

## Application of the Oeko-Institut/WWF-US/ EDF methodology for assessing the quality of carbon credits

This document presents results from the application of version 3.0 of a methodology, developed by Oeko-Institut, World Wildlife Fund (WWF-US) and Environmental Defense Fund (EDF), for assessing the quality of carbon credits. The methodology is applied by Oeko-Institut with support by Carbon Limits, Greenhouse Gas Management Institute (GHGMI), INFRAS, Stockholm Environment Institute, and individual carbon market experts. This document evaluates one specific criterion or sub-criterion with respect to a specific carbon crediting program, project type, quantification methodology and/or host country, as specified in the below table. Please note that the CCQI website [Site terms and Privacy Policy](#) apply with respect to any use of the information provided in this document. Further information on the project and the methodology can be found here: [www.carboncreditquality.org](http://www.carboncreditquality.org)

Sub-criterion:	<a href="#">3.2.2 Approaches for avoiding or reducing non-permanence risks</a>
Carbon crediting program	<a href="#">VCS</a>
Project type	<a href="#">Establishment of natural forest</a>
Assessment based on carbon crediting program documents valid as of:	<a href="#">30 June 2021</a>
Date of final assessment:	<a href="#">20 May 2022</a>
Score:	<a href="#">3.85</a>

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# Assessment

## Indicator 3.2.2.1

### Relevant scoring methodology provisions

“The program requires a risk assessment of the specific project.”

### Information sources considered

1. VCS AFOLU Non-Permanence risk tool v4.0, available at [https://verra.org/wp-content/uploads/2019/09/AFOLU\\_Non-Permanence\\_Risk-Tool\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/AFOLU_Non-Permanence_Risk-Tool_v4.0.pdf)
2. VCS Standard v4.1 (April 2021), available at [https://verra.org/wp-content/uploads/2021/04/VCS-Standard\\_v4.1.pdf](https://verra.org/wp-content/uploads/2021/04/VCS-Standard_v4.1.pdf)

### Relevant carbon crediting program provisions

Provision 1 Source 1, introduction: “This tool provides the procedures for conducting the non-permanence risk analysis and buffer determination required for Agriculture Forestry and Other Land Use (AFOLU) projects. The tool sets out the requirements for project proponents, implementing partners and validation/verification bodies to assess risk and determine the appropriate risk rating”.

Provision 2 Source 2, section 3.2.9: “Projects shall prepare a non-permanence risk report in accordance with the VCS Program document AFOLU Non-Permanence Risk Tool at both validation and verification. In the case of projects that are not validated and verified simultaneously, having their initial risk assessments validated at the time of VCS project validation will assist VCU buyers and sellers by providing a more accurate early indication of the number of VCUs projects are expected to generate. The non-permanence risk report shall be prepared using the VCS Non-Permanence Risk Report Template, which may be included as an annex to the project description or monitoring report, as applicable, or provided as a stand-alone document”.

### Assessment outcome

Yes (5 Points).

### Justification of assessment

The above documentation specifies that the VCS requires a risk assessment for each AFOLU project.

### Indicator 3.2.2.2

#### Relevant scoring methodology provisions

“The risk assessment follows a pre-defined and thorough methodology, taking into account the likelihood and significance of non-permanence risks, the measures taken by project owners to manage these risks and their capacity to do so.”

#### Information sources considered

1. VCS AFOLU Non-Permanence risk tool v4.0, available at [https://verra.org/wp-content/uploads/2019/09/AFOLU\\_Non-Permanence\\_Risk-Tool\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/AFOLU_Non-Permanence_Risk-Tool_v4.0.pdf)

#### Relevant carbon crediting program provisions

The full methodology as laid out in the VCS AFOLU non-permanence risk tool, particularly:

Provision 1 Source 1, section 2.1.2: “Risk factors are classified into three categories: internal risks, external risks and natural risks, and further into sub-categories such as project management, financial viability and community engagement. The project shall be evaluated against each of the risk factors in each category and sub-category as set out in Sections 2.2 (internal risks), 2.3 (external risks) and 2.4 (natural risks), assigned a risk score for each risk factor, and shall follow the calculation formulas in each table to determine the risk rating for the sub-category and category”.

Source 1, section 2.1.2 point 4: “The total risk rating for each category (internal, external and natural) shall be determined by summing the ratings for each sub-category in the category. While some sub-categories may have negative values, the total rating for any category may not be less than zero”.

Source 1, section 2.2.1 point 5: On internal risks: “Adaptive management plans are those that identify, assess and create a mitigation plan for potential risks to the project, including those identified in this document, and any other obstacles to project implementation. They include a process for monitoring progress and documenting lessons learned or corrections that may be needed and incorporating them into project decision-making in future monitoring periods. The onus is on the project proponent to demonstrate that such plans are in place, that such plans have considered the realm of potential risks and obstacles to the project, and that a system is in place for adapting to changing circumstances”.

