

Voluntary Offsets
Validation and Verification Standards

Voluntary Carbon Market Opportunities

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Topics Covered

- Verification and Standards in the VCM
- Validation / Verification Requirements
- Principles
- Key Standards and Main Verification Points
- Differences Between Validation and Verification
- Auditing Issues
- Recap

Key Standards and Main Verification Points

Standard Name	Sponsor	Third Party Auditing Requirement	Approval authority	Verification Base Document	Registry
CDM/JI	UNFCCC	DNA & DOE / IE	DOE / IE	Requirements of CDM COP/MOP	CDM
Carbon Financial Instrument (CFI)	Chicago Climate Exchange (CCX)	CCX approved verifier	CCX Staff & FINRA	CCX Guidelines	CCX
Voluntary Carbon Standard (VCS)	IETA, Climate Group, World Economic Forum	Accredited under GHG Program / or ISO 14065	Verifiers assesses claim against VCS 2007	ISO 14064-3 ISO 14065	Caisse des Depots, TZ1, Bank of New York Mellon (BNYM), and APX
Gold Standard (based on CDM process)	Gold Standard Organization	UNFCCC accredited Designated Operational Entity (DOE) verification	The Gold Standard Advisory Committee audits validation	Requirements of CDM COP/MOP	Gold Standard database
VER+	TUV SUD	Independent assessment of compliance	TUV SUD acts as validating DOE	UNFCCC based	Blue Registry
Community Climate Biodiversity (CCBA)	CARE, Nature Conservatory, Rainforest Alliance, others	Accredited DOE (by the CDM EB) or a FSC accredited certifier	Same CCBA auditor issues Validation Report	CCBA Standards document (Version 1.0)	CCBA database

Validation / Verification Requirement

- **CCX:** *The proposal submitted to the CCX Committee on Offsets for review and preliminary approval and may be further referred to scientific technical advisory committees. Upon project approval by the Committee on Offsets, a project owner or aggregator must obtain independent verification by a CCX-approved verifier – <http://www.chicagoclimatex.com/>*
- **VCS:** *Validators and verifiers provide an independent assessment of projects applying for approval under the VCS. Validators and verifiers must be approved under a GHG Program recognized under the VCS or accredited under the ISO verification standards (ISO 14065). This includes DOEs accredited or applying for accreditation for validation/verification by the UNFCCC for the technical scopes relevant for the project – <http://www.v-c-s.org/>*
- **Gold Standard:** *For CDM projects, project proponents can submit the conventional CDM documentation along with the Gold Standard-specific information. Any accredited DOE will check the requirements in one go. DOEs must be accredited or applying for accreditation for validation/verification by the UNFCCC for the technical scopes relevant for the project - <http://www.cdmgoldstandard.org>*

Verification in General: Key requirements

All standards **require** third party verification

All standards require **accreditation of third party** through a relevant authority, i.e. UNFCCC, CCX, GHG Programme, ISO 14064, VCS.

(NB: VER+ undergoes an independent assessment of compliance, but must be validated by TÜV SÜD which acts as DOE)

There are usually two key actors in the verification process

- 1) An auditor will act as validating and verification entity checking project compliance with specific standard/guidelines
- 2) A higher authority (often the Standard 'X' Committee) will give/or refuse final approval basing decision on the auditor's verification report.

Definitions

- **Validation:**

- Process of independent evaluation of a project activity by an accredited entity against the requirements of the standard/program adopted.
- Involves assessment on project baseline, monitoring plan and compliance as required by the applicable standard.
- Determining that the project is eligible to be registered by confirming that the project meets the requirements.

- **Verification**

- Periodic independent review and ex post determination by an accredited entity of - the monitored reductions in anthropogenic emissions by sources of GHG that have occurred as a result of the project activity / the net anthropogenic GHG removals by sinks achieved, since the start of the project.
- Confirming the authenticity of reductions in greenhouse gas emissions by a project over a defined period of time (a verification period).
- In order to do this, a project's emission reductions are monitored and the monitoring data for a verification period is reviewed and assessed

