VCS Program Guide

VCS Version 3
Requirements Document
21 June 2017, v3.7

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1 | Introduction

The Verified Carbon Standard (VCS) Program provides a global program and standard for GHG emission reduction and removal projects and programs. It uses as its core the requirements set out in *ISO 14064-2:2006, ISO 14064-3:2006* and *ISO 14065:2007*. The *VCS Program Guide* (this document) is the overarching program document and provides the rules and requirements governing the VCS Program, and describes the constituent parts of the program such as the project and program registration process, the VCS registry system, the methodology approval process, the accreditation requirements for validation/ verification bodies, and the program gap analysis.

1.1   VERSION

VCS Program editions are labeled with a version number and program documents are correspondingly version controlled. *VCS Version 3* is the third working version of the VCS, having been preceded by *VCS Version 1* (the initial version), and *VCS 2007* and *VCS 2007.1* (which were two releases of the same version, but with the latter version incorporating the agriculture, forestry and other land use (AFOLU) specifications).

VCS Version 3 was released on 8 March 2011 and becomes the applicable version with immediate effect. The *VCS 2007.1* may be used up to and including 8 September 2011 (i.e., all project documents wholly or partially reliant upon the *VCS 2007.1* shall have been issued on or before 8 September 2011).

VCS Version 3 is comprised of all the program documents labeled v3.x, where x is a running number starting at zero. Individual program documents may be updated from time to time, as developments require, and their version numbers will be incremented using the v3.x format. Such updated documents still form part of version 3 and the VCS Program edition should be referred to as *VCS Version 3* regardless of the version numbers of the individual program documents. Where documents are updated, an appendix to the document will clearly state the updates made and their effective date. VCS stakeholders will be informed of the updates and the updates will also be catalogued on the VCS website. Readers shall ensure that they are using the most current version of this and all other program documents.

Note that errata documents may also be issued on a periodic basis to correct typographical errors in text, equations or figures in VCS program documents or methodologies. In addition, clarification documents may be issued to provide additional guidance on the VCS rules or methodological requirements. Errata and clarification documents are posted to the VCS website alongside the relevant program document or methodology, and are effective on their issuance date. Project proponents and validation/verification bodies shall apply and interpret the VCS rules and methodological requirements consistent with any errata and clarifications. Errata and clarifications will be incorporated into the next issued version of the relevant program document or methodology.

New versions of the VCS Program will be issued on a periodic basis when major edition updates are

required. Development of new versions of the program will include public stakeholder consultation and will be announced on the VCS website and to VCS stakeholders.

The VCS Program documents for previous versions of the VCS are available on the VCS website and these should be referred to for the rules and requirements under such previous versions of the VCS.

Note that projects, programs and verified carbon units (VCUs) are not labeled in the VCS project database with a specific version of the VCS (i.e., projects are not "2007.1 projects" or "Version 3 projects", and likewise with VCUs). The VCS Program documentation is merely labeled with a version in order to provide version control over the program documents.

1.2   LANGUAGE

The operating language of the VCS Program is English. The VCS Program documents may be translated into other languages to facilitate local use. However, the English versions of VCS Program documents, and the interpretation of same, shall take precedence over any other language translations.

1.3   DEFINITIONS

Definitions as set out in VCS document *Program Definitions*, *ISO 14064-2:2006*, *ISO 14064-3:2006* and *ISO 14065:2007* shall apply to all VCS Program documentation. Note that defined terms in the VCS Program documents, in common with ISO convention, are used without capital first letters.

2 | Overview of the VCS Program

2.1   PROGRAM OBJECTIVES

The VCS Program establishes the rules and requirements that operationalize the VCS to enable the validation of GHG projects and programs, and the verification of GHG emission reductions and removals that can be used both in voluntary and compliance markets. The VCS Program aims to:

1) Establish clear rules and procedures to enable the successful development of GHG projects and programs, and the creation of high quality GHG credits;

2) Create a trusted and fungible GHG credit, the VCU;

3) Stimulate innovation in GHG mitigation technologies and measures as well as procedures for validation, verification and registration, all within a context of quality, credibility and transparency;

4) Provide a secure registry system for all VCUs that offers assurance against double counting and provides transparency to the public;

5) Demonstrate workable frameworks and offer lessons that can be incorporated into other

GHG programs and climate change regulation;

6) Provide oversight to ensure that investors, buyers and the market recognizes VCUs as being real, additional and permanent; and

7) Link carbon markets worldwide through a coherent and robust framework.

2.2   PROGRAM HISTORY

The Climate Group, the International Emissions Trading Association and the World Business Council for Sustainable Development are the partner organizations that founded the VCS Program. The World Economic Forum also partnered in the development of the Program for part of the process. *VCS Version 1* was released on 28 March 2006 as both a consultation document and a standard for use by the market. *VCS Version 2* was released in October 2006 as a consultation document and did not replace *VCS Version 1* as the applicable version. After two years of work, two rounds of public consultation and the work of the 19 member steering committee[1] and seven technical working groups, *VCS 2007* was released on 19 November 2007. *VCS 2007.1*, which incorporated requirements for agriculture, forestry and other land use projects, was released on 18 November 2008. *VCS Version 3* was issued on 8 March 2011.

