



VCS Program Update

24 May 2010

Updates to the Tool for AFOLU Methodological Issues and Guidance for AFOLU Projects: Insignificant Emissions Sources and Pools, Carbon Pools, Avoided Planned Deforestation, Definition of Mosaic and Frontier Deforestation, Market Leakage

Background

A number of updates to the VCS Program are required and issued with this VCS Program Update. This first section of the document provides the background on each of the updates. The second section provides the technical specification for each of the updates.

- 1) Insignificant Emissions Sources and Pools: An update is required with respect to the emissions sources and pools which may be considered insignificant in VCS ARR, IFM and REDD projects. VCS AFOLU projects must account for any significant increase in emissions and reductions in carbon pools that is reasonably attributable to the project activity, and projects may neglect emissions and carbon pools where they together account for less than 5 percent of total project GHG benefits. Updates have been made to reduce the time and cost necessary to prove the insignificance of certain emissions sources and carbon pools where IPCC default values, relevant literature and project experience suggests that such emissions sources and carbon pools are (individually) well below 5 percent in ARR, IFM and REDD projects.
- 2) Carbon Pools: Minor updates are required to the carbon pools to be considered for different AFOLU project activities to clarify when a pool should be included, need not be included or is optional in the baseline and monitoring plan.
- 3) Avoided Planned Deforestation: Changes are required with respect to the identification of the baseline deforestation agent(s) to account for baseline scenarios where the land is not owned and managed by the government or private entities, and for baseline scenarios where the baseline deforestation agent is not the landowner and may not be specifically identified.
- 4) Definition of Mosaic and Frontier Deforestation: Clarification is required with respect to the definition of Avoided Unplanned Mosaic and Frontier Deforestation to provide a definition of the terms 'mosaic' and 'frontier', and to elaborate the requirements for areas which are neither clearly mosaic nor clearly frontier.
- 5) Market Leakage: Clarification is required with respect to projects that substantially reduce timber harvest levels permanently to ensure the market leakage credit adjustment accounts for changes in the timber volume available to the market.

VCS Program Update

The VCS Association hereby issues the following updates to the VCS Program:

Note – All updates made to the VCS *Tool for AFOLU Methodological Issues* also apply to the *Guidance for AFOLU Projects*, where such guidance references the *Tool for AFOLU Methodological Issues*. The footnotes contained in this document are numbered sequentially and may not match the footnote numbers in the relevant documents.

- 1) Insignificant Emissions Sources and Pools: The requirements with respect to the emissions sources and pools which may be deemed insignificant are changed as follows:

- a) Step 0.2 of the *Tool for AFOLU Methodological Issues* is changed from:

*For AFOLU projects, all significant GHG sources and leakage shall be measured, estimated and monitored in both the baseline and project case. Certain GHG sources may be considered “insignificant” and do not have to be accounted for if **together** such omitted decreases in carbon pools and increases in GHG emissions amount to less than 5% of the total CO₂-eq benefits generated by the project.¹*

to;

For AFOLU projects, all significant GHG sources and leakage shall be measured, estimated and monitored in both the baseline and project case. As outlined in Step 3.10, certain GHG sources may be considered insignificant and do not have to be accounted for. Other GHG sources may be considered insignificant and do not have to be accounted for if together such omitted decreases in carbon pools and increases in GHG emissions amount to less than 5 percent of the total CO₂-eq benefits generated by the project.¹

- b) Step 3.10 of the *Tool for AFOLU Methodological Issues* is changed from:

Emissions of N₂O shall also be accounted for, unless insignificant, if any nitrogen fertilizer and/or manure is applied, or N-fixing species planted, during the crediting period.

to;

Emissions of N₂O from project activities within the project area, including from application of all N-containing soil amendments (e.g., inorganic fertilizer, organic fertilizer, manure and plant residues), and N₂O emissions caused by microbial decomposition of any plant material including trees, shrubs, and herbaceous vegetation that fix nitrogen, may be considered insignificant for ARR, IFM and REDD projects² and do not have to be accounted for. Emissions of N₂O shall be accounted for in ALM projects, unless insignificant, if any nitrogen fertilizer and/or manure is applied, or N-fixing species are planted, during the crediting period¹. Emissions from removal or burning of herbaceous vegetation, fossil fuel combustion from transport in project activities and collection of non-renewable wood

¹ The following CDM EB tool can be used to test the significance of emissions sources: http://cdm.unfccc.int/EB/031/eb31_repan16.pdf.

