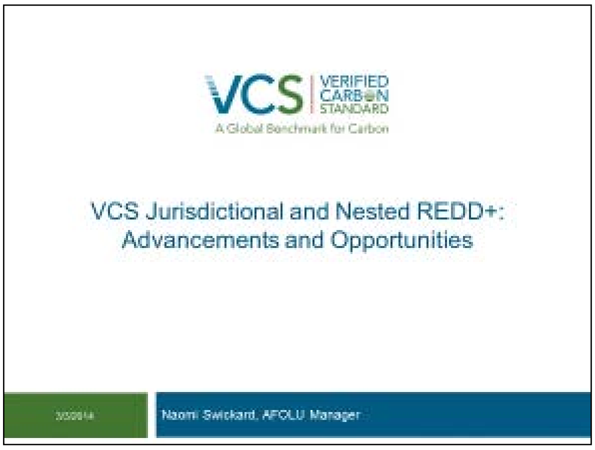
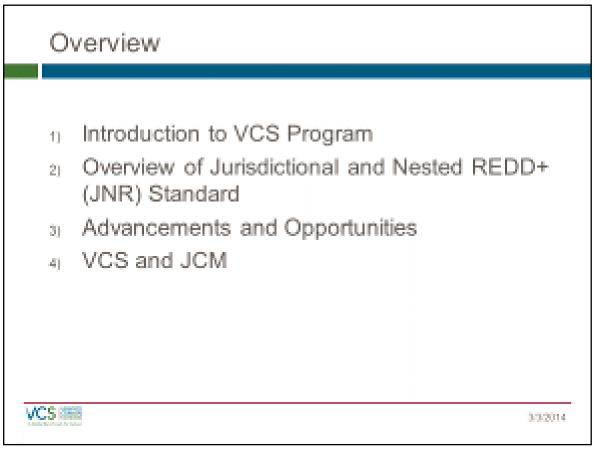
VCS Jurisdictional and Nested REDD+: Advancements and Opportunities

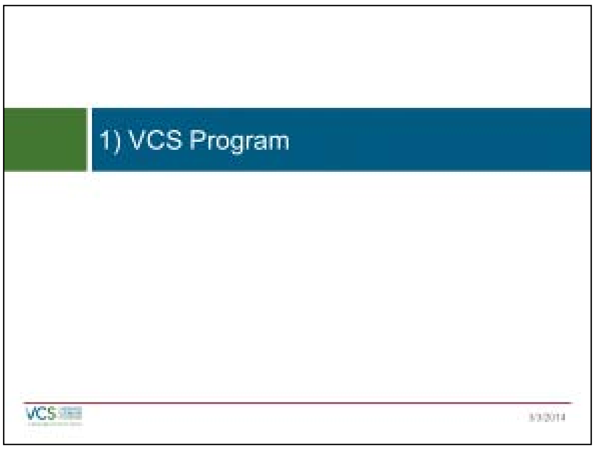
Ms. Naomi Swickard (Verified Carbon Standard)

I am going to speak about the VCS Jurisdictional and Nested REDD+ approach. I will give a little bit of background for those of you who are unfamiliar with that work, but we have talked here a few times at this seminar in the past, so I am not going to go into too much detail on the background or overview of the standard, but really focus on what we have done since the launch of the Jurisdictional and Nested REDD+ approach, which is really to begin working with a number of different countries who are piloting this approach, and the status of a number of those initiatives.

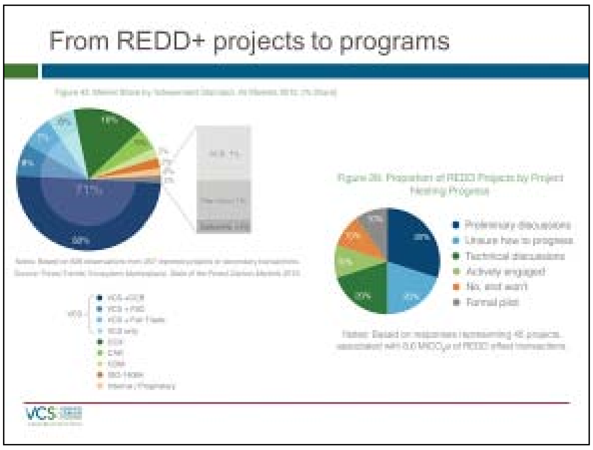




I will also talk a little bit about the VCS and potential interactions with the JCM building a bit on what Dr. Matsumoto presented.



For those of you unfamiliar with the VCS Association, we are a non-profit organization headquartered in Washington DC. We have more than 1000 projects that have been validated to the VCS criteria all over the world. These points of light are the different project locations. We also have a number of regional offices.

