

Role of Voluntary Carbon Markets



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Is there hope?



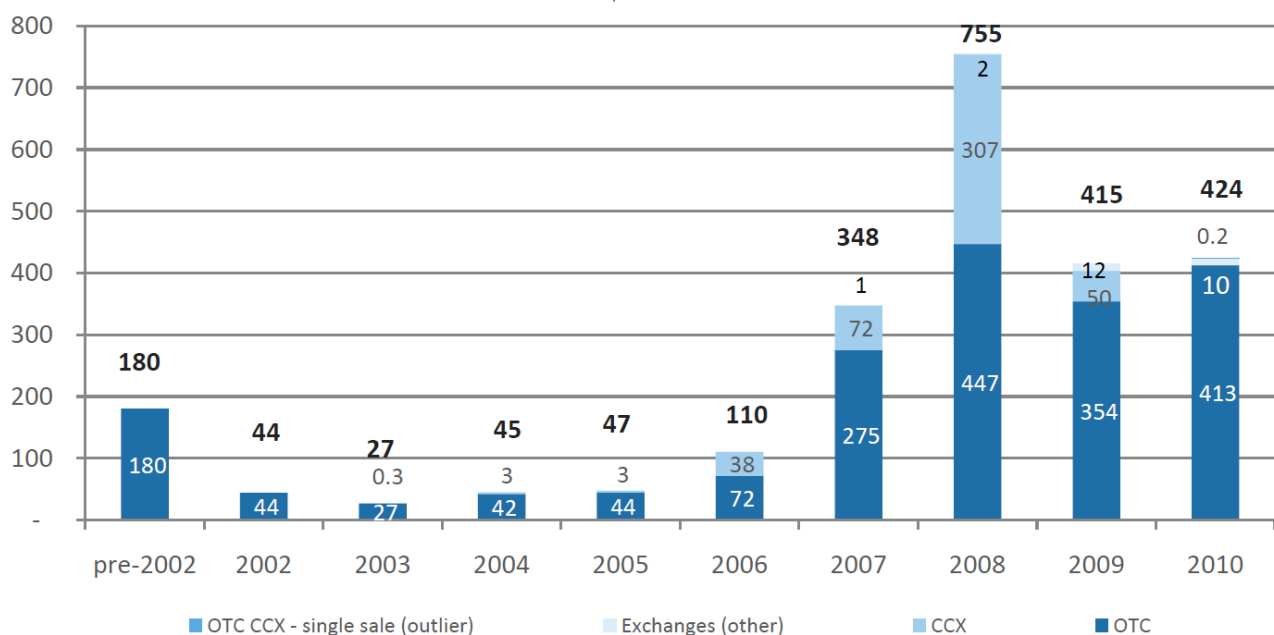
Agenda

- Background on voluntary carbon markets
- Who is Verified Carbon Standard (VCS)?
- How to use the VCS Program

The Voluntary Market is growing...

