

Making VCS relevant in Canada

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Presentation Outline

- Background on VCS and its move into Canada
- Potential roles for VCS in Canada
- Contextual discussions with VCS and AB Env.
- Path forward for VCS in Canada
- Discussion

Background on VCS and its move into Canada

- Overall VCS criteria
 - Grounded in the ISO 14064 pt II standard
 - Start date within 2 years - set by validation (November 2009)
 - Three tests for additionality (if none in existing protocol)
 - » Project, performance, technology
 - Crediting period of 10 years
 - Project documentation
 - » PDD, monitoring plan and spreadsheets
 - Existing registry and verifier infrastructure
 - Relies on approved protocols (CDM, VCS, CAR)
 - » Allowance for flexibility on project-basis

Background on VCS and its move into Canada

- Protocol approval process
 - Double validation process
 - » Cost is 2 * \$25k Cdn plus support
 - First verifier selected by proponent, second verifier selected by VCS Board
 - Both verifiers must agree on all points
 - » Potential for iterative process
- System approval process
 - See attached gap analysis document
 - » Cost is ~€20 plus support
 - Process controlled by VCS staff with approval
 - » Third party consultant chosen by VCS
- Bringing VCS to Canada
 - Only applicable in countries without Kyoto obligations
 - Canada exempted due to inaction relative to targets

Potential roles for VCS in Canada

- Potential roles for VCS in Canada
 - Validation of protocol efforts
 - » Acknowledge approaches in AB protocols
 - » Support adaptation of protocols into other offset systems
 - » Support provinces and regions in adopting infrastructure
 - Harmonization with other offset systems
 - » Open pathways for inclusion in provincial and regional initiatives
 - » Create common metric for protocol evaluation
 - Fungibility
 - » Support opportunities for linking offsets across markets
 - Parking lot for Canadian Offsets
 - » Create a common approach to pre-compliance project definition
 - Does not impact Alberta offset supply or admin burden

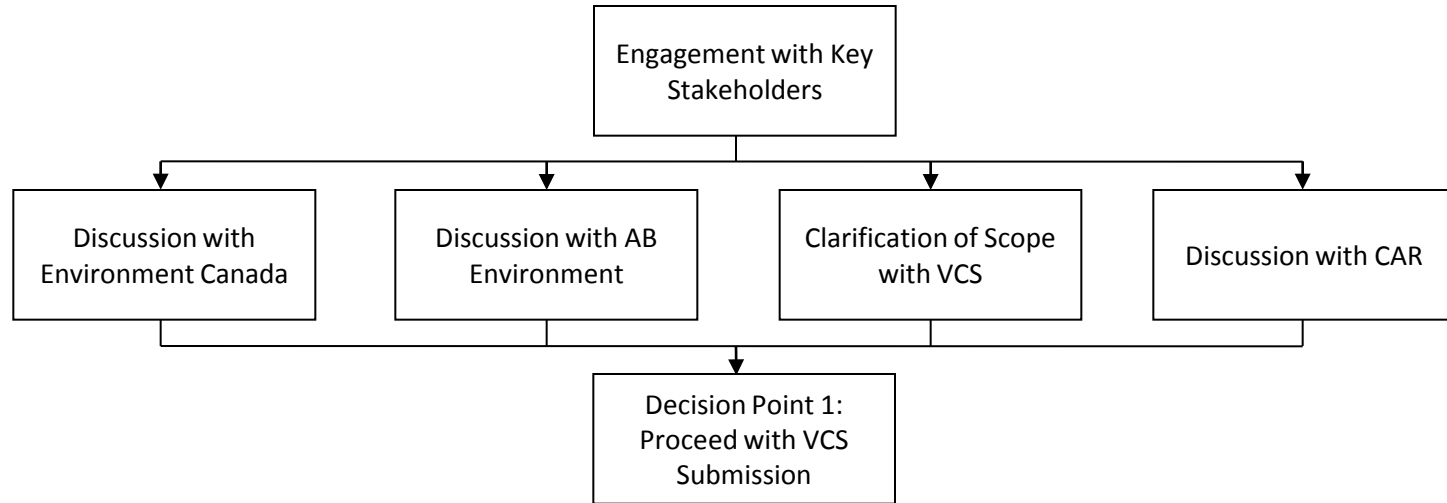
Contextual Discussions with VCS and AB Env.

- Discussions with VCS
 - Interest in supporting offset project development in Canada
 - Modified and phased scope of review is most appropriate
 - » Initial phase includes a preliminary review of AB Offset System against key VCS criteria
 - » Second phase includes full scope of review
 - Overlay of VCS criteria critical:
 - » Start date → up for negotiation
 - » Inclusion of additionality review
 - » Requirements for verifiers
 - » Use of approved registries

Contextual Discussions with VCS and AB Env.