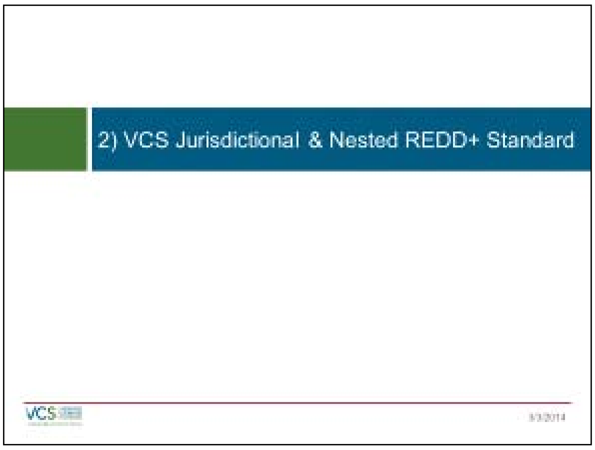


The VCS has been working in the agricultural and forestry space for a number of years. We are really the first standard to bring the broader suite of forestry and agricultural activities to the voluntary markets and to carbon markets generally, particularly beyond afforestation and reforestation.

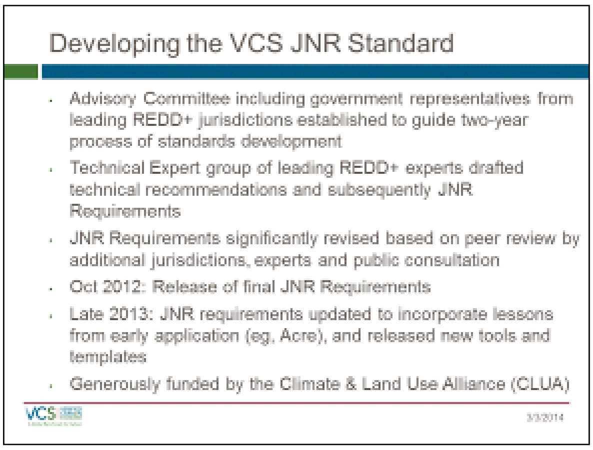
This slide shows two graphs from Ecosystem Marketplace's[1], most recent State of the Forest Carbon Markets[2] report from last year. You can see that in the voluntary market about 71% of project activities in the agricultural and forestry space are using the VCS standard; many of those in combination with the climate, community, and biodiversity standards that really focus on safeguards and multiple benefits as well as combining with a few others like FSC and Fair Trade[3]. After many years working in the project space, we really recognized the need to get beyond that; to scale up and to align with what was happening in national strategies.

The second graph you see here on the bottom corner represents those project activities and their involvement with jurisdictions. If you add up those that are in preliminary or technical discussions and those that are actively engaged, you will see that about 60% of those project activities are now thinking how do we integrate into what is happening at national and sub-national scales. This is a really big evolution in the project world and we are very excited to see a lot of what used to be two very different realms of discussion finally coming together and working together to say, how do we actually integrate these different activities at different levels?

That really pushed us to get into this space as well as the demand from a number of jurisdictions who are saying, "We do not have a lot of guidance in terms of how you actually put together a credible system for accounting at a jurisdictional scale." What has come out so far from UNFCCC is still very high level, and the detail has not been there, but particularly in terms of how you would integrate what is happening at different levels. Obviously, there is a lot of benefit and a need for action at a national level in setting policy, in setting an enabling environment, but many of the activities that need to be done are really very site specific. How do we actually integrate those different levels?

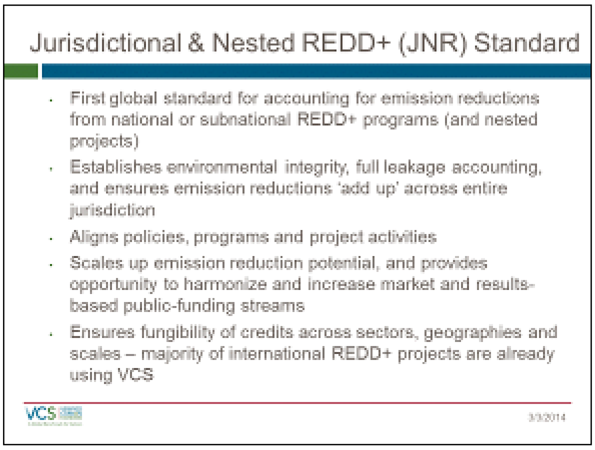


1 http://www.ecosystemmarketplace.com/
2 http://www.forest-trends.org/fcm2013.php
3 http://www.fairtrade.org.uk/



