Revision to Scope of VCS Program

1 INTRODUCTION

This document summarizes the main points of feedback received during the 2018 VCS Version 4 public consultation in respect of the proposal to revise the scope of the VCS Program. This document also sets out whether and how the original proposal was updated as a result of that feedback. The abstract, background, and details of the proposal published during the 2018 consultation are available in the original consultation document.

2 RESULTS AND CONSIDERATIONS OF 2018 CONSULTATION

During the 2018 public consultation, Verra received comments on this proposal from 35 different stakeholders, including project developers, validation/verification bodies, trade associations, NGOs and other market participants.

The feedback received during the first consultation was evenly split between those in favor of the proposal, and those opposed. Comments from those in favor of the proposal commended the strict approach taken, and agreed that the project types identified had in many cases moved beyond their need to rely on carbon instruments as a source of critical, early-stage finance. Comments from those opposed to the proposal largely fell under three categories. First, those opposed felt that the project types proposed for exclusion provided significant sustainable development benefits which may not be realized if they are not able to be certified under the VCS Program. Second, that Verra should introduce more strict criteria for assessing additionality rather than exclude entire classes of activities. Third, that the geographic restrictions of the original proposal were too restrictive. Verra has considered all feedback received and has concluded that the original proposal will move forward with a few updates.

Reflecting first on the three points of opposition above, Verra agrees with the notion that the project types proposed for exclusion have the potential to generate significant sustainable development benefits. However, we do not believe this fact negates the rationale underpinning the original proposal, and Verra would encourage such projects to pursue certification of their sustainable development benefits under another certification program, such as Verra's Sustainable Development Verified Impact Standard (SD VISta). Second, Verra believes that the strict approach set out under this proposal provides a critical level of clarity and conservativeness in respect of the eligibility of project activities. We do not believe that a more nuanced approach of introducing new and potentially more cumbersome additionality criteria would provide the same requisite level of clarity and conservativeness. Third, and related to the previous point, Verra appreciates there may be subnational regions within countries that exhibit similar economic characteristics as Least Developed Countries (LDCs). Verra spent significant time researching methods by which to demarcate such regions, but believes the original approach of relying on a defined categorization of countries is consistent with the objective of setting out clear and conservative criteria (as is the delineation between small and large scale activities, as set out in the original proposal). In fact, based on further deliberation, Verra is proposing to revise the original proposal to be even more conservative in terms of geographic restriction, as set out in more detail below.

Based on feedback received during the 2018 public consultation, and further deliberation, Verra believes there are four important updates which should be added to the original proposal. The main updates to the proposal are to: (1) provide clarification on the impact of this proposal on existing grouped projects; (2) provide clarification on the impact of this proposal on the ability to convert approved GHG program credits into VCUs; (3) provide more precise definitions of the project types proposed for exclusion; and (4) remove Small Island Developing States (SIDS) as a categorization of countries warranting flexibility under this proposal. With respect to this fourth update, upon further deliberation Verra has determined that the geographically-based categorization of SIDS is inconsistent with the economic-based determinants which largely underpin the rationale behind this proposal. Therefore, and again in the spirit of conservativeness, Verra believes that removing this categorization is an appropriate update to the proposal.

Section 3 below provides the revised proposal as it would be incorporated into the VCS rules.

3 REVISED PROPOSAL

The following demonstrates how the revised proposal would be integrated into the VCS rules. In particular, the specifics of this proposal would be integrated into Section 2.1 ("Scope of the VCS Program") of the current version of the VCS Standard[1].

Note that registered VCS projects and projects that apply for VCS registration within three (3) months of the release of VCS Version 4 remain eligible under the VCS Program for the entirety of their project crediting periods. Note also that registered grouped projects will be prohibited from adding new project activity instances which fall under these project types three (3) months after the release of VCS Version 4; verification reports dated after this grace period shall not be accepted where they include the validation of such project activity instances. Finally, Verra will only accept GHG credit conversion requests from projects which have applied for registration with an approved GHG program within three (3) months of the release of VCS Version 4.

The proposal would be integrated into the VCS rules as follows:

2.1 SCOPE OF THE VCS PROGRAM

2.1.1 The scope of the VCS Program includes:

1) The six Kyoto Protocol greenhouse gases.
2) Ozone-depleting substances as set out in VCS document *ODS Requirements*.
3) Project activities supported by a methodology approved under the VCS Program through the methodology approval process.

[1] Note that the specific section number of the VCS Standard may change, depending on the final details of the Proposal for Reorganizing and Restructuring VCS Program Documents.

4) Project activities supported by a methodology approved under a VCS approved GHG program, unless explicitly excluded under the terms of VCS approval.
5) Jurisdictional REDD+ programs and nested REDD+ projects as set out in VCS document *JNR Requirements*.

The scope of the VCS Program excludes projects that can reasonably be assumed to have generated GHG emissions primarily for the purpose of their subsequent reduction, removal or destruction. The VCS Program also excludes the following project activities under the indicated circumstances:

Activity	**Non-LDC**[2]		**LDC**	
	Large scale[3]	**Small scale**[3]	**Large scale**	**Small scale**
Activities that reduce hydrofluorocarbon-23 (HFC-23) emissions	Excluded	Excluded	Excluded	Excluded
Grid-connected electricity generation using hydro power plants/units	Excluded	Excluded	Excluded	
Grid-connected electricity generation using wind, geothermal, or solar power plants/units	Excluded	Excluded		
Utilization of recovered waste heat for, *inter alia*, combined cycle electricity generation and the provision of heat for residential, commercial or industrial use	Excluded	Excluded		
Generation of electricity and/or thermal energy using biomass. This does not include efficiency improvements in thermal applications (e.g., cook stoves)	Excluded	Excluded		
Generation of electricity and/or thermal energy using fossil fuels, including activities that involve switching from a higher carbon content fuel to a lower carbon content fuel	Excluded	Excluded		
Replacement of electric lighting with more energy	Excluded			

[2] Least Developed Country, as designated by the United Nations.
[3] Small-scale and large-scale designations are as per CDM definitions for same.

efficient electric lighting, such as the replacement of incandescent electrical bulbs with CFLs or LEDs				
Installation and/or replacement of electricity transmission lines and/or energy efficient transformers	Excluded			

For example, and to illustrate the mechanics of this table, large-scale grid-connected hydroelectric projects are excluded in all cases. However, a small-scale grid-connected hydroelectric project would be eligible where located within an LDC.