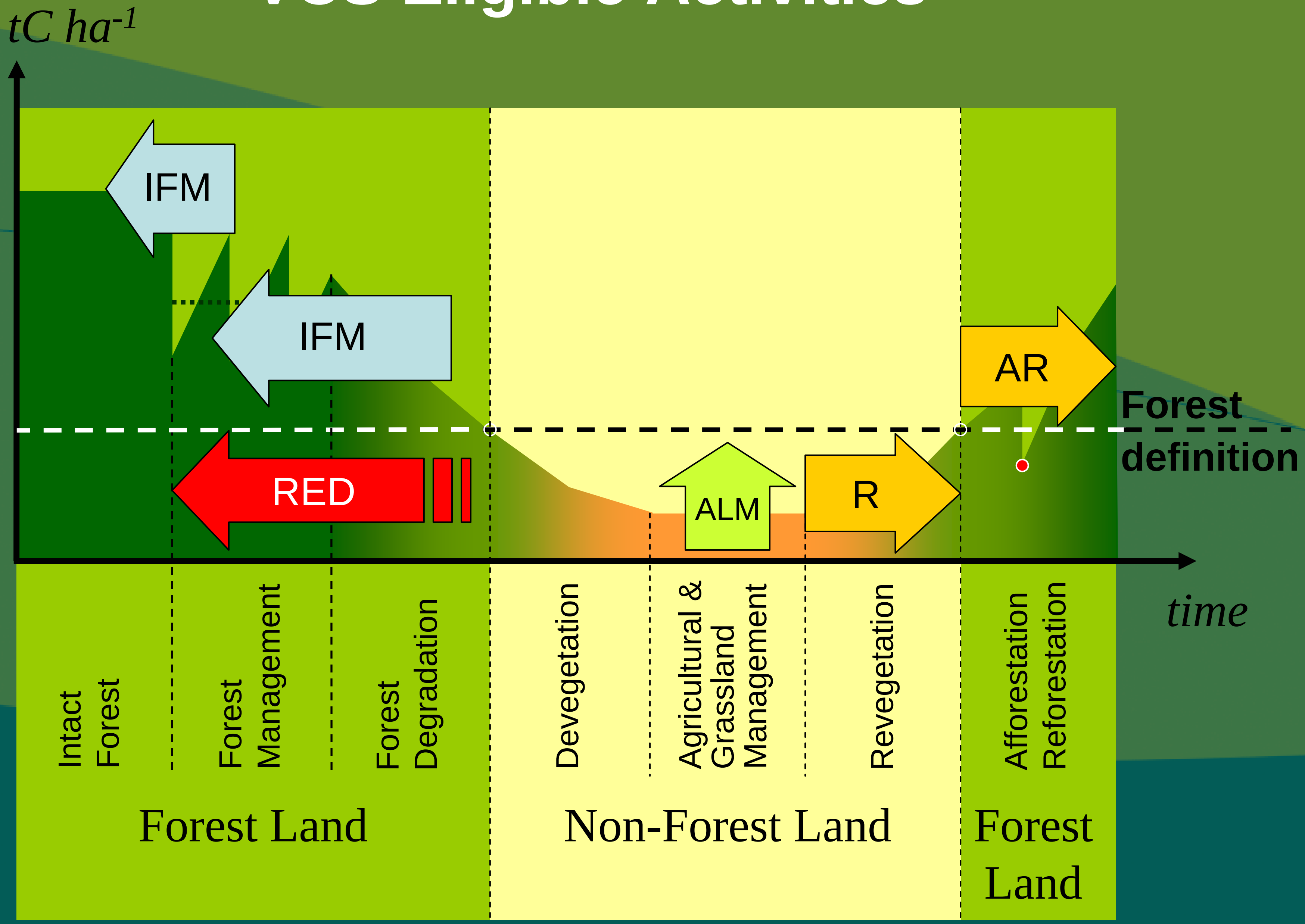
Voluntary Carbon Standard

- Global benchmark standard for voluntary carbon projects
- Developed by The Climate Group, the International Emissions Trading Association (IETA), the World Business Council for Sustainable Development (WBCSD) and a range of business, government and non-government organizations
- Designed to be as robust as Kyoto Protocol's Clean Development Mechanism (CDM), while attempting to reduce costs and bottlenecks
- Covers new sectors (e.g., IFM, ALM, REDD) and creates permanent, fungible credits (VCUs)

VCS Eligible Activities



Key Non-Permanence Questions

How Long is "Permanent"?	Who is Liable?	What Compensation Required?	How Track Reversals Over Time?	How Manage Risk?
• Temporary credits (TCERs, LCERs – but market dislike) [CDM] • 100 years (or less) • No fixed end, i.e., in perpetuity [VCS]	• Buyer (tradability barriers) [CDM] • Seller (best able to mitigate risks, but hard to make liable) • No one – system compensates for potential and actual losses [VCS]	• Carbon credits from same or similar forestry projects [VCS] • Carbon credits from non-forestry projects [CDM] • Financial	• Mandatory re-verification (every 5 yrs?) [CDM] • Optional re-verification w/ incentives to re-verify [VCS] • Self-reporting of stock changes w/ spot checks / sampling	• 3rd party insurance (need v.big asset pool + moral hazard issues) • Individual project set aside (buffer) [CCX] • Aggregated buffer pool from small number of projects • Centrally managed buffer pool [VCS]

Addressing Permanence / VCS Buffer Approach

- Project risk assessment to determine buffer withholding percentage, placed in shared VCS buffer pool
- Re-verification optional, but incentivized…
  - 10% of project's buffer released every 5 yrs at re-verification (as project demonstrates longevity and risk mitigation)
- Buffer (insurance) approach →
  - no buyer or seller liability
  - creates permanent, fungible credits (VCUs)
- Efficient risk mitigation mechanism:
  - only 3%-10% reduction in Total Discounted Carbon Revenues for av. project (assuming 20% buffer, 30-70 yr lifetime)
- 20-year minimum project life (max. 100-year crediting period)
- Periodic "truing-up" ensures total portfolio carbon losses over time are covered by buffer pool
  - adjust buffer values and/or risk criteria as needed
- California (CCAR) forestry projects can participate in VCS buffer to generate permanent credits