



## VCS Program Update

21 January 2010

### **Update to the VCS 2007.1: Regulatory Surplus, Proof of Title, Project Registration Process, Project Proponent Registration/Issuance Representations, Renewal of Project Crediting Period, Double Approval Process, GPS Project Boundaries and AFOLU Validation and Verification Deadline**

#### **Background**

A number of updates to the VCS Program are required and issued with this VCS Program Update. This first section of the document provides the background on each of the updates. The second section provides the technical specification for each of the updates.

- 1) Regulatory Surplus: An update with respect to the regulatory surplus requirement (contained within each of the three VCS additionality tests) is required for two reasons:
  - a) The VCS requirement should not disincentivize host countries from introducing new laws, statutes or other regulatory frameworks that favour less emissions-intensive technologies or activities.
  - b) The VCS requirement should acknowledge that laws, statutes or other regulatory frameworks may not always be systematically enforced.
- 2) Proof of Title: Changes to the definition of proof of title and requirements with respect to evidencing proof of title are necessary for two reasons:
  - a) Validators are limited in their ability to make assertions about the ownership of projects and/or right to the GHG emission reductions or removals. The extent of the validator's assertion will therefore be limited to validation of the project proponent's demonstration of 'right of use' (see below for definition of right of use). Ownership of the project and right to the GHG emission reductions or removals is asserted by the project proponent through the project proponent registration representation and project proponent issuance representation.
  - b) The evidence required to demonstrate proof of title needs to be amended to account for AFOLU projects.
- 3) Project Registration Process: A number of updates to the *VCS Project Registration and VCU Issuance Process* document are required, to introduce new functionality and provide clarifications to the project registration process.

- 4) Project Proponent Registration/Issuance Representations: Additional templates for the project proponent registration representation and project proponent issuance representation are required for projects where there are multiple project proponents. Further, the existing project proponent issuance representation needs to be amended to include a representation that recognition for the GHG emission reductions or removals has not been sought under another GHG program.
- 5) Renewal of Project Crediting Period: Section 5.2.3 of the *VCS 2007.1* sets out the requirements under the VCS Program for projects renewing their project crediting period:

*At each renewal of the Project Crediting Period a VCS Program approved validator shall determine that the original project baseline scenario(s) and additionality is still valid or has been updated taking account of new data and changed VCS Program requirements where applicable.*

It is necessary to provide further clarification on these requirements for two reasons:

- a) The requirement to reassess the additionality of the project when renewing the project crediting period needs to be qualified. Because of the nature of additionality tests, a full determination of additionality is appropriate only at the beginning of the project. However, projects will still need to re-assert regulatory surplus when renewing the project crediting period.
  - b) Further clarification needs to be provided on how the project proponent shall determine the new baseline scenario or demonstrate the validity of the original baseline scenario when renewing the project crediting period.
- 6) Double Approval Process: Minor updates and clarifications are required with respect to the process for payment of the second validator and public posting of comments received during the global stakeholder consultation.
  - 7) GPS Project Boundaries: It is necessary to provide clarification with respect to specification by projects of their GPS project boundaries. Clear specification of GPS project boundaries is necessary to register projects on the VCS project database and to ensure there is no overlap with other registered projects.
  - 8) AFOLU Validation and Verification Deadline: Section 5.2.1 of the *VCS 2007.1* sets out the requirements under the VCS Program for AFOLU projects with a start date prior to 1 January 2002, which includes a requirement that such projects shall complete validation and verification by 1 October 2010. This deadline was specified to allow projects one year to complete validation and verification following the approval of the first AFOLU methodologies. Recognizing the current status of AFOLU methodology development and approval, the deadline is extended by one year.

## VCS Program Update

The VCS Association hereby issues the following updates to the VCS Program:

### 1) Regulatory Surplus

The requirement with respect to regulatory surplus (step 1 of each of the three VCS additionality tests, Section 5.8 of the VCS 2007.1) is changed from:

*The project shall not be mandated by any enforced law, statute or other regulatory framework.*

to;

*The project shall not be mandated by any systematically enforced law, statute or other regulatory framework. Laws, statutes, regulatory frameworks or policies implemented since 11 November 2001 that give comparative advantage to less emissions-intensive technologies or activities relative to more emissions-intensive technologies or activities need not be taken into account. Laws, statutes, regulatory frameworks or policies implemented since 11 December 1997 that give comparative advantage to more emissions-intensive technologies or activities relative to less emissions-intensive technologies or activities shall not be taken into account.*

Such change to the requirement with respect to regulatory surplus is effective from 21 January 2010.