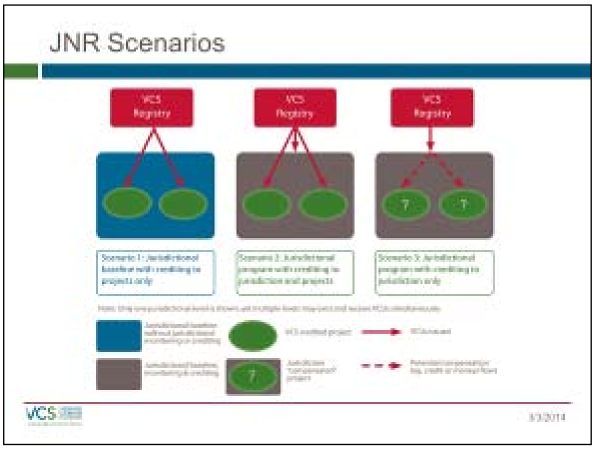
The VCS, along with a very large number of different stakeholders, some of you are in the room today, put together a two-year multi-stakeholder process to come up with a set of recommendations and guidelines for Jurisdictional and Nested Accounting Framework.

What that really does is provide guidance on all of the particular technical aspects related to setting baselines, reference levels, monitoring systems, as well as addressing leakage, and things like that, if you are starting at a jurisdictional level.



It is really the first global accounting standard available to do that, especially one that integrates those different levels. Part of the reason and focus on the higher level jurisdictions, at either national or sub-national scale, was really to increase the level of integrity to address some of the issues that have continued to plague projects in terms of leakage, for example, as well as to ensure that all of the emissions across the jurisdiction are able to add up appropriately, as well as to allow for rewarding activities that are done by different scales. For example, policies and programs at a jurisdiction level as well as activities that are happening on the ground coming from projects.

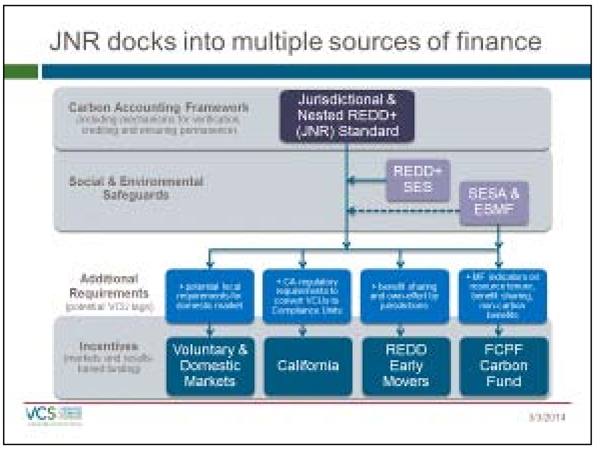
Another main point of this was really to help provide fungibility and the ability for jurisdictions and projects to increase their potential for demand and access to finance, and really be able to open up the opportunities especially between now and 2020 when we will see our results-based framework, hopefully, out of the UNFCCC.



The JNR framework really allows for a number of different opportunities depending on what a jurisdiction wants to facilitate, and how they want to design a jurisdictional program. We have of three scenarios. These are not entirely matched up with the three scenarios that Dr. Matsumoto presented earlier, just to make that clear. The first is really where the jurisdiction is setting out its reference level, but is not ready to have a results-based framework yet. They are at an earlier phase in the development of that program, but they do want to both allow for project activities, as well as to ensure that those project activities are being done in a way that is consistent with the planning at a higher level. This would allow a jurisdiction to register a reference level that could be used by project activities ensuring that they are then sort of stepping into and becoming integrated into what is happening at higher scales. This is not really a pure jurisdictional approach.

The two and three are much more jurisdictional in nature where you have monitoring systems and all of the full program elements in operation at a jurisdictional scale and then there are options in terms of whether project activities could be directly credited under scenario two or might be otherwise allocated as benefits under a purely jurisdictional approach.

There is a lot of flexibility in this framework that allows customization based on what jurisdictions are after what they are designing with their programs.



Again, one of the main aspects of this was really to help allow for an expansion of opportunities in terms of finance, particularly in the near term. The jurisdictional framework is really being used as that central accounting mechanism by a lot of our pilot activities. Layered on top of that, we have integrates number of stakeholder and safeguard requirements within the JNR itself, which follows the Cancun safeguards. Many jurisdictions are using the CCBA[4]/CARE[5] REDD+ SES[6] standards or those under the World Bank to ensure that safeguards are also monitored and reported on.

