and another GHG program.
- Projects registered under other GHG programs are not eligible for VCU issuance beyond the end of the total project crediting period under those programs
- Projects rejected by other GHG programs due to procedural or eligibility requirements can be considered under the VCS Program. But has to:
 - ✓ Provide reasons and documents of being rejected;
 - ✓ Full VCS validation.

VCS project registration process



Rules

- Requirements
 - ✓ VCS program guide
 - ✓ VCS standard
 - 1) AFOLU requirements
 - 2) ODS requirements
 - 3) Program definitions
 - 4) Program fee schedule
- Procedural
 - ✓ Methodology approval process
 - ✓ AFOLU non-permanence risk toll
 - ✓ Registration & issuance process
- Templates & Forms

Content of Project Description

- Project details:
 - ✓ The project title, a summary, the sectoral scope(s) and project type.
 - ✓ The names, roles and responsibilities of the PP and any other entities
 - ✓ The project start date and project crediting period, and the project scale and the estimated net GHG emission reductions
 - ✓ A description of the project activities, a specification of the project location and geographic boundaries, and a description of conditions prior to project initiation.
 - ✓ Identification and demonstration of compliance with relevant laws, statues and other regulatory frameworks
 - ✓ Additional information relevant to the project
- Methodologies applied to the project

Content of Project Description (cont.)

- A description of all data and parameters, available at validation, used for measuring, monitoring and calculating GHG emissions and net GHG emission reductions or removals, a description of all data and parameters monitored, and a description of the monitoring plan.
- A calculation of baseline emissions, project emissions, leakage emissions (if applicable) and net GHG emission reductions and removals.
- A summary of any environmental impact assessments conducted.
- A summary of relevant outcomes from any stakeholder consultations conducted.
- Evidence of proof of title and a demonstration that net GHG emission reductions or removals generated by the project will not be used for compliance with an emission trading program or to meet binding limits on GHG emissions.
- For AFOLU projects, where required, the project description shall be accompanied by a non-permanence risk analysis. Additional information relevant to the project

VCS Additionality – Project Test

- Methodologies shall use a project test, performance test and/or technology test approach to additionality.

Project Test:

- ✓ Step 1: Regulatory Surplus: The project shall not be mandated by any systematically enforced law
- ✓ Step 2: Implementation Barriers: The project shall face one or more distinct barrier(s) compared with barriers faced by alternatives to the project:
 - 1) Investment barrier.
 - 2) Technological barriers
 - 3) Institutional barriersetc. financial (other than identified in investment barrier above), organizational, cultural or social barriers that the VCU revenue stream can help overcome.
- ✓ Step 3: Common Practice

VCS Additionality - Performance Test

- Step 1: Regulatory Surplus:
 - ✓ The project shall meet with the requirements on regulatory surplus set out under the project test
- Step 2: Performance Benchmark
 - ✓ The GHG emissions generated (or carbon sequestered) per unit output by the project shall be below (or above, for sequestration) the benchmark approved under the VCS Program for the product, service, sector or industry and which is established to ensure that the project's performance is not business as usual.

VCS Additionality - Technology Test

- Step 1: Regulatory Surplus
 - ✓ The project shall meet with the requirements on regulatory surplus set out under the project test
- Step 2: Technology Benchmark
 - ✓ The project shall use a less emissions-intensive technology that meets specific technology and performance criteria, which results in crediting up to a pre-determined threshold (eg, market penetration) and ensures that the project is not business as usual. Projects that meet such eligibility criteria would also be deemed additional using the project test

Opening a VCS registry account

Opening a VCS registry account

a **pre-requisite** for Step 2
(Registration and issuance request)
and those that follow in the project
registration process