2.3   PROGRAM SCOPE

The VCS Program provides the standard and framework for independent validation of projects and programs, and verification of GHG emission reductions and removals, based on *ISO 14064-2:2006* and *ISO 14064-3:2006*. The scope of the VCS Program covers all those activities related to the generation of GHG emission reductions and removals, including jurisdictional programs and nested REDD+ projects. The scope does not include carbon footprint assessments or carbon neutrality claims.

Participation is voluntary and based on objective criteria. The VCS Program is not discriminatory to project proponents, jurisdictional proponents, methodology element developers, validation/verification bodies, VCU buyers, sellers or brokers, VCS registries or other GHG programs seeking recognition under the VCS Program.
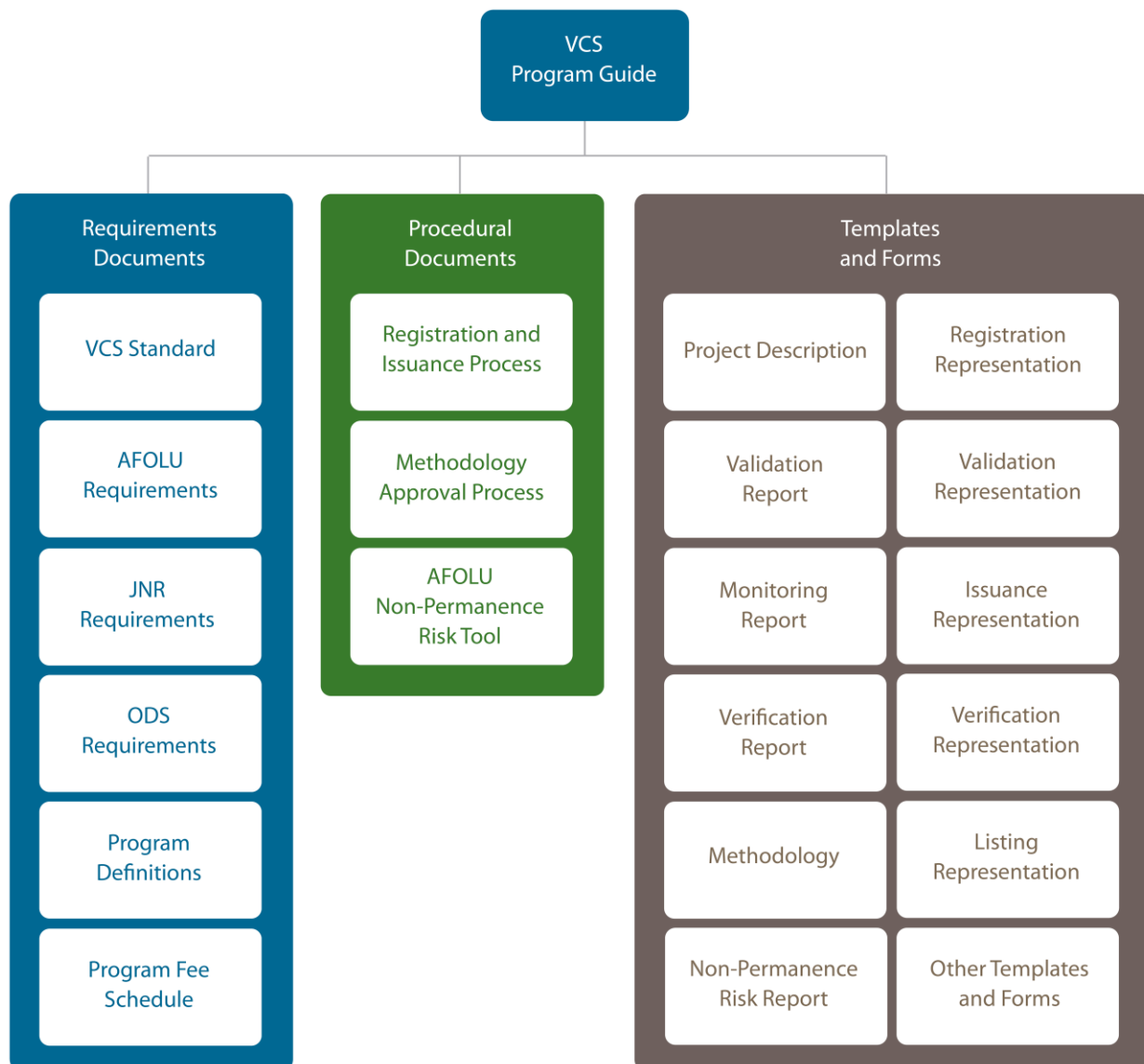
2.4   PROGRAM DOCUMENTS

The rules and requirements for the VCS Program are set out in the program documents. Projects, programs and methodologies shall meet with all the applicable rules and requirements set out in these documents.