Figure 6: Historic Value in the Voluntary Carbon Markets

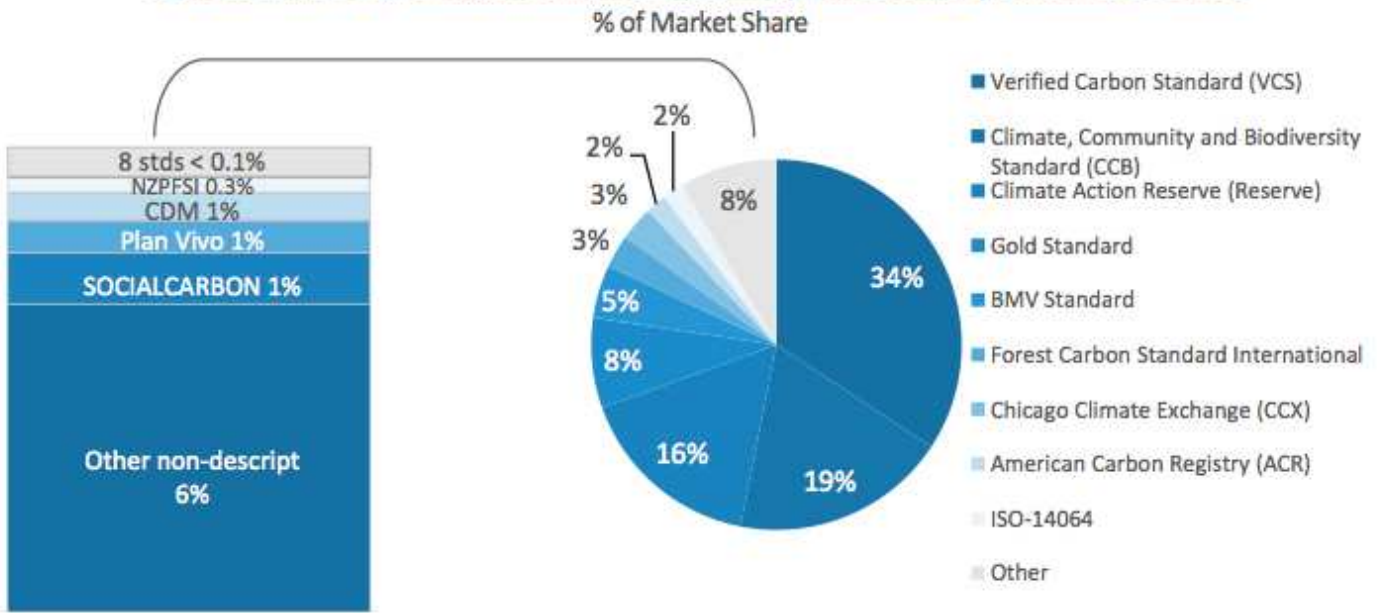
US\$ Millions



Source: Ecosystem Marketplace, Bloomberg New Energy Finance, *Back to the Future: State of the Voluntary Carbon Markets 2011*

...and consolidating around standards

Figure 3: Third-Party Standard Utilization by Primary and Secondary Standard, OTC 2010³



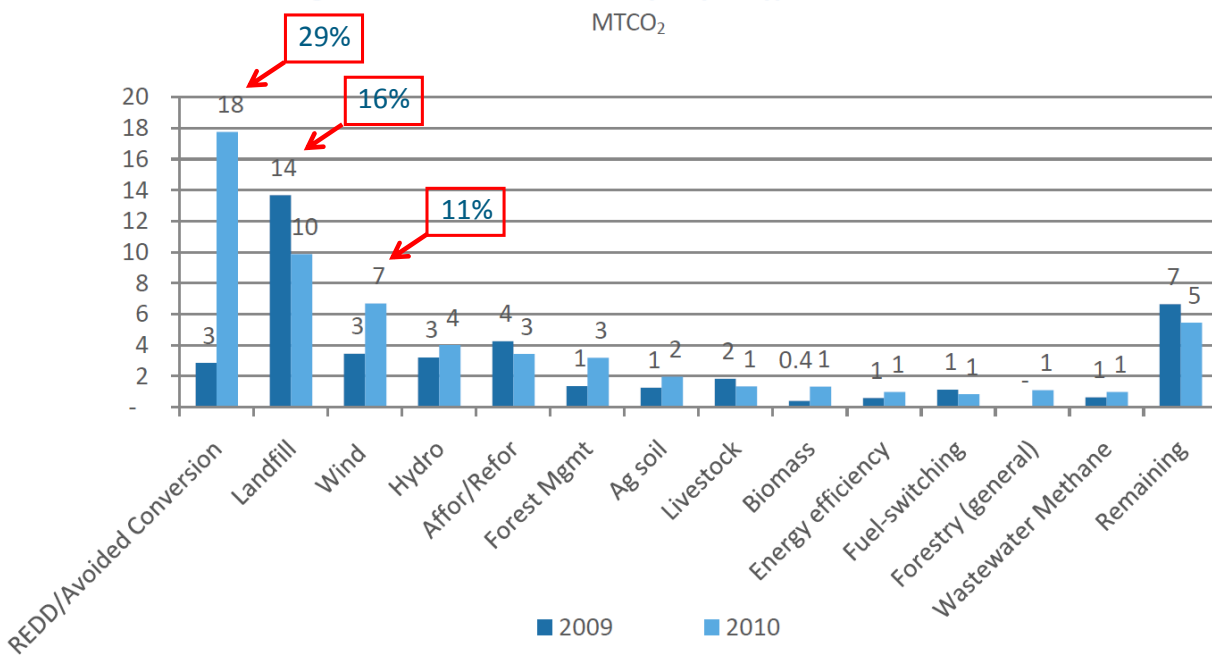
Source: Ecosystem Marketplace, Bloomberg New Energy Finance.
 Note: Based on 676 observations.