Beyond that, depending on what the jurisdiction wants to access in terms of finance, it is possible to layer on additional components as well. Some are looking to access voluntary and domestic markets and where those markets would have specific additional requirements. Those can be layered as well on top of the JNR, for example to access theCalifornia market. The California recommendations for REDD have allowed that a jurisdiction could use a third-party program like the VCS JNR, but they do have a couple of specific requirements related to the California market that can then be added on top and ensure to ensure that those jurisdictions are able to meet the requirements of and access that market.

[4] Climate, Community & Biodiversity Alliance: http://www.climate-standards.org/
[5] Cooperative for Assistance and Relief Everywhere: http://www.careclimatechange.org/
[6] REDD+ Social & Environmental Standards: http://www.redd-standards.org/

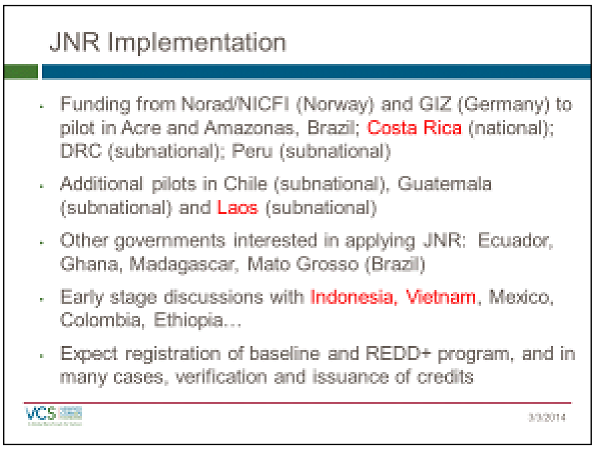
Likewise, with FCPF[7] Carbon Fund, we worked very closely with them as the methodological framework has been developed to ensure that the JNR and that framework will be consistent and cohesive. Many of the jurisdictions that are accessing the Carbon Fund will be using the VCS Jurisdictional and Nested REDD+ approach to demonstrate how they have met the Carbon Fund requirements.

We are also just finalizing a very good piece of work that is comparing those two sets of requirements and ensuring that there are no issues in application. We will be making a few updates to the VCS approach to ensure that those jurisdictions accessing the Carbon Fund can very easily integrate into the requirements for that.

The same potential is there with REDD+ Early Movers, and I will talk a little bit about one of our pilot jurisdictions in a moment. Acre, Brazil who are also accessing KfW's[8] REDD+ Early Movers program and still using the Jurisdictional and Nested REDD+ approach from VCS as a consistent accounting framework that can then access these multiple opportunities.

One other thing I want to mention briefly because I know that this will be relevant to the landscape accounting item that is on the agenda for the next discussion. The VCS is also looking at how we can build out this framework over time to include accounting for agricultural activities to allow jurisdictions where that is very important to integrate this into a cohesive framework that will be able to account for the different activities that appear across the landscape.

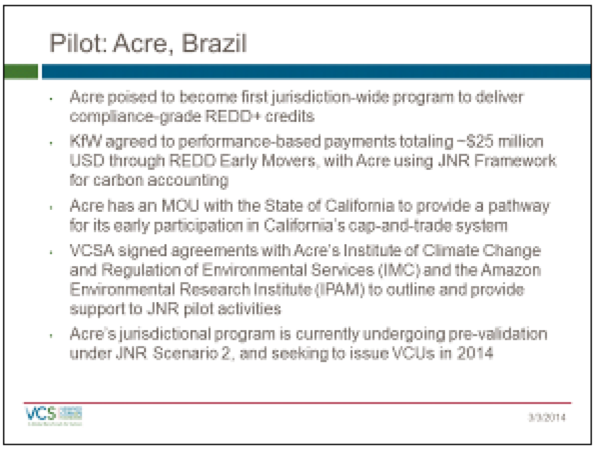
7 Forest Carbon Partnership Fund: https://www.forestcarbonpartnership.org/
8 https://www.kfw.de/KfW-Group/



What have we been up to since? We have been working with a number of different jurisdictions to implement this framework. A lot of this is really being done on a piloting level to help inform national strategy, to help generate lessons learned for how we actually integrate these activities that hopefully can inform both JCM or UNFCCC discussions and others that are moving forward in this space.

We have funding from a number of different sources to pilot in Acre and Amazonas in Brazil with Costa Rica at a national level, with the DRC coordinated with the national government but looking at a particular province of Mai-Ndombe, and with Peru as well, including sub-national implementation in two districts, but also coordinated with the national government.

We have additional pilots moving forward in Chile, Guatemala, and Laos, and then a large number of others that were in initial discussions with. Those that are in red here are those that overlap with the JCM countries. You can see that there are a lot of them that we are all working in some of the similar areas.

