

Terms of Reference

VCS AFOLU Steering Committee

1 June 2011

This document presents the terms of reference for the Steering Committee that the Verified Carbon Standard (VCS) Association (VCSA) has established to enhance and broaden the scope of activities that can generate high quality offsets from the Agriculture, Forestry and Other Land Use (AFOLU) sector. The document consists of several sections that outline the:

- 1) Background and objectives of the AFOLU Steering Committee (AFOLU SC);
- 2) Proposed activities of the AFOLU SC;
- 3) Time commitment required by the members of the Steering Committee;
- 4) Proposed membership of the Steering Committee, and term;
- 5) Proposed budget for the Steering Committee;
- 6) Governance structure and reporting guidelines back to the VCSA and the VCS Board; and
- 7) Termination
- 8) Application Process

1) Background and Objectives

The VCS's reputation as one of the world's leading and most innovative carbon standards has in large part been established by its inclusion of agriculture, forestry and other land use (AFOLU) activities. Investors, policymakers and project developers eagerly anticipated the release of the AFOLU rules, and there are now a handful of ground-breaking new AFOLU methodologies (including REDD and soil carbon) approved and in the VCS approval pipeline, along with several dozen major forestry projects that could generate millions of tons of emissions reductions over the next few decades. Furthermore, policymakers worldwide are looking to the voluntary market for ways to credibly include the AFOLU sector in emerging climate policy frameworks. The important role the VCS could play in creating robust voluntary and regulatory carbon markets centered on land-management activities (which account for up to a third of global GHG emissions) is becoming increasingly apparent. To achieve this goal it will be essential to build upon the foundation created by the release of the VCS AFOLU rules. In particular, the VCS needs to:

- 1) Provide the necessary support to market participants to enable the effective use and widespread adoption of the standard;
- 2) Support the development of new guidance that will expand opportunities for land-based activities to receive carbon finance from the voluntary and regulatory markets; and
- 3) Promote the VCS AFOLU approach within key policy arenas to ensure that best practices from AFOLU sectors are incorporated into emerging climate policies and rules.

In order to achieve the above, the VCSA established the AFOLU Steering Committee (AFOLU SC) in July 2009, and recommends the continuation of the committee to contribute the first two goals outlined above. The Steering Committee will be operational indefinitely, with an annual review of membership and scope of work. The Steering Committee will continue to provide the necessary leadership and technical guidance to strengthen, expand and leverage the VCS AFOLU rules, tools and methodologies, and will be coordinated by the VCS AFOLU Manager. The sections below outline specific activities to be undertaken by the VCS AFOLU SC, the time required for each of the Steering Committee members, and a proposed roster for the AFOLU SC. Appendix 1 presents a yearly operating budget.

2) Proposed Activities of the AFOLU Steering Committee

As indicated above, there are three broad objectives that the Steering Committee needs to tackle. Below are listed specific activities related to each of those objectives:

- 1) Provide support to market participants. Despite the great strides in providing guidance to project developers (e.g., AFOLU guidance, methodology approval process), there is still a need for further support to enable the effective use of the standard and the development of AFOLU projects. Specifically, the AFOLU SC will:
 - a) Explore how the VCS permanence and buffer approach could be strengthened to maintain or improve its robustness while reducing costs to projects (e.g., through private underwriting of the buffer pool and/or through allowing the use by projects of private insurance as an alternative or compliment to the buffer system); and
 - b) Establish terms of reference for an independent assessment of AFOLU project performance across the VCS pool and recommendations for any “truing up” adjustments that should be made to the risk criteria and/or buffer withholding values to maintain the integrity of the VCS buffer approach.
 - c) Consider and make recommendations on key issues that may come up from VCS AFOLU use by investors or project proponents and developers.

- 2) Support the development of new guidance and tools to expand access for land-based activities to receive carbon finance. The current VCS requirements do not yet cover many important, emerging AFOLU activities. The AFOLU SC will identify key gaps and support the incorporation of these new project types and related methodologies. For example, the AFOLU SC will:
 - a) Work with leading project developers and/or experts to write new rules for avoided conversion of non-forest land (e.g., grasslands, scrublands) projects and get them incorporated into the VCS AFOLU requirements;
 - b) Work with leading project developers and/or experts to expand the scope of wetland activities within the VCS beyond peatlands, to include coastal and tidal wetlands, and incorporate them into the VCS AFOLU requirements;
 - c) Provide input and review of new requirements and guidance for jurisdictional and nested REDD activities, including crediting to projects and jurisdiction-wide REDD programs.

In addition to the above, the Steering Committee may be called upon to weigh in on the strategic direction of VCS AFOLU in order for the standard to maintain its leadership role in the market. The SC will also be expected to help improve the overall VCS AFOLU framework, such as by identifying potential gaps and weakness and recommending potential solutions to address them, providing suggestions for updating the VCS AFOLU rules and guidance documents to capture the most current thinking and best practices, and developing recommendations for the VCSA and/or the VCS Board in response to emerging technical issues.