The structure of the program documents is summarized in Diagram 1. The *VCS Program Guide* is the

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[1] The members of the steering committee were Jan-Willem Bode, Derik Broekhoff, Mike Burnett, Robert Dornau, Steve Drummond, Mitchell Feierstein, Yoshito Izumi, Mark Kenber, Adam Kirkman, Andrei Marcu, Erin Meezan, Ken Newcombe, Mark Proegler, Robert Routliffe, Richard Samans, Marc Stuart, Einar Telnes, Bill Townsend and Diane Wittenberg.

overarching program document, providing the rules and requirements governing the VCS Program and further describing the constituent parts of the program such as the project and program registration process, the VCS registry system, the methodology approval process, and the accreditation requirements for validation/ verification bodies. Complementing the *VCS Program Guide* are requirements documents, procedural documents, and templates and forms. The VCSA may issue new documents, as developments in the VCS Program require, and the complete and current list of the program documents is available on the VCS website.

Diagram 1: Program Documents

In addition to the *VCS Program Guide*, the program documents currently include the following:

    1)   <u>Requirements Documents</u>

a) *VCS Standard*. Provides the requirements for developing projects and methodologies, and for the validation and verification process.

b) *AFOLU Requirements*. Provides further requirements for developing AFOLU projects and methodologies.

c) *JNR Requirements*. Provides further requirements for developing jurisdictional REDD+ programs and nested REDD+ projects.

d) *ODS Requirements*. Provides further requirements for developing ODS projects and methodologies.

e) *Program Definitions*. Provides the definitions for terms used in the VCS Program documents.

f) *Program Fee Schedule*. Provides the fees related to the various parts of the VCS Program.

2) Procedural Documents

a) *Registration and Issuance Process.* Provides the procedures and rules for registering projects and issuing VCUs.

b) *JNR Registration and Issuance Process.* Provides the procedures and rules for registering jurisdictional baselines and jurisdictional REDD+ programs, as well as projects nested in jurisdictional programs and standalone projects operating under Scenario 1.

c) *JNR Validation and Verification Process.* Provides the process and requirements for the validation and verification of jurisdictional baselines and jurisdictional REDD+ programs.

d) *Methodology Approval Process.* Provides the procedures and rules for approval of VCS methodology elements.

e) *AFOLU Non-Permanence Risk Tool.* Provides the procedure for conducting non-permanence risk analysis and buffer determination for AFOLU projects.

3) Templates and Forms

a) *VCS Templates.* Templates for project descriptions, validation reports, monitoring reports, verification reports and methodologies.

b) *Representations Templates.* Templates for deeds of representation made by project proponents and validation/verification bodies.

c) *Forms.* Forms such as for submitting methodology elements under the methodology approval process and for applying to be an AFOLU expert.

The following are normative (referenced) documents for the VCS Program:

1) *ISO 14064-2:2006, Greenhouse gases - Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements*, ISO, 2006.

2) *ISO 14064-3:2006, Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*, ISO 2006.

3) ISO 14065:2007, Greenhouse gases - Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition, BSI, 2007.

4) *The GHG Protocol for Project Accounting* (Chapter 7, guidance related to additionality and common practice), WRI, 2005.

The four standards above are part of the requirements of the VCS and their requirements shall be met either by the project proponent (*ISO 14064-2:2006*) or validation/verification body (*ISO 14064-3:2006* and *ISO 14065:2007*). Where there is any conflict between VCS Program documentation and the above normative references, the VCS Program documentation shall take precedence.

The program documents are also complemented by a number of guidance documents. These guidance documents do not set out VCS rules and requirements, but they provide additional information to assist with the interpretation of the rules and requirements. It is strongly encouraged that such guidance is followed.

2.5   ROLES AND RESPONSIBILITIES

2.5.1   Project and Jurisdictional Proponents

Project and jurisdictional proponents are the entities with overall control and responsibility for projects or programs. A project may have one project or jurisdictional proponent, or there may be a number of project or jurisdictional proponents who collectively have overall control and responsibility for a project or program. Project and jurisdictional proponents establish and operate projects and programs in accordance with the VCS rules. They are responsible for providing the project or program description, monitoring report and supporting documentation (including evidence of project ownership or program ownership) to facilitate validation and verification.

Project and jurisdictional proponents sign unilateral representations with respect to their projects or programs and VCUs, and these are made available on the VCS project database. Project proponents assume limited liability for replacement of excess VCUs, as set out in Section 4.5.

Note – In order to aid the readability of the VCS Program documentation, the documents use project and jurisdictional proponent in the singular. For projects and programs with multiple project or jurisdictional proponents, "project proponents" or "jurisdictional proponents" should be substituted in place of "project proponent" or "jurisdictional proponent", as appropriate.

2.5.2   Methodology Element Developers

Methodology element developers are entities that develop methodologies, methodology revisions, modules and tools that are subject to the methodology approval process.

2.5.3   Validation/Verification Bodies

Validation/verification bodies are accredited to:

1)   Validate projects and verify GHG emission reductions and removals.

2)   Assess methodology elements under the methodology approval process.

Validation/verification bodies are only eligible to carry out work for the sectoral scopes for validation and verification for which they hold accreditation and must sign the required agreement with the VCSA before they can perform validation or verification in connection with the VCS Program. The list of validation/ verification bodies is available on the VCS website.