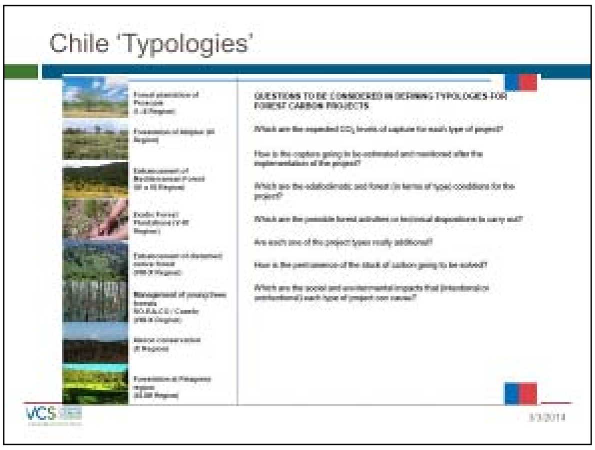


To give you a bit of a flavor about what this looks like, the first one I will talk about is Acre, Brazil, a small state in the Brazilian Amazon.

Acre is really poised to be the first jurisdiction to have compliance grade REDD+ credits issued to the jurisdiction and accessing multiple markets. They have an agreement with California, but of course, there is still some development to be done there in terms of finalizing and then operationalizing REDD+ in that market. They have an agreement from KfW that is paying for emission reductions for large amount of reductions coming from Acre, but not everything. The state is really looking to ensure that it has one consistent accounting framework that can access multiple sources of demand. They also have lined up a buyer in the voluntary market that is very interested in jurisdiction level credits from the VCS.

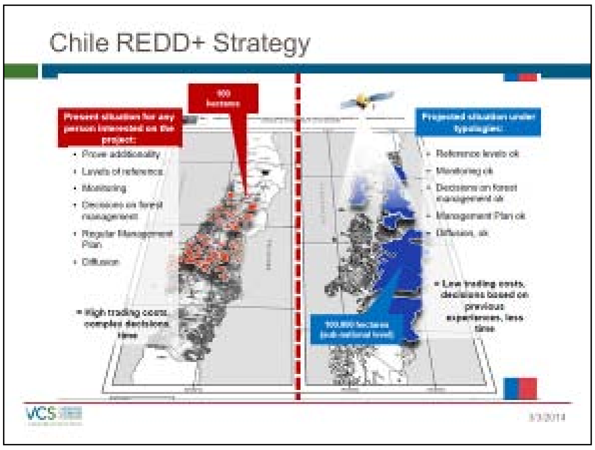
We are working with them now on the validation of their program. They are actually undergoing review now and hoping to issue credits this year using the framework.

One of the key pieces for Acre has really been how they align with the national strategy of Brazil.



In Chile, we are also working with the national government.

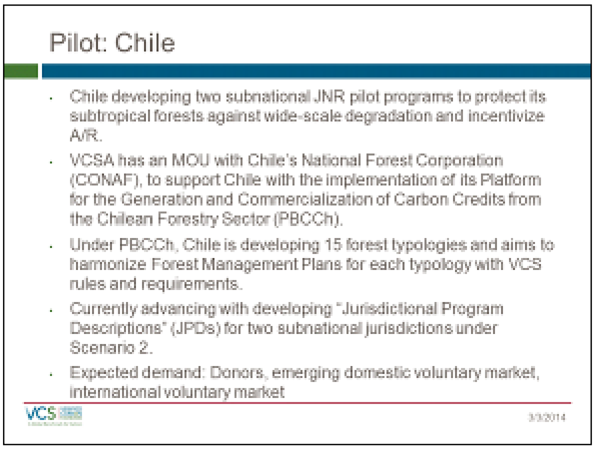
They are taking a very different approach. I want to raise Chile as an interesting example of the link between sustainable forestry management and REDD+. Chile does not have a lot of historical deforestation. They have a similar scenario to India that we heard about yesterday. Their primary interest is really in enhancements and forest management. Chile has taken the initiative to divide their area not by administrative boundary jurisdictions, but by eco-regions. They are doing that by defining a number of different typologies based on the different forest management activities and ¥afforestation by different species that they will be doing in different areas of the country. They have defined a number of different regions, and these will be overlaid with activities and through that they are defining eco-region boundaries that can be used as a jurisdiction.

