

# Intro to the VCS Program Issues Under Consultation

## Agenda

- Webinar overview 5 min
- Individual updates & questions 40 min
- Next steps 5 min



## **Proposed Updates**

- 1. Introduction of requirements for geologic carbon storage (GCS) activities, including associated tools and requirements
- Addition of a discount factor for crediting in cases of upstream displacement
- 3. Updates to the requirements for avoiding double-counting of carbon credits in Scope 3 emissions inventories
- Clarification of the long-term average GHG benefit calculation for afforestation, reforestation, and revegetation projects as well as improved forest management projects



# Geologic Carbon Storage (GCS)

### Inclusion of GCS in the VCS Program

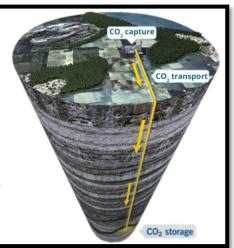
- Significant ERR potential with GCS projects globally
- Methodology being developed through the CCS+ Initiative
- Amendments to VCS Program documents to:
  - Establish requirements for GCS project activities
  - Allow inclusion of GCS project activities in the VCS
- 1<sup>st</sup> phase- storage in saline aquifers and depleted oil & gas reservoirs



### Proposal to introduce GCS in the VCS Program

- 1. Introduction of eligibility criteria for CCS projects:
  - Regulatory approval by the jurisdictional regulator(s)
  - Site characterization and well design, construction and, operating requirements
  - Subsurface evaluation requirements
  - Site monitoring and closure requirements

- Capture
  - Concentrates and compresses CO<sub>2</sub> from source (process gas, flue gas or the atmosphere)
- Transport
  - Moves CO<sub>2</sub> from capture site to injection site
- Storage
  - Injects CO<sub>2</sub> into underground geologic storage reservoirs or into materials or products like cement







### Proposal to introduce GCS in the VCS Program

### 2. GCS Non-Permanence Risk Tool (NPRT):

- NPRT score is based on key globally applicable criteria and risk categories
- Ensures integrity and transparency of projects while mitigating environmental, social and safety risks





## Proposal to introduce GCS in the VCS Program

- 3. Introduction of a GCS buffer account and GCS crediting period:
  - The GCS buffer account contribution is based on the final NPRT score
  - Proposed 35-year crediting period for projects
- 4. Introduction of project expansions:
  - Addition of capture facilities, transport infrastructure and/or storage sites
  - Criteria for projects with multiple storage sites
  - Additionality and baseline re-assessment requirements



# Guidelines on crediting upstream displacement

### **Upstream Displacement**

- Upstream displacement occurs when a reduction in primary production is divided by an increase in secondary production. It is often assumed that displacement occurs on a 1:1 basis
- Currently, the VCS Program offers no guidance on unequal displacement, or when displacement is less than 1
- A discount factor can account for when 1:1 displacement does not occur while still allowing an intervention with a net positive atmospheric benefit



### Proposal: new guidelines

- Account for displacement that is less than 1 by requiring the use of a discount factor. This will require updates to the following sections within the VCS Methodology Requirements:
  - Project Boundary
  - Quantification of GHG Emission Reductions and Removals
  - Monitoring



# Double counting of carbon credits in Scope 3 inventories

### Scope 3 Claims

- Interest to address gaps in existing standards, guidance, and assurance frameworks for Scope 3 emissions intervention accounting and claims
- Significant double-counting risk if an ERR is both sold as a carbon credit and claimed in a company's Scope 3 emissions inventory
- Update to the VCS Program seeks to ensure integrity and compliance with the principles of uniqueness, additionality and transparency



### Proposal to avoid double-counting

- 1. New section on Company Scope 3 Emissions Accounting includes:
  - Disclaimer that a project proponent shall not promote or facilitate double-counting of VCUs to also represent a GHG reduction or removal in a supply chain
  - Requirement of a demonstrated notification to the buyers of impacted goods or services that GHG reductions or removals sold as VCUs cannot be claimed in companies' Scope 3 emissions inventories
- 2. Included Scope 3 emissions inventory claims under several sections of the VCS Program documents:
  - other GHG Programs;
  - Double Counting Definition;
  - Registration Representation Documents;
  - Issuance Representation Documents.



# Long-term average

### Long-term average

- VCS Standard requires ARR and IFM projects that harvest, or plan to harvest, to cap the credits at the long-term average (LTA) of the GHG benefit maintained by the project. The intent of this requirement is to prevent over crediting of projects.
- Updating Program Definitions and VCS Standards to provide clarity on when LTA must be applied.



### Proposal: new guidelines

- Update Program Definitions by adding a quantitative definition of 'harvesting activity'
- Update VCS Standard to require that projects exceeding the harvesting activity threshold apply an LTA
- Update Program Definitions by adding a definition of 'commercial species'
- Update VCS Standard to require projects that plant commercial species apply an LTA, unless the project proponent provides a forest management plan with clear justification for why non-native commercial species are required and limit the percent of the project planted in commercial species



# Next steps

# Timeline (2022)

Tentative Date(s)	Activity
13 July – 11 September (inclusive)	Public consultation
September – November	Review comments and finalize proposals
December	Publish VCS Program updates



### Questions and answers

 Verra strongly prefers receiving comments using the <u>template</u> on the Announcement page

To submit clarifying questions or comments about these updates, email programupdates@verra.org

verra.org > For Stakeholders > Updates >
 Proposed Updates to the VCS Program:
 Consultation (13 July 2022)

### Proposed Updates to the VCS Program: Consultation

13 July 2022

#### REGISTER FOR THE WEBINAR

Verra periodically updates the rules and requirements for the Verified Carbon Standard (VCS) Program to expand its scope and to ensure it continues to reflect the latest science and technology. The following proposed changes are now open for public consultation until 11 September 2022:

- 1. Introduction of requirements for geologic carbon storage (GCS) activities, including associated tools and requirements;
- Updates to the requirements for avoiding double-counting of carbon credits in Scope 3 emissions inventories;



