



PROPOSED UPDATES TO THE VCS PROGRAM

August 2021

1 INTRODUCTION

As the Verified Carbon Standard (VCS) Program evolves, requirements are updated periodically to strengthen or expand the program's scope and ensure that projects deliver real, additional emission reductions and removals. We invite feedback from stakeholders to ensure that the changes we propose achieve their intended impact and do not have unintended consequences.

The VCS Program encourages standardized methodological approaches because they streamline the development and assessment process for individual projects. Therefore, in this consultation, we seek input on building out the standardized methods permitted under the VCS Program.

The other changes proposed in this document reflect the important continued role that we see for agriculture, forestry and other land use (AFOLU) projects certified under the VCS Program. Such projects advance on-the-ground activities that verifiably reduce or remove emissions and often generate significant benefits for local communities. Periodic updates to these requirements are intended to maintain the integrity of the VCS and improve the quality of AFOLU projects.

This document presents the following proposed updates for VCS Program documents, including the [VCS Standard v4.1](#), [VCS Methodology Requirements v4.0](#), and the [VCS Methodology Approval Process](#):

- Introducing requirements for dynamic performance benchmarks (Section 2);
- Adding a pipeline listing deadline for all AFOLU projects and replacing the validation deadline with a pipeline listing deadline for AFOLU projects that are small-scale or generate removals (Section 3);
- Revising project area requirements to allow tidal wetland projects to add land after the first verification (Section 4);
- Modifying the language of the requirement related to the estimation of soil organic carbon stocks (Section 5); and,
- Updating a number of AFOLU project baseline requirements (Section 6).

All VCS Program documents referenced herein can be found on the Verra website at <https://verra.org/project/vcs-program/rules-and-requirements/>.

1.1 Consultation Process and Timeline

Verra began discussing these proposed updates in June of 2021 with our [Nature-based Solutions Working Groups](#) and [JNR Stakeholder Group](#). The planned timeline for implementing the consultation and rule approval process going forward is set out in Table 1 below.

Table 1. Tentative timeline

Tentative Date(s)	Activity
23 August – 22 September (inclusive)	31-day public consultation
2 September	Consultation webinar
September – October	Review comments and finalize proposals
November/December	Publish VCS rule changes

Please provide comments on any part of this document. We would especially appreciate responses to questions in the 'Requested Feedback' sections. Comments may be submitted in any format to secretariat@verra.org by 22 September 2021. After the consultation, we will use the input provided on these proposals to finalize the associated VCS rules and requirements.

We look forward to your feedback. Please let us know if you have any questions as you engage in this consultation.

2 INTRODUCING REQUIREMENTS FOR DYNAMIC PERFORMANCE BENCHMARKS

2.1 Background

The *VCS Methodology Requirements* allow methodologies to establish performance benchmarks, which are used by projects to determine their baselines and demonstrate additionality. Under the existing requirements, performance benchmarks are based on the current distribution of performance within the relevant sector. Performance benchmarks also pre-determine a level of performance in tCO₂e of GHG emissions or removals to be used as the benchmark for project crediting or the demonstration of additionality. Projects using the methodology that exceed the level of the performance benchmark are deemed additional and use the pre-determined level of the performance benchmark as their crediting baseline. The analysis used to establish the performance benchmark must be updated with the most recent data at least every five years, but may be updated more frequently.

Recently, Verra has seen interest in allowing a new, dynamic approach to establish performance benchmarks (e.g., as proposed in the [Methodology for Improved Forest Management](#), currently under development under the VCS Program). Under this approach, data from 'control' plots or sites representing the baseline scenario would be matched to statistically similar 'sample' plots or sites within the project area and used to create the performance benchmark for the project. A project

proponent would be required to update or monitor both the 'control' (baseline) and 'sample' (project) data.

The dynamic performance benchmark approach provides a robust estimation of baseline emissions or removals that considers changes in performance within a sector or activity type in real time. It would allow performance benchmarks to be used for activities with high regional variability in performance or where performance within a sector or activity type could change frequently due to updates in policy or other outside factors.