² See EB 42: <http://cdm.unfccc.int/EB/042/eb42rep.pdf> and EB 44: <http://cdm.unfccc.int/EB/044/eb44rep.pdf>.

*sources for fencing of the project area may be considered insignificant for ARR, IFM and REDD projects and do not have to be accounted for.*²

- c) The following text on page 17 of the *Guidance for Agriculture Forestry and Other Land Use Projects* is changed from:

Eligible gases: Projects must account for any significant sources (sinks are optional) of carbon dioxide (CO₂), nitrous oxide (N₂O) and methane (CH₄) that are reasonably attributable to project activities—The sum of decreases in carbon pools and increases in emissions that may be neglected shall be less than 5% of the total project GHG benefits. For example, projects must also account for increases in emission sources of N₂O and CH₄ from soils if they exceed 5% of the total CO₂-eq benefits³. Emissions of N₂O must be addressed if any nitrogen fertilizer was applied during the crediting period.

to;

Eligible gases: Projects must account for any significant sources (sinks are optional) of carbon dioxide (CO₂), nitrous oxide (N₂O) and methane (CH₄) that are reasonably attributable to project activities. As outlined in Step 3.10 of the Tool for Methodological Issues, certain GHG sources may be considered insignificant and do not have to be accounted for. Other GHG sources may be considered insignificant and do not have to be accounted for if together such omitted decreases in carbon pools and increases in GHG emissions amount to less than 5 percent of the total CO₂-eq benefits generated by the project³. Emissions of N₂O shall be accounted for in ALM projects, unless insignificant, if any nitrogen fertilizer and/or manure is applied, or N-fixing species are planted, during the crediting period.

Such clarifications with respect to this program update are effective from 24 May 2010.

- 2) Carbon Pools: The requirements with respect to the carbon pools to be considered for different AFOLU project activities (step 3.9 of the *Tool for AFOLU Methodological Issues*) is changed from:

³ The following EB tool can be used to test the significance of emissions sources - http://cdm.unfccc.int/EB/031/eb31_repan16.pdf

The carbon pools that shall be accounted for are listed in Table 1 below.

Table 1: Carbon pools to be considered for different AFOLU project activities

		Living Biomass			Dead Organic Matter			
		Above ground trees*	Above ground non-tree*	Below-ground	Litter	Dead wood	Soil	Wood products
ARR		Y	O/S	Y	O/S	O/S	O/S	O
ALM		Y	N	O	N	N	Y	O
IFM	Conventional logging to RIL: a. with no effect on total timber extracted	Y	N	O	N	Y	N/O	N
IFM	b. with >25% reduction in timber extracted	Y	N	O	N	Y	N/O	Y
IFM	Convert logged to protected forests	Y	N	O	N	Y	N/O	Y
IFM	Extend rotation age	Y	N	O	N	O	N	O
IFM	Conversion of low productive forests to productive forests	Y	N	O	O	O	N	O
REDD	Planned or unplanned conversion of forest to non-forest, with final land cover of annual crop	Y	O	O	O	O	O	Y
REDD	Planned or unplanned conversion of forest to non-forest, with final land cover of pasture grasses	Y	O	O	O	O	N	Y
REDD	Planned or unplanned conversion of forest to non-forest, with final land cover of perennial crop	Y	Y	O	O	O	N	Y

For ARR and ALM projects, instead of “Above ground trees” and “Above ground non-tree”, these two pool categories should read “Above ground woody” and “Above ground non-woody” respectively.

Y: pool shall be included in the monitoring plan for the baseline and project

S: pool to be included if its reduction due to the project is significant⁴

N: pool need not be measured because it is not subject to significant changes or potential changes are transient in nature

O: pool is optional, although its carbon stock may increase as a result of the project, depending on the practices involved

⁴ The **sum** of decreases in carbon pools and increases in GHG emissions that may be neglected (i.e., considered “insignificant”) shall be less than 5% of the total CO₂-eq benefits generated by the project. The following CDM EB tool can be used to test the significance of emissions sources - http://cdm.unfccc.int/EB/031/eb31_repan16.pdf.

to;

The carbon pools that shall be accounted for are listed in Table 1 below.