Source 1, table 1 point e: The capacity of project owners to mitigate the risks is taken into account in the risk rating: “Mitigation: Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting ( e.g., individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs.

#### Assessment outcome

Yes (4 Points).

## Justification of assessment

The above documentation specifies that the indicator is fulfilled.

### Indicator 3.2.2.3

#### Relevant scoring methodology provisions

“The application of the risk assessment is validated by validation and verification entities.”

#### Information sources considered

1. VCS AFOLU Non-Permanence risk tool v4.0, available at [https://verra.org/wp-content/uploads/2019/09/AFOLU\\_Non-Permanence\\_Risk-Tool\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/AFOLU_Non-Permanence_Risk-Tool_v4.0.pdf)

#### Relevant carbon crediting program provisions

Provision 1 Source 1. section 1.1.3: “During the analysis, the validation/verification body shall evaluate the risk assessment undertaken by the project proponent and assess all data, rationales, assumptions, justifications and documentation provided by the project proponent to support the non-permanence risk rating”.

#### Assessment outcome

Yes (3 Points).

## Justification of assessment

The above documentation specifies that the indicator is fulfilled.

### Indicator 3.2.2.4

#### Relevant scoring methodology provisions

“The risk assessment is used to exclude from eligibility projects with a significant unaddressed reversal risk.”

#### Information sources considered

1. VCS AFOLU Non-Permanence risk tool v4.0, available at [https://verra.org/wp-content/uploads/2019/09/AFOLU\\_Non-Permanence\\_Risk-Tool\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/AFOLU_Non-Permanence_Risk-Tool_v4.0.pdf)

#### Relevant carbon crediting program provisions

Provision 1 Source 1, section 2.5.3: “Where a project is assessed as Fail for any risk factor, the project shall fail the entire risk analysis. Where the overall risk rating, or the summed risk rating for each category is unacceptably high, as set out in Section 2.5.3, the project shall fail the entire risk analysis. Where a project fails the risk assessment, it is not eligible for crediting until such time as the project has adequately addressed the risk to

the extent it would no longer be assessed as Fail” (section 2.1.2 point 5, VCS AFOLU Non-permanence risk tool v4.0).”

“Where the overall risk rating is greater than 60, project risk is deemed unacceptably high and the project fails the entire risk analysis. It shall not be eligible for crediting until such time as risks are adequately addressed or sufficient mitigation measures are implemented such that the project would no longer be assessed as Fail. Further, where the sum of risk ratings for any risk category is greater than the following thresholds, the project fails the entire risk analysis and shall not be eligible for crediting (again, until no longer assessed as Fail):

Internal risk: 35

External risk: 20

Natural risk: 35”.

### **Assessment outcome**

Yes (5 Points).

### **Justification of assessment**

The above documentation specifies that the indicator is fulfilled.

### **Indicator 3.2.2.5**

#### **Relevant scoring methodology provisions**

“The program requires project owners to update the risk assessment in case of reversals.”

#### **Information sources considered**

1. VCS Registration and issuance process v4.0 (September 2019), available at [https://verra.org/wp-content/uploads/2019/09/Registration\\_and\\_Issuance\\_Process\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/Registration_and_Issuance_Process_v4.0.pdf)

#### **Relevant carbon crediting program provisions**

Provision 1 Source 1, section 5.3.3: “The following applies with respect to the VCU issuance subsequent to a reversal: 1) where the reversal is a catastrophic reversal [...] [and] 2) Where the reversal is a non-catastrophic event, the following applies [...] Where further GHG credits are available for VCU issuance after replenishing the AFOLU pooled buffer account, additional buffer credits shall be deposited in the AFOLU pooled buffer account in accordance with Section 5.2 (applying the non-permanence risk rating only to those remaining GHG credits eligible for VCU issuance)”.

### **Assessment outcome**

Yes (4 Points).

## Justification of assessment

Provision 1 implies that a new risk assessment needs to be undertaken in case of a reversal, in case GHG credits are available after compensating for the reversal and replenishing the AFOLU pooled buffer. For these remaining credits, a new risk assessment needs to be done as explained by section 5.2 of source 1, which describes the process of assignment and release of buffer credits at subsequent requests for issuance, in order to determine the contribution to the pooled buffer reserve in case.

## Indicator 3.2.2.6

### Relevant scoring methodology provisions

“The program requires project owners to have legal titles to the land and/or relevant carbon reservoirs on the land (e.g., timber rights), or legally binding agreements require the project owner’s consent to undertake any measures that may lead to intentional reversals.”