2.2 Proposal

Verra proposes to add new requirements to the *VCS Methodology Requirements* to allow for a dynamic approach to be an option to establish performance benchmarks. To implement these changes, Verra would add the following new text to Section 2.3 of the *VCS Methodology Requirements*:

2.3.7 (NEW) The level of the performance benchmark metric may be established using one of two approaches:

- 1) **Static performance benchmarks:** Static performance benchmarks are based on an analysis of the current distribution of performance within the sector. The methodology shall establish the level of the performance benchmark metric from this analysis for projects to use for the crediting and/or additionality benchmark.
- 2) **Dynamic performance benchmarks:** Dynamic benchmarks are based on a comparison between control data (representing the baseline scenario) and sample data (representing the project scenario) and allow for the performance benchmarks to be developed where there is high variability (e.g., regional or temporal) in performance within a sector or activity type. Methodologies shall set out requirements for the data source of the control data (in line with the requirements for data as set out in Section 3.4.6) and the approach for projects to match control data with sample data. The methodology shall require projects to update the control data and the level of the performance benchmark metric at each verification.

If this proposal is adopted, Verra would make additional updates throughout the *VCS Methodology Requirements*, the *Methodology Approval Process* (e.g., in Section 11.1 related to post-approval assessment of standardized methods), and methodology-related templates to accommodate dynamic performance benchmarks.

2.3 Requested Feedback

Verra is requesting general feedback on the proposed updates and on the following questions:

- 1) Are the existing requirements for demonstrating appropriateness of data set out in Section 3.4.6 of the [VCS Methodology Requirements](#) appropriate for selecting control data for dynamic

performance benchmarks? Are there any additional or different data requirements that should be added for dynamic performance benchmark control data?

- 2) Should Verra set out requirements for the types of matching methods that are allowed to be used when matching control and sample data in the dynamic performance benchmark approach? If so, which matching methods should be required (e.g., statistical methods such as nearest neighbor or optimal matching)?
- 3) Should Verra require any new performance benchmarks to be developed as dynamic performance benchmarks? If Verra continues to allow for new static performance benchmarks to be developed (as proposed above), should Verra establish requirements for when a methodology must develop a static vs. dynamic performance benchmark?

3 ADD A PIPELINE LISTING DEADLINE FOR ALL AFOLU PROJECTS AND REPLACE THE VALIDATION DEADLINE WITH A PIPELINE LISTING DEADLINE FOR AFOLU PROJECTS THAT ARE SMALL-SCALE OR GENERATE REMOVALS

3.1 Background

The *VCS Standard* requires AFOLU projects to complete validation within five years of the project start date (i.e., the date on which activities that lead to GHG emission reductions or removals are first implemented). Many projects choose to complete validation simultaneous with the first verification to save on audit costs. However, certain AFOLU projects (e.g., small-scale activities and activities that result primarily in removals, including afforestation/reforestation and wetland restoration) may require more than five years to generate sufficient emission reductions/removals before a verification would be financially feasible.

3.2 Proposal

Verra proposes to add a pipeline listing deadline for all AFOLU projects and to extend the validation deadline for small-scale AFOLU and certain types of removal projects (i.e., afforestation/reforestation and wetland restoration). To implement these changes, Verra would revise Section 3.7 of the *VCS Standard* as follows:

3.7 Project Start Date

...

AFOLU PROJECTS

3.7.3 AFOLU projects shall initiate the project pipeline listing process (as set out in the *VCS Program document Registration and Issuance Process*) within three years of the project start date.

3.7.4 All ARR [Afforestation, Reforestation and Revegetation], wetland restoration and IFM [Improved Forest Management] (except for LtPF [Logged to Protected Forest]) projects, and AFOLU projects with ex-ante emission reduction/removal estimates of 10,000 tCO_{2e} per year or less shall complete validation within eight years of the project start date.

