

VER+

A robust Standard for Verified Emission Reductions (Criteria Catalogue)

Version 1.0

A. Introduction

Verified emission reductions are commonly understood as tradable emission reductions that have been generated according to defined standards and requirements other than the Kyoto Protocol.

TÜV SÜD is one of the leading companies providing validation and verification services for CDM and JI projects according to the Kyoto Protocol. Audits have been carried out for hundreds of emission reduction projects worldwide within all relevant project categories (scopes). Based on this experience and track record, TÜV SÜD offers validation and verification services also for projects that do not intend to get registered under the Kyoto scheme (CDM/JI) or any other governmental system.

Verified Emission Reductions are frequently used for voluntarily balancing greenhouse gas emissions, demonstrating in this manner a person's or company's responsibility and awareness on climate change issues and contributing to reasonable investments by offsetting carbon emissions. It is the understanding of TÜV SÜD that such investors in and users of VER credits need to be sure that the acquired product is worth its price. TÜV SÜD's independent assessment according to the VER+ standard is delivering this certainty and therefore adds value to your emission reduction project.

B. Criteria Catalogue of the VER+ Standard

In principle the criteria for VER+ are in line with those for the Kyoto Protocol project based mechanisms (JI and CDM), including the requirement on project additionality proving that the



project is not a business as usual scenario. The main difference to regular JI and CDM activities comprises that VER+ projects are not brought to registration with UNFCCC and therefore will not be accounted on any Annex-I-country's Kyoto balance. For projects in developing countries larger flexibility is provided on the choice of the applied methodologies, which may be composed according to the guidelines applied for JI projects.

The following table lists the relevant criteria that VER+ projects have to comply with.

<p>1. Eligibility Criterion</p> <p>VER+ is restricted to project activities that could qualify as JI activities without limitation to the status of the host country (Annex I, non-Annex-I or non-ratification). Consequently land use activities others than afforestation/reforestation activities (that would only be eligible in Annex-I-countries under the JI) can also be applied in developing countries. Similar to the flexible mechanisms of the Kyoto Protocol, nuclear energy and large hydropower plants are excluded per se from the eligible activities (besides the aspect that these project types would face problems to demonstrate additionality).</p>
<p>2. Additionality</p> <p>The project scenario shall not be equal to the business as usual scenario (baseline). Project's additionality shall be sustained and tested according to corresponding tools and guidelines as defined for project activities under the Kyoto Protocol.</p> <p>For the proof of additionality the following options exist:</p> <ul style="list-style-type: none">i) if an approved CDM methodology is applied which includes specific guidance on additionality, then it shall be followed these specific indications,ii) in all other cases, the most recent version of the CDM Additionality Tool shall be applied.
<p>3. Permanence</p> <p>The emission reductions shall not be reversible. In case of land-use related projects that can not ensure permanence, adequate safeguards will be required in order to balance potential reversibility (e.g. buffers of not-issued credits).</p>
<p>4. Exclusivity</p> <p>A project activity can exclusively apply for VER+ credits during a defined crediting period. Emission reductions that are caused or are included indirectly to other existing schemes have to be factored out from the amount of VER+. A further claim of emission reductions by</p>

the same activity in the same time frame in a different regime (i.e. CDM/JI, emission trading schemes or other voluntary VER schemes) is understood as misuse of a TÜV SÜD certificate. The same is considered in case of multiple use of VER+ credits either by selling/transferring the same charge of VER+ credits to several buyers or use it in several cancellation transactions.

According to the “Certification and Testing Regulation” of TÜV SÜD any misuse of labels and certificates leads to a fine of 300,000 €. As it is not the interest of TÜV SÜD to generate revenues from the misuse of VER+ activities, TÜV SÜD will direct corresponding funds to the permanent retirement of carbon credits as a contribution to mitigate climate change. VER+ credits originating from a misuse will be cancelled automatically.

5. Avoidance of Double-Counting

In an Annex-I-countries emission reductions triggered by a VER+ project are increasing the potential of the host country to receive “free” AAUs to be used e.g. under article 17 of the Kyoto Protocol (IET). Hence, even if unintended by project participants, this might generate a potential for double-counting of emission reductions. Hence the VER+ standard avoids any such conflict by requiring the submission of one of the following evidences:

- i) A statement by the project participant that VER+ credits from this activity will not be transferred to other countries. This statement will be made publicly available in the context of VER+ registration.
- ii) A confirmation of the Designated Focal Point (DFP) of the host country, that the equivalent amount of AAUs will be frozen on the country’s account and not used in IET activities.
- iii) Documented evidence (i.e. publicly available studies) that the host country has no potential to transfer AAUs out of the country, e.g. due to existing emission projections.

