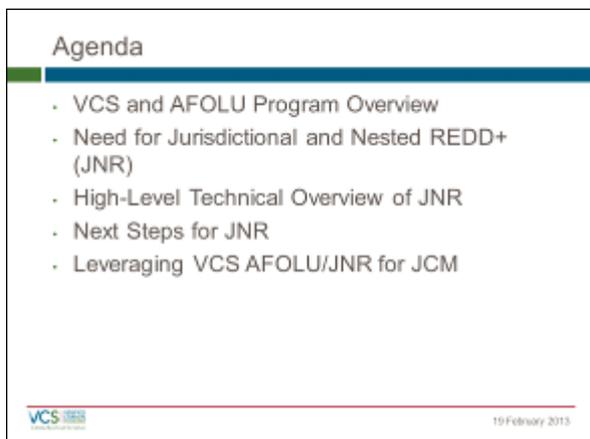
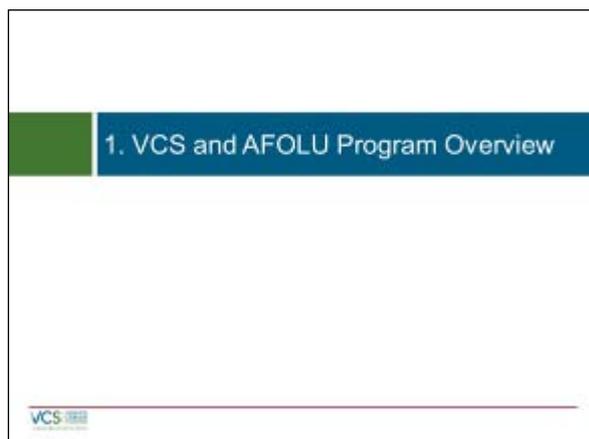


Scaling up REDD+: From Projects to Integrated National Approaches Summer Montacute (Verified Carbon Standard (VCS))



I will be speaking about the work that VCS has done in providing specific guidance for governments on how to scale up REDD+ by moving from the project level to an integrated sub-national or national approach to REDD+ accounting.

In my presentation, I will provide a quick overview of the VCS and AFOLU¹ Program. I will discuss the need for Jurisdictional and Nested REDD+, which we call JNR within VCS. I will give a high level technical overview of the VCS-JNR requirements, the next steps we are looking at with JNR and then I will also mention something about the applicability of VCS in the development of the Japanese JCM.



The VCS was established by leading NGOs: International Emissions Trading Association, The World Business Council for Sustainable Development, Climate Group, and World Economic Forum to provide a

¹ Agriculture, Forestry and Other Land Use: <http://v-c-s.org/develop-project/agriculture-forestry-projects>

rigorous trustworthy, and innovative global standard and validation and verification program for Greenhouse Gas offsets. VCS is a non-profit organization. We are headquartered in Washington DC. We also have an office in Santiago in Chile, and we have representatives in Bangkok and Beijing and soon in Brazil as well. Our focus is only to develop and manage the VCS standard and platform, so we do not undertake consulting, we do not undertake methodology development, validation and verification or project development. Those things are all done by third party organizations that fit into our VCS standard. Our program is funded through a levy on the issuance of VCUs, which is \$0.10 USD per VCU and also from foundation grants. The VCS AFOLU Program has made significant contributions in bringing land-based activities into the carbon market including the vast majority of REDD+ projects internationally are using the VCS standard.



In this visual, you can see the VCS standard supported by the work of third-party organizations, which undertake development of innovative methodology elements, independent auditing through verification and validation bodies, and transparent registry system for issued VCUs or Verified Carbon Units.

VCS AFOLU Categories
<ul style="list-style-type: none"> • ARR <ul style="list-style-type: none"> • Afforestation, Reforestation and Revegetation • ALM <ul style="list-style-type: none"> • Agriculture and Land Management • IFM <ul style="list-style-type: none"> • Improved Forest Management • REDD <ul style="list-style-type: none"> • Reduction in Emissions from Deforestation and forest Degradation • WRC <ul style="list-style-type: none"> • Wetland Restoration and Conservation • ACoGS <ul style="list-style-type: none"> • Avoided Conversion of Grasslands and Shrublands

VCS logo and date "10 February 2015" are located at the bottom of the slide.