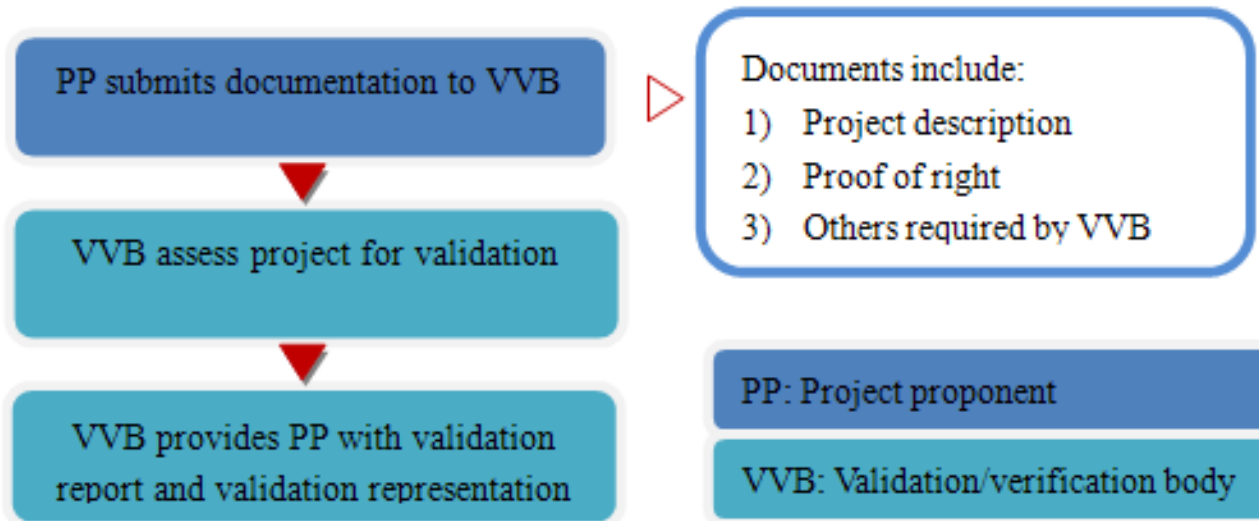
Choose a VCS registry and apply
for a new account with the
documentations including PD, VR
etc. on the VCS registry website

Market participant chooses a
VCS registry and completes
an account application

VCS registry reviews
account application

VCS registry notifies market
participant of account
approval

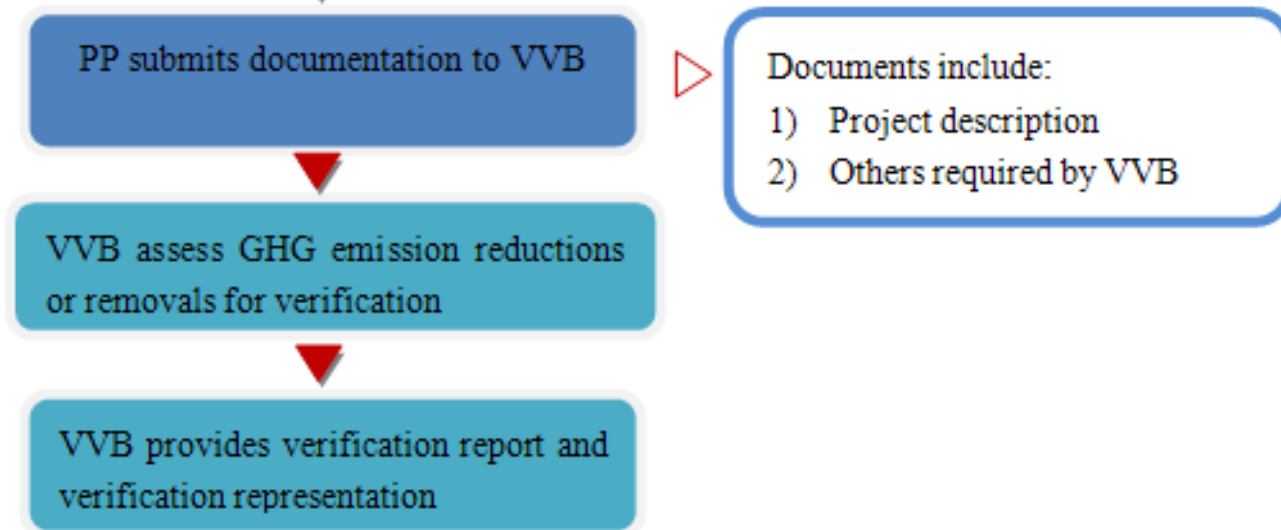
Step1-1 Project validation



Rules

- **Project start date** is the date on which the project began generating GHG emission reductions or removals
- Non-AFOLU Projects VCS validation shall be completed **within two years of the project start date**

Step 1-2 Project verification



Rules

Both validation and verification on a specific project can be undertaken **by a single VVB**