Table 1: Carbon pools to be considered for different AFOLU project activities

		Living Biomass			Dead Organic Matter			
		Above ground trees*	Above ground non-tree*	Below-ground	Litter	Dead wood	Soil	Wood products
ARR ⁵		Y	O	Y	O	O	O	O
ALM		Y	N	O	N	N	Y	O
IFM	Conventional logging to RIL: a. with no effect on total timber extracted	Y	N	O	N	Y	O	N
IFM	b. with >25% reduction in timber extracted	Y	N	O	N	Y	O	Y
IFM	Convert logged to protected forests	Y	N	O	N	Y	O	Y
IFM	Extend rotation age	Y	N	O	N	O	N	O
IFM	Conversion of low productive forests to productive forests	Y	N	O	N	O	N	O
REDD	Planned or unplanned conversion of forest to non-forest, with final land cover of annual crop	Y	O	O	N	O	O	Y
REDD	Planned or unplanned conversion of forest to non-forest, with final land cover of pasture grasses	Y	O	O	N	O	N	Y
REDD	Planned or unplanned conversion of forest to non-forest, with final land cover of perennial crop	Y	Y	O	N	O	N	Y

For ARR and ALM projects, instead of “Above ground trees” and “Above ground non-tree”, these two pool categories should read “Above ground woody” and “Above ground non-woody” respectively.

Y: pool shall be included in the baseline and monitoring plan for the project

N: pool need not be measured because it is not subject to significant changes or potential changes are transient in nature

O: pool is optional: it shall be included if its carbon stock is significantly reduced by the project⁶; and may be included if its carbon stock is significantly increased by the project

Such clarifications with respect to this program update are effective from 24 May 2010.

⁵ Carbon pools and emissions sources deemed insignificant by the CDM EB for CDM A/R projects may be deemed insignificant for VCS ARR projects.

⁶ The **sum** of decreases in carbon pools and increases in GHG emissions that may be neglected (i.e., considered “insignificant”) shall be less than 5% of the total CO₂-eq benefits generated by the project. The following CDM EB tool can be used to test the significance of emissions sources - http://cdm.unfccc.int/EB/031/eb31_repan16.pdf.

3) **Avoided Planned Deforestation:** The requirements with respect to the identification of the baseline deforestation agent(s) are changed as follows:

a) Step 4.15 of the *Tool for AFOLU Methodological Issues* and page 22, paragraph 1 of the *Guidance for Agriculture, Forestry and Other Land Use Projects* is changed from:

- **Avoiding planned deforestation (APD):** *Project documentation must clearly demonstrate that the land would have been converted to non-forest use if not for the REDD project (i.e., clear demonstration of the project's additionality). The project developer must provide verifiable evidence to demonstrate that, based on government- and landowner-planned land use changes, the project area was intended to be cleared. The annual rate of forest conversion shall be based on the common practice in the area—i.e., how much forest is typically cleared each year by similar baseline activities.*

to;

- **Avoiding planned deforestation (APD):** *Project documentation must clearly demonstrate that the land would have been converted to non-forest use if not for the REDD project (i.e., clear demonstration of the project's additionality). The project proponent must provide verifiable evidence to demonstrate that, based on government-planned (for publicly owned and managed land), community-planned (for publicly owned and community-managed land), concession-holder planned (for publicly owned and concession holder managed) or landowner-planned (for privately owned land) land use changes, the project area was intended to be cleared.*