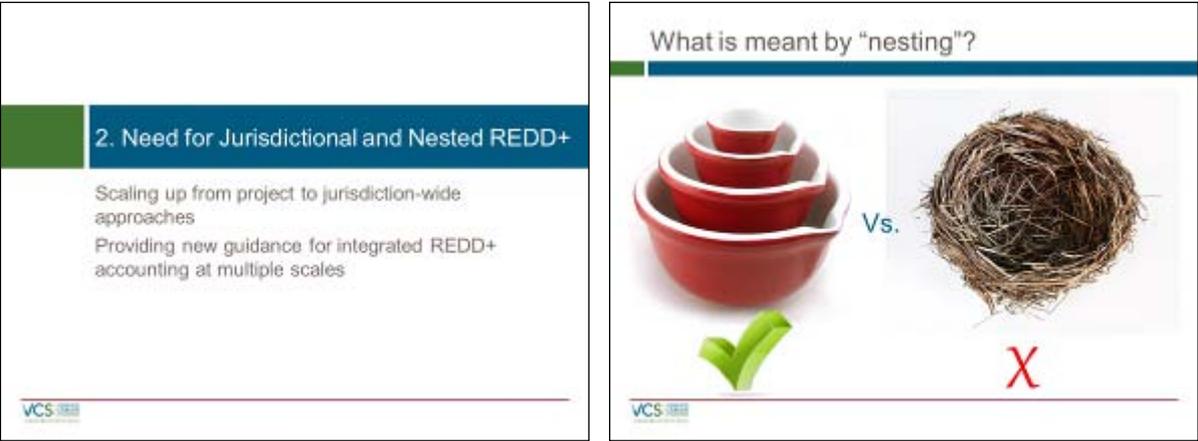
AFOLU Requirements
<ul style="list-style-type: none"> • Project Requirements • Methodological Requirements • Validation and Verification Requirements

The slide includes a graphic on the right showing a stack of blue documents with the VCS logo and the text "AFOLU Requirements" and "Validation and Verification Requirements". The VCS logo and date "10 February 2015" are located at the bottom of the slide.

VCS's Agriculture Forestry and Other Land Use or AFOLU Program supports methodologies developed under the following categories: Afforestation, Reforestation, and Revegetation; Agriculture and Land

Management; Improved Forest Management; Reduction in Emissions from Deforestation and Forest Degradation; Wetland Restoration and Conservation; and Avoided Conversion of Grasslands and Shrublands.

In our AFOLU requirements document, which is downloadable from the VCS website, you can find all of the specific guidance around AFOLU project requirements including about crediting periods, leakage management and addressing the risk of non-permanence. There are also methodological requirements for the development of methodologies under the AFOLU program including quantification of greenhouse gas emission reductions, removals and monitoring, and also requirements for validation and verification of AFOLU projects.



Getting into Jurisdictional and Nested REDD+, JNR was developed because of the need that the VCS saw for guidance for governments on how to bring together the two separate tracks of on-the-ground projects and the development of REDD+ programs that has been ongoing at the national level.

First of all what do we mean by nesting. In English, and perhaps this is the case in Japanese as well, the term 'nesting' has two meanings; one would be like the bird's nest on the right and the other definition is a place affording snug refuge or lodging, a home, so this can refer to the picture on the left of the bowls, which fit snugly or nest together and this is the idea of nesting in REDD+. A project would nest with a larger level such as state or province that can then nest within even larger levels at the country level. This scale-up means a scale-up in potential emission reductions and accounting at the jurisdiction scale means enhanced environmental integrity and ability to more completely address leakage and also to avoid double counting.

