



Track 2: Emerging Markets Carbon Offsets

**Environmental Markets Summit
27 April 2010
New Orleans, LA**

Overview

- 1) Background on the Voluntary Carbon Standard (VCS)
- 2) Elements of the GHG programs (example: VCS)
- 3) Voluntary GHG programs as platforms for compliance regimes

1) Background -- VCS

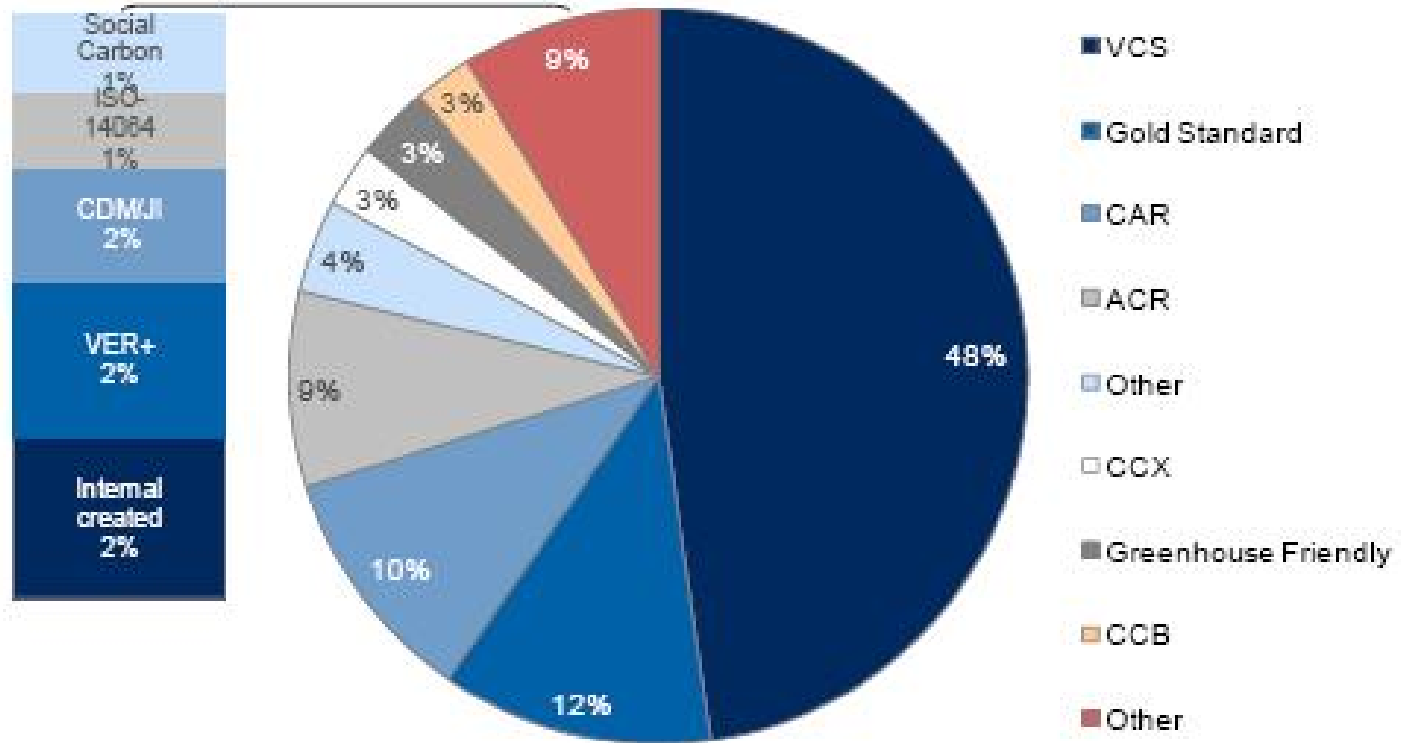
- Established by leading NGOs (IETA, WBCSD, The Climate Group, WEF) to:
 - ü Provide a rigorous, trustworthy and innovative global standard and validation and verification program for voluntary greenhouse gas offsets . . .
- Uses at its core the requirements of ISO 14064-2 and 14064-3 and builds upon this to ensure quality
 - ü Baseline setting and additionality requirement have to be explicit (ISO does not ensure this)
- VCS 2007.1
 - ü 4th version of standard
 - ü Extensive public stakeholder consultations
 - ü VCS 2010 in the works

