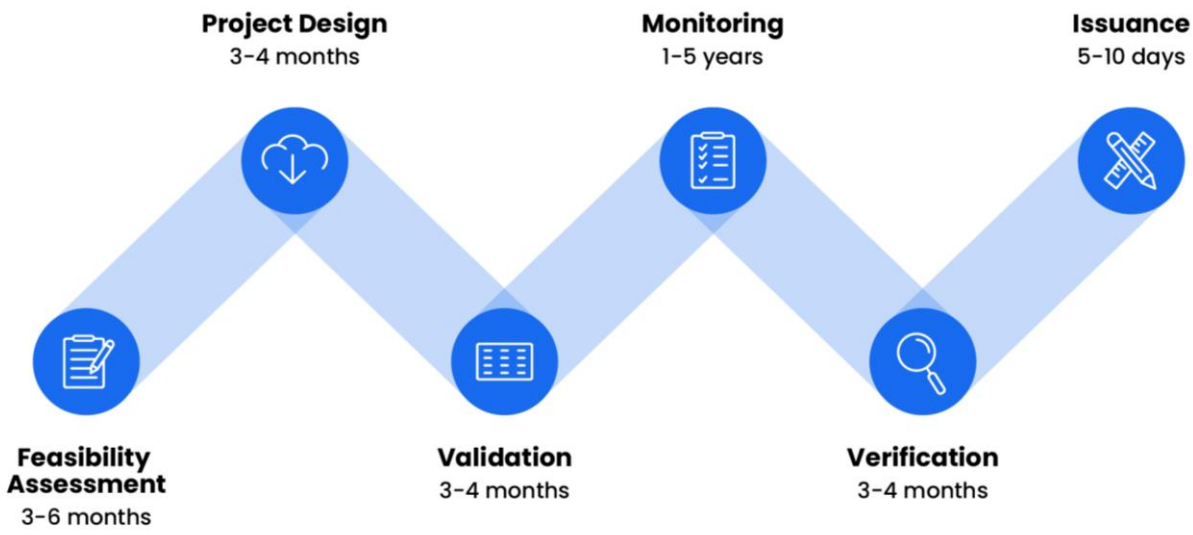
# PROCEDURE GUIDE: PROJECT DEVELOPMENT PROCESS

## A1.0 Introduction

Each carbon offset registry issues protocols (also called methodologies) that define how projects are designed and operated. Each has robust criteria that ensure that each carbon offset generated is additional to a business-as-usual situation, real, measurable, verifiable, enforceable, and permanent.

If a protocol exists for a specific type of activity, the general process and timeline for creating a carbon offsets is shown in Figure A.1.

***Figure A.1:*** *Project Development Process*




## A2.0 Project Development Process

The project development process has six stages: a feasibility assessment, project design, validation, monitoring, verification, and issuance.

**Feasibility Assessment:** Many companies find it useful to complete a feasibility study prior to developing an offset project. A feasibility study is used to assess the viability of the project, recommend project pathways, and discuss options to maximize credit generation potential. The feasibility study will also confirm that the project is additional, estimate the volume of credits that can be generated, and identify any potential barriers that will need to be removed prior to project design.

**Project Design:** This step entails writing the project description document (PDD) and the monitoring, reporting, and verification (MRV) plan if necessary. It serves to help the Project Proponent confirm how emissions will be monitored and how key parameters will be metered during the project. Project design takes place just prior to the project becoming operational so that when the project comes online, the project can be registered with the registry and the crediting period begins. The fee to open an account with ACR is $500 USD.

**Validation:** Validation is when a third-party verifier[1] reviews the project documentation and confirms the project plan meets the requirements set out in the registry's standard. The validator will confirm data needed for calculations will be appropriately measured, all meters are appropriately identified, and the project will meet the requirements of the protocol. This is similar to the verification required prior to issuance of credits, and the intention is to help ensure the project is set up to have a successful verification. The validation cost may be in the range of $10,000 - $20,000 USD[2].

**Monitoring:** Monitoring could also be labelled "waiting". A project cannot generate credits on a look-forward or *ex-ante* basis. Once the project is registered, the Project Proponent must wait for the emission reductions to accumulate. This is typically done in 12-month intervals; however, the Project Proponent has flexibility around the length of the monitoring period. A monitoring period may also be called a "reporting period". At the end of a monitoring period, the Project Proponent quantifies the emission reductions and completes a Monitoring Report that is verified in the next step in the process.

