Update to Project Crediting Period Requirements

1 ABSTRACT

A crediting period is the period during which project GHG emission reductions or removals are eligible for issuance as Verified Carbon Units (VCUs). Per the VCS rules, non-AFOLU projects have 10-year crediting periods, twice renewable, for a total maximum length of 30 years. At each crediting period renewal, projects revalidate against the latest version of the *VCS Standard*, including a reassessment of regulatory surplus and a demonstration of the continued applicability of the project's baseline scenario. The length of project crediting periods therefore determines both the length of time that a project is eligible to generate emission reductions which can be issued as VCUs and the frequency of a project's revalidation.

Ensuring that project crediting periods are reasonably limited in duration and updated at an appropriate frequency is an important responsibility for GHG programs. Verra has reviewed the existing VCS rules and has determined that it should reduce the length of crediting periods under the VCS Program for non-AFOLU projects. In particular, Verra notes that its non-AFOLU crediting period length may be too long for a number of reasons. First, it does not appear that non-AFOLU projects require 30 years of carbon financing in order to remain financially viable. In addition, Verra has concluded that 10 years without revalidation against the latest VCS rules may be too infrequent considering that circumstances affecting a project's regulatory surplus and applicability of its baseline scenario are likely to change on shorter timescales.

Accordingly, Verra is considering shortening the duration of non-AFOLU project crediting periods under the VCS Program. Verra is not proposing changes to AFOLU project crediting periods because Verra has concluded that their activities continue to rely on longer durations of carbon finance, and such projects already engage in a reassessment of their baseline on a shorter timespan than their crediting periods.

2 BACKGROUND

GHG projects must be afforded a sufficient crediting period length in order to be effectively managed and obtain necessary carbon financing. However, it is also necessary to limit crediting periods to a duration that ensures a project is receiving carbon financing only for as long as is reasonably required, and to account for changes in the conditions relevant to the project's regulatory surplus and baseline scenario.

As referenced in Section 1 above, non-AFOLU projects likely do not require 30 years of carbon financing in order to remain financially viable. In addition, the Paris Agreement represents a significant change in conditions under which Verra projects will function. Specifically, NDCs will likely lead to new limits on greenhouse gases as countries begin regulating activities relevant to the scope of projects eligible under the VCS Program. These factors suggest that Verra should take a more conservative approach with respect to crediting period length. At the same time, Verra recognizes that project proponents may prefer a single 10 year crediting period to effectively manage their project. As such, the proposal set out in Section 3 below provides flexibility in that respect.

In consideration of the above, Verra believes that the current maximum crediting period for non-AFOLU projects of ten years, twice renewable (for a total of 30 years) can reasonably be shortened per the proposal in Section 3 below. The proposal addresses concerns regarding carbon financing duration and revalidation frequency.

3 PROPOSAL

Verra proposes to revise the VCS rules with respect to non-AFOLU project crediting periods by providing project proponents two options in the selection of their crediting period, as follows:

1) 7 years, twice renewable (21 years total)
2) 10 years, non-renewable (10 years total)

The proposal above is identical to the rules of the CDM. Note that this proposal would apply only to projects that have not completed validation within six months after the project crediting period requirements were updated (i.e., six months after anticipated mid-October 2018 release of VCS Version 4). Projects that have completed validation prior to this date would be eligible to apply the existing VCS rules for project crediting periods.

Verra seeks feedback on this proposal. In particular:

1) Does the proposal provide a fair balance between a conservative length and renewal frequency of crediting periods while providing sufficient flexibility for successful management of projects?
2) Verra recognizes that the proposal would likely not align project crediting periods with NDC assessment periods. Should project crediting periods be linked to host country NDCs assessment periods?