VCS Jurisdictional & Nested REDD+ (JNR)

- JNR framework enables robust accounting and crediting/rewarding of REDD+ programs at multiple levels (national, state/province, and nested projects where applicable)
 - ✓ First international framework for accounting and crediting jurisdictional REDD+
 - ✓ Provides detailed guidance for development of jurisdictional REDD+ programs
 - ✓ Provides significant flexibility to facilitate use by variety of jurisdictional contexts; allowing customization while maintaining robust/consistent accounting
 - ✓ Establishes pathway for subnational programs to fit within existing or future national REDD+ frameworks
 - ✓ Enables governments to establish pathway for projects to nest within larger-scale jurisdictional programs



The VCS JNR framework enables robust accounting and crediting of REDD+ programs at multiple levels; national, subnational, and nested projects. This is the first international framework for accounting and crediting jurisdictional REDD+. The JNR provides detailed guidance for development of jurisdictional REDD+ programs and this is something that has been missing up till now and is unlikely to come from the UNFCCC until 2020 or after, so we see JNR as sort of a bridge between now and when that eventual future guidance is provided. JNR provides significant flexibility to facilitate use by a variety of different kinds of jurisdictions. It allows customization while maintaining robust, consistent accounting and establishes a pathway for subnational programs to fit within an existing or future national REDD+ framework and also enables governments to allow projects to be nested within jurisdictional programs. This means there are incentives for early action projects as well as for policies and programs at higher subnational or national levels.

JNR Development Process

- Advisory (AC) and Technical Expert (TE) Committees convened (Q1 2011)
- Draft Technical Recommendations released (Oct 2011)
- Review by AC, TE and peer group, and revision of recommendations (Nov-Feb 2012)
- Additional input from AC, TE and pilot jurisdictions and organizations (including Acre, Amazonas, DRC, Laos, Peru; CI, TNC, FFI; GIZ and WB) (Mar-May 2012)
- Draft JNR Requirements issued for public consultation (May 2012)
- Further revision and review by VCS AFOLU Steering Committee and Board (June-Aug 2012)
- Final framework released (Oct 2012)
- 2013 Second Phase: Piloting

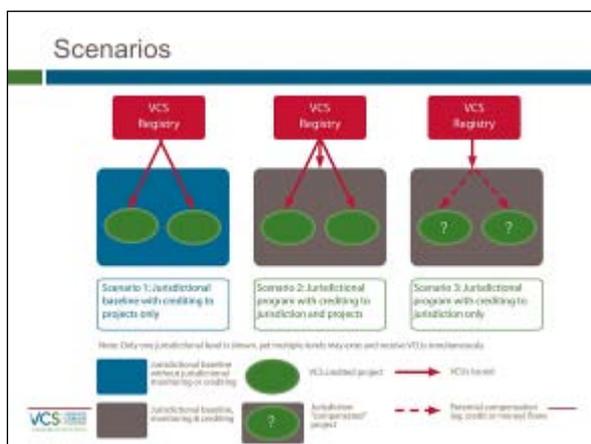


The development of VCS JNR went through an intensive 2-year process involving a wide range of stakeholders including governments, research institutions, private sector, NGOs and individuals. The advisory and technical expert committees were convened in 2011, draft requirements were issued in May of last year for public consultation, and we received over 500 comments which were then incorporated into the final requirements that were released last October (2012). The second phase that we see with JNR is

piloting, which is taking place this year.