The VCS Association

- Non-profit organization
 - ü Headquartered in Washington, DC
 - ü Also has a Swiss entity
- Single focus – to develop and manage the platform:
 - ü No consulting
 - ü No methodology development
 - ü No validation/verification
 - ü No project development or proprietary positions
- Funded by VCU levy (\$0.10 per VCU) and foundation grants
 - ü Some small donations by market participants (<€20,000)

VCS Market Share

Standard Utilization, OTC 2008

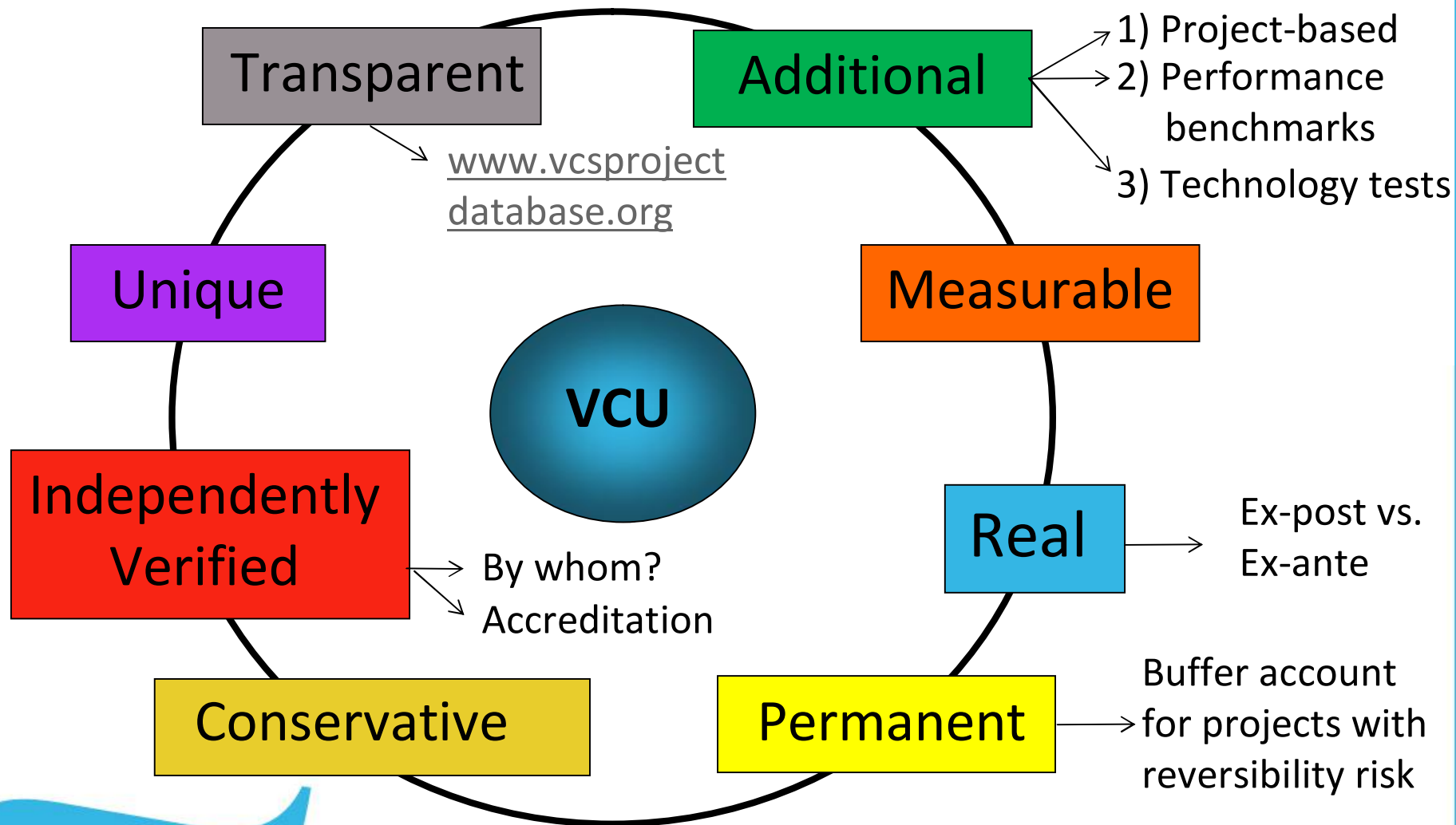


Source: Ecosystem Marketplace, New Carbon Finance.