2.5.4   VCS Registries

VCS registries are approved and contracted by the VCSA to provide registry services for the VCS Program. VCS registries are responsible for ensuring that all required project and program documents have been submitted to the registry; issuing and maintaining accounts of VCUs for accountholders; working with other VCS registries to ensure the seamless flow of VCUs throughout the entire VCS registry system; tracking and reporting the deposit/withdrawal of buffer credits to/from the centrally managed AFOLU pooled buffer account and jurisdictional pooled buffer account; and maintaining custody and records of VCU legal ownership.

2.5.5   VCU Buyers, Sellers and Brokers

Buyers, sellers and brokers are companies, organizations or individuals who transact VCUs or facilitate the transaction of VCUs.

2.5.6   VCS Association

The VCS Program is managed by the VCS Association (VCSA), which is an independent, non-profit, organization incorporated under the laws of the District of Columbia in the United States. The VCSA is responsible for managing, overseeing and developing the program. It maintains an impartial position in the market and does not develop projects, programs or methodologies, nor does it provide validation, verification or consulting services.

One of the VCSA's roles is in respect of overseeing and ensuring the integrity of projects, programs and VCUs in the VCS registry system. The VCSA conducts reviews of project and program registration and VCU issuance requests, and quarterly and annual reviews of projects and VCUs in the VCS registry system. The VCSA is also responsible for overseeing the validation/verification bodies operating under the VCS Program. Where the VCSA identifies shortcomings in a validation/verification body's performance, it may provide feedback and require the validation/verification body to address non-conformities.

It reserves the right not to register projects and programs, or issue VCUs where it deems that they are not in compliance with the VCS rules or may otherwise impact the integrity of the VCS Program or the

functioning of the broader carbon market, and to delist projects, programs and VCUs where it deems that they have not been registered or issued in accordance with the VCS rules. The VCSA also reserves the right to take action against validation/verification bodies and VCS registries in accordance with the provisions set out in the agreements signed with the VCSA. The rights and obligations for validation/verification bodies and VCS registry operators are set out in such agreements.

The VCSA is also responsible for managing the methodology approval process, and it reserves the right to not accept methodology elements into the process, not approve methodology elements, or review and update, put on hold or withdraw approved methodology elements where it deems that they are not in compliance with the VCS rules, would sanction politically or ethically contentious project activities, or may otherwise impact the integrity of the VCS Program or the functioning of the broader carbon market.

The VCSA may convene steering committees, advisory committees or working groups to support its work in specific areas. These groups draw in expertise from outside the organization to develop and support specific elements of the VCS Program. A full list of steering committees and working groups is available on the VCS website.

3 | VCS Program Criteria for GHG Projects and Programs

All projects and programs shall meet the requirements set out in the *VCS Version 3* program documents.

GHG emission reductions and removals verified under the VCS Program and issued as VCUs shall meet the following principles:

Real
All GHG emission reductions and removals and the projects or programs that generate them must be proven to have genuinely taken place.

Measurable
All GHG emission reductions and removals must be quantifiable using recognized measurement tools (including adjustments for uncertainty and leakage) against a credible emissions baseline.

Permanent
Where GHG emission reductions or removals are generated by projects or programs that carry a risk of reversibility, adequate safeguards must be in place to ensure that the risk of reversal is minimized and that, should any reversal occur, a mechanism is in place that guarantees the reductions or removals will be replaced or compensated.

Additional

GHG emission reductions and removals must be additional to what would have happened under a business as usual scenario if the project had not been carried out.

Independently Audited

All GHG emission reductions and removals must be verified to a reasonable level of assurance by an accredited validation/verification body with the expertise necessary in both the country and sector in which the project is taking place.

Unique

Each VCU must be unique and must only be associated with a single GHG emission reduction or removal activity. There must be no double counting, or double claiming of the environmental benefit, in respect of the GHG emission reductions or removals.

Transparent

There must be sufficient and appropriate public disclosure of GHG related information to allow intended users to make decisions with reasonable confidence.

Conservative

Conservative assumptions, values and procedures must be used to ensure that the GHG emission reductions or removals are not over-estimated.

4 | VCS Registry System

The VCS registry system is a multi-registry system and is comprised of the VCS project database and the VCS registries.

4.1   VCS PROJECT DATABASE

The VCS project database, which is managed by the VCSA, is the core of the registry system and provides the public interface to all project, program and VCU information. VCU serial numbers are generated by the database, which ensures uniqueness of projects, programs and VCUs. In addition, the VCS project database provides full transparency on project and program documentation, together with information on project and jurisdictional proponents, VCU issuance and retirement, the AFOLU pooled buffer account and the jurisdictional pooled buffer account.

