

Verification Protocol

Willamette Ecosystem Marketplace

Pilot Version 1.0

General Crediting Protocol

September 1, 2009

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Area-4

Area-3





Ecosystem Credit Accounting System

Pilot Verification Protocol: Willamette Basin Version 1.0

The system's Pilot Verification Protocol: Willamette Basin Version 1.0 is a product of the Counting on the Environment process managed by the Willamette Partnership. The Willamette Partnership is a non-profit coalition of diverse leaders dedicated to increasing the pace, scope and effectiveness of restoration.

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The Willamette Partnership thanks everyone for all the hard and thoughtful work that has brought several years of experience and discussion into Version 1.0 of this protocol.

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Key Terms

Baseline	Data against which to measure ecological benefits or impacts over time, usually the project conditions in a base year before credit actions began.
Conflict of Interest	A situation in which, because of other activities or relationships with other persons or organizations, a person or firm is unable or potentially unable to render an impartial verification opinion of a Project Developer's estimated credits.
Standard Agreement for Credit Registration ("Credit Report")	A report submitted to the Registry by a Project Developer that provides an estimate of the quantity of credits generated from a project. The estimate is submitted with supporting documentation.
Market participant	Either a Project Developer or a Buyer who participates in the Registry
Buyer	A likely buyer of credits.
Project Developer	An individual or organization proposing a credit project for verification and entry into the registry.
Registry	The electronic platform used to submit and track information related to estimated credits, verification, and credits available for sale.
Verification activities	Activities undertaken during third-party verification that include reviewing a Project Developer's estimated credits, verifying the accuracy of measurement, and submitting a Verification Report to the Registry.
Market Administrator	The governing body responsible for credit generation protocols, verification protocols, and other market activities.

Part I. Introduction

Overview

The Verification Protocol: Willamette Basin Version 1.0 (Protocol) is meant to provide standardized, specific guidance on the review and assessment of credit and debit projects under the approved currencies described in Version 1.0 of the General Crediting Protocol. Version 1.0 currencies include salmonid habitat, wetlands, upland prairie habitat, and water quality: temperature.

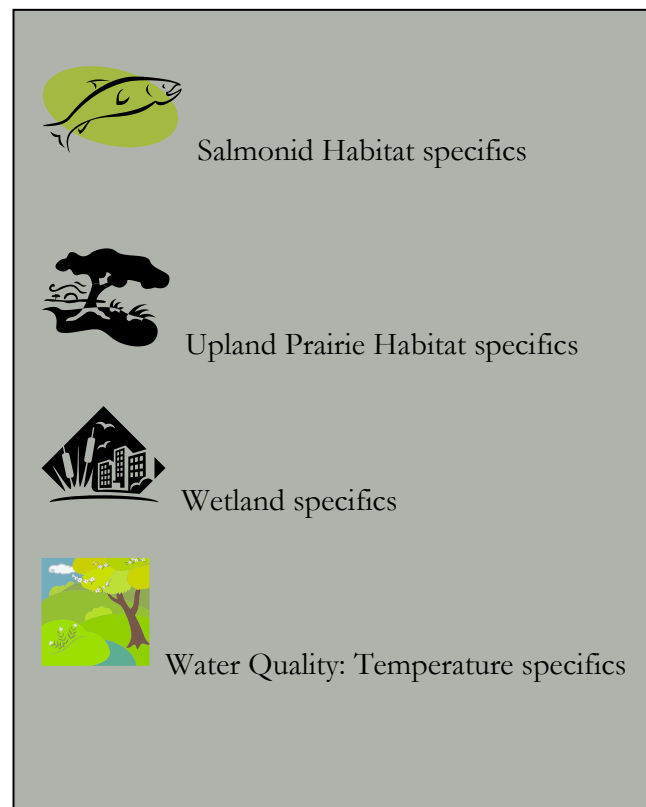
The ecosystem credit accounting system requires third party verification of all projects. Third parties include both the lead agencies overseeing regulated markets and third parties accredited by the Market Administrator to verify credits. The Willamette Partnership will act as the Market Administrator for the Willamette River Basin.

The Protocol is designed for those who are doing the verification, but the guidance will also be useful for other market participants. Lead agencies for individual currencies are considered accredited third parties. To become a Market Administrator-approved third-party verifier, an individual¹ must successfully complete an application to the Market Administrator and be approved to become an accredited verifier.

Third party verification is defined as an independent expert assessment of the accuracy and conformity of a Project Developer's Credit Estimate with agreed upon criteria. The purpose of verification is to provide confidence to market participants that credits represent a faithful, true, and fair account of credit benefits and debit impacts—free of material misstatements and conforming to accounting and credit generation standards.

To do this, information should be complete (project eligibility, baseline information, proposed actions, credit calculations, and protections of credit quality), consistent (comparable data over time), accurate (findings should be repeatable), and transparent.

Throughout the Protocol, there will be call-out boxes containing the symbols below. These represent rules and information specific to the four Version 1.0 currencies, which include salmonid habitat, upland prairie habitat, wetlands, and cooler water derived from riparian restoration credits (referred to as “Temperature Credits” throughout the Protocol).



² ¹ Under special circumstances, an organization might become accredited as a verifier subject to review by the Market Administrator

The Protocol is organized into six parts:

- Part I: Introduction
- Part II: Definition of accredited verifiers and process for becoming accredited
- Part III: Conducting verification
- Part IV: Completing the verification process
- Part V: Annexes

Who Benefits from Verification?