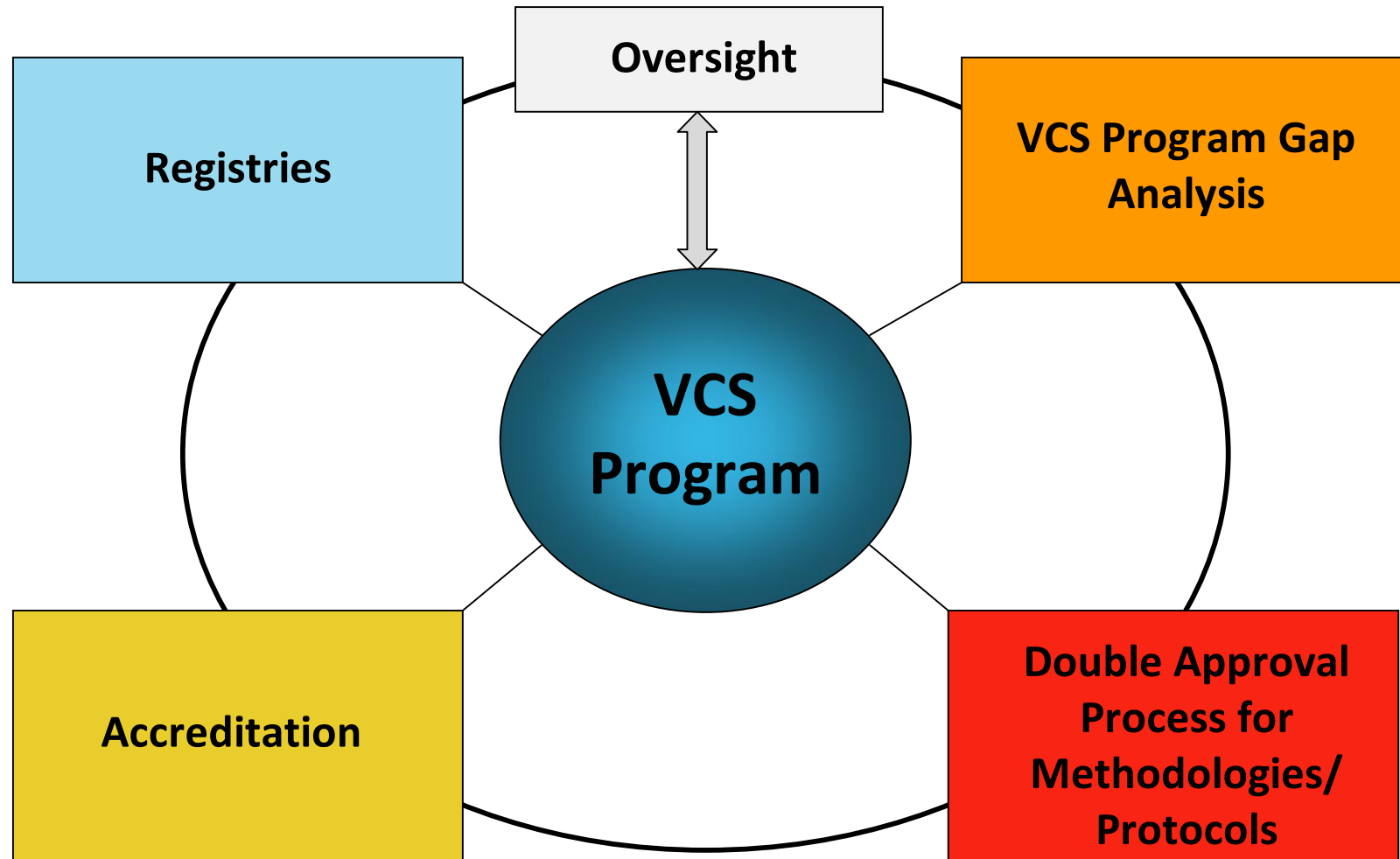
2) Elements of GHG Programs – Example VCS

- **Standard** provides the overall guidance; for instance:
 - ü Testing for additionality
 - ü Criteria for offsets (e.g., ex-post vs. ex-ante, permanence, third party verification)
- **Program** provides the full toolkit; for instance:
 - ü Process for developing new methodologies/protocols
 - ü Systems for accrediting validators/verifiers
- **Registry** provides the tracking system
 - ü Avoid double selling
 - ü Transparency

