

MEMO

To: Secretariat of the VCS program, Verra  
From: Martin Clermont, CEO Will Solutions Inc.  
Date: July 5<sup>th</sup>, 2018  
Subject: General comments on the proposed version 4.0 of the VCS program

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We are grateful to have received an invitation from VCS to comment on its draft version 4.0, conducted under the direction of Verra <http://verra.org/about-verra/who-we-are/>. As the developer of the VM0018 methodology realized under the VCS program version 3.0 and as the project proponent of a first cluster project based on methodology VM0018, we are happy to submit some recommendations.

We have read carefully the documentation provided by Verra in its web site and have reviewed the May 31<sup>st</sup> webinar several times. We have discussed with stakeholders involved in our Project Documentation (PD) and we have collected and integrated their comments to this document.

We fully agree, on the fact that it is the right moment to update the current version of the VCS program, dating from March 2011, on the basis of major developments mainly: the signing of the Paris Agreement, the rise of interest in Sustainable Development Goals (SDG) and other technological developments. Our comments will be concentrated on 4 issues as indicated in the Table of Contents of Verra's PowerPoint:

1. Revision to Scope of the VCS program;
2. The Domestic Climate Contribution (DCC);
3. Streamlining Methodology Approval Process;
4. Reorganizing VCS Program Documents and some program issues; double counting, the overlap period of the Monitoring report and the use of block chain technology.

## 1) Revision to Scope of the VCS program:

- a. We understand that the Verra proposal is to exclude certain project types from future eligibility under the VCS Program, because certain project types are moving beyond their reliance on carbon finance. Verra identified specific project activities no longer depend on carbon finance.
- b. Such specific project activities are listed in the next Table and focus mainly on:
  - a. Sectoral scope 1 and 2<sup>1</sup> including the energy conversion (switch fuel) **for power plants**<sup>2</sup>
  - b. Sectoral scopes 4, 5, 6, 8 and 9 with projects related to the energy production and use **at industrial facilities**<sup>3</sup>.
- c. The project activity listed by Verra are classified in Non LDC/SIDS<sup>4</sup> and LDC/SIDS as defined **«Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States» and separated between large scale<sup>5</sup> and small Scale<sup>6</sup>**

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<sup>1</sup> <http://verra.org/project/vcs-program/projects-and-jnr-programs/vcs-sectoral-scopes/>

<sup>2</sup> As described in the webinar at 51.00 minutes

<sup>3</sup> As described in the webinar at 51.00 minutes

<sup>4</sup> Forty-seven (47) countries are categorized as LDCs. Twenty-eight (28) LDCs are located in Africa, six (6) in Arab States, twelve (12) in Asia & Pacific, and one (1) in the Americas. [More >](#). Thirty-two (32) countries are categorized as LLDCs. Sixteen (16) LLDCs are located in Africa, four (4) in Asia & Pacific, eight (8) in CIS, two (2) in Europe, and two (2) in the Americas. [More >](#)

<sup>5</sup> [http://verra.org/wp-content/uploads/2018/03/VCS\\_Standard\\_v3.7.pdf](http://verra.org/wp-content/uploads/2018/03/VCS_Standard_v3.7.pdf), section 3.9, page 17, is defined as greater than 300,000 tonnes of CO<sub>2</sub>e per year

<sup>6</sup> Idem is defined as less than or equal to 300,000 tonnes of CO<sub>2</sub>e per year



Activity	Non LDC/SIDS		LDC/SIDS	
	Large Scale	Small Scale	Large Scale	Small Scale
Grid-connected hydro	X	X	X	✓
Grid-connected geothermal, solar, wind	X	X	✓	✓
Waste heat	X	X	✓	✓
Fuel switch, biomass	X	X	✓	✓
Fuel switch, fossil fuels	X	X	✓	✓
Energy efficient lighting	X	✓	✓	✓
Energy distribution	X	✓	✓	✓

