



Scaling up: VCS Standardized Methods

New requirements for standardized methods offer a robust framework for streamlining project development and scaling up GHG emission reductions

Most GHG-reduction projects today use a financial test to determine whether an activity is additional and a project-specific baseline for measuring subsequent emission reductions. These project-by-project approaches have some advantages, but they can be time consuming and expensive. To address this, VCS has released a new set of requirements for developing methodologies using standardized methods, which can dramatically streamline the processes of determining additionality and establishing emissions baselines.

Standardized methods can be used by project developers, by industry associations or by even governments seeking ways to simplify the process of determining additionality so they can deliver reductions swiftly and affordably across multiple projects, industries or sectors. This in turn can lower costs and help speed project approvals, ensuring industries and governments can curb GHG emissions at the pace and scale required to address climate change.

Why standardized methods?

Projects that curb GHG emissions today must first establish a baseline emission level against which reductions are measured. Then they must show that GHG emission reductions are 'additional,' or would not have happened under a business-as-usual scenario. Most projects start from scratch to calculate a baseline level that is specifically tailored to the project. To establish additionality, projects typically rely on a financial viability test to

demonstrate that the project would not have been viable on its own without carbon finance.

While these approaches have advantages, they also have major limitations. First and foremost project-by-project approaches are typically time-consuming and expensive, especially because the various factors affecting each project must first be identified and then audited. Project-by-project approaches can also be subjective. Without robust auditing systems they can produce results that vary from project to project. These limitations have made it difficult to scale up project-level emission reductions to needed levels. Standardized methods offer a wholly different approach.

What are standardized methods?

A standardized method can be any method that uses pre-defined criteria to streamline the process of establishing baselines and additionality. Using pre-defined criteria, standardized methods can establish baselines and additionality for classes of activities before a project even begins. Individual projects can be evaluated against the pre-defined criteria and *automatically* qualify as additional.

By greatly simplifying the project development process, standardized methods lower transaction costs and provide a streamlined way to scale up project development. They also remove a great deal of subjectivity, providing far more certain outcomes. If widely applied, these methods could dramatically lower transaction costs across whole classes of activities and allow for scaling up of

emission reductions to a level that could make a meaningful impact on the climate.

The concept of standardized methods is not new. They are widely recognized in climate policy circles, and individual methodologies have already been piloted under VCS and other GHG programs. However, development of methodologies using standardized methods has been limited by the lack of clear guidance and requirements.

VCS requirements for standardized methods

VCS is helping fill this gap with comprehensive new requirements for developing standardized methods. These requirements were developed by VCS in close collaboration with a steering committee of global experts, bringing together technical, academic, non-profit, auditor, policymaker and project developer perspectives. The work of the steering committee was subjected to a rigorous peer review by top experts in the field, and finally to a broad public consultation. Final requirements were released in early 2012, providing the first truly comprehensive framework for developing standardized methods.

The requirements cover two specific standardized methods – performance methods, which use performance benchmarks, and activity methods, which use positive lists. The steering committee will continue working throughout 2012 to explore the potential of further aspects of standardization.

Performance benchmarks

Performance methods use performance benchmarks to establish crediting baselines and to determine additionality. Under performance methods, a performance benchmark metric is established at the outset, and all project activities that meet or exceed the benchmark are considered additional, provided they also meet

other basic qualifying criteria. A performance benchmark can also serve as the baseline for crediting emission reductions and removals.

Examples might include, for the housing sector, a benchmark that establishes a given level of CO₂e emitted per square meter of floor space. In the land use sector, benchmarks might include tonnes of carbon sequestered per hectare of managed forest, or tonnes of nitrogen fertilizer applied per hectare of agricultural land. For industrial sectors, the benchmark might be tied to a unit of output, such as tonnes of CO₂e emitted per tonne of clinker or steel produced. Activities that perform at top efficiency levels can then qualify for crediting.

Positive Lists

An activity method allows specific activities on a positive list to pre-qualify as additional. Using a positive list, additionality can be pre-determined for classes of project activities that have low levels of adoption in the marketplace, that are not the least cost option or that have no revenue streams other than carbon finance. Activities that qualify for the positive list are accepted as additional and projects automatically qualify for crediting.

Who will use standardized methods?

Emerging compliance regimes like California and Australia have expressed a clear preference for standardized methods. It is possible that bilateral crediting mechanisms emerging around the world might also rely on standardized methods. Standardized methods in some form will most likely be used for crediting Nationally Appropriate Mitigation Actions. And in the private sector, many industry associations are already well placed to develop standardized methods for their sectors, as are industry leaders wanting to demonstrate climate leadership. Standardized methods may be the preferred crediting approach in the future.

Founded in 2005 by the Climate Group, the International Emissions Trading Association and the World Business Council for Sustainable Development, the VCS Program has pioneered the development of flexible and reliable tools for generating quality greenhouse gas credits with environmental integrity and lasting value.

For more information about the VCS Standard and Program, contact secretariat@v-c-s.org.

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