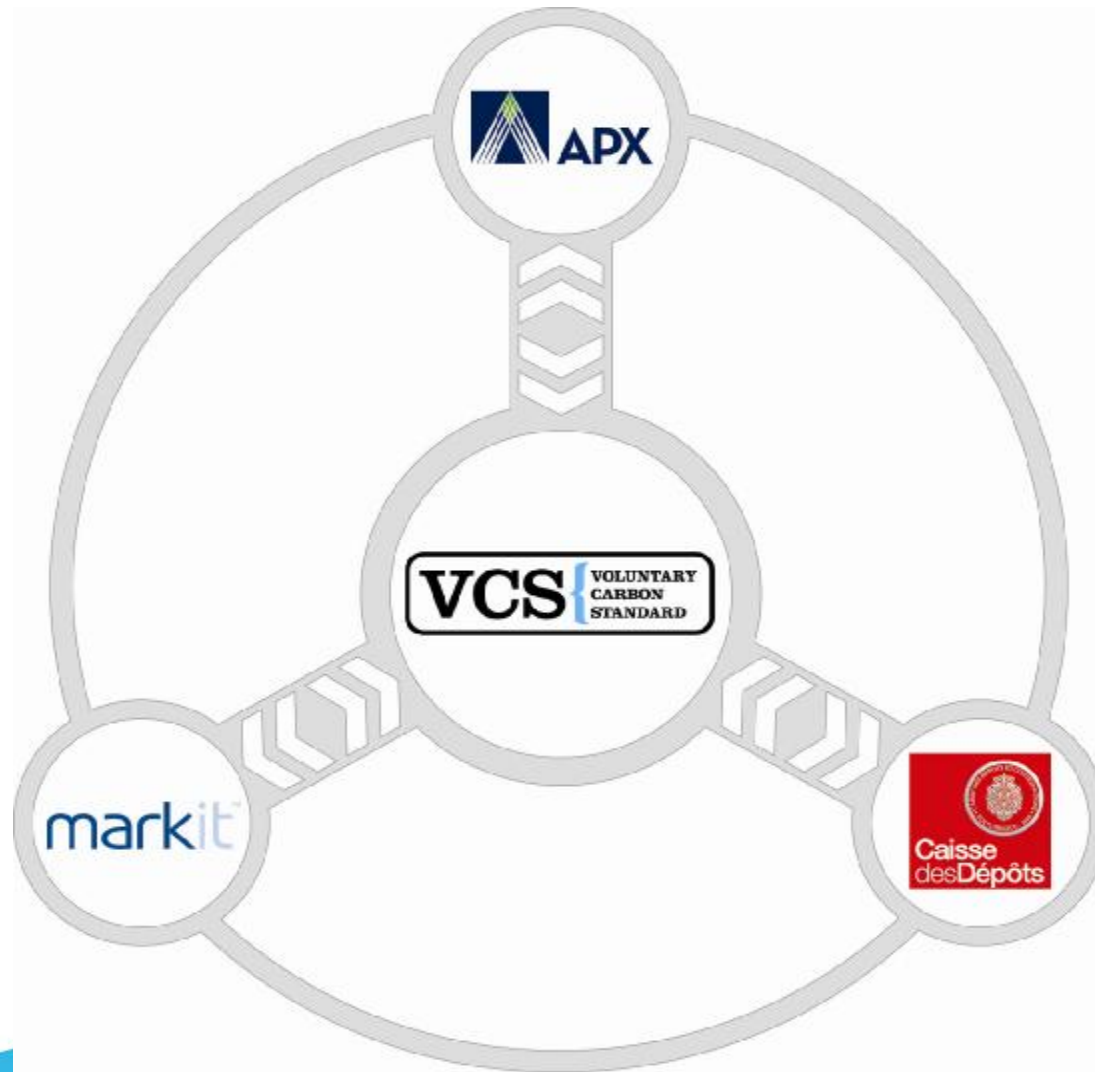
What is a Voluntary Carbon Unit?



The VCS Infrastructure



The VCS Registry System



3) Voluntary GHG Programs as Platforms for Compliance

- Voluntary GHG programs can serve as models for compliance regimes
 - ü Have built infrastructure to promote early action in a variety of sectors
 - ü Can generate high quality offsets
 - ü Can provide useful long-term insights
 - Additionality: project-based vs. benchmark approaches
 - Methodology/protocol development: bottom up vs. top down
 - Registries: multiple vs. single
 - Oversight: project by project vs. accreditation system

Ensuring a Successful Transition

Enactment

Early stage development
("Wild West"
"Anything Goes")

Implementation

Transitional phase can leverage existing GHG programs effectively:

Supervision by the Government

Key objectives:

- 1) Environmental integrity
- 2) Certainty for investors
- 3) Early supply of offsets
- 4) Capacity building
- 5) Learning

Strengthen programs in the long run

Thank you

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