**Verification:** All registries require an independent third-party verification of the offset quantification claim. The verification is carried out in conformance with the ISO 14064-3 standard by a third-party verifier approved by ACR or Verra. The purpose of the verification is to ensure the calculations are accurate and conservative, data was appropriately collected, and all reporting requirements are followed. The project must obtain a positive verification opinion before credits can be issued. The verification cost for non-forestry projects may be in the range of $10,000 - $20,000 USD. Verification of forestry projects is typically more expensive due to the extensive site visit requirements and data management. The initial verification (and interim verifications that require site visits) for a forestry project may cost $40,000-$100,000 USD. Forestry verifications with only a desktop review are typically $10,000-$20,000 USD.

**Issuance:** The final step is credit issuance. Once the project has been verified and the registry has reviewed for completeness, the registry issues the credits within approximately 5-10 days. Each registry has a slightly different name for credits: ACR calls them *Emission Reduction Tonnes* (ERTs) and Verra calls them *Verified Carbon Units* (VCUs).[3] Once the credits have been issued, they may be sold in the voluntary market. Verra charges a $0.14/credit issuance fee. ACR charges a $0.15/credit issuance fee, $0.02/credit transaction fee, and $0.02/credit retirement fee.

## A3.0 Forestry-Specific Considerations

### A3.1 Initial Crediting Period

Upon project initiation, the Alaska Department of Natural Resources will submit the ACR Listing Form and the associated documents required for project enrollment with the registry.

The next step will be designing, contracting, and conducting the forest carbon inventory. Anew will request the latest spatial files and will finalize the non-forest and strata boundaries with the Department's input. With this data, Anew will design a plot network and employ our proprietary inventory methodology which has been refined to be both efficient and robust. The Anew team will then implement the inventory

[1] Validation companies are typically the same as verification companies. ACR and Verra refer to them as "validation/verification bodies" or VBBs.
[2] Validation may cost more than verification since the MRV plan will also need to be reviewed.
[3] In the market they may be called "offsets", "carbon offsets", "offset credits", "tons", or "credits".

and will work with/train Department staff and foresters in the process if desired by the Department. This process can usually be completed within 6 months of project initiation, depending on the season (most Alaska inventory work will need to be completed in the summer).

Once data collection is completed and the data is cleaned, carbon content can be calculated across the property and modeled into the future. Anew will analyze the inventory data, develop regionally specific baseline scenarios using internal and local foresters' expertise and other sources, and use custom proprietary models to optimize carbon credits generated by each carbon project. This process is generally completed 6-8 months after project initiation and will require the Department to provide a range of due-diligence documentation proving their ownership/management rights over the project parcels as well as operational costs and other management details needed to calibrate the model to local specifications.

Once the calculations and models are completed, a registered third-party verifier must authenticate the project documentation and calculations based on an extensive data review and a field audit covering a statistically significant subsample of the forest plots. Anew will contract with the verification team, coordinate the field audit, and respond to verification questions and findings. This process is generally completed 8-12 months after project initiation.

Once verified, the project documents and calculations are submitted directly to ACR for another review. Anew will facilitate this process and respond to registry findings/questions. Once the project has passed this final vetting, credits will be issued. This can generally be completed within 15-18 months of project initiation.

Finally, credits can be sold on the market. At Anew, marketing begins well before credit issuance, with the goal of having buyers and attractive prices by the time credits are issued. The in-house marketing and legal departments will manage all negotiations, due diligence, and contracting in this regard, saving the Department significant legal time and expense.

The Gantt chart in Appendix B provides a visual representation of the anticipated timeline for bringing a forestry project from formal project commencement through initial credit issuance.

### A3.2 Subsequent Crediting Periods

Following this initial credit issuance, the Department must commit to ongoing project monitoring for 40-years from the start date. A full verification (including field audit) is required every 5 years (with optional "desk" verifications in interim crediting periods) and a full re-inventory is required every 10 years. Harvest areas and volumes (by product and species) will need to be reported and incorporated into the model annually. As long as harvest remain below growth, annual crediting can occur. Harvests that exceed annual growth will result in a "reversal" and require the Department to pay back the reversed credits. Annual reports will need to be completed and submitted to ACR to track project area changes such as harvest or other significant stocking changes. Note that the Department is not liable for stocking losses that occur due to natural events beyond their control (such as wind, fire, or pests) as these are covered by the landowner's "buffer pool" contributions – approximately 18% of issued credits are allocated to this pool and cannot be sold.