Step 2 Registration and issuance request

PP submits documentation to VCS registry



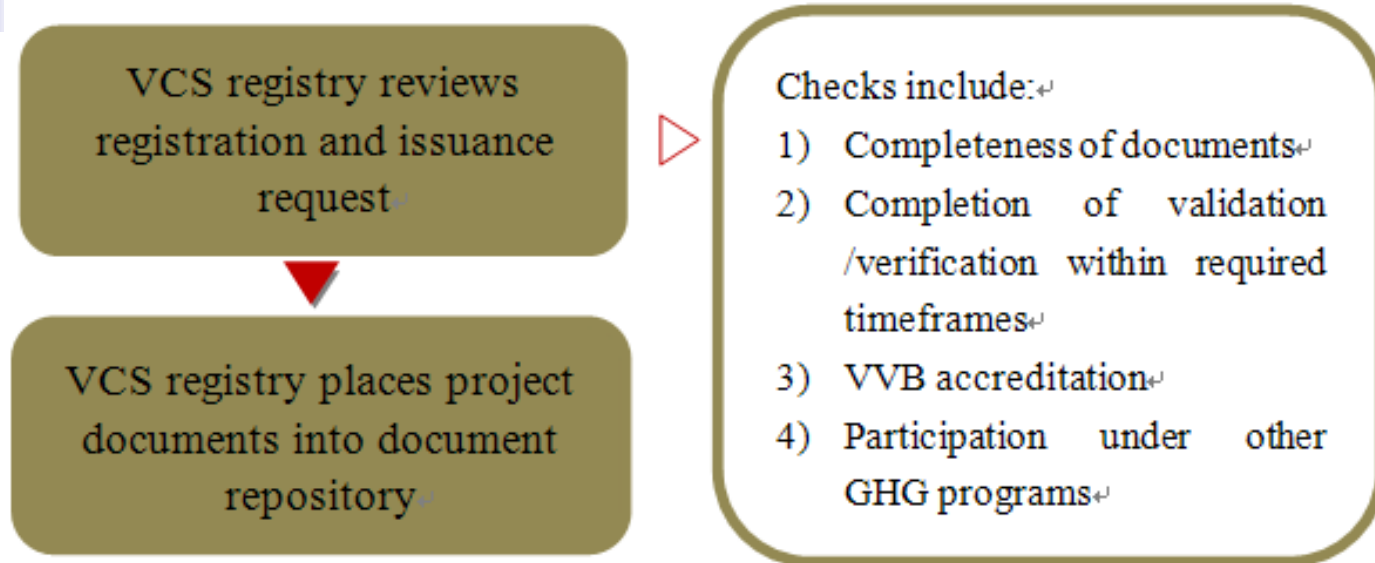
Documents include:

- 1) Project description
- 2) Validation report
- 3) Validation representation
- 4) Registration representation
- 5) Monitoring report
- 6) Verification report
- 7) Verification representation
- 8) Issuance representation
- 9) Others required by VVB