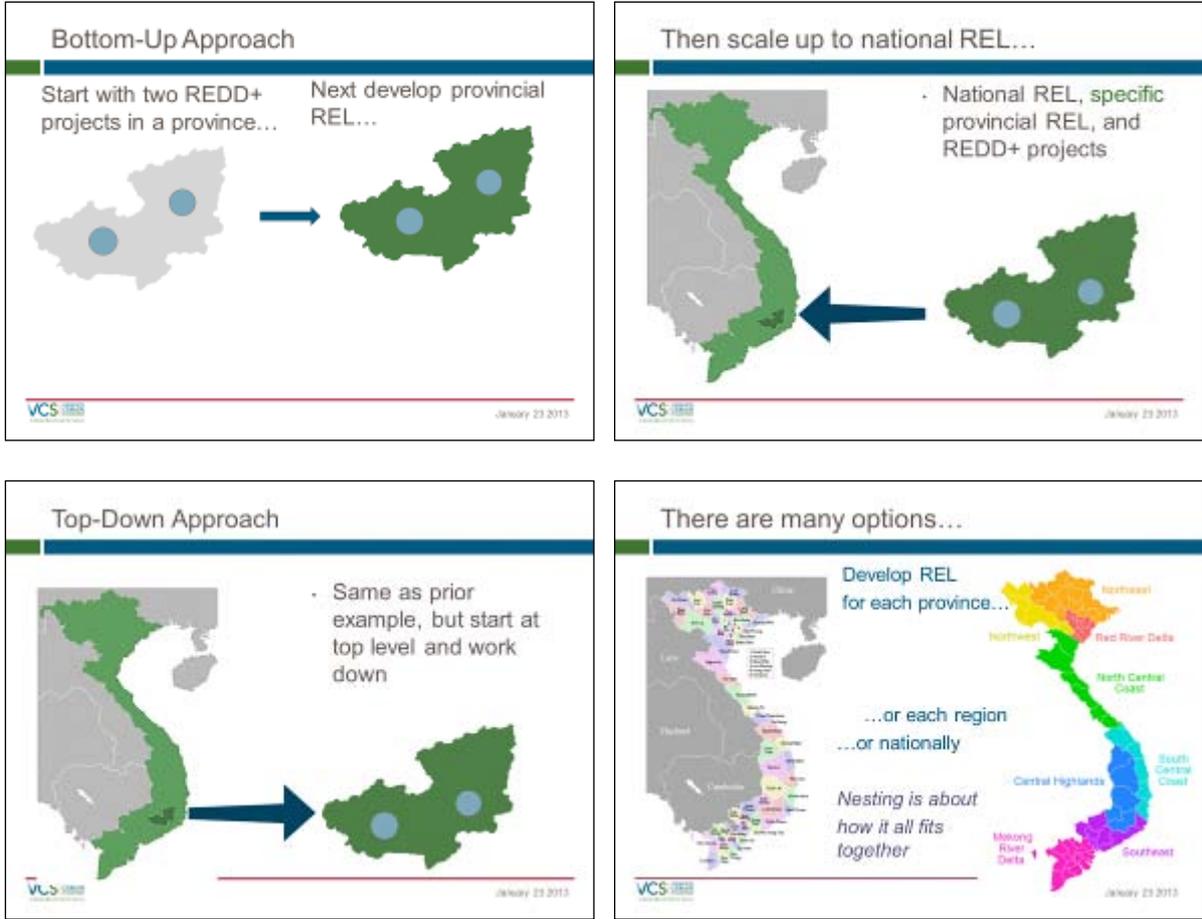


Now, I will give a quick overview of the JNR technical requirements and the full details of this are available if you download the JNR Requirements document from our website. The requirements cover technical issues such as defining geographic and program boundaries; developing and nesting baselines including scope, pools, additionality and updating; grandparenting, providing time for projects and lower level jurisdictions to transition into national/subnational programs; leakage such as leakage from deforestation to degradation, from project to jurisdiction or between jurisdictions; ensuring consistency of monitoring results across levels; crediting; reversals and natural disturbance; and then other issues such as legal issues, the right of use of carbon emission reductions, safeguards and approvals.



In Dr. Matsumoto’s presentation, he showed three approaches which are similar to the JNR Requirements. We have three scenarios that jurisdiction can select from, so this allows some flexibility. The first, on the far left, is a pre-jurisdictional scenario and this involves establishing a jurisdictional baseline, which is then adopted by projects with crediting going directly to those projects. In the second scenario, in the middle, this involves development and registration of a full jurisdictional program with projects adopting the jurisdictional baseline and becoming nested within the jurisdiction. This would involve wall-to-wall

monitoring across the jurisdiction and crediting going directly to projects and also to non-project areas in the jurisdiction. Finally, the third scenario is a fully jurisdictional approach where there is no crediting to projects and crediting only happens at the jurisdictional level. The jurisdiction would develop an internal allocation system for distributing those benefits.