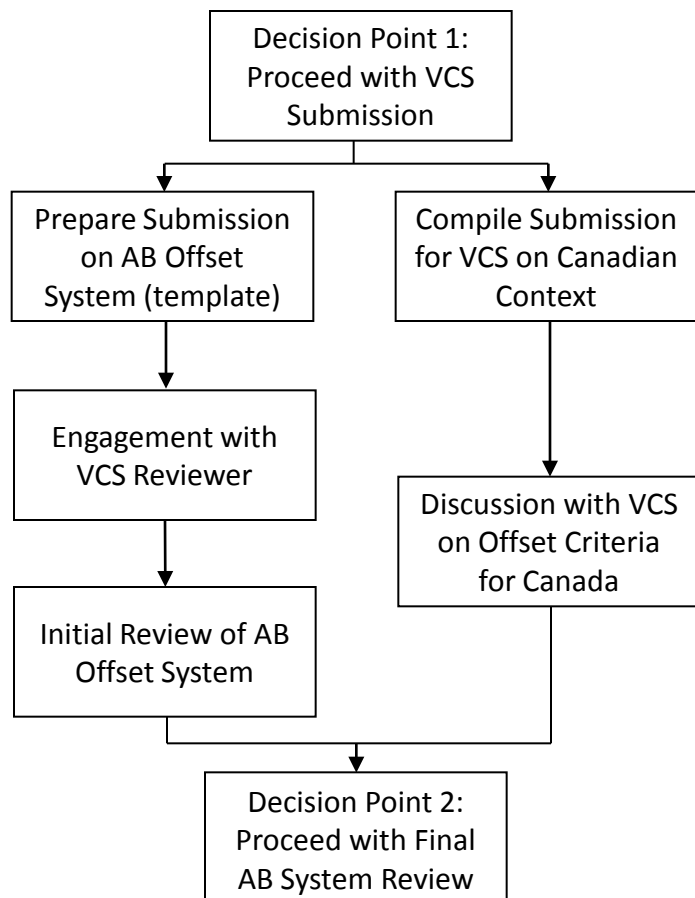
- Discussions with Alberta Environment
 - Initial scoping of opportunity with Andy Ridge
 - Need to summarize the value proposition for AB Environment
 - » Validation of system and offset criteria
 - » Harmonization with AB initiatives
 - » Supporting infrastructure development in Alberta
 - Coordination with C3's review for AB Environment
 - Active support from AB Environment is preferable

Path Forward for VCS in Canada



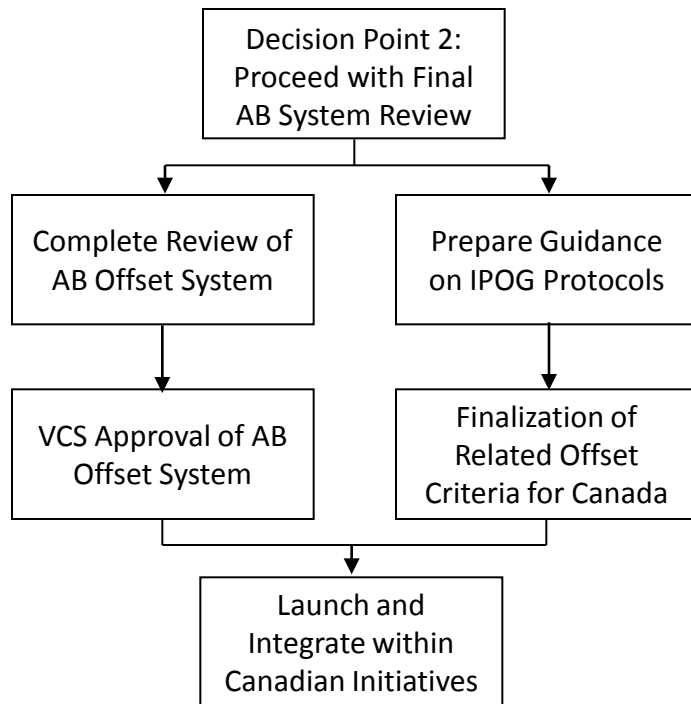
- Building on IPOG protocol development and policy support
 - Promotion of harmonization, fungibility, early action, etc.
- Need four clarifications at this point
 - Support of AB Environment preferable
 - Fit with Environment Canada would add value
 - Clarification scope of review required from VCS
 - Understand lessons from CAR/VCS review and fit with CAR

Path Forward for VCS in Canada



- Choice to proceed - two documents to be developed
 - Submission of Gap Analysis
 - Submission of Canadian Context Document
- Engagement of preferred VCS contractor
- Completion of initial review of key criteria of AB Offset System
 - Permanence, process, etc.
- Discussion with VCS on offset criteria
- Second decision point

Path Forward for VCS in Canada



- Choice to proceed - final review and finalize criteria
- Include guidance on application to IPOG protocol adaptations
- Finalization of related offset criteria with VCS
- Integration and launch
 - Fit within Fed./Prov. Initiatives

Discussion

- Clarifications
- Feedback
- Modifications to scope
- Next steps