The AFOLU pooled buffer account holds non-tradable buffer credits to cover the non-permanence risk associated with AFOLU projects. It is a single account that holds the buffer credits for all projects. The account is subject to a periodic reconciliation, as set out in VCS document *AFOLU Requirements.* Likewise, the jurisdictional pooled buffer account holds the non-tradable buffer credits to cover the non-permanence risk associated with jurisdictional REDD+ programs and nested projects.
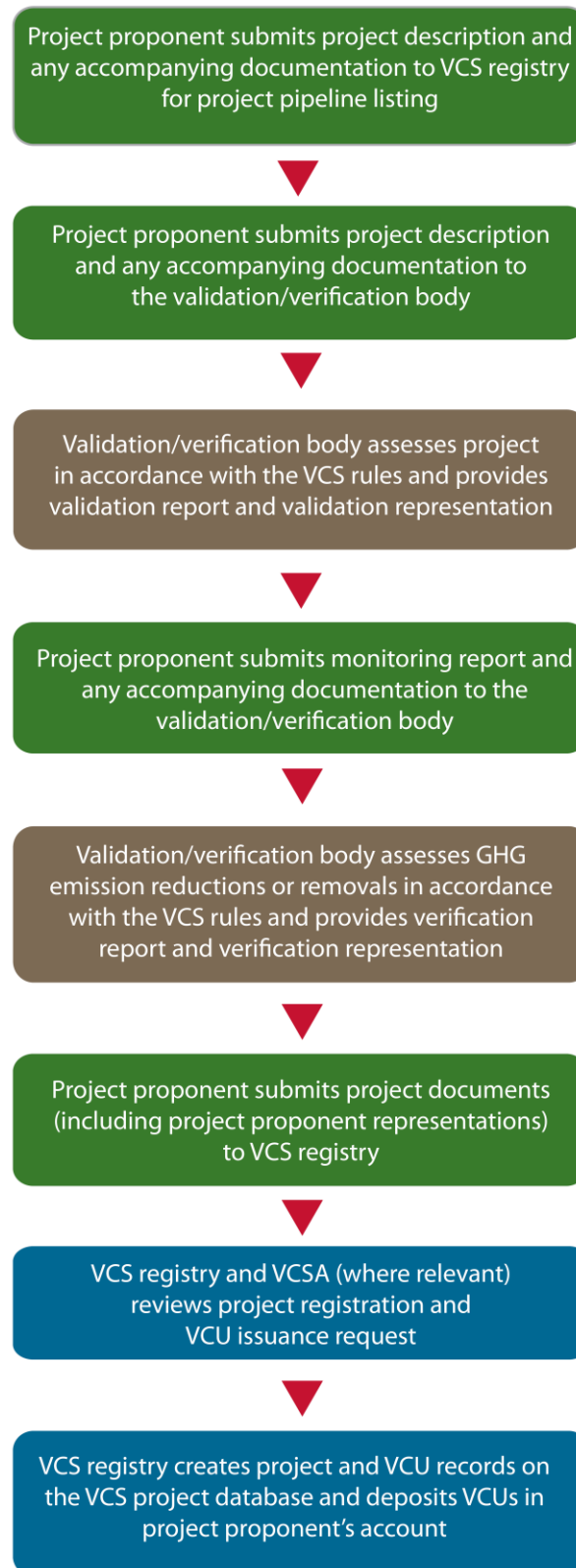
4.2   VCS REGISTRIES

The VCS registries provide accountholder services and are the entry point into the registry system for project and jurisdictional proponents, and VCU buyers and sellers. Such market participants open an account with the VCS registry of their choice and project and program registration and VCU issuance is initiated with a registry administrator.

VCS registry administrators are responsible for ensuring that projects and programs are registered and VCUs are issued in accordance with the VCS rules; providing services for holding, transferring and retiring VCUs; managing AFOLU and jurisdictional buffer credits; and providing custodial services for VCUs and maintaining records of VCU legal ownership. VCS registries are approved and contracted by the VCSA to provide registry services for the VCS Program and a list of VCS registries is available on the VCS website.

The approval of VCS registries by the VCSA is based on a set of criteria and a willingness to work within the VCS registry system. The procedure for applying to become a new VCS registry is available on the VCS website.

4.3   PROJECT AND PROGRAM LISTING, REGISTRATION AND VCU ISSUANCE

The project and jurisdictional proponent (or other eligible entities, as set out in VCS documents *Registration and Issuance Process* and *JNR Registration and Issuance Process*) requests listing and registration of the project and program, and VCU issuance, with their nominated VCS registry. Diagram 2 outlines the project life cycle and registration process, which is similar to the program life cycle and registration process. Once the project or program has been validated and the GHG emission reductions or removals verified, the project or jurisdictional proponent submits the relevant documents to a VCS registry. The registry administrator conducts a completeness review of the documents, and the VCSA may conduct a further accuracy review, to assess compliance with the VCS rules. Where it is determined that the project or program complies with VCS rules, the registry administrator uploads the documents to the VCS project database and issues the VCUs into the project or jurisdictional proponent's account. Note that validation and verification may be undertaken simultaneously, with registration and issuance of the VCUs occurring at the same time, or validation may occur before verification, with registration occurring before any subsequent issuance of VCUs.

Diagram 2: Project Life Cycle and Registration Process

Project proponent submits project description and any accompanying documentation to VCS registry for project pipeline listing

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Project proponent submits project description and any accompanying documentation to the validation/verification body

▼

Validation/verification body assesses project in accordance with the VCS rules and provides validation report and validation representation

▼

Project proponent submits monitoring report and any accompanying documentation to the validation/verification body

▼

Validation/verification body assesses GHG emission reductions or removals in accordance with the VCS rules and provides verification report and verification representation

▼

Project proponent submits project documents (including project proponent representations) to VCS registry

▼

VCS registry and VCSA (where relevant) reviews project registration and VCU issuance request

▼

VCS registry creates project and VCU records on the VCS project database and deposits VCUs in project proponent's account

The process and detailed rules and requirements for project pipeline listing, program listing, project and program registration, and VCU issuance are set out in VCS documents *Registration and Issuance Process* and *JNR Registration and Issuance Process*.