It is possible to start with a bottom-up approach. You can start with projects in a province or state and develop a provincial reference emission level followed by those provincial reference emission levels feeding into the development of a national reference emission level as shown here. It is also possible to start with the development of a national reference emission level, which can then be adopted by subnational jurisdictions and at the next level down by nested projects. There are several different approaches that can be taken. And nesting is how all of these would fit together. I would like to emphasize that including projects is optional and it is up to the government to decide whether they would like to include projects as part of the accounting framework or not.

JNR Requirements: Examples

- **Baselines:** Jurisdiction develops historical trend and historical average; most plausible baseline is chosen.
- **Monitoring:** Monitoring conducted at least every 5 years; Lower levels may monitor more frequently, but must align with jurisdictional monitoring at least once every 5 years. Lower level monitoring results may be incorporated into higher level as best practice.
- **Safeguards:** Must be in accordance with safeguards in Decision 1/CP.16 of Cancun Agreements.
- **National/Subnational Alignment:** Country shall have no more than two registered jurisdictional levels (eg, national and state, or state and municipality). Higher level jurisdiction is responsible for determining how jurisdictional and project nesting occur within the higher level jurisdiction.



To give a very quick idea of the kinds of requirements that are included in the JNR, the requirements here are examples relating to baselines, monitoring, safeguards and national/subnational alignment. But, I will move on to the Next Steps with JNR.

4. Next Steps

Additional JNR Documentation
Piloting
Engaging Demand Side



Additional JNR documentation

- The following additional VCS documents, templates and tools are still under development:
 - ✓ Registration and Issuance process
 - ✓ Validation/verification process for jurisdictional programs
 - ✓ Jurisdictional Program Description (JPD)
 - ✓ Jurisdictional representations
 - ✓ Tools:
 - ✓ Jurisdictional non-permanence risk tool
 - ✓ Jurisdictional leakage tool
 - Tools are being developed by working group under development
 - Working group will be split into sub-groups (one for each tool)
- **Timeline:** Release additional documents and tools for public consultation in 2013
- **Future work:** Guidance document, based on lessons learned from pilot activities, and revisions/updates to JNR requirements



We are developing some additional tools, documents and templates to accompany the requirements. For example, we have working groups underway right now to develop a jurisdictional non-permanence risk tool and a jurisdictional leakage tool as well as other documents and templates, which will all be released for public consultation this year. As we gather lessons learned from our pilot activities, we will be putting out a guidance document and also revising and updating the requirements probably a year from now.

JNR Piloting

- Provide support to interested pilot jurisdictions in Latin America, Asia and Africa (MOU signed with Acre, Brazil, Chile and Costa Rica)
- Funding from NORAD, GIZ and FCMC
- Process:
 - Gap assessment (detailed) and feasibility
 - Based on above, work plan will be developed to guide implementation of REDD+ program in line with JNR
 - Goal of registration of baseline (scenario 1 pilots) or REDD+ program (scenario 2 pilots) and in some cases verification and issuance of credits (depending on needs of jurisdiction and donors/funders)



To mention piloting, we are providing support currently in about a dozen interested jurisdictions in Latin America, Asia, and Africa. We have an MoU² signed at the moment with the State of Acre in Brazil, Chile, and Costa Rica and piloting is underway this quarter in about five or six jurisdictions with verified emission reductions we expect within the next 2 years. We recently received a significant grant from NORAD³ to fund pilots in Peru, the Democratic Republic of the Congo, Costa Rica, and the State of Acre in Brazil and also have some funding from GIZ⁴ and Forest Carbon Markets and Communities, FCMC, under USAID⁵. In Asia, the idea of nesting frameworks is also moving forward. We are in conversation with government in Laos, Cambodia, Vietnam, and Indonesia about how this might work in their countries. In our pilots, we typically undertake a gap assessment and the goal in each jurisdiction is different, maybe they are looking at scenario 1 or scenario 2 or 3. In some cases, the end goal for the jurisdiction would be the verification and issuance of credits, but that is not necessarily the case. Some jurisdictions may just use the JNR as a framework if they are looking just to have pay for performance results.