3.7.35 All other AFOLU projects shall complete validation within five years of the project start date.

If this proposal is adopted, Verra would include a grace period for the updated pipeline listing requirement to ensure that AFOLU projects that have started but are not yet listed on the pipeline have an appropriate amount of time to do so. Additionally, the pipeline listing and requesting registration processes in the VCS *Registration and Issuance Process* would be updated to reflect the updates to the pipeline listing and validation deadline requirements.

3.3 Requested Feedback

Verra is requesting general feedback on the proposed changes and on the following questions:

- 1) Pipeline Listing Deadline:
 - a) Is it reasonable and practical for AFOLU projects to list on the pipeline within three years of the project start date?
 - b) Should the requirement to list on the pipeline within three years of the project start date apply to all AFOLU projects or only to those projects that will complete validation within the timeline proposed in Section 3.7.4 above (e.g., within eight years of the project start date)?
 - c) For grouped projects, is it reasonable to include information about the size and location of each project activity instance that would be included in the project at validation?
- 2) Validation Deadline for Small-Scale and Removals Projects:
 - a) Is the proposed time frame (i.e., eight years) to complete validation long enough for small-scale AFOLU projects and AFOLU projects that primarily result in emission removals to complete both validation and first verification simultaneously?
 - b) Are the project types covered by the proposed new validation deadline appropriate for a longer validation deadline? Should this new deadline be extended to larger projects (e.g., those with ex-ante emission reduction/removal estimates of up to 60,000 tCO₂e/year) or to other types of AFOLU activities?

4 UPDATING THE PROJECT AREA REQUIREMENTS TO ALLOW TIDAL WETLAND PROJECTS TO ADD LAND AFTER THE FIRST VERIFICATION

4.1 Background

Many tidal wetlands are expected to migrate inland as sea level rises. Tidal wetland restoration and conservation (WRC) projects must consider expected wetland migration in their project design. All WRC projects must account for carbon stock losses from erosion or inundation due to sea level rise.

Under the current VCS Program rules and requirements, AFOLU project areas are fixed at the first verification, and non-grouped AFOLU projects cannot add land to the project area after the first verification. This requirement means that tidal WRC projects must include areas of land where wetland migration is expected to occur within the project area at the start of the project to be able to account

for GHG benefits in the new wetland area. However, in some instances, it may not be possible to include the entire area of land expected to become wetland due to inland migration at the outset of the project (e.g., where the land is being used for agriculture at the start of the project and farmers want to continue doing so until it is no longer possible due to saltwater inundation).

4.2 Proposal

Verra is considering allowing tidal WRC projects to add land to the project area after the first verification where it is needed for wetland migration due to sea-level rise. To make this change, Verra would modify Section 3.10.3 of the *VCS Standard* as follows:

3.10.3 The project proponent shall demonstrate control over the entire project area with documentary evidence establishing project ownership, noting the following:

- 1) For non-grouped projects, the entire project area shall be under the control of the project proponent at the time of validation or shall come to be under the control of the project proponent by the first verification event.

...

- 4) **WRC projects may add land to the project area after the first verification where necessary to accommodate wetland migration, following the requirements for a project description deviation as set out in Section 3.18.**

4.3 Requested Feedback

Verra requests general feedback on the proposed changes and on the following questions:

- 1) Should Verra include additional requirements on the types of WRC projects eligible to add land to the project area after validation?
- 2) Should Verra provide additional guidance on the process to add land to the project area? If so, please describe what types of guidance would be most helpful to include.

5 UPDATING THE LANGUAGE OF THE REQUIREMENT RELATED TO THE ESTIMATION OF SOIL ORGANIC CARBON STOCKS

5.1 Background

Verra is experiencing high interest in projects that enhance soil organic carbon (SOC) stocks, primarily for activities in the Agricultural Land Management (ALM) sector. The estimation of SOC stocks is traditionally accomplished through soil sampling combined with laboratory analytical methods. The best practice is to calculate SOC stock changes on an equivalent soil mass (ESM) basis; however, the current VCS Program rules and requirements do not explicitly require this. Hence, we seek to clarify our high-level guidance on procedures to estimate SOC stock changes in the following proposal. This

proposal will ensure that projects are not misinterpreting the intent of the guidance and over or underestimating their SOC stock changes.