4.4   VCU ISSUANCE LEVY

The VCSA charges an issuance levy to cover administration costs. The VCU issuance levy is payable on each VCU issued, at the rate set out in VCS document *Program Fee Structure*. The fee shall be paid before any VCUs are issued by a VCS registry. VCS registries will make additional charges for their services and these are separate from the VCU issuance levy.

4.5   VCU LIABILITY AND STATUTE OF LIMITATIONS

Registered projects and issued VCUs are subject to review by the VCSA, as set out in VCS document *Registration and Issuance Process*. Project proponents are responsible for compensating for excess VCU issuance where the VCSA deems, acting reasonably, that there has been a material erroneous issuance of VCUs in respect of a project, as a result of the fraudulent conduct, negligence, intentional act, recklessness, misrepresentation or mistake of the project proponent. A statute of limitations applies, whereby the VCSA can only require such compensation in relation to any verification completed after 8 April 2014 and up to the later of:

1) 6 years after the date of issuance of the relevant VCU; or

2) 12 months after the date upon which any second verification report with respect to the relevant VCU is accepted on the VCS registry system.[2]

5 | VCS Program Accreditation

5.1   ACCREDITATION REQUIREMENTS

Validation/verification bodies are eligible to provide validation and verification services under the VCS Program if they have signed the required agreement with the VCSA and are:

1) Accredited under a VCS-approved GHG program;

2) Accredited under *ISO 14065* for scope VCS by an accreditation body that is a member of the International Accreditation Forum; or

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[2] The relevant VCU will be issued following acceptance of a verification report for a project. For some types of AFOLU projects in particular, verification cycles may be longer than 6 years. In this regard, if the second verification report shows a VCU has been erroneously issued the VCSA will have an additional 12 months to deal with that issue. Note also that where a VCU is erroneously issued from the last verification report of a project, Section 4.5(1) applies.

3) Approved under the VCS temporary accreditation program.

The validation/verification body shall hold such accreditation or approval for validation or verification (as applicable) for the sectoral scope(s) applicable to the methodology applied to the project. Where the methodology falls under more than one sectoral scope, the validation/verification body shall hold accreditation or approval for validation or verification (as applicable) for all relevant sectoral scopes.

Where the validation/verification body holds accreditation or approval for the verification for the relevant sectoral scope(s) but does not hold accreditation or approval for validation, it may validate project description deviations and inclusion of new project activity instances in grouped projects at the time of verification, under the following circumstances:

1) It holds accreditation or approval for validation in at least one other sectoral scope.

2) It has completed validation of at least five projects under the VCS Program or an approved GHG program, and such projects have been registered under the relevant program.

3) The validation activity does not entail the validation of a project description deviation that impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario (see the *VCS Standard* for further information on such deviations).

Validation/verification bodies, other than those accredited under the VCS temporary accreditation program are also eligible to conduct assessments (validation) of methodology elements under the methodology approval process. The validation/verification body shall hold accreditation for validation for the sectoral scope(s) applicable to the methodology. Where the methodology falls under more than one sectoral scope, the validation/verification body shall hold accreditation for validation for all relevant sectoral scopes.

5.2   TEMPORARY ACCREDITATION PROCESS

The temporary accreditation program provides a process for the temporary approval of entities that have applied for:

1) Accreditation under a VCS-approved GHG program;

2) Accreditation under *ISO 14065* for scope VCS with an accreditation body that is a member of the International Accreditation Forum; or

3) Sectoral scope extension under an accreditation held under a VCS-approved GHG program or under *ISO 14065* for scope VCS with an accreditation body that is a member of the International Accreditation Forum.

Entities may apply to be assessed for temporary accreditation for validation and/or verification for the sectoral scopes applied for under the above. The temporary accreditation assessment is a desk-based process to ascertain whether the applicant has the personnel competencies, robust structure and procedures, and experience to competently conduct validation and/or verification of GHG assertions with impartiality, objectivity, independence, freedom from conflict of interests, freedom from bias, lack of

prejudice, neutrality and fairness.

Entities may also be granted temporary accreditation for validation where the entity is accredited for verification (for the relevant sectoral scope) under a VCS-approved GHG program or under *ISO 14065* for scope VCS with an accreditation body that is a member of the International Accreditation Forum. Such entities shall have applied for accreditation for validation (for the relevant sectoral scope) under an eligible accreditation body and have successfully completed the desk review phase of the accreditation process.

Entities are not eligible to conduct assessment of methodology elements under temporary accreditation.

Temporary accreditation is granted by the VCSA for a period of 12 months, which may be extended by six months if the applicant demonstrates to the satisfaction of the VCSA that there has been a delay in receiving accreditation due to the internal operational procedures of the respective accreditation body.

By the end of the temporary accreditation period, it is expected that the entity will have been accredited by the respective accreditation body. In the event that an entity fails to obtain such accreditation, the VCSA may commission a validation/verification body to repeat the validations and/or verifications undertaken by the entity, and the entity shall be liable for any over-issuance of VCUs, in accordance with the temporary accreditation agreement signed by the entity and the VCSA.