Back to the Future: State of the Voluntary Carbon Markets 2011



...and advancing innovations like REDD

Figure 13: Transaction Volume by Project Type, 2009 vs. 2010



Source: Ecosystem Marketplace, Bloomberg New Energy Finance, Back to the Future: State of the Voluntary Carbon Markets 2011



Future direction of voluntary carbon markets

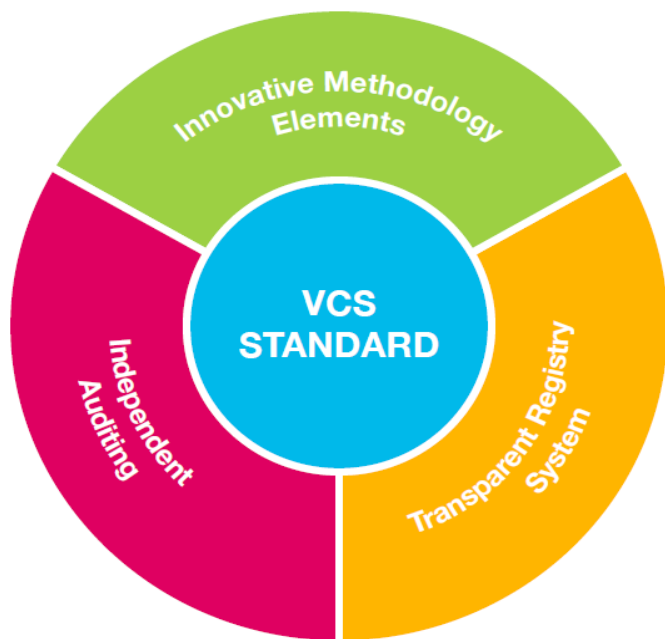
- Relationship to emerging compliance regimes
 - ✓ California
 - ✓ Western Climate Initiative (WCI)
 - ✓ World Bank - Partnership for Market Readiness
- Recognized as credible platforms for pre-compliance activity
 - ✓ Requirements
 - ✓ Transparency
 - ✓ Methodologies
 - ✓ Oversight
 - ✓ Architecture

Who is VCS?

- Global NGO founded by climate leaders
 - ✓ Founded by Climate Group, IETA, WBCSD
- Written by global expert steering committees
 - ✓ Requirements written by committees of global experts and developed through consultations
- No conflicts of interest, no market positions
 - ✓ Single focus is to manage & develop platform: no consulting, no project development, no verification, no market or political positions
- Funded primarily by VCU levy (\$0.10)
 - ✓ Foundation grants help fund special initiatives

How to use VCS...

The VCS Program

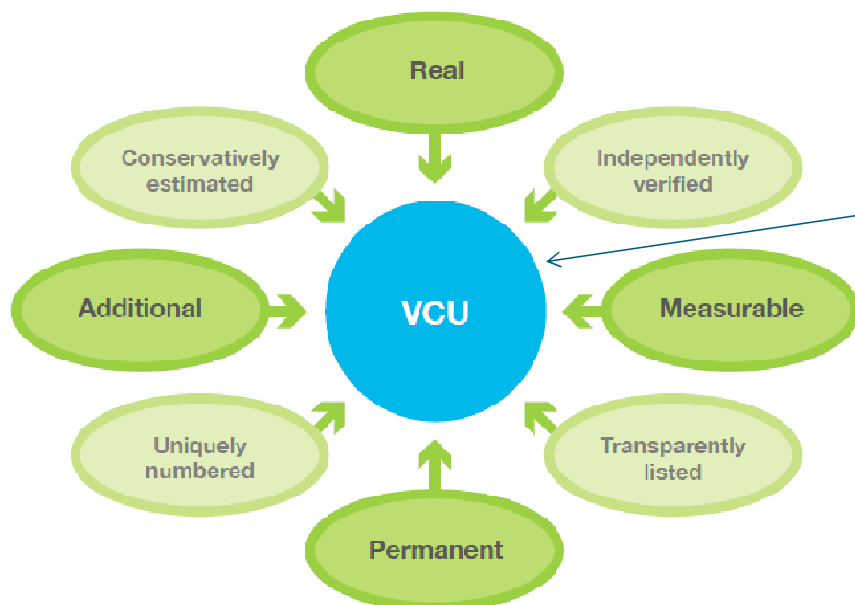


The VCS in Thailand

- 30 projects registered to date
- Nearly 2 million VCUs issued
- Projects in waste management and energy sectors

The Verified Carbon Unit

All VCUs meet 8 key criteria...