5.2 Proposal

Verra is considering making the following change to Section 3.6.10 of the *VCS Methodology Requirements*:

~~Procedures to estimate Soil~~ **organic carbon stock changes shall be calculated based on equivalent soil mass (ESM)** ~~use soil carbon stock change factors that are based on measurements of soil carbon stocks to the full to~~ **a minimum** ~~depth of affected soil layers (usually 30 cm),~~ **utilizing site-specific measurements of** ~~differences in bulk density as well as~~ **and** ~~organic carbon concentrations.~~

Verra is considering providing additional guidance and/or requirements concerning soil sampling, stratification, laboratory analytical procedures and related processes in future updates to the VCS Program.

5.3 Requested Feedback

Verra is requesting feedback on the following:

1. Do you agree with the proposed clarifications?
2. Do you have any concerns about requiring projects to perform SOC stock calculations on an ESM basis?

6 UPDATES TO AFOLU PROJECT BASELINE REQUIREMENTS

6.2 Background

Verra is considering several updates to the VCS Program's AFOLU project baseline requirements to reflect the latest scientific research, improve the consistency and accuracy of accounting, and facilitate alignment with REDD+ jurisdictional programs (and the associated Jurisdictional and Nested REDD+ (JNR) rules). Below we propose updates to VCS Program requirements: shortening the historical reference period for setting baselines and shortening or establishing baseline reassessment periods.

6.3 Proposals

6.3.1 Shorten the baseline historical reference period for select projects

Under current VCS Program rules, Avoiding Unplanned Deforestation and/or Degradation (AUDD), Avoiding Unplanned Conversion of Grasslands and Shrublands (AUC), and Avoiding Unplanned Wetland Degradation (AUWD) projects must establish their baseline scenarios using historical data covering at

least ten years. Historical analysis must also be used to make future predictions of deforestation where an Avoiding Planned Deforestation and/or Degradation (APDD) project cannot demonstrate a verifiable deforestation plan and the agent of deforestation/degradation is not the landowner and cannot be specifically identified.

However, recent evidence suggests that business as usual (BAU) emissions for 'unplanned' activities and 'planned' activities where the agent is unknown are, in general, more likely than other project types to significantly vary over time given rapidly changing contexts (e.g., socioeconomic, market, legal and political issues). As a result, we propose shortening the historical reference period for these project types to 4-6 years, in line with our recently updated [JNR Requirements](#). Projects would have the flexibility to use any timeframe between 4-6 years, providing the flexibility required to adapt to specific country circumstances and data availability.

Verra is proposing the following rule changes to the *VCS Methodology Requirements* related to shortening the baseline historical reference period for specific project types:

3.4.14 Determination and establishment of the LU/LC [land-use/land cover] change component of the baseline is handled differently for the two eligible REDD activity types, as follows:

1) APD: ...

- c) Where the agent of deforestation is not the landowner and cannot be specifically identified, the criteria and procedures for establishing the baseline scenario may be determined based on the most-likely-class of deforestation agents and the intent to deforest. This may be demonstrated through a historical analysis of similar deforestation within the region by the identified most-likely class of deforestation agents. The most-likely-class of deforestation agents are the entities (e.g., individuals, companies or associations) classified based on common characteristics and rates of deforestation that would have been likely to undertake deforestation activities and post-deforestation land-use practices in the project area. The annual rate of forest conversion shall be based on the recent historical practice **considering a historical reference period of 4-6 years** of the most-likely class (i.e., how much forest is typically cleared each year by similar baseline activities) and projection of the rate of their deforestation activities in the area.

2) AUDD: ...

- a) Methodologies shall set out criteria and procedures to identify where deforestation would likely occur using spatial analysis and projections (except for certain mosaic configurations as set out in Section 3.4.14(2)(c)). Such analysis shall be based on historical factors over ~~at least the previous 10 years~~ **4-6 years** that explain past patterns and can be used to make future projections of deforestation.

3.4.16 Determination and establishment of the LU/LC change component of the baseline is handled differently for the two eligible ACoGS activity types, as follows:

2) AUC: ...

