

8 March 2011

AFOLU Guidance: Example for GHG Credit Accounting Following a Loss Event

As set out in VCS document *AFOLU Requirements*, where an a loss event occurs, buffer credits from the AFOLU pooled buffer account are put on hold in an amount equivalent to the estimated loss stated in the loss event report. At the subsequent verification, the monitoring report will restate the loss and calculate the net GHG benefit for the monitoring period. Based on the extent of the loss, credits that were placed on hold are cancelled, and any remaining credits are released from hold status or additional buffer credits are cancelled to cover the loss. This document provides an example for GHG emission reduction and removal accounting for REDD project scenarios that experience loss events.

Scenario 1: Loss event occurs, but does not result in a reversal

A REDD project results in a net change in carbon stock as compared to the baseline of 4,000 tCO₂e, annually, and emissions of 200 tCO₂e from leakage. The project has a risk rating of 20 percent that remains constant for the life of the project. Because the risk remains the same, every five years when the project verifies, it is eligible for a 15 percent buffer release.

In year seven, a hurricane results in higher emissions, and 5,000 tCO₂e are lost from the project case. The project submits a loss event report to the VCS registry, which estimates the loss and buffer credits are put on hold. When the project verifies again in year 10, the total net GHG benefit of the project for the monitoring period is still positive, because the loss was relatively minor and project activities have continued in the majority of the project area. The buffer credits put on hold are returned to the buffer account and no buffer credits are cancelled. The project is assessed to have the same risk rating as the last verification, as hurricanes were taken into account in the initial risk profile, and it is therefore still eligible for the 15 percent release of buffer credits at subsequent verification events.

Buffer and Loss Calculations										
Year	Annual net change in carbon stock	Leakage	Total net GHG benefit for monitoring period	Credits deposited in buffer account at Verification event	Credits cancelled from buffer account	Buffer credits released and issued to the project at verification event (15% rule)	Total VCUs issued at verification event (inc buffer release)	Cumulative VCUs issued	Cumulative credits in the buffer	Buffer contribution as % of cumulative net change in carbon stock
Yr	tCO2e	tCO2e	tCO2e	Credits	Credits	VCUs	VCUs	VCUs	Credits	%
1	4,000	200								
2	4,000	200								
3	4,000	200								
4	4,000	200								
5	4,000	200	19,000	4,000	0	0	15,000	15,000	4,000	20.0%
6	4,000	200								
7	-5,000	200								
8	2,000	200								
9	3,000	200								
10	4,000	200	7,000	1,600	0	840	6,240	21,240	4,760	17.0%
11	4,000	200								
12	4,000	200								
13	4,000	200								
14	4,000	200								
15	4,000	200	19,000	4,000	0	1,314	16,314	37,554	7,446	15.5%

Scenario 2: Loss event occurs that results in a reversal

The same project described above has an initial risk rating of 20 percent. In year seven a much larger hurricane hits, resulting in a loss of 10,000 tCO₂e from the project case. The project submits a loss event report to the VCS registry estimating the loss, and buffer credits are put on hold. Because the loss has devastated a significant portion of the project area, the project re-assesses the baseline, including the change in baseline stocks due to the hurricane in baseline calculations. The project has the new baseline validated at the next verification event in year 10. The project has had some benefit in years 8-10, but the total for the monitoring period is still negative, resulting in a reversal of 2,500 tCO₂e.

The risk rating for the project, assessed at the same verification, increases to 25 percent, reflecting the increasing severity and frequency of hurricanes in the region. The project is therefore not eligible for the 15 percent release of buffer credits at this point in time.

The project submits the monitoring and verification reports to the VCS registry, which cancels 2,500 credits from the AFOLU pooled buffer account. The remaining buffer credits that were placed on hold are returned to the buffer account.

Buffer and Loss Calculations										
Year	Annual net change in carbon stock	Leakage	Total net GHG benefit for monitoring period	Credits deposited in buffer account at Verification event	Credits cancelled from buffer account	Buffer credits released and issued to the project at verification event (15% rule)	Total VCUs issued at verification event (inc buffer release)	Cumulative VCUs issued	Cumulative credits in the buffer	Buffer contribution as % of cumulative net change in carbon stock
Yr	tCO2e	tCO2e	tCO2e	Credits	Credits	VCUs	VCUs	VCUs	Credits	%
1	4,000	200								
2	4,000	200								
3	4,000	200								
4	4,000	200								
5	4,000	200	19,000	4,000	0	0	15,000	15,000	4,000	20.0%
6	4,000	200								
7	-10,000	200								
8	1,000	200								
9	1,500	200								
10	2,000	200	-2,500	0	2,500	0	0	15,000	1,500	21.6%
11	2,500	200								
12	3,000	200								
13	3,000	200								
14	3,000	200								
15	3,000	200	13,500	3,625	0	0	9,875	24,875	5,125	23.1%