- We agree, on the revision of energy for large scale project activities associated to **power plants**<sup>7</sup> and **large industrial plant** facilities, their projects associated to energy (production and consumption) seem to no longer depend on carbon finance, as it works well for industries that use a lot of fossil energy<sup>8</sup>.
- We believe that *Energy transition*, from the use of fossil fuel switching to renewable energy, is not yet done and accessible for the great majority of Client facilities in the majority of jurisdictions around the world. The Clients facilities around the world should include Small and Medium Enterprises (SME), small to medium size municipalities and other commercial and institutional buildings, as Carbon pricing tends not to work well for curbing emissions from buildings, which generate about six percent of global emissions<sup>9</sup> and based on the fact that Carbon pricing by itself may not be sufficient to induce change at the pace and on the scale required for the Paris target to be met<sup>10</sup>.
- We based our assumptions on our field experience acquired from our Cluster project (as group project) deployed in the province of Quebec (Canada), as subnational authority. From our first validated cluster project<sup>11</sup> we noticed:
  - The overriding importance for the energetic transition in the role of SME's, small towns and other organisations as non-regulated small emitters (*less than 25K or less than 10K*) and non-subject to any cap and trade;
  - Their access to renewable energy is expensive including acquisition costs, internal administrative costs and the lack of internal expertise to ease the transition. They are not organised and they represent large numbers in Quebec with 256 000 SME'S and 1 112 municipalities non subject to the Cap & Trade.
  - The pooling of expertise and costs offered by a one-stop shop for SME buildings and others, revolving around energy, waste and transport, facilitates the transition and the transformation of more sustainable practices and allows carbon revenues to encourage the desire change.

<sup>7</sup> <https://www.ft.com/content/bdb138ac-6d63-11e8-852d-d8b934ff5ffa> and <https://www.wsj.com/articles/energy-woes-take-toll-on-siemens-1517396945>

<sup>8</sup> <https://www.foreignaffairs.com/articles/world/2018-06-14/why-carbon-pricing-isnt-working?cid=soc-tw-rdr>

<sup>9</sup> <https://www.foreignaffairs.com/articles/world/2018-06-14/why-carbon-pricing-isnt-working?cid=soc-tw-rdr>

<sup>10</sup>

[https://static1.squarespace.com/static/54ff9c5ce4b0a53decccfb4c/t/59b7f26b3c91f1bb0de2e41a/1505227373770/CarbonPricing\\_EnglishSummary.pdf](https://static1.squarespace.com/static/54ff9c5ce4b0a53decccfb4c/t/59b7f26b3c91f1bb0de2e41a/1505227373770/CarbonPricing_EnglishSummary.pdf)

<sup>11</sup> In French [http://www.solutionswill.com/sites/default/files/u51/quebec\\_carboneutre\\_le\\_10\\_avril\\_2018.pdf](http://www.solutionswill.com/sites/default/files/u51/quebec_carboneutre_le_10_avril_2018.pdf)

- We would like to mention that smaller project activities (PAI), a term used for micro projects<sup>12</sup> with less than 5 000 tons of CO<sub>2</sub>e per year, may be regrouped, under the VM0018 methodology, into a unique cluster<sup>13</sup> or grouped project<sup>14</sup>. These clusters may regroup several hundred specific Client facilities having one or more project activity instances per site.
- We refer to some studies showing the challenge in realizing large volumes of GHG reductions inside Quebec with «clean electricity» (with almost no carbon footprint) as shown in a university study EEQ<sup>15</sup> and in a government mid-term report mentioning the need for a yearly reduction of 10 million tons of GHG's that needs to be realized in the Quebec territory<sup>16</sup>

**We recommend to Verra to continue to accept, in VCS's program version 4.0, grouped projects (clusters) for PAI's with less than 5 000 tons of CO<sub>2</sub>e per year as defined and limited in the methodology VM0018. This should be acceptable both for non LDC/SIDS<sup>17</sup> and for LDC/SIDS countries and islands.**

Thank you for specifying to the audience that registered projects and projects that apply for registration within 3 months of a revision to the scope of the VCS Program will/would remain eligible under the VCS Program for the entirety of their renewable crediting periods. We understand that following such grace periods, the project types listed in the table above would no longer be eligible to request registration.

## 2. The Domestic Climate Contribution (DCC)

- The program should carefully introduce DCC considering the double counting issue. We understand the fact that several countries of the Paris Agreement intend to buy offsets outside their own countries to reach their National determined Contribution (NDC).
- The program should always consider the ownership of the GHG reduction associated to its physical realization on a specific territory.
- The Program should be careful not to favor a greater gap in social and environmental injustices by encouraging developed countries to buy offsets at the expense of poorer countries under the false pretext of a fair trade market at a lowest cost.