Where the agent of deforestation in the baseline scenario (e.g., in the “without project” case) is not the landowner (e.g., in situations where the project proponent successfully outcompeted other agents to acquire a government concession or privately-owned piece of land), and the project can identify the most-likely agent(s) of deforestation, the project proponent shall provide verifiable evidence to demonstrate that the most-likely agent(s) would have acquired control of and cleared the project area. Where the agent(s) of deforestation in the baseline scenario is not the landowner and cannot be specifically identified, then the project proponent shall provide evidence to identify the most-likely-class of deforestation agents⁷ and intent to deforest shall be demonstrated through a history of similar deforestation within the region by the identified most-likely-class. The annual rate of forest conversion shall be based on the common practice in the area—i.e. how much forest is typically cleared each year by similar baseline activities.

b) Step 5.21 of the *Tool for AFOLU Methodological Issues* is changed from:

Leakage shall be assessed and managed for the three eligible REDD activity types as follows:

- a) *In the case of avoiding planned deforestation (APD) leakage shall be controlled and measured directly by monitoring the activities of the project landowner who was originally planning on deforesting the project area (i.e., the baseline deforestation*

⁷ *The most-likely-class of deforestation agents are the entities (e.g., individuals, companies, associations), classified based on shared characteristics and rates of deforestation, who would have been likely to undertake deforestation activities and post-deforestation land-use practices in the project area.*

agents). Any leakage identified shall be quantified and subtracted from the net carbon benefits claimed by the project.

to;

Leakage shall be assessed and managed for the three eligible REDD activity types as follows:

a) In the case of avoiding planned deforestation (APD) leakage shall be controlled and measured directly by monitoring the activities of the baseline deforestation agent(s) i.e., the entity(ies) originally planning on deforesting the project area. Where the agent of deforestation in the baseline cannot be specifically identified, leakage shall be assessed by examining and comparing historic and with-project rates of deforestation by the identified most-likely class of deforestation agent within the region. Any leakage identified shall be quantified and subtracted from the net carbon benefits claimed by the project.

c) The following text on page 27 of the Guidance for AFOLU Projects is changed from:

1. *Avoiding planned deforestation (APD):* *Under this situation, displacement of baseline activities can be controlled and measured directly by monitoring the activities of the project landowner who was originally planning on deforesting the project area (i.e., the baseline deforestation agents). These landowners (including individuals, communities, private companies, or local/national governments) may own multiple parcels of forest land within the country that could be used to make up for the generation of goods and/or services lost through implementation of the carbon project. In such cases, the landowner shall demonstrate to the VCS verifier that the management plans and/or land-use designations of other owned lands have not materially changed as a result of the REDD project (e.g., designating new lands as timber concessions, increasing harvest rates in lands already managed for timber, clearing intact forests for agricultural production, or increasing fertilizer use to enhance agricultural yields) because such changes could lead to reductions in carbon stocks or increases in GHG emissions. At each verification, documentation shall be provided covering the other owned lands where leakage could occur, including, at a minimum, their location(s), existing land use(s), and management plans. Any leakage identified shall be quantified and subtracted from the net carbon benefits claimed by the project.*

to;

1. *Avoiding planned deforestation (APD):* *Under this situation, displacement of baseline activities can be controlled and measured directly by monitoring the activities of the baseline deforestation agent(s) (i.e., the entity(ies) who were originally planning on deforesting the project area). These entities (including individuals, communities, private companies or local/national governments) may have ownership of, manage, or have legally sanctioned rights to use multiple parcels of forest land within the country that could be used to make up for the generation of goods and/or services lost through implementation of the carbon project. In such cases, the entity shall demonstrate to the VCS verifier that the management plans and/or land-use designations of the entity's other lands have not materially changed as a result of the REDD project (e.g., designating new lands as timber concessions, increasing harvest rates in lands already*

managed for timber, clearing intact forests for agricultural production or increasing fertilizer use to enhance agricultural yields) because such changes could lead to reductions in carbon stocks or increases in GHG emissions. At each verification, documentation shall be provided covering the entity's other lands where leakage could occur, including, at a minimum, their location(s), existing land use(s) and management plans. Any leakage identified shall be quantified and subtracted from the net carbon benefits claimed by the project.

Such clarifications with respect to this program update are effective from 24 May 2010.