### Information sources considered

1. VCS Standard v4.1 (April 2021), available at [https://verra.org/wp-content/uploads/2021/04/VCS-Standard\\_v4.1.pdf](https://verra.org/wp-content/uploads/2021/04/VCS-Standard_v4.1.pdf)

### Relevant carbon crediting program provisions

Provision 1 Source 1, section 3.6: “Project and jurisdictional proponents shall demonstrate that they have the legal right to control and operate project or program activities.

#### Requirements

The project description shall be accompanied by one or more of the following types of evidence establishing project ownership accorded to the project proponent(s), or program ownership accorded to the jurisdictional proponent(s), as the case may be (see the VCS Program document Program Definitions for definitions of project ownership and program ownership). To aid the readability of this section, the term project ownership is used below, but should be substituted by the term program ownership, as appropriate:

- 1) Project ownership arising or granted under statute, regulation or decree by a competent authority.
- 2) Project ownership arising under law.
- 3) Project ownership arising by virtue of a statutory, property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals (where the project proponent has not been divested of such project ownership).
- 4) Project ownership arising by virtue of a statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions and/or removals (where the project proponent has not been divested of such project ownership).

5) An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals which vests project ownership in the project proponent”.

### **Assessment outcome**

Yes (2 Points).

### **Justification of assessment**

The above documentation specifies that the program requires project owners to have legal titles to the land and/or relevant carbon reservoirs on the land so that the indicator is fulfilled.

### **Indicator 3.2.2.7**

#### **Relevant scoring methodology provisions**

“The program requires the use of legal covenants or agreements (e.g., conservation easements, trusts) that restrict or prevent land management practices that would result in reversals (whether by the project owners or other parties).

OR

The program does not require that the above measures are in place but their existence leads to a lower specific risk assessment.”

#### **Information sources considered**

1. VCS AFOLU Non-Permanence risk tool v4.0, available at [https://verra.org/wp-content/uploads/2019/09/AFOLU\\_Non-Permanence\\_Risk-Tool\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/AFOLU_Non-Permanence_Risk-Tool_v4.0.pdf)

#### **Relevant carbon crediting program provisions**

Provision 1 Source 1, section 2.2.4 point 5, table 4 and section 2.3.1 point 8, table 6: “Legal agreement or requirement to continue the management practice refers to any legally enforceable agreement or requirement, such as a conservation easement or protected area law that would require the continuation of the management practice that sequesters carbon or avoids emissions for the entire project longevity. In ARR and IFM projects with harvesting, where allowing re-growth of harvested areas is required by law, this may be demonstrated by citing the appropriate legal statute and common practice. Any project with a legally binding agreement that covers at least a 100-year period from the project start date shall be assigned a score of zero for project longevity.”

Project Longevity		
a)	Without legal agreement or requirement to continue the management practice	= 24 - (project longevity/5)
b)	With legal agreement or requirement to continue the management practice	= 30 - (project longevity/2)

**Legally binding commitments (e.g. conservation easements or protected area) and clear ownership rights also reduce the risk rating for external risks:** “Where disputes exist over potential ownership, land/resource access/usage rights or where there are overlapping access/usage rights within the project area (including water usage rights that may affect the hydrology and/or sediment in WRC project areas, such as causing the water table in the project area to drop or otherwise impacting the hydrology of the project area, resulting in higher GHG emissions), the project proponent shall apply the risk scores listed in Table 6. It shall be demonstrated, in addition to the VCS Program requirements for project ownership, that the project has endorsement (such as a legal agreement or memorandum of understanding) from all entities with credible ownership claims or land/resource access/use rights (such as customary rights holders), including from formal and/or traditional authorities.”

Land Tenure and Resource Access/Impacts		
a)	Ownership and resource access/use rights are held by same entity(s)	0
b)	Ownership and resource access/use rights are held by different entity(s) (e.g., land is government owned and the project proponent holds a lease or concession)	2
c)	In more than 5% of the project area, there exist disputes over land tenure or ownership	10
d)	There exist disputes over access/use rights (or overlapping rights)	5
e)	WRC projects unable to demonstrate that potential upstream and sea impacts that could undermine issued credits in the next 10 years are irrelevant or expected to be insignificant, or that there is a plan in place for effectively mitigating such impacts.	5
f)	<b>Mitigation:</b> Project area is protected by legally binding commitment (e.g., a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period	-2
g)	<b>Mitigation:</b> Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that projects have implemented activities to resolve the disputes or clarify overlapping claims	-2

**Assessment outcome**

The second of the two conditions applies (1 Point).

### **Justification of assessment**

The VCS does not require the use of legal covenants or agreements. However, such agreements do lower the risk rating of the project which ultimately determines the contribution of the project to the pooled buffer reserve.

### **Scoring results**

According to the above assessment, the carbon crediting program receives 24 out of 27 achievable points. Applying the scoring approach of the methodology, this results in a score of 3.85 for the approach.