

VCS Program Advisory Group

Meeting Minutes

Thursday, 13 February 2020, 1630-1730 GMT

Advisory Group Participants: Edwin Aalders, DNV; Tanushree Bagh, SouthPole; Natasha Calderwood, Conservation International; Christina Elvers (participating on behalf of Joel Scriven), Shell; Michael Gillenwater, GHG Management Institute; Kelley Kizzier, Environmental Defense Fund (Verra Board); Mike Korchinsky, Wildlife Works Carbon; Zane Haxtema (participating on behalf of Christie Pollet-Young), SCS Global; Ed Rumsey, Permian Global; Lambert Schneider, Öko-Institut; Christine Schuh, LE-EF; Charlotte Streck, Climate Focus (Verra Board); Christiaan Vrolijk, Natural Capital Partners; Chris Webb, The Nature Conservancy; Charlie Williams, Clean Air Action Corporation

Other Participants: Sam Hoffer, Verra

Welcome and Review Agenda: The Advisory Group reviewed and agreed to the agenda.

Pending Carbon Units (PCUs): Mr. Hoffer circulated a 3-page briefing note prior to the scheduled meeting time which outlined Verra's desire to carry out a public consultation on a proposal to offer a new product through the Verra Registry. The new product, for the purposes of discussion, was referred to as the "Pending Carbon Unit (PCU)". PCUs would be a unitized representation of forward-sold VCUs that reflect a project proponent's obligation to deliver a specified number of VCUs at a future date, namely after a project has completed verification. PCUs would not be ex-ante GHG credits.

PCUs would be similar to a product that had historically been offered through the IHS Markit registry, which was referred to as the "Pending Issuance Unit (PIU)". Following Verra's announcement that it would in-house registry services under its programs, several stakeholders reached out to enquire as to whether Verra would offer a PIU-like product through the Verra Registry. Those stakeholders expressed a positive opinion of the PIU concept and encouraged Verra to pursue development of a like-product. Prior to moving forward with any public consultation, Verra wished to gather feedback from members of the VCS Program Advisory Group.

Feedback from the advisory group was split, with some expressing support while others expressed some concerns over the concept. The main points of feedback received from the Advisory Group included the following:

- PCUs may not always be needed and typical forward-sale contracts will be sufficient in many cases. For that reason, PCUs should be an optional pathway.
- PCUs may have a limited set of use cases, particularly where large-scale buyers are off-taking VCUs from smaller projects. For this reason, most members had not used PIUs in the past, though those that had used PIUs expressed that they had a positive experience with them.

- Verra will need to think carefully about the liabilities and risks it exposes itself to via the offering of PCUs. For instance, in cases of project underperformance, it should be clear which party is responsible for satisfying the original PCU delivery obligation.
- It will be important that the messaging and guidance around PCUs is perfectly clear what these units do and do not represent. Namely, it will be important for Verra to make clear that PCUs are not ex-ante GHG credits and that they cannot be retired and used for offsetting emissions. Members pointed out that the PCU concept may raise additional criticism of the offsetting space. Members also highlighted that other GHG programs have offered similar products in the past, and that Verra should review guidance published by those programs.
- There was mixed feedback regarding some of the design considerations for PCUs (e.g., whether PCUs should be transferable, the length of time over which PCUs could be issued, whether Verra imposes restrictions on the volumes of PCUs that could be issued, whether the name 'Pending Carbon Units' was satisfactory, etc.). Members expressed that Verra should further develop these design considerations before moving forward with a public consultation.

Wrap Up: Mr. Hoffer stated that he would circulate meeting minutes for review in due course. Mr. Hoffer also stated that he would follow up with the advisory group on next steps for the PCU concept.