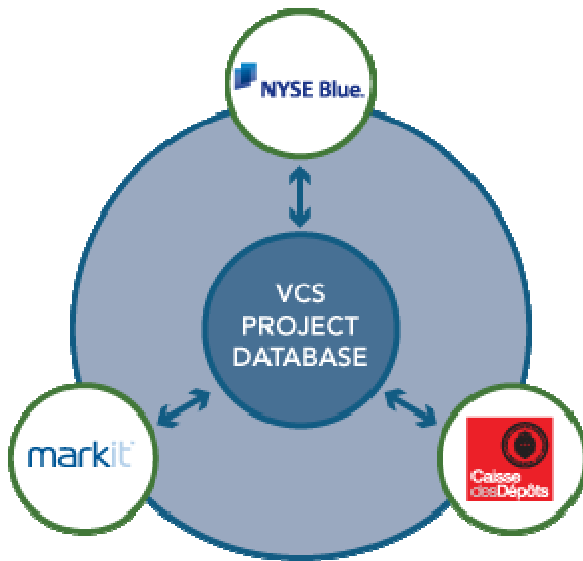
...and VCUs may be 'tagged' with additional certifications, ie VCU + CCBA

 SOCIALCARBON®

 CCBA™
The Climate, Community & Biodiversity Alliance

Other standards...

VCS Registry System



- Registries meet key criteria:
 - ✓ Financial standing
 - ✓ Insurance requirements
 - ✓ Insolvency protection
- Registries agree to:
 - ✓ Conflict of interest requirements
 - ✓ Replacement of VCU's issued in error
- Registry system is expandable

Auditing: Validation and Verification

- Validation and Verification Bodies (VVBs) must be approved to validate and/or verify to VCS criteria
- Eligible VVBs include entities:
 - ✓ Entities approved under a approved GHG programs such as CDM
 - ✓ Accredited under ISO 14065 for scope VCS by an accreditation body that is a member of the International Accreditation Forum (IAF)

Developing a Methodology under VCS

Drafting: Methodology developer prepares & submits methodology documentation

Public consultation: 30-day public consultation

First assessment: Developer contracts first assessor (VVB) to review methodology and write assessment report

Second assessment: VCS contracts second assessor (VVB) to review methodology and write assessment report

Approval: VCS reviews documentation & assessment reports and approves methodology

Developing a project under VCS...

Methodology

Project Description

Validation

Registration

Project Implementation and Monitoring

Verification

Credit issuance

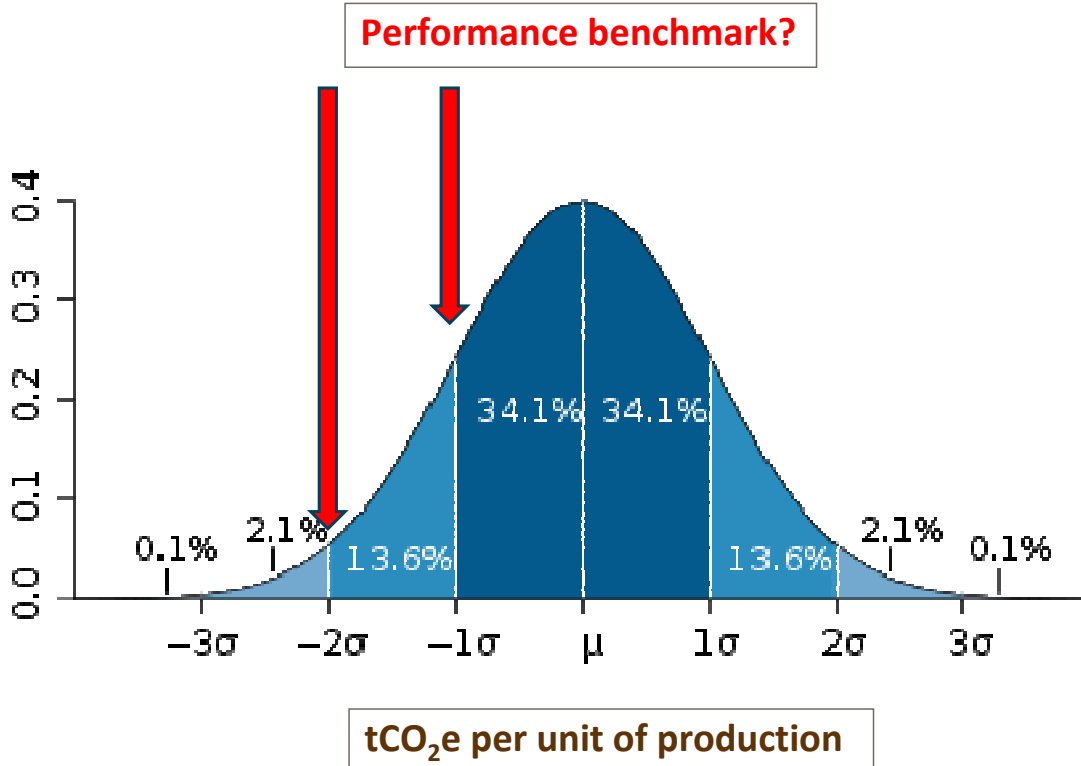
Grouped projects under the VCS

- **Objective:** allow the expansion of a project activity subsequent to project validation – over time and within a specified geographic area
- How it works:
 - ✓ Project description sets out eligibility criteria for new project instances