6. Limitation of Crediting Period

The crediting period of VER+ activity shall expire at the end of the latest agreed commitment period under the UNFCCC scheme (recently 31.12.2012). By doing so the VER+ standard excludes any potential impacts by changes of the UNFCCC scheme or any addition of further countries to the list of Annex-I countries. As soon as a new commitment period is agreed on, the crediting period might be extended in accordance to this criterion and after a re-validation still applying the original methodologies. The accumulated amount of crediting periods is limited to 25 years for standard projects and 50 years for LULUCF activities.

VER+ activities can apply for a starting date as early as 01. January 2000, if it can be documented that the project has been initiated in order to mitigate climate change (former step 0 test of the additionality tool). Projects that are registered under different schemes (e.g. CDM/JI) may apply for VER+ for time periods outside the crediting period of corresponding schemes.

7. Methodologies (Baseline and Monitoring)

The calculation of the net GHG emission reductions and removals of an emission reduction project may be based on any reasonable and conservative methodological approach (independent to project location).

The methodology shall be

- i) project specific based on the approach applied under JI or
- ii) approved by the CDM Executive Board.

The project specific methodology approach shall be based on the “Guidance on criteria for baseline setting and monitoring” as defined for JI project activities.

The methodology selected at the stage of project design shall stay the same until the end of the crediting period.

8. Environmental and Social Impacts

The project activity shall not cause substantial negative impacts on the environment. Any potentially negative impact shall be mitigated.

If the project activity requires an Environmental Impact Assessment (EIA) according to national legislation, the latter should have been submitted for approval by the end of validation.

The project activity shall not cause severe negative social impacts.

9. Involvement of Stakeholders

If required by national law a local stakeholder process has to be carried out

In any other case the project participants may choose among the following two options:

- i) perform such a stakeholder process voluntarily and include relevant information to the VER+ Project Design Document (PDD),
- ii) justify within the VER+ PDD that the project activity does not impact the vicinity.

TÜV SÜD will make the PDD publicly throughout the validity of corresponding VER+ credits without setting any deadlines for comments. A global stakeholder process in accordance



Industrie Service

with UNFCCC procedures is not conducted. If external information is provided that the registration decision was based on intentionally provided but false or misleading information, TÜV SÜD will refuse from the continued of the registration of the VER+ activity.

C. Application for Registration according to VER+

Similar to the flexible mechanisms, project registration will be based on the submission of an application for registration as VER+ activity (order to TÜV SÜD) and an independent assessment of compliance with the aforementioned criteria. The project documentation has to be submitted in a VER+ PDD that shall conform with one the following formats:

- The latest version of the JI PDD format
- The latest version of the CDM PDD format
- Any free format in case it includes at least the same information as required by the two formats above

No separate PDD is required for CDM/JI activities applying for VER+ for a crediting period prior to the one under UNFCCC.

There are no restrictions in the use of specific fonts, logos etc in the templates.

In case of a positive validation opinion the project will be registered by TÜV SÜD's certification body "climate and energy" and an account will be opened at TÜV SÜD's BlueRegistry (see information below).

D. Validation and Verification of VER+ project

In analogy to the CDM/JI guidelines any VER+ PDD has to undergo validation process before registration. Verification is carried out based on monitoring reports prepared by the project participants. In case of retroactive projects it is possible to perform both activities in one joint effort. A first verification is required at the latest one year after registration or the starting date of the crediting period (whichever occurs later). In the case of land use and forestry activities a first verification shall not occur later than 5 years after validation.

For any VER+ activity the frequency of the following verifications can be freely chosen by the project participants.

Details on the assessment procedures are included to

- The Validation and Verification Manual (www.vvmanual.info)
- ISO 14064 and ISO14065
- the Service Descriptions of TÜV SÜD

E. Issuance of VER+ credits

Based on a positive verification statement the issuance of VER+ credits will be carried out by TÜV SÜD. The VER+ credits are added to an account within the BlueRegistry (more information at www.netinform.net) that is held by the project participant or any other entitled entity. From this account the VER+ credits can be immediately transferred to another account within the BlueRegistry or to an entity not represented in the BlueRegistry.

The BlueRegistry allows project participants and traders to administer their VER+ credits and avoid any potential double selling. The latter contributes to transparency as well as the overall credibility and value of your VER+ credits.