Differences between Validation & Verification

Validation	Verification
i) The likelihood that the project, if implemented as planned, will result in the GHG emission reductions and / or removal enhancements, as stated or claimed by the responsible party	i) Their GHG inventory, including the greenhouse gases covered and the GHG sources from which the inventory is derived;
ii) Will meet the sustainability requirements	ii) Their reported GHG emissions and / or the reported GHG reduction enhancements achieved by a project
iii) Their project design document and associated monitoring and verification plan;	iii) Performance levels
iv) Will not affect adversely	iv) Any changes in GHG emissions, including reductions and /or removal enhancements, since the previous reporting period;
v) Their conformance to applicable validation criteria, including the principles and requirements of a specific GHG scheme or schemes within the scope of the validation;	v) Their conformance to applicable verification criteria including the principles and requirements of a specific GHG scheme or schemes within the scope of the validation;

Standards: Project proposal to credit issuance

Standard	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
CCX	Submit project proposal to CCX Committee for preliminary approval	Obtain independent project verification	Register as a CCX Offset Provider or Offset Aggregator	Receive CFI contracts for offsets	n/a	n/a
VCS	Each project proponent submits documents to verifier / Verifier must be accredited under either: an approved GHG Program (within the scope of their accreditation); or ISO 14065:2007 with an accreditation scope specifically for the VCS Program.	Verifier assesses the claim against VCS 2007 and produces a validation and verification report and a certification statement.	Project proponent submits a VCS project description, validation report, verification report and proof of title to a registry operator.	Registry operator checks documentation and submits it to the VCS project database.	VCS Organization, requests and receives VCS registration levy and issues the project with serial numbers.	Registry Operator issues VCU's into the account of the project proponent and places documents into a custodial service.
Gold Standard	Develop PDD including GS requirements	UNFCCC accredited Designated Operational Entity (DOE) verification	DOE verifies emission reductions	DOE verification according to CDM rules and confirmation of compliance with GS certified rules	The Gold Standard Advisory Committee audits validation	EB issues Verified Emission Reduction units (VERs)
VER+	Submit application for registration as VER+ activity (order to TÜV SÜD) and independent assessment of compliance with VER+ criteria	VER+ PDD has to undergo validation process before registration Nb: TÜV SÜD acts as DOE	Based on a positive verification statement the issuance of VER+ credits will be carried out by TÜV SÜD.	n/a	n/a	n/a

Tools for Validators and Verifiers

- World Bank's Prototype Carbon Fund's (PCF) – November 2000
 - Preliminary Verification Manual
- Replaced by the IETAs Validation and Verification manual (VVM) - November 2003
 - The attempt was to bridge the new ISO guidelines for Validation and Verification under development at that time.
 - Follow the principles in WBCSD GHG Protocol in a process oriented manner.
- EB 39 Draft edited version of CDM Validation and Verification Manual – May, 2008
 - Requirements of the CDM as set out in decision 17/CP.7, CDM M&P, and relevant decisions of the COP/MOP, on the basis of the Project Design Document (PDD).
- ISO 14064-3 (March 2006) and ISO 14065 (April 2007)
 - Employed by VCS, VER+
 - Specification with guidance for the validation and verification of Greenhouse Gas (GHG) assertions
 - Requirements for GHG validation and verification bodies for use in accreditation or other forms of recognition

Verification

- In case of verification under VCS, broadly, the following are looked into:
 - Remaining issues including any materiality discrepancy from previous validation
 - Project implementation
 - Completeness of monitoring
 - Accuracy of emission reduction calculations
 - Quality of evidence to determine emission reductions
 - Management and operational system

Auditing Issues

When conducting an audit, the organisation must be aware of a few **main issues** that may arise:

1. What standard to choose? Each standards have very specific guidelines as to the type of project they cover. Furthermore different standards of different degrees of robustness.
2. Eligibility: Is the project eligible for carbon off-setting? Different standards correspond to different types of projects
3. Registries conformity: Is the off-set registered? Is the registry used in line with other recognized registries? Is there a risk for double accounting?
4. Double accounting: Apart from registry issues, is there a risk for unintentional double accounting of off-sets?
5. Additionality: The project scenario must be a real independent improvement on business as usual activities
6. Limitation of crediting period: Is the crediting period in line with the scheme employed?
7. Permanence: The emission reduction must be irreversible
8. Exclusivity: Is the project exclusively applying for the type of credits during the crediting period? Are the reductions caused or included indirectly to other schemes factored out?
9. Methodologies: Is the calculation based on approved, consistent, reasonable and conservative methodological approach independent of project location?
10. Environmental and Social Impacts: Is the project causing substantial negative impacts on the environment?
11. Stakeholders Involvement: If required by nation law – has the local stakeholder process carried out?

Principles

