



## Policy Announcement from the VCS Association

23 July 2009

### Applicability of Section 5.2.2 of the VCS 2007.1: Double Counting

#### Background

Section 5.2.2 of the VCS 2007.1 sets out the requirements to ensure double counting of GHG emission reductions or removals is prevented. Specifically:

*“Project proponents of projects that reduce GHG emissions from activities that:*

- *are included in an emissions trading program; or*
- *take place in a jurisdiction or sector in which binding limits are established on GHG emissions;*

*shall provide evidence that the reductions or removals generated by the project have or will not be used in the emissions trading program or for the purpose of demonstrating compliance with the binding limits that are in place in that jurisdiction or sector. Such evidence could include:*

- *a letter from the program operator or designated national authority that emissions allowances (or other GHG credits used in the program) equivalent to the reductions or removals generated by the project have been cancelled from the program; or national cap as applicable or;*
- *purchase and cancellation of GHG allowances equivalent to the GHG emissions reductions or removals generated by the project related to the program or national cap.”*

However, there may be specific situations where projects reduce GHG emissions from activities that are included in an emissions trading program or take place in a jurisdiction or sector in which binding limits are established on GHG emissions, but where the requirements outlined above are not applicable because there is, in practice, little or no risk of double counting. For example, if an Annex 1 country were to fail to comply with its Kyoto Protocol reduction commitment, there may be no double counting of the environmental benefit associated with any GHG emission reduction or removal projects hosted in that country. Likewise, there may be post-2012 scenarios where similar uncertainties may exist, such as if non-Annex 1 countries were to adopt non-binding or no-lose reduction commitments.

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The VCS Association provides the following to address the uncertainty about the applicability of the VCS requirements with respect to double counting in specific situations.

- 1) Section 5.2.2 of the VCS 2007.1 sets out the VCS requirements for addressing double counting.
- 2) Where uncertainties exist with respect to the applicability of such requirements in specific situations, the VCS Board can use the following criteria to inform a ruling on whether double counting is likely and therefore whether such requirements under Section 5.2.2 of the VCS 2007.1 are applicable:
  - a) The existence of enforceable regulation to meet a binding limit on GHG emissions, such as the implementation of a national or relevant sectoral cap and emissions trading program;
  - b) The extent to which the host country is adrift of any binding limit on GHG emissions;
  - c) The existence of sufficient political will in the host country to comply with any binding limit on GHG emissions, including policies and regulation such as national or relevant sectoral cap and emissions trade program; and
  - d) Any other factors relevant to the specific situation.
- 3) Where the VCS Board determines that double counting is not likely in a specific situation, it can issue a ruling stating that projects in that specific situation are not subject to the requirements with respect to double counting set out in Section 5.2.2 of the VCS 2007.1. Such rulings shall be posted on the VCS website and conditions may apply, such as the length of time for which the ruling applies.
- 4) In the absence of any VCS Board ruling on a specific situation, projects shall, as required, address the requirements with respect to double counting set out in Section 5.2.2 of the VCS 2007.1.