### 2) Proof of Title

a) The definition of proof of title is changed from:

*Document(s) demonstrating the project proponent's right to the GHG emission reductions or removals and the ownership of the project.*

to;

*In respect of a GHG emission reduction or removal, documentary evidence establishing conclusively the project proponent's right of use in respect of such reduction or removal.*

b) A new definition is introduced for right of use:

#### **Right of Use**

*In respect of a GHG emission reduction or removal, the unconditional, undisputed and unencumbered ability to claim that the relevant project will or did generate or cause such reduction or removal.*

c) The evidence required to demonstrate proof of title (Section 5.7 of the VCS 2007.1) is changed from:

*The VCS PD shall be accompanied by Proof of Title, which shall contain one of the following:*

- *a legislative right;*
- *a right under local common law;*

- *ownership of the plant, equipment and/or process generating the reductions/removals; or*
- *a contractual arrangement with the owner of the plant, equipment or process that grants all reductions/removals to the proponent*

to;

*The VCS PD shall be accompanied by proof of title in respect of one or more of the following rights of use accorded to the project proponent:*

- *a right of use arising or granted under statute, regulation or decree by a competent authority;*
- *a right of use arising under law;*
- *a right of use arising by virtue of a property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals (where the right includes the right of use of such reductions or removals and the project proponent has not been divested of such right of use);*
- *a right of use arising by virtue of a 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);*
- *an enforceable and irrevocable agreement with the holder of the 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, or*
- *an enforceable and irrevocable agreement with the holder of the property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions or removals which vests the right of use in the project proponent.*

Such changes with respect to proof of title are effective from 21 January 2010.

### 3) Project Registration Process

The *VCS Project Registration and VCU Issuance Process* document is reissued, with updates as follows:

- a) Provided specification of process to be used by registry administrators for switching a project's nominated VCS registry.
- b) Added requirements for registration of projects with multiple project proponents.
- c) Removed the definition and use of project owner, such simplification being possible because of the introduction of rules for registration of projects with multiple project proponents.
- d) Removed reference to the validator validating ownership of the project and right to the emission reductions. The validator validates proof of title, but any proof of right is checked by the VCS registry administrator.

- e) Inserted new rule that grants additional time to complete validation for projects using a new VCS methodology.
- f) Added requirement for any communications agreements or evidence and representation with respect to cancellation of the GHG credits under an approved GHG program to be uploaded to the VCS project database as public documents and proof of right and proof of contracting as a private documents.
- g) Added requirement for AFOLU projects with one or more polygons to provide GPS project boundary data as specified on the VCS website.
- h) Added requirement with respect to GPS project boundary data for projects claiming GHG credits sequentially under the VCS Program and an approved GHG program.
- i) Reformatted the document into *Normative Document* format, including removal of definitions available in the *VCS 2007.1* document, and defined terms changed to lower case for consistency with *VCS 2007.1* document.

Such changes contained in the *VCS Project Registration and VCU Issuance* document, which is now re-issued as the *VCS Program Normative Document: Project Registration and VCU Issuance Process*, are effective from 21 January 2010.

#### 4) Project Proponent Registration/Issuance Representations

The following updates are provided with respect to the project proponent registration representation and project proponent issuance representation:

- a) Two new additional templates are provided on the VCS website, for each of the two representations and to be used where there are multiple project proponents. The respective templates shall be completed such that the names and details of all project proponents are contained on a single document. All project proponents shall sign the same physical copy of the document, or identical copies of the same document. Such new additional templates may be used from their issue date on 21 January 2010.
- b) The project proponent issuance representation template is re-issued and provided on the VCS website, to include a representation that the recognition for the GHG emission reductions or removals has not been sought under another GHG program. The existing project proponent issuance representation template remains valid until 30 April 2010, after which time all projects shall use the new template.