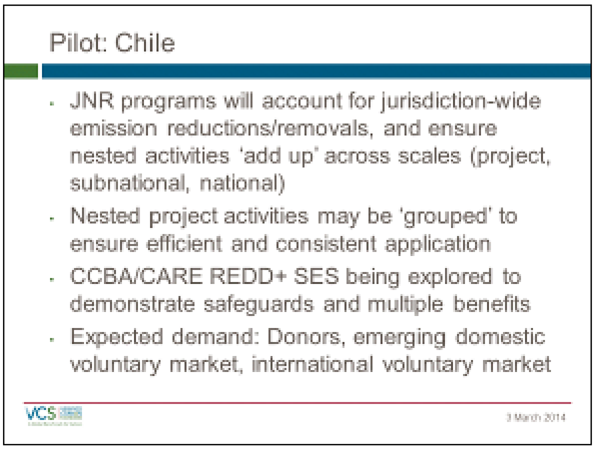


Chile also is very interested in spurring private sector investment. They are interested in ensuring that project activities are able to move forward, but are concerned about the cost of that and the efficiency, or lack thereof, of doing it at a project-by-project approach.

What they are doing is really creating a national system that supports those private sector actors to be able to still develop things at a project level while integrating and ensuring that efficiencies are there at the higher level. If each of these were to undertake their own initiative, there would be a high cost and high complexity. They are looking to set and are starting out with two particular provinces or eco-region jurisdictions in Chile where they will be setting the reference level and monitoring system that can then be used by private actors on the ground to develop project activities.

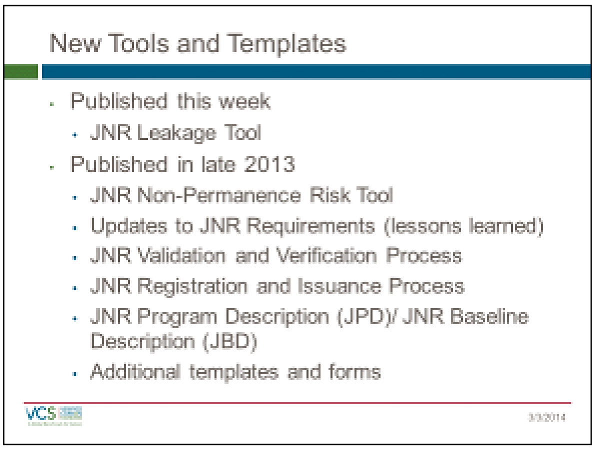
This is really a unique example I think where they are really trying to spur that private level activity. In Chile, most of this forest land is held privately, so it does not make sense for them to necessarily be doing everything from a governmental level, but instead are really helping to create an environment that allows those private sector actors on the ground to make decisions and access the market and ensure that the consistency is maintained at a jurisdictional level.



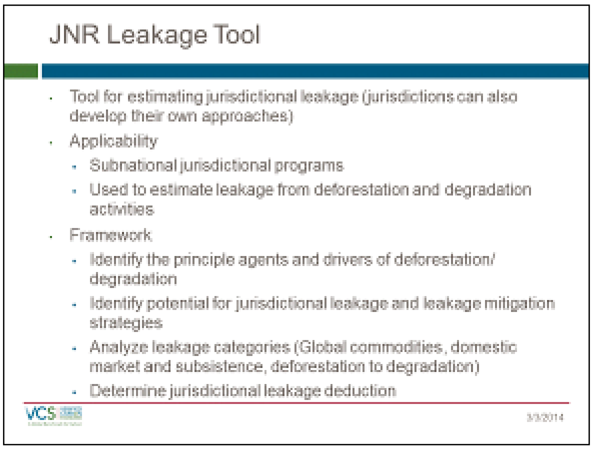


We have an agreement with the Government of Chile and are starting working in two provinces. They are looking at a number of different potential sources of demand including voluntary markets and donor funding, as well as establishing their own domestic market that will hopefully drive demand for some of those activities.

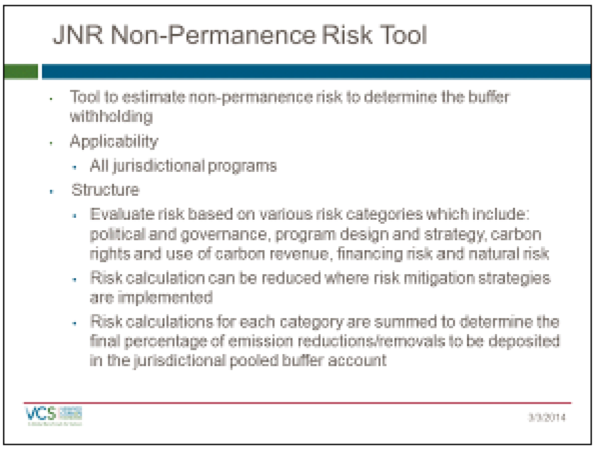
They are also applying the CARE/CCBA REDD+ standards to ensure safeguards are met at the higher level and incentivizing the project level standards for those project level activities.