## 3. Streamlining Methodology Approval Process

<sup>12</sup> As defined PAI project activity instance A particular set of implemented technologies and/or measures that constitute the minimum unit of activity necessary to comply with the criteria and procedures applicable to the project activity under the methodology applied to the project : [http://verra.org/wp-content/uploads/2018/03/Program\\_Definition\\_v3.7.pdf](http://verra.org/wp-content/uploads/2018/03/Program_Definition_v3.7.pdf) , page 12

<sup>13</sup> <http://verra.org/methodology/vm0018-energy-efficiency-and-solid-waste-diversion-activities-within-a-sustainable-community-v1-0/>

<sup>14</sup> As defined [http://verra.org/wp-content/uploads/2018/03/VCS\\_Standard\\_v3.7.pdf](http://verra.org/wp-content/uploads/2018/03/VCS_Standard_v3.7.pdf) , section 3.4.1 page 9

<sup>15</sup> In French, page 32-33 and 41-43 [http://energie.hec.ca/wp-content/uploads/2017/12/EEQ2018\\_WEB-FINAL.pdf](http://energie.hec.ca/wp-content/uploads/2017/12/EEQ2018_WEB-FINAL.pdf)

<sup>16</sup> Page 22 <http://www.mddelcc.gouv.qc.ca/changementsclimatiques/bilan/bilanPACC-mi-parcours.pdf>

<sup>17</sup> Forty-seven (47) countries are categorized as LDCs. Twenty-eight (28) LDCs are located in Africa, six (6) in Arab States, twelve (12) in Asia & Pacific, and one (1) in the Americas. [More >](#). Thirty-two (32) countries are categorized as LLDCs. Sixteen (16) LLDCs are located in Africa, four (4) in Asia & Pacific, eight (8) in CIS, two (2) in Europe, and two (2) in the Americas. [More >](#)

As we have practical experience in methodology development and approval under the VCS program and based on the development and approval of the VM0018, we would like to recommend accelerating the approval period by limiting to 12 months the approval period by VCSA of any new methodology and to 6 months for its modification. We also recommend increasing the return to its designer for an amount of 0,05\$US/VCU issued under any project based on this methodology and/or its modification.

#### 4. Reorganizing VCS's Program Documents and other program issues;

- a. The double counting issue: We believe that the ownership of the GHG reduction is the key aspect in determining priority for counting and should be included in VCS's program version 4.0.
- b. The limitation associated with the overlap period of the Monitoring Report (MR), as communicated to the VCS program in 2017 and summarized in the VCS note<sup>18</sup>, should be modified to allow for group projects with clear identification having new PAI's which were not included in a previous Monitoring Report.

This would allow thousands of SME's that were not contracted at the start of the project, to monetize their measured and verified efforts and avoid waiting for the end of the verification of the Monitoring Report covering all the PAI's of all client Facilities of the cluster (Group project). This situation will create a better environmental and social justice for small GHG emitters.

- c. The use of the Block chain technology should be seriously considered, as the UN has suggested<sup>19</sup>, to be used and recognized by the program<sup>20</sup> to stimulate and increase climate change actions, to ease the recording of evidence and for the fluidity, transparency and accountability of the exchange of VCU's in the voluntary carbon markets.

<sup>18</sup> Project review Report, 2ISS PRR 929 04dec2017. Pdf and posted on the VCS website on Dec 6, 2017, [http://vcsprojectdatabase.org/#/project\\_details/929](http://vcsprojectdatabase.org/#/project_details/929).

<sup>19</sup> <https://webcache.googleusercontent.com/search?q=cache:2-WR1OocTEJ:https://unfccc.int/fr/news/l-onu-soutient-la-technologie-blockchain-pour-l-action-climatique+&cd=1&hl=fr&ct=clnk&gl=ca>

<sup>20</sup> [http://www.sustainablebrands.com/news\\_and\\_views/marketing\\_comms/nicole\\_palkovsky/can\\_blockchain\\_really\\_answer\\_our\\_transparency](http://www.sustainablebrands.com/news_and_views/marketing_comms/nicole_palkovsky/can_blockchain_really_answer_our_transparency)