#### 5) Renewal of Project Crediting Period

The following clarifications are provided with respect to the renewal of the project crediting period:

- a) A full reassessment of additionality is not required when renewing the project crediting period. However regulatory surplus shall be demonstrated as set out in the latest version of the VCS rules and the project description shall be updated accordingly.
- b) The new baseline scenario or validity of the original baseline scenario shall be demonstrated when renewing the project crediting period as follows:

- i) Where it is determined that the original baseline scenario is still valid, the GHG emissions associated with the original baseline scenario shall be reassessed using the latest version of the CDM tool “Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period”.<sup>1</sup>
  - ii) Where it is determined that the original baseline scenario is no longer valid, the current baseline scenario shall be established in accordance with the VCS rules.
  - iii) The sections of the project description relating to the baseline, the estimated GHG emission reductions or removals and the monitoring plan shall be updated. Such updates shall be based upon the latest approved version of the methodology or its replacement. Where the project does not meet the requirements of the latest approved version of the methodology or its replacement, the project proponent shall select another applicable approved methodology or shall apply for a methodology deviation. Failing this, the project shall not be eligible for renewal of its project crediting period.
- c) The updated sections of the project description shall be validated in accordance with the VCS rules. In addition, the project shall be validated against the scope of the VCS Program, as such scope may have been amended since the previous project validation.

**Note** – The rules and requirements of the latest version of the VCS shall be adhered to, including the length of the new project crediting period, but excluding any new rules in relation to project start date.

Such clarifications with respect to renewal of project crediting period are effective from 21 January 2010.

## 6) Double Approval Process

The *VCS Program Normative Document: Double Approval Process* is reissued, with updates as follows:

- a) Amended the description of the process by which second validator is paid, in line with current practice.
- b) Clarified that comments received during the global stakeholder consultation shall be posted on the VCS website.
- c) Changed the point in the process at which the methodology element developer is invoiced for the double approval process administration fee.

Such changes contained in the *VCS Normative Document: Double Approval Process* are clarifications to reflect current procedures and as such the effective date of the document remains 18 June 2009.

## 7) GPS Project Boundaries

The requirement for projects to provide their GPS project boundaries is clarified as follows:

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<sup>1</sup> The tool was issued in Annex 1 of Annex 11 to CDM Executive Board meeting 46:  
[http://cdm.unfccc.int/EB/046/eb46\\_repan11.pdf](http://cdm.unfccc.int/EB/046/eb46_repan11.pdf)

- a) Projects using the VCS project description template shall state the project's GPS project boundaries, as is set out in such template. The validation report shall validate the GPS project boundaries.
- b) For projects claiming GHG credits sequentially under the VCS Program and the CDM, and where the project description and validation report follow the CDM templates and procedures, a further validation shall be completed of Section 1.5 of the VCS project description template (project location) where validation under the CDM does not include validation of the GPS project boundaries.

**Note** – Such requirement for further validation of Section 1.5 of the VCS project description template is in addition to the requirement to undertake validation of Sections 1.12, 1.13, 1.14, 8.1 and 8.2 as set out in the VCSA policy announcement *Further Guidance for Projects that are Registered in Two GHG Programs* (19 March 2008, see VCS website) and further clarified in the *VCS Program Normative Document: Project Registration and VCU Issuance Process*.

- c) GPS project boundaries may be a single point or any number of polygons and shall allow the unique identification and delineation of the specific extent of the project.

The requirement set out in Section 7.b above is effective from 1 May 2010. The remainder of this Section 7 is clarification of existing VCS rules.

#### 8) AFOLU Validation and Verification Deadline

The requirement with respect to the deadline for the validation and verification of AFOLU projects with a start date prior to 1 January 2002 (Section 5.2.1 of the *VCS 2007.1*) is changed from:

*The Project Start Date for AFOLU projects can be earlier than 1 January 2002, provided the following conditions are met:*

- *project validation and verification against the VCS has been completed by 1 October 2010;*

to;

*The Project Start Date for AFOLU projects can be earlier than 1 January 2002, provided the following conditions are met:*

- *VCS validation and verification have been completed by 1 October 2011;*

Such change to the deadline for the validation and verification of AFOLU projects is effective from 21 January 2010.