

# VCS Redd projects wait in the wings

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Deforestation projects will soon be lining up for certification once a key hurdle is cleared.

Investors in projects to reduce emissions from deforestation and degradation (Redd) are awaiting the approval of the first methodologies – project design and emissions accounting blueprints – under the Voluntary Carbon Standard (VCS).

The first of these methodology approvals could happen within the first quarter of this year, project validators predict.

Once that happens, it could be a boon to the emerging forest carbon market, according to the VCS Association.

“It’s going to be huge. It will play a major role in establishing Redd projects as workable and fungible,” said Naomi Swickard, VCS’s agriculture, land use and forestry coordinator.

The VCS is a global benchmark for issuing carbon credits for voluntary greenhouse gas emission-reduction projects.

At the conclusion of UN climate talks in Denmark in December, consensus had started to firm around the need for implementing market mechanisms to combat deforestation and degradation.

Many believe credits from projects that use VCS-endorsed methodologies could be grandfathered into a potential UN Redd regime or a US cap-and-trade system.

“After Copenhagen, there was a lot of momentum behind making Redd projects work,” said Swickard.

“And there are a number of projects waiting in the wings once those methodologies are completed.”

## Double approval delay

Currently four methodologies are undergoing the VCS double-approval process, which requires them to undergo two independent assessments by different validators.

Since the first methodology was submitted back in December 2008, none have yet completed two validations.

According to Swickard, a combination of the complexity of Redd methodologies and a shortage of expert validators had caused a backlog of methodology validations.

Though she acknowledged the process has been slow, Swickard said it will ensure that VCS-endorsed Redd projects are environmentally sound.

“It has taken longer than expected in some respects but what you are seeing is the success of the double approval process,” said Swickard.

“Whatever comes through this will be high quality.”

## Moving on

California-based Terra Global Capital, which submitted the first VCS methodology, finished the first validation stage in recent weeks, and will now prepare for its second vetting.

Verifier SCS will do the second validation of the methodology once Terra addresses nearly 200 pages of comments that emerged from the first validation by Tuv Sud, a major verifier of UN clean development mechanism (CDM) projects.

Once it takes over the review of Terra's methodology, SCS can "turn things around in a few months," said Todd Frank, manager of greenhouse gas verification at SCS.

He said the backlog has occurred with large validators like Tuv Sud, which also have a backlog of CDM projects, and not with smaller outfits like SCS and Rainforest Alliance.

He noted that the VCS Association requires that at least one of the methodology's two verifiers have at least 10 projects under its belt.

This means that even though smaller verifiers may have the immediate capacity to validate the methodologies, they can not do so unless one of the larger backlogged firms is on board.

Tuv Sud said it is unsurprising there have been bottlenecks in the process because of the complex nature of Redd methodologies.

"Methodologies are highly complex and unsurprisingly need time in the design as well as the audit process," said Tuv Sud's Martin Schroder.

"Technical issues such as baseline setting and leakage are key items in this context."

## **Streamline**

The second round of validations is expected to be significantly shorter than the first, said Toby Janson-Smith, senior director for forest carbon markets at Conservation International.

"The first validation is where a lot of the primary back and forth takes place," he said.

"Once the first validation is done ... that process will be much more streamlined," Janson-Smith added, estimating the second validation should only take a month or two.

Robert O'Sullivan, executive director for North America at Climate Focus, said the methodology his organisation has been working on is on track to complete the double validation by the middle of the year.

The Rainforest Alliance has started the process of the second validation as Tuv Sud works to complete the first validation.

## **Modules**

Climate Focus is one of the groups working through the Avoided Deforestation Partners coalition (ADP) on a set of Redd methodology modules for estimating and monitoring emission reductions.

The methodology modules will apply to a wide range of projects and will prevent the fragmented development of methodologies that has occurred with afforestation and reforestation projects under the CDM, O'Sullivan said.

"We wanted to try and overcome some of those barriers and assume a lot of pain and suffering ourselves," he said.

O'Sullivan noted while the modules methodology is long and complex – requiring more time for validation – he hopes the process will "reduce the chance of inconsistency" of Redd projects.

With its one-size-fits most approach, the ADP methodology has attracted numerous Redd project developers who have been checking up on the double validation process to see how things are going, said O'Sullivan.

According to Conservation International's Janson-Smith, the modules could enable some smaller-scale Redd projects, which may not have the time or money to develop their own methodologies, to be able to move forward.

## **Market ready**

Despite the bottleneck in the double validation process, he said there shouldn't be much delay in eventually generating a large volume of voluntary carbon credits.

"Most projects don't start generating meaningful credits until at least three to five years out," he said.

But once VCS Redd projects get up and running, they will be influential to US lawmakers who are addressing deforestation in various climate bills and UN negotiators working to create a Redd funding mechanism, he said.

"In the absence of top-down policies and a regulatory framework, the VCS is in a key position to really help shape what constitutes a credible accounting framework for these (Redd) activities," said Janson-Smith.

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