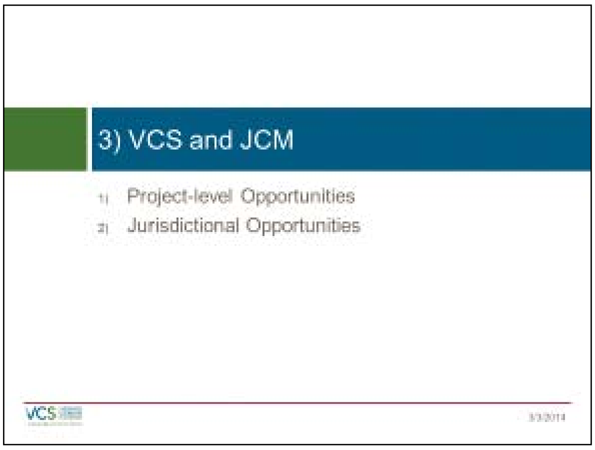
Beyond the piloting, we have also been working on a number of helpful tools and templates that will help jurisdictions be able to advance their programs. One that I really want to mention is the JNR leakage tool. For many countries that are starting on a subnational level, that is allowing them to pilot, innovate, and learn lessons on the ground that can then be scaled up. One problem with that is that starting at a subnational level does not address leakage in the way the national monitoring system can. You still have the risk that leakage from one subnational area may impact other areas in the country.

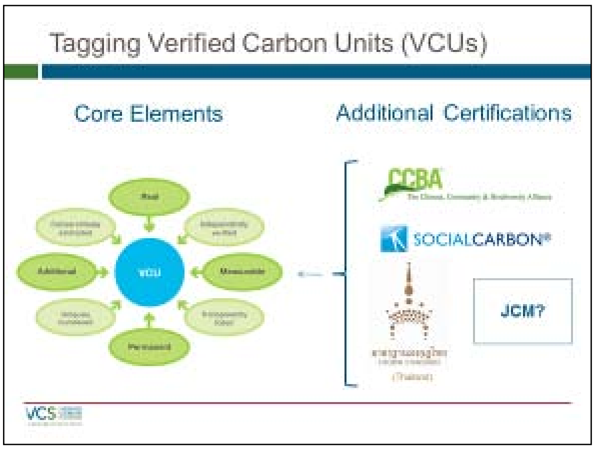


We have spent quite a bit of time with a high-level working group over the last couple of years to develop a tool that will help jurisdictions account for any leakage where the country is starting with subnational implementation. That has just been released this week, and we hope that it will be something that really facilitates jurisdictions to be able to take that leakage into account. It offers a default approach that is fairly simplified as well as a couple of modules that are much more detailed if the jurisdiction has the data to go further to really estimate what the leakage might be, for example, from global commodity production.



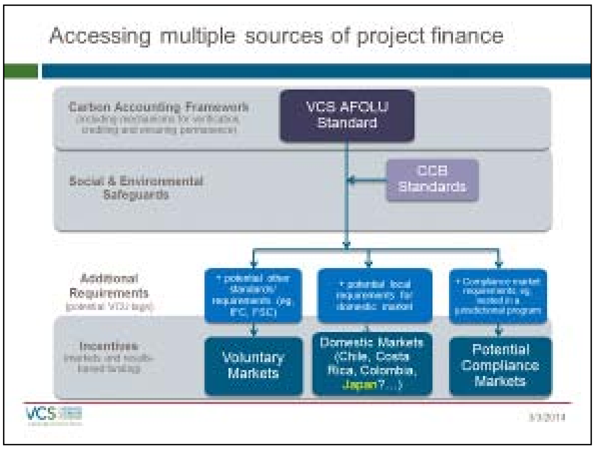
We also have been very innovative in terms of how we address non-permanence risk. The VCS project level uses a buffer approach to set aside credits that can be canceled in the event that carbon is lost in the field. We have worked on adapting that approach as well to a jurisdiction level that would facilitate accounting for and allowing a jurisdiction to move afford and manage that risk of non-permanence.



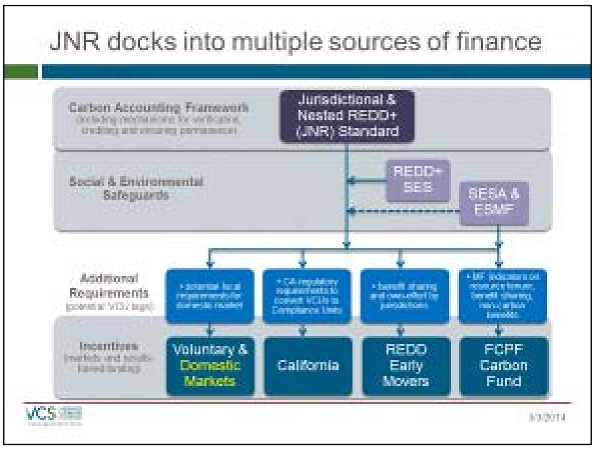


I want to address at the end how could the VCS and the JCM potentially work together. The VCS has what we call a 'tag' that is often used at the project level to add on for example the CCBA requirements that demonstrate a project has met multiple sets of certifications.