3) Time Commitment

The total time required by each Steering Committee member will be about 48 hours per year, to be divided amongst the following activities:

- 1) AFOLU SC quarterly conference calls. Total time commitment per member will be 14 hours – 3.5 hours per conference call to include preparation, call (typically 2 hours) and follow up.

- 2) Reviewing and commenting on submissions and new rules – total time commitment per member will be 34 hours.

In addition, the development of rules/language for new project types will be compensated. Who undertakes these activities will depend on expertise, interest and availability. The section below outlines a detailed budget that includes the costs outlined above as well as travel costs as necessary.

4) Steering Committee Membership and Term

The following individuals have been nominated as initial members of the AFOLU SC:

- 1) AFOLU SC Chair: Toby Janson-Smith – Conservation International, USA
- 2) Forestry Expert: Sandra Brown – Winrock International, USA
- 3) Agriculture Expert: Keith Paustian – NREL, Colorado State University, USA
- 4) Risk Expert: Wolfgang Ortloff – former SwissRe, USA
- 5) Certifier: Simon Dawes – former DNV, Carbon Flow, Australia
- 6) VCS Board: Ken Newcombe – C-Quest Capital, USA
- 7) VCS Board: Marc Stuart - Allotrope Ventures, USA
- 8) Project Development and Finance Expert: Leslie Durschinger, Terra Global Capital, USA
- 9) Brazil REDD policy and implementation: Virgilio Viana, Amazonas Sustainable Foundation, Brazil

Members will be elected and serve as follows:

Election of AFOLU Steering Committee members shall occur annually. The terms of members shall be staggered. To initiate the staggering, current members shall serve terms of one, two or three years, beginning with the date of this Terms of Reference to establish appropriate rotation of members. Thereafter, members shall serve three-year terms with approximately one third of the members elected annually, or thereafter, as the case may be. Such terms may be extended beyond three years in exceptional circumstances, as determined in agreement by the VCSA and the member. Each member shall hold office until the annual meeting when his/her term expires and until his/her successor has been duly elected and qualified. In the event that a member is elected to the AFOLU Steering Committee at any time other than the date of the annual meeting, that member shall serve a term equivalent to two years, plus the number of months remaining until the next annual meeting.

In order to broaden the representation of the committee to include a greater geographic scope and to include members with key expertise and/or who represent key emerging compliance markets, an additional [2-5] members will be recruited to the Steering Committee in 2011. The following initial gaps/needs have been identified:

- 1) In-country AFOLU project development expertise
- 2) Agriculture project development expertise
- 3) Technical expertise in forestry, particularly REDD and IFM, and in peatlands and other wetlands (mangroves, coastal and tidal wetlands)
- 4) Policy expertise in emerging compliance markets

Election decisions will be made by vote by the standing Steering Committee members. Any ties will be broken by the Chair of the AFOLU Steering Committee. Priority will be given to those with expertise and experience in multiple areas, particularly those representing diverse and/or unrepresented key geographies.

5) Funding

Funding may be available for a limited number of Steering Committee members, for example those from non-profit organizations. Given a limited budget, the VCSA is not in a position to cover costs incurred by Steering Committee members working for the private sector.

6) Governance and Reporting

The AFOLU SC is chaired by Toby Janson-Smith, who has been leading the VCS AFOLU work over the past several years, including the development of the original AFOLU guidance. The Chair will manage the strategic direction of the SC in order to meet the overall goals of the VCS, including maintaining the reputation and market leadership of VCS AFOLU, and positioning the VCS as a compliance-grade standard.

The VCS AFOLU Manager will support the Steering Committee, attending and reporting on meetings, serving as a resource for the Steering Committee, and serving as the primary link to the VCSA. Ken Newcombe and Marc Stuart will bring valuable market perspectives to the Steering Committee and help align the Steering Committee's work with the Board's broader vision for the VCS. The AFOLU SC will work closely with both the VCSA and the VCS Board, and as necessary will consult with and report to either or both of these bodies. At a minimum, the AFOLU SC will report results and planned activities on a quarterly basis.

7) Termination

Steering Committee members or the VCSA may give notice of termination of individual member participation in the Steering Committee at any time.

8) Application Process

Applicants for the VCS AFOLU Steering Committee are asked to send their CV/resume and a short outline of their credentials for, and interest in, membership to secretariat@v-c-s.org by **Monday 30 June 2011** using the subject line "**VCS AFOLU Steering Committee – Applicant**".

Applicants for the Committee should indicate if financial support is needed for their participation. The VCSA will contact prospective Committee members by mid July 2011. Committee members will be asked to sign an agreement with the VCSA that includes this TOR. The final composition of the Committee will be published on the VCS website when finalized.