Verification provides assurances to buyers that their credits have met the ecosystem credit accounting system's standards for additionality, quality, and sustainability. It provides a standardized process for annual monitoring and reporting to lead agencies overseeing mitigation and trading programs. Complete, consistent and accurate verification provides the public with evidence that market activity is delivering real ecological benefits.

Verification is required for all credits listed under the ecosystem credit accounting system's standards on the Market Environmental Registry.

Protocol Questions and Adaptive Management

All verifiers should be familiar with the Pilot General Crediting Protocol: Willamette Basin Version 1.0, which describes the overall credit issuance process and the approved metrics for the currencies they will verify.

These documents are available at the Market Administrator's website: www.willamettepartnership.org. The accounting system's general crediting and verification protocols are designed to work

together. If you have difficulty accessing any of the documents, or if you have any questions please call that Market Administrator at 503-681-5112.

Protocols and the science and information behind them can always be improved. The Market Administrator welcomes feedback and ideas on improving protocols. Comments can be submitted online at: www.willamettepartnership.org.

Verification Process Overview

Verification occurs in the first year of a project as part of assigning credit quantities and then annually through the active life of the project as part of monitoring and reporting on performance. Verification is the responsibility of the project developer. Verification is conducted by individuals who have been accredited by the Market Administrator and occurs on a 5-year cycle as follows:

- **Full verification** in years 1, 5, 10, and 20² which includes a review of eligibility documentation, credit calculations, and a site visit.
- **Streamlined verification** of annual monitoring reports in other years. A site visit can be conducted if major changes have occurred to conditions on the site, or a credit release is proposed as a result of the monitoring report.

The goal of verification is to confirm that the:

1. Pilot General Crediting Protocol was followed completely and accurately
2. Proposed actions have been completed per the Credit Estimate.

²These years were chosen to match A) the permit cycle used for issuing NPDES permits every five years, and B) estimates of check-ins for the wetland program.

3. Appropriate monitoring and maintenance plans are in place to ensure longevity of credits.
4. Credits and debits have been correctly estimated.

For a credit to be verifiable, the Credit Estimate must be free of material misstatements. A material misstatement must be declared if the reported credit generation information does not appropriately describe project conditions and differs greatly from the verifier's assessment of that same information. To be verifiable, a verifier's estimates of credit quantity must be within 15% of information proposed by the Project Developer. The Registry recognizes that there is inherent uncertainty involved in field data collection. The 15% standard is meant to capture differences in reporting uncertainty, stemming from sampling and calculation differences. If the difference in estimates is greater than 15%, the difference is material, and the verifier must use best professional judgment in determining the quantity of credits to verify.

As a general rule, if the difference is within 15%, the credit quantities in the original Credit Estimate will be used to issue credits.

Once successful verification is complete, the verifier submits their Verification Report to the Market Administrator, which is attached to the credit records.

Many credits will need an agency certification before credits can be issued. Once a Verification Report has been submitted and if required, agencies will review the project documentation and give the Market Administrator approval to issue credits. For some credit types, agency approval will not be

required, and the Market Administrator will act as the certifying agency.

Once project developers have assembled all of the necessary documentation and received their certification, they are ready to send their package to the Market Administrator's Registry operated by the Markit Group to issue credits and make them available for sale.

Part II. Definition of Accredited Verifiers and Process for Becoming Accredited

Becoming an Accredited Verifier

Verifiers must be accredited by the Market Administrator before they are eligible to conduct verification activities on behalf of Project Developers. Lead agencies are considered accredited. The Market Administrator will accredit third-party verifiers that are qualified to review one or more

ecosystem currencies. A verifier is an individual that has demonstrated their ability to assess the underlying actions for credits and debits and their familiarity with the approved metrics for specific currencies. The skill sets needed are generally the same for conducting field ecological assessments for streams, wetlands, and upland prairie vegetation, which are outlined below:



Ability to assess stream channel shape and characteristics, identify non-native vs. native vegetation, assess flow and connection of the stream to surrounding floodplain, etc...



Ability to identify important upland prairie plant species, develop plant lists, search online spatial databases, etc...



Experience conducting wetland delineations, ability to assess wetland hydrology, knowledge of wetland native and non-native plants, search online spatial databases, etc...



Ability to assess stream channel shape, aspect, and classify riparian vegetative communities.

Verifiers must also demonstrate the means to accept financial liability³ for verification activities undertaken for a market participant. This liability will be determined in the Verification Services Agreement signed between the verifier and the Project

Developer. The Market Administrator will release a Request for Applications (RFA) annually or as needed to allow interested verifiers to apply for Market Administrator accreditation. Interested verifiers must complete the following steps:

³ This is meant to cover standard liability coverage of consultants. This does not imply that verifiers bear additional liability under credit protocols beyond what is in current Federal, Oregon, and local statutes.

1. Submit an application in response to the Market Administrator's RFA.
2. Receive notice from the Market Administrator that the application has been approved.
3. Attend a Verification Training Session (held approximately two months following the Market Administrator's notification of acceptance from its RFA).
4. Keep the Market Administrator informed of any changes affecting the accreditation (e.g. potential conflicts of interest)

Accreditations issued during the pilot phase are effective for the two years of the pilot period. Going forward, it is estimated that accreditations will be good for five years. After the five