- 4) Definition of Mosaic and Frontier Deforestation: The definition and requirements with respect to Unplanned Mosaic and Frontier Deforestation (step 4.15 of the *Tool for AFOLU Methodological Issues*) are changed from:

- **Avoiding unplanned frontier deforestation and degradation (AUFDD)**: *The project developer must demonstrate that the project area is located geographically where deforestation/degradation will likely happen during the crediting period. Where the expansion of the deforestation frontier into the project area is linked to the development of infrastructure that does not yet exist, evidence must be provided to the verifiers that such infrastructure would have been developed in the absence of the REDD project.*
- **Avoiding unplanned mosaic deforestation and degradation (AUMDD)**: *A baseline projection of deforestation and degradation under this activity must be developed for the region in which the project area is located, making sure it takes into account such factors as historical deforestation/degradation rates and that the proposed regional baseline area is similar to the project area in terms of: drivers of deforestation/degradation, landscape configuration, and socio-economic and cultural conditions.*

to;

- **Avoiding unplanned frontier deforestation and degradation (AUFDD)**: *The project proponent must demonstrate that the project area is located geographically where deforestation/degradation will likely happen during the project crediting period. Where the expansion of the deforestation frontier into the project area is linked to the development of infrastructure that does not yet exist, evidence must be provided to the verifier that such infrastructure would have been developed in the absence of the REDD project. Frontier configurations are defined as any landscape in which all forest areas in the project area have no current direct physical connection with areas anthropogenically deforested.*
- **Avoiding unplanned mosaic deforestation and degradation (AUMDD)**: *A baseline projection of deforestation and degradation under this activity must be developed for the region in which the project area is located, making sure it takes into account such factors as historical deforestation and degradation rates and that the proposed regional baseline area is similar to the project area in terms of: drivers of deforestation and degradation, landscape configuration and socio-economic and cultural conditions. Mosaic configurations are defined as any landscape in which no patch of forest⁸ in the project area exceeds 1000 ha and forest patches are surrounded by anthropogenically cleared land.*

Any landscape that does not meet the definition of mosaic or frontier shall follow the baseline guidelines for mosaic in full where it can be shown that 25 percent or more of the project boundary is within 50m of land that has been anthropogenically deforested within

⁸ Forest patches are defined as any forest area surrounded by anthropogenically deforested areas.

the ten years prior to the project start date. If this criterion is not met, the frontier baseline guidelines shall be followed in full.

Such clarifications with respect to this program update are effective from 24 May 2010.

- 5) **Market Leakage:** The requirements with respect to the characteristics of the location to where harvesting is shifted (step 5.25 of the *Tool for AFOLU Methodological Issues* and page 26 of the *Guidance for AFOLU Projects*) is changed from:

Project Action	Leakage Risk	Leakage Credit Adjustment (discount)
<i>Substantially reduce harvest levels permanently (e.g., RIL activity that reduces timber harvest by 25% or more across the project area; or, a forest protection/no logging project)</i>	<i>Moderate to High</i>	<p><i>Depends on where timber harvest is likely to be shifted...</i></p> <ul style="list-style-type: none"> • <i>Similar carbon dense forests within country: 40%</i> • <i>Less carbon dense forests within country: 20%</i> • <i>More carbon dense forests within country: 70%</i> • <i>Out of country: 0% (according to stated VCS and CDM policy of not accounting for international leakage)</i>

to;

Project Action	Leakage Risk	Leakage Credit Adjustment (discount)
<i>Substantially reduce harvest levels permanently (e.g., RIL activity that reduces timber harvest by 25% or more across the project area; or, a forest protection/no logging project)</i>	<i>Moderate to High</i>	<p><i>Depends on where timber harvest is likely to be shifted...</i></p> <ul style="list-style-type: none"> <i>• If the ratio of merchantable biomass to total biomass is similar within the area to which harvesting is displaced compared to the project area, the leakage factor is: 40%</i> <i>• If the ratio of merchantable biomass to total biomass is higher within the area to which harvesting is displaced compared to the project area, the leakage factor is: 20%</i> <i>• If the ratio of merchantable biomass to total biomass is lower within the area to which harvesting is displaced compared to the project area, the leakage factor is: 70%</i> <i>• Out of country: 0% (according to stated VCS and CDM policy of not accounting for international leakage)</i>

Such clarifications with respect to this program update are effective from 24 May 2010.