- a) Methodologies shall set out criteria and procedures to identify where land conversion would likely occur using spatial analysis and projections. Such analysis shall be based on historical factors over ~~at least the previous 10 years~~ **4-6 years** that explain past patterns and can be used to make future projections of land conversion.

3.4.19 The criteria and procedures for establishing the CIW baseline scenario are handled differently for each of the eligible CIW activities, as follows:

- 1) **AUWD:** The criteria and procedures for establishing the baseline scenario shall require the project proponent to reference a period of ~~at least 10 years~~ **4-6 years** for modeling a spatial trend in conversion, taking into account the long-term average climate variables, and the observed conversion practices (e.g., drainage including canal width, depth, length and maintenance). The long-term average climate variable shall be determined using data from climate stations that are representative of the project area and shall include at least 20 years of data.

6.3.2 Shorten or instate a baseline reassessment period

The same principle outlined above applies to the baseline reassessment period for all AFOLU projects, which is currently set at ten years for projects other than Afforestation, Reforestation and Revegetation (ARR) or Agricultural Land Management (ALM). A shorter reassessment period would more accurately depict the project area's most likely BAU scenario, which would result in more accurate estimates of GHG emissions/reductions. Shorter baseline reassessment periods would also bring better alignment with current JNR Requirements. Projects would have the option to use anywhere between 4-6 years to reassess their baseline; this flexibility allows for changes in government and other national circumstances that may prevent updating on a strict schedule (e.g., only every five years).

Avoiding unplanned (AUDD, AUC and AUWD) and avoiding planned (APDD) project types

Verra proposes to shorten the baseline reassessment period to 4-6 years for all avoiding unplanned VCS AFOLU (i.e., AUDD, AUC and AUWD) project types. We also propose to shorten the baseline reassessment period to 4-6 years for Avoiding Planned Deforestation and/or Degradation (APDD) project types where there is no verifiable deforestation or degradation plan and the agent of deforestation/degradation is not the landowner and cannot be specifically identified. These project types are most likely to be subject to rapidly changing BAU emissions.

Verra is considering making the following rule changes to Section 3.2.7 of the VCS Standard:

3.2.7 For all IFM, ~~REDD~~ **APDD (except where the agent is unknown), RWE** [Renewing Wetland Ecosystems], **APWD [Avoiding Planned Wetland Degradation]** ~~WRC~~ and ~~AGoGS~~ **APC [Avoiding Planned Conversion]** project types, the project proponent shall, for the duration of the project, reassess the baseline every 10 years and have this validated at the same time as the subsequent verification. **For all AUDD, APDD (where the agent is unknown), AUC and AUWD project types, the project proponent shall, for the duration of the project, reassess the baseline every 4-6 years and have this validated at the same time as the subsequent verification.**

Baseline projections for deforestation and/or degradation, land conversion, forest management plans and wetland hydrological changes beyond ~~a 10-year~~ **the baseline reassessment period defined above** are not likely to be realistic because rates of change in land-use and/or land or water management practices are subject to many factors that are difficult to predict over the long term, hence the need for periodic reassessment of the baseline...

4) Ex-ante baseline projections beyond ~~a 10-year~~ **the baseline reassessment period defined above** are not required.

Agricultural Land Management projects

Under current VCS Program rules, baseline reassessment is not required for ALM projects. This means that ALM projects can keep their initial baselines until the end of the project crediting period (minimum of 20 years for projects that include SOC stocks). However, as pressure to reduce GHG emissions from the agriculture sector increases, baseline management practices (i.e., common practice) at the regional level are expected to change, indicating that ALM projects should also be subject to baseline reassessment requirements.