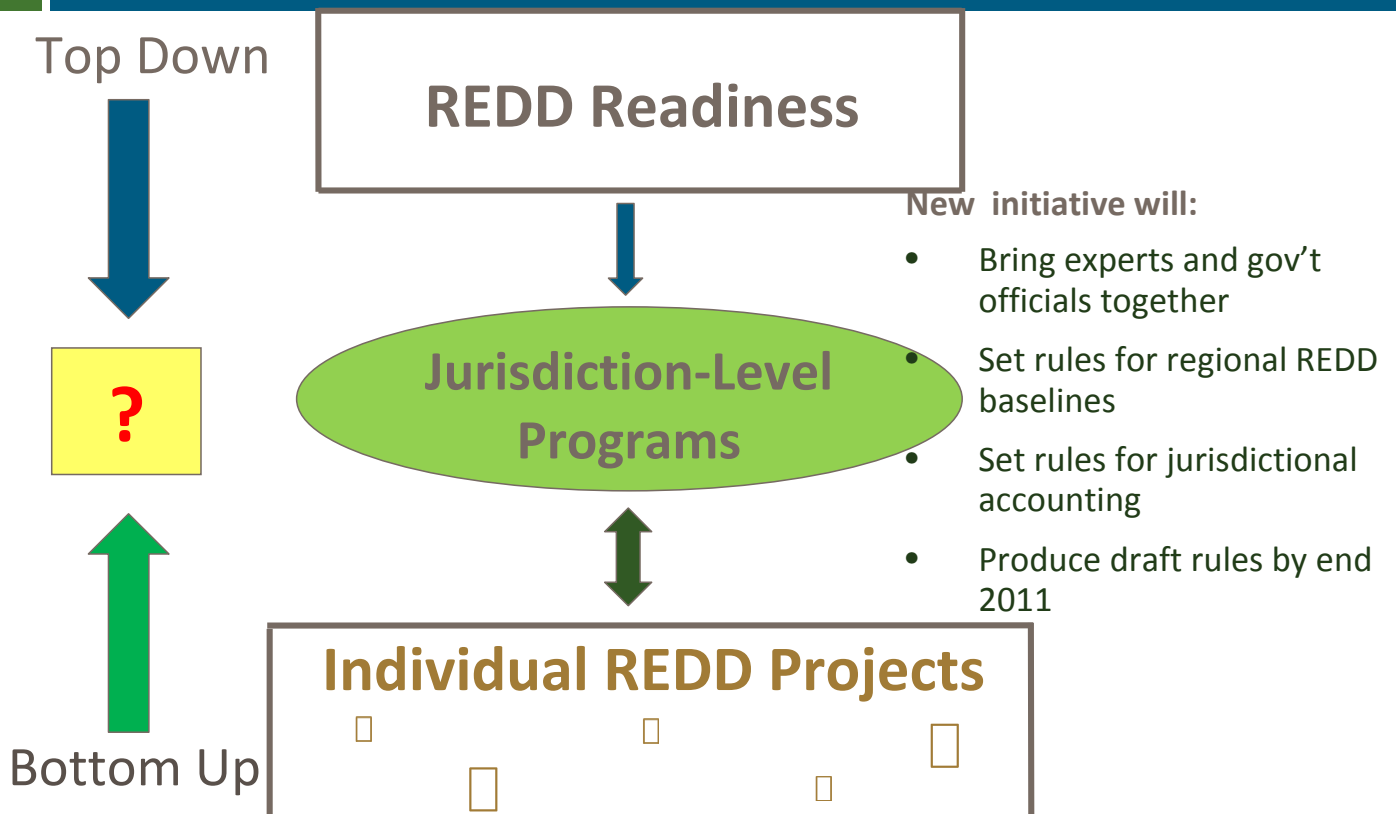
Cutting Edge Initiatives - Standardized Approaches

- Standardized approaches are streamlined approaches to measuring additionality
 - Performance benchmarks – if an activity is a top performer (ie, 5 or 15%), it is additional by definition
 - Positive lists – a technology on the list is additional by definition
- Standardized approaches reduce transaction costs – no need to assess each individual activity based on financial additionality
 - Steering Committee convened in late 2010 to develop guidance for
- Performance benchmarks
- Technolo+
- gy tests or positive lists
 - Guidance should be issued by December 2011 or early 2012

Performance benchmarks



Nesting of REDD Projects



Thank you

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