²Memorandum of Understanding - A document describing a bilateral or multilateral agreement between two or more than two parties

³Norwegian Agency for Development Cooperation

⁴Gesellschaft für Internationale Zusammenarbeit, the German Society for International Cooperation:

<http://www.giz.de/en/>

⁵United States Agency for International Development: <http://www.usaid.gov>

Demand Side

- Will continue engaging on demand side with a number of emerging pre-compliance and compliance markets (Korea, Japan, California, Australia, etc.)
- Working with Chile, Costa Rica, Colombia, Brazil (Rio/Sao Paulo States) and others to help advance domestic voluntary carbon markets
- Participating in World Bank Carbon Fund Methodological Framework development process
- Building demand for jurisdictional REDD+ credits will take time
- JNR framework helps to prepare countries for results based finance under an eventual UNFCCC framework

VCS VERIFIED CARBON STANDARD 19 February 2013

We recognize that the demand side is a critical component of all this and the intention with JNR is to create a fungible mechanism that can serve multiple markets from voluntary to bilateral to pre-compliance or compliance markets and to track new public and private finance to support REDD+ at multiple scales to help build more confidence among policy makers, donors and investors and then to ultimately help transform REDD+ from a public financed activity to a market financed activity. Some of the engagements we are involved with are some of the emerging pre-compliance and compliance markets and we are also working to help advance domestic voluntary carbon markets primarily in South America. We are working with the World Bank on the development of the Carbon Fund Methodological Framework to make sure that aligns well with JNR.

4. Leveraging VCS AFOLU/JNR for JCM

VCS VERIFIED CARBON STANDARD

Benefits of JCM Leveraging AFOLU/JNR

- VCS AFOLU Program and JNR framework have been developed through robust, broad stakeholder process, and leverage existing knowledge/leadership
- May streamline development of JCM, where AFOLU/JNR provide more detailed (operational) guidance on top of high-level requirements
- Would harness key program elements (eg, approval of documentation, accreditation/verification, reversal management and registry systems)
- Allows countries to use a single program to serve multiple donors/markets (eg, World Bank FCPF, emerging compliance and voluntary markets...)

VCS VERIFIED CARBON STANDARD

Finally, I will quickly say something about how VCS AFOLU/JNR may be leveraged for the Japanese Joint Crediting Mechanism, JCM, which Dr. Matsumoto presented in the previous presentation. Essentially, VCS AFOLU/JNR may help to provide more detailed or operational guidance on top of the high-level requirements that may come from the JCM, and key program elements could be harnessed such as the accreditation, verification processes, and reversal management such as the use of VCS AFOLU buffer pool to mitigate risk of non-permanence. This would allow jurisdictional REDD+ emission reductions generated by countries to use a single program to serve multiple donors and markets including JCM, the

World Bank Carbon Fund and host of other different potential markets or donors.

How to leverage VCS AFOLU/JNR

- Allow countries to use third-party programs/ standards to meet the JCM requirements:
 - ✓ If meeting AFOLU/JNR requirements satisfies JCM requirements → no issue
 - ✓ If JCM requirements are stricter than AFOLU/JNR requirements → use 'tagging' to ensure both sets of requirements are met (and verified)
 - ✓ If JCM and AFOLU/JNR requirements are different → VCS to seek solutions with Japan



If the JCM allows the use of third-party programs or standards such as the VCS to meet its requirements this could work in the following way. If meeting AFOLU/JNR requirements would satisfy JCM requirements, there would not be an issue there. If the JCM requirements are stricter than AFOLU/JNR requirements, the use of tagging to ensure both sets of requirements are met and verified might be a possibility and where the requirements are different or incomplete, then VCS could work with Japan to seek solutions on that.

Tagging Verified Carbon Units (VCUs)

Core Elements



Additional Certifications





Thank you... Questions?

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This is my last slide. I will just clarify on the mention of tagging that VCS has additional certification possibilities such as CCBA⁶, Social Carbon, and Crown Standard of the Thai Government, which indicates that an issued VCU has met certain criteria above and beyond that of the VCS standard. Potentially JCM could be tagged in a similar manner, but this is just one idea and we look forward to seeing the development of REDD+ within the JCM over the coming year.

⁶The Climate, Community & Biodiversity Alliance: <http://www.climate-standards.org>