This is also being leveraged in Thailand. The Thai government has what they call the Crown Standard, which is a set of sustainability requirements as well. That can also be layered on top. This is one potential option as well for the JCM if a project was to use the VCS and then also be seeking to enter into the JCM mechanism.

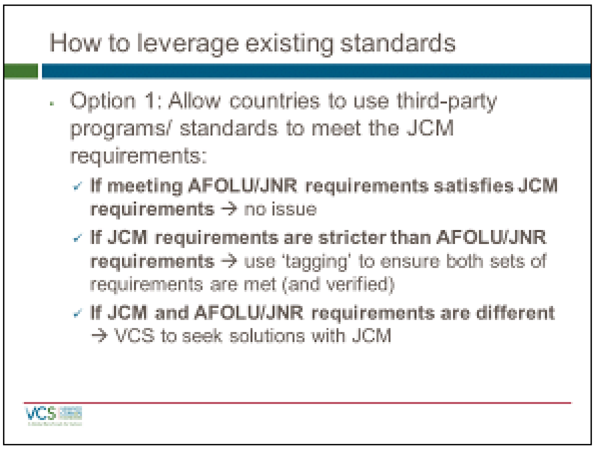


Similarly, to the jurisdiction level, many projects are using the VCS as a core accounting standard; layering CCB and have the potential to layer on additional requirements for the market that they are trying to access. We see this in particularly domestic markets where we are working with Chile, Costa Rica, and Colombia on setting up their own domestic markets. They are going to recognize VCS and allow those credits into their system, but they have the potential to say, "In addition to that, we have X, Y, and Z requirement." We can set up a tag that then ensures that those projects have met the requirements of the domestic market. This is a potential pathway that could serve JCM.



The same is true for jurisdictions. I showed this earlier, but I want to reference it again now, because one of the main benefits of using the VCS in this way is that, for a project to meet many sets of requirements, it becomes very difficult. When you start talking about a jurisdiction, it becomes even more difficult. We see many of the places that are working with the JCM are also looking at accessing FCPF. FCPF has its own methodological requirements. We have worked hard to ensure that the JNR and methodological framework requirements are aligned.

If there is then another set of requirements, how does a jurisdiction decide how to develop one cohesive program if it has different sets of requirements from everyone it is working with? I think this will be a very difficult thing in terms of the potential for fragmentation in the next couple of years.



How to leverage existing standards

- Option 2: Provide JCM-specific standards 'consistent with' VCS:
  - ✓ Potential issues where requirements are different (eg, Tier 1 vs Tier 2, 3)
  - ✓ Where not all credits from a project or program will be purchased under JCM, potential inefficiencies for projects/programs to meet more than one standard
    - Potential for double counting or other accounting issues
    - Lack of clarity on permanence and buffer commitments and liabilities
    - May limit Japan's supply and potential to source credits
    - Limits flexibility for projects and programs

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More Information…

- JNR webpage
- JNR fact sheet
- JNR Requirements
- JNR Leakage Tool
- JNR Non-Permanence Risk Tool

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Thank you!

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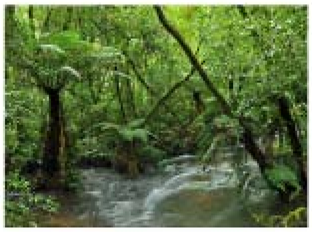

VCS

As I mentioned, one particular option would be to recognize VCS and use a tagging mechanism to ensure that any of the requirements from Japan are met.

Just to briefly be very provocative for a moment, if instead you create an entirely different set of standards and frameworks, this could cause a lot of difficulty in terms of a project being able to access multiple sources of finance, or for a jurisdiction in particular, where it becomes very difficult to meet the needs of multiple sets of requirements.

Just some questions here in terms of the potential issues that could arise if a project is selling only a portion of its credits or jurisdiction only a portion of its credits to Japan, and a portion to someone else, there becomes a number of issues in terms of the potential for double counting if that accounting is done differently for each system. Other issues could arise from that.

I will leave you with that and I am interested to hear what others think, and I am intentionally being a little bit provocative with this one, so please bear with me there.

Thank you very much.