Verra is considering making the following rule changes to the *VCS Standard*:

3.2.7 (NEW) For ALM project types, the project proponent shall reassess the baseline every ten years for the duration of the project. The following shall apply with respect to ALM baseline reassessment:

- 1) For projects that set their baseline using historical management data specific to the project lands at validation, the historical baseline shall be compared to published data on current common practice in the project region. If there is a significant difference between the historical baseline and current common practice, the project baseline shall be updated to reflect current common practice in the project region at each baseline reassessment event.
- 2) For projects that set their baseline using regional data on common practice (i.e., data not specific to the project lands), the baseline shall be updated to reflect current practices at each baseline reassessment event using similar datasets (e.g., agricultural census data) as those used to establish the baseline at validation.
- 3) ALM projects focusing exclusively on reducing N₂O, CH₄ and/or fossil-derived CO₂ emissions (i.e., those that do not include soil organic carbon stocks) are exempted from the 10-year baseline reassessment requirement).¹

¹ ALM projects that focus exclusively on reducing N₂O, CH₄ and/or fossil-derived CO₂ emissions have project crediting periods of either seven years, twice renewable for a total of 21 years, or ten years fixed, and these projects will be required to reassess their baselines at project crediting period renewal. Note that this footnote is for reference in this consultation document only; it would not be included in the *VCS Standard*.

6.3.3 Process and implementation of proposed AFOLU baseline updates

The AFOLU baseline requirements proposed in this Section 6 are intended to ensure environmental integrity and protect projects and investors from reputational risk.

We recognize the importance of minimizing disruption to projects nearing validation or baseline reassessment, given the risk that introducing such changes and associated uncertainty might undermine those projects' investment proposition and viability. To that end, we are considering three options that would allow projects under these circumstances to continue using the former (current) VCS rules:²

1. Projects that can provide evidence of contracting for validation or baseline reassessment before the publication of these new requirements may use the prior rules until their next baseline reassessment; or
2. Projects that can provide evidence of contracting for validation or baseline reassessment within three months of the publication of these new requirements may use the prior rules until their next baseline reassessment; or
3. Projects that can demonstrate they are (a) listed on the Verra Registry *and* (b) can provide evidence of contracting for validation or baseline reassessment within three months of these new requirements may use the prior rules until their next baseline reassessment.

These options would not apply to ALM projects affected by the institution of the baseline reassessment requirement: Verra proposes that those projects should transition to the new baseline reassessment requirements during their next crediting period renewal.

6.4 Requested Feedback

1. Baseline historical reference period:
 - a. Are there any potential unintended consequences of shortening the baseline historical reference period for all avoiding unplanned and avoiding planned (where the agent of deforestation/degradation is unknown) deforestation and/or degradation project types?
 - b. Should the historical reference period always be flexible (e.g., allowing project proponents to choose anywhere between 4-6 years of data on which to construct their baseline), or should it be fixed (e.g., at five years)?
 - c. Under current rules, the timeframe used to quantify recent historical practice under APC projects (where the agent of conversion is not the landowner and cannot be specifically identified) needs to be justified by the project proponent as being of long enough in duration, commonly between 5-15 years, to average over typical market fluctuations. Should Verra consider shortening this period to 4-6 years since conversion

² Project proponents may opt to adopt these rule changes at any time before it becomes mandatory for them to do so. After these rule changes come into effect, an existing (approved) baseline will remain valid until it is due to be reassessed. After that period, the new rules will become effective.

- projects will likely be subject to rapidly changing BAU emissions? Are there other factors Verra should be considering for APC projects?
- d. Should IFM, RWE and APWD have a shortened (i.e., 4-6 year) historical reference period?
2. Baseline reassessment period:
- a. Should the baseline reassessment period always be flexible (e.g., allowing project proponents to choose to reassess their baseline anywhere between 4-6 years), or should it be fixed (e.g., at five-year intervals)?
 - b. Are there any potential unintended consequences of requiring baseline reassessment for ALM projects? Is ten years an appropriate period for baseline reassessment, or should it be shorter or longer?
 - c. Should other AFOLU project types (including IFM, APC, RWE, and APWD) change from their 10-year baseline reassessment periods to 4–6-year or other timeframes? Please explain your response.
3. Do the proposed effective dates for historical reference and baseline reassessment periods provide sufficient time for projects currently approaching validation or baseline reassessment to build them into their plans? Which effective date option does this best? Please explain your response.