6 | Methodology Approval Process

The methodology approval process is the process by which methodologies, methodology revisions, modules and tools (including additionality tools, performance benchmarks and technology benchmarks), are approved under the VCS Program. Such methodology elements are subject to a global stakeholder consultation hosted on the VCS website and independent assessments by two validation/verification bodies, before final approval by the VCSA.

The full rules and requirements for methodology elements with respect to the methodology approval process are set out in VCS document *Methodology Approval Process*.

6.1   REVIEW OF APPROVED VCS METHODOLOGY ELEMENTS

The VCSA may periodically review methodology elements approved under the VCS Program to ensure they continue to reflect best practice and scientific consensus. This includes ensuring that methodology elements approved under the program are consistent with any new requirements issued by the VCSA and that methodology elements have appropriate criteria and procedures for addressing all VCS requirements and are consistent with emerging best practice and scientific consensus. As a result, the VCSA may need to update, put on hold or withdraw a methodology element. The procedure through which the VCSA may review approved VCS methodology elements and take appropriate action is set out in VCS document *Methodology Approval Process*.

6.2   COMPENSATION FOR METHODOLOGY DEVELOPERS

Methodology developers are eligible to receive compensation for methodologies approved under the VCS Program.

Developers of methodologies approved under the VCS Program on or after 13 April 2010 are eligible to receive compensation. Compensation will be paid according to the number of VCUs issued to projects using the methodology or a revision of the methodology, at the rate and in accordance with the payment terms set out in VCS document *Program Fee Schedule*. Compensation is payable with respect to VCUs issued on or after 15 June 2010. Methodology developers may elect not to receive compensation by notifying the VCSA at any time.

Where the VCSA sanctions the consolidation of a number of methodologies, the compensation due to the developer of the consolidated methodology and the underlying methodologies respectively will be determined on a case-by-case basis by the VCSA.

Where an eligible methodology is withdrawn or put on hold, compensation remains payable in respect of continuing issuance of VCUs to registered projects that have applied the methodology or a revision of the methodology.

Only methodologies developed under the VCS methodology approval process are eligible for the compensation mechanism. Developers of methodology revisions, modules and tools are not compensated under the mechanism.

Note – Project proponents pay the same flat VCU issuance levy regardless of the methodology applied to the project. The VCSA pays any compensation to the methodology developer out of the VCU issuance levy it receives.

7 | Linking to Other GHG Programs

To recognize work that has gone into developing other credible GHG programs, the VCS Program has a process for approving GHG programs that meet VCS criteria. A GHG program shall demonstrate compliance with VCS principles and requirements through a gap analysis and the VCS Board will make the final decision on whether to approve the GHG program. VCS approval of a GHG program has three implications:

1) GHG credits under the approved GHG program may be cancelled and issued as VCUs (converted into VCUs).

2) Validation/verification bodies under the approved GHG program are approved for VCS

validation and verification (for the corresponding sectoral scopes for validation and verification respectively, and provided they have signed the required agreement with the VCSA).

3) Methodology elements under the approved GHG program may be used for developing VCS projects.

The list of approved GHG programs is available on the VCS website, together with any specific conditions or further clarifications with respect to the scope of approval.

7.1   GAP ANALYSIS METHODOLOGY

The approval of other GHG programs is based on the principle of full compatibility with the VCS Program. A gap analysis process is applied to determine the other GHG program's compliance with VCS principles and requirements and to assess whether the GHG emission reductions or removals issued under the GHG Program are fully compatible with VCUs issued under the VCS Program. A copy of the gap analysis methodology is available upon request from the VCSA.

7.2   GAP ANALYSIS PROCESS

Any party may initiate a gap analysis of another GHG program with the VCS Program. All relevant documentation in relation to the GHG program shall be provided to the VCSA, with appropriate authorization secured.

The onus is on the GHG program to demonstrate that it meets the VCS Program criteria. The costs of the assessment are borne by the GHG program or whoever initiates the gap analysis. The applicant prepares and submits an evidence pack, in accordance with the gap analysis methodology, demonstrating how the GHG program is in compliance with the relevant requirements of the VCS Program. The VCSA then selects a qualified team who will use the evidence pack to assess compliance with the VCS Program. The team may seek additional evidence and information from the GHG program.

Based on the gap analysis report, the VCS Board will make a decision on whether to approve the full GHG program or elements of the program.

7.3   REVIEW OF VCS-APPROVED GHG PROGRAMS

Approved GHG programs are reviewed periodically by the VCSA. Any changes made by an approved GHG program which may affect its compatibility with the VCS Program shall be communicated immediately to the VCSA. In the event that it is considered that the changes lead to non-conformity with the VCS Program, the VCS Board may decide to suspend or terminate its recognition of the approved GHG program. Any projects approved under the GHG program prior to such VCS Board decision will not be affected by the suspension or termination.

8 | Complaints and Appeals Procedure

Project and jurisdictional proponents, methodology element developers, validation/verification bodies and other stakeholders may submit enquiries to the VCSA at any time. In addition, the VCS Program provides a complaints procedure and an appeals procedure.