Rules

Templates & Forms
available on the VCS website

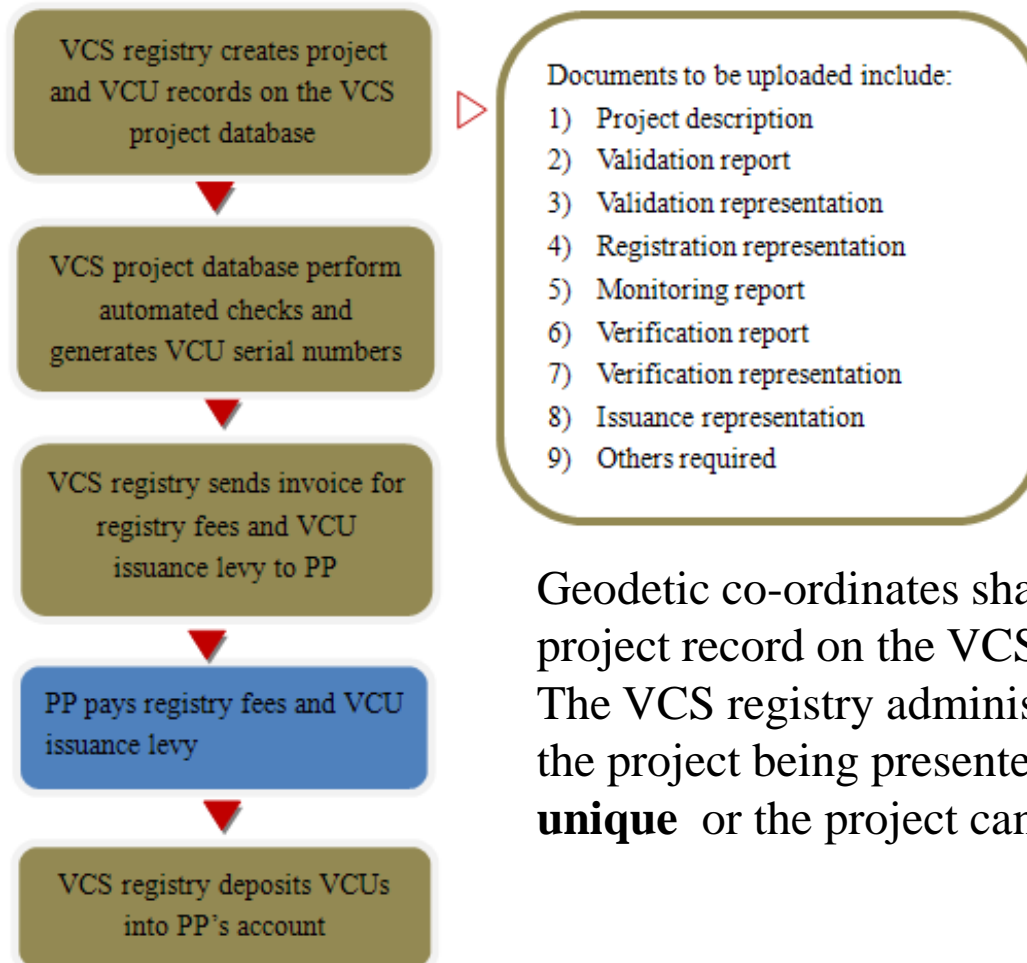
Step 3 Project review



The VCS registry administrator shall check the project to ensure:

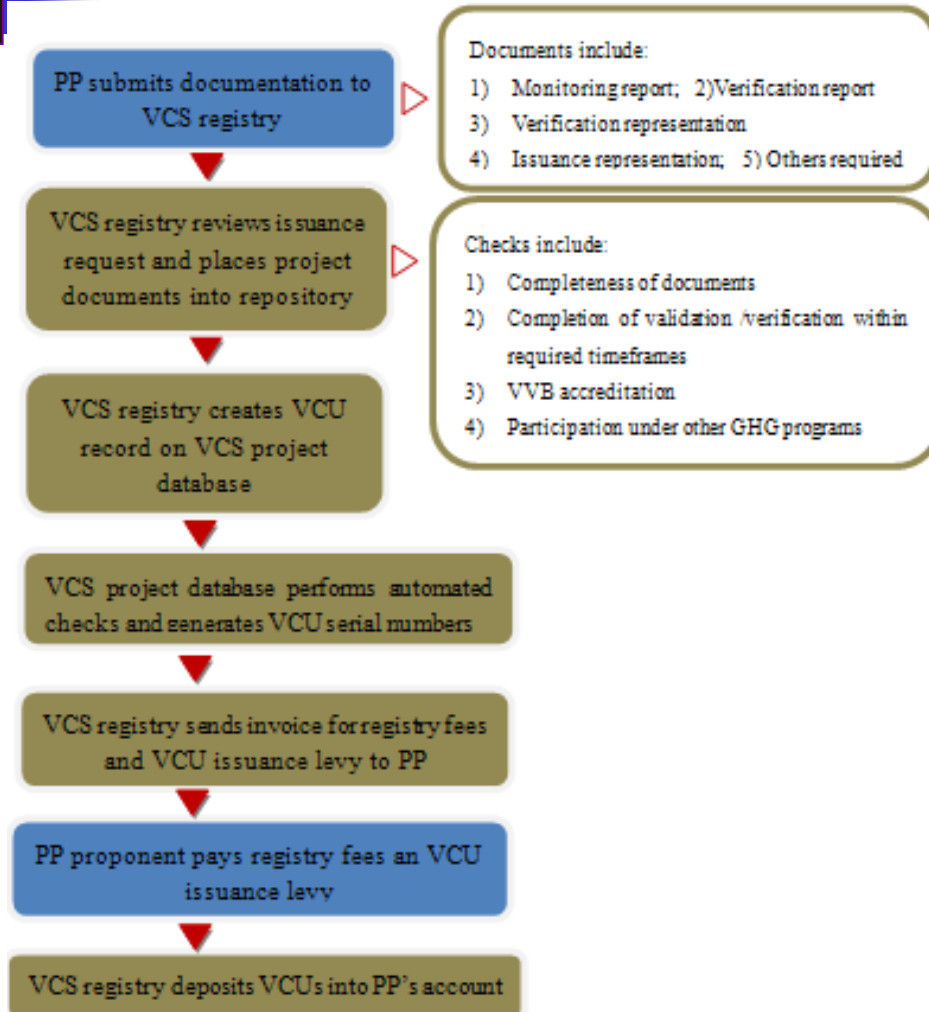
- Each of the project documents is complete
- Each project document, with the exception of the project description, the non-permanence risk report, the validation report, the monitoring report and the verification report, is signed by the relevant responsible parties
- The GHG emission reductions or removals presented for VCU issuance have not been issued under any other GHG program

