PROJECT
DEVELOPER
FORUM

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Date	14 May 2010
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Subject	**Revised VCS Registration Levy**

Honourable Members of the VCS Association,
Dear Mr. Antonioli,

With reference to the VCS News sent on 13th of April 2010 we would like to express our objection to the sudden increase of the VCS Registration Levy.

Although we appreciate the growth of the VCS as well as the connected need to increase resources, we cannot endorse the current development for several reasons.

As current VCS prices are very low, an increase in third party costs, namely the increase of the VCS Registration Levy by roughly100%, is not aligned with the current VER market situation, therefore representing a big burden for Project Proponents and Developers.

The introduction of the revised levy fee represents a retroactive application of a new rule to projects that have been assessed and developed based on former versions of the VCS Program Guidelines – a very concerning and unprecedented action by the VCS Association. Furthermore, the sudden announcement and introduction of the new fee structure, allowing for only 8 weeks between the announcement and its implementation, does not allow for a proper planning and gradual adaptation by market participants to such new financial constraints. We strongly believe that such behaviour by the VCS Association as a market regulator does not help in creating confidence in the VCS market since it creates a precedent of unpredictability.

The Project Developer Forum and its members are also concerned that the short transition period of 8 weeks will lead to a sudden rush for issuance in the market, overloading the VCS Registries, which are already struggling to cope with the work load at the moment. Moreover, such a sudden and drastic increase of the levy fee seriously undermines the credibility of the VCS as an independent standard that is operating in the interest of the carbon market, especially since the VCS Association has failed to provide concrete reasons for this unexpected move.

Given the arguments above, the Project Developer Forum hopes that the VCS Association can revisit this issue. The preferred solution is that the VCS Association should abolish the Registration Levy entirely and replace it by Share of Proceeds in line with the UNFCCC and the Gold Standard. This would send a strong signal to the market that the VCS Association believes in VCUs and would very much enhance the credibility of the standard instead of undermining it.

The second best option for the VCS Association could be the implementation of a new fee structure as an integral part of a new version of the VCS Program Guidelines, applicable only to projects that enter the VCS project cycle after the announcement of such new program guidelines. Maintaining a certain degree of realism, it would be very much appreciated if the introduction of the increased fee could be at least delayed for some time in order to allow for better planning and communication of the new rule and its implications to Project Proponents and Buyers.

We kindly request the VCS Association to consider our concerns and suggestions. Please let us know if you require any additional information from the PD Forum.

Kind regards,

M. Enderlin

Martin Enderlin
Chair of the PD Forum