All expenses, internal and external, incurred by VCSA in handling complaints and appeals shall be paid by the entity filing the complaint or appeal. Prior to initiation of the handling process, the VCSA will inform the entity filing the complaint or appeal of its estimated handling cost. Where the outcome of a complaint or appeal is to overturn an earlier decision made by the VCSA, the entity filing the complaint or appeal will not be liable for covering such expenses.

8.1 COMPLAINTS

A complaint is an objection to a decision taken by the VCSA or an aspect of how it operates the VCS Program, or a claim that the VCS rules have had an unfair, inadvertent or unintentional adverse effect. Project proponents, methodology developers and other stakeholders are provided with the following complaints procedure:

1) The complaint shall include the following information:

   a) Name of the complainant.

   b) Name of organization, if relevant.

   c) Contact information for the complainant.

   d) Details of the complaint.

   e) Declaration of any conflict of interest in submitting the complaint.

2) The complaint shall be addressed to the VCSA Program Manager and emailed to secretariat@v-c-s.org with the word *complaint* in the subject line. An email response is provided to the complainant from the VCSA acknowledging receipt of the complaint.

3) The VCSA appoints an appropriate person to handle the complaint, who will organize an analysis (involving external experts, as required) and determine any appropriate action required.

4) The VCSA prepares a written response and provides this to the complainant. The response to the complaint is brought to the attention of and approved by the VCSA CEO.

5) All information submitted by the complainant with respect to the complaint is kept confidential by the VCSA.

Complaints about entities (by the clients of such entities) that provide services under the VCS Program, such as validation/verification bodies and VCS registries, shall be pursued via the respective entity's complaint procedure. Where the complaint is not resolved to the satisfaction of the complainant and the complaint is in relation to the respective entity's interpretation of the VCS rules, the complainant may submit a complaint to the VCSA. Note that other stakeholders may also choose to submit complaints to entities providing services under the VCS Program where such entities have complaints procedures for third parties (i.e., non-clients).

8.2   APPEALS

Where a complaint, submitted as set out in Section 8.1, has not been resolved to the satisfaction of the complainant, complainants are provided with the following appeals procedure:

1) The appeal shall include the following information:

   a) Name of the appellant.

   b) Name of the organization, if relevant.

   c) Contact information for the appellant.

   d) Details of the appeal, including reference to the original complaint.

2) The appeal shall be addressed to the chair of the VCS Board and emailed to chairvcsboard@v-c-s.org with the word *appeal* in the subject line. An email response is provided to the appellant from the chair of the VCS Board acknowledging receipt of the appeal.

3) The VCS Board organizes an analysis, involving external experts (as required).

4) The VCS Board prepares a written response and provides this to the appellant, copying in the VCSA CEO. The VCS Board's decision is final and binding.

5) All information submitted by the appellant with respect to the appeal is kept confidential by the VCSA and the VCS Board.

APPENDIX 1: DOCUMENT HISTORY

Version	Date	Comment
v3.0	8 Mar 2011	Initial version released under *VCS Version 3*.
v3.1	19 Oct 2011	Main updates (all effective on issue date): 1) Clarification of process for review of approved VCS methodology elements. 2) Added new pathway for temporary accreditation.
v3.2	1 Feb 2012	Main updates (all effective on issue date): 1) Replaced the term *proof of title* with *evidence of right of use* (Section 2.5.1). 2) Minor clarification to complaints and appeals procedure, on raising complaints with VVBs and VCS registries, declaration of conflict of issue, and subject line for complaints and appeals (Section 8).
v3.3	1 May 2012	Added reference to the project pipeline (Section 4.3).
v3.4	4 Oct 2012	Main updates (all effective on issue date): 1) Expanded VCS Program scope to include jurisdictional and nested REDD+ (Sections 2.3 and 2.4). 2) Inserted reference to VCS guidance documents (Section 2.4). 3) Clarified that VCSA reserves the right not to register projects or issue VCUs, and to delist registered projects and cancel issued VCUs, where it deems that they may impact the integrity of the VCS Program or the functioning of the broader carbon market (Section 2.5.6).
v3.5	8 Oct 2013	Main updates (all effective on issue date): 1) Clarified that readers *shall* use the most current version of this document (Section 1.1). 2) Clarified the roles of the VCSA with respect to conducting project reviews and project proponents with respect to liability (Section 2.5). 3) Clarified the project lifecycle and registration process with respect to project reviews (Section 4.3). 4) Introduced a statute of limitations for VCUs (Section 4.5). 5) Introduced rules to allow validation/verification bodies with only verification accreditation to conduct limited validation activities at the time of verification (Section 5.1). 6) Expanded the types of complaints which may be submitted under the VCS complaints procedure (Section 8.1). 7) Included reference to (JNR) programs, where applicable (throughout).
v3.6	19 Oct 2016	Main updates (all effective on issue date, unless otherwise stated): 1) Replaced term *right of use* with *project ownership or program ownership* (Section 2.5.1)
v3.7	21 Jun 2017	Main updates (all effective on issue date, unless otherwise stated): 1) Introduced procedure for issuing errata and clarifications (Section 1.1)

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