Step 4 Project registration and initial VCU issuance



Geodetic co-ordinates shall be entered onto the project record on the VCS project database. The VCS registry administrator shall confirm that the project being presented for registration is **unique** or the project cannot be registered

Step 5 Periodic VCU issuance



➤ All and any periodic VCU issuances shall be initiated by the PP stated on the project record in the VCS registry and VCS project database or its authorized representative.

➤ Where another entity wants to become the PP, the process in the “release and accession of PP” shall be followed. The new PP on the project record in the VCS registry and VCS project database or its authorized representative can then initiate VCU issuance.

Step 6 Project maintenance

Where the project proponent transfers the project from the VCS Program to another GHG program, it shall notify the VCS registry administrator of same and the administrator shall update the status of the project accordingly including the project reference number under the approved GHG program

PP notifies VCS registry of change to project details.



VCS registry updates project record on the project database.

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VCS Projects and VCU Summary

Category	Projects registered	Projects registered privately*	VCUs issued	VCUs retired
Volume	691 (534 with VCUs issued; 157 without)	24	68,270,258	12,381,308

*Projects may choose to keep information private until they request VCU issuance

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Comparison with VCS and CDM

Category	VCS	CDM
Objective	A standard for anyone who wants to participant in VCM	Flexibility mechanism designed to comply with mandatory framework
Participant	Any project participants wish to involved in voluntary market	UN members
Accreditation	NFCCC/CCAR/ISO14065	UNFCCC
Methodology	CDM/JI/CCAR/VCS	CDM
Project cost	Low	High
Complicity	Low	High
Registration time	Short	Long
Market value	Low	High

Comparison with VCS and CDM (cont.)

Category		VCS	CDM
Scale	Mega	>1,000,000 tCO ₂ e	N/A
	Large	5,000-1,000,000	Exceeding the small projects
	Small		Renewable energy project: capacity <15MW; Energy efficiency project: improvement<60GWh/y; Annual emission reductions <60ktCO ₂ e/y
	Micro	<5,000	Capacity <5MW; Improvement<20GWh/y AER<20ktCO ₂ e/y
Credit period		Renewable 10 years up to 2 times	One off 10 years/ renewable 7 years up to 2 times
Start date		The date on which the project began generating GHG emission reductions or removals	The earliest date at which either the implementation or construction or real action of a project activity begins
Additional requirement		Validation completed within 2 years of the start date	Prior consideration within 6 months of the start date
Documentation requirement		VCS-PD, Proof of title, and that needed under CDM	LoA, MoC, PDD, ER, Stakeholders consultation report, EIA and FSR etc.

3. Case study

Brief description of the project

- ✓ Location: Guangdong Province, P. R. China
- ✓ Objective: Utilization of wind resources for electricity generation
- ✓ Installation capacity: 49.5MW consisted of 66 wind turbines with unit capacity of 750 kW
- ✓ Electricity supply: Guangdong Provincial Power Grid, an integral part of the China Southern Power Grid
- ✓ GHG emissions reduction: Helping reduce GHG emissions generated from the high-growth, coal-dominated power generation



Case study

CDM and VCS development

Category	VCS	CDM
Documents supplied for registration	PP registration representation, Project description, Validation report, Validation statement	PDD, LoAs, ER and IRR spreadsheet, Validation report, Registration request form
Registration	03/2011 on VCS registry	09/2010 on UNFCCC website
Documents supplied for issuance	Monitoring report	Monitoring report,
	PP issuance representation, Verification report, Verification statement	Certification report, Verification report, CER spreadsheet, CDM form to submit verification and certification reports and request issuance,
Emission reductions	87,150 tCO ₂ e(11/04/2009-24/09/2010)	20,437 tCO ₂ e (25/09/2010-28/11/2010)
Project status	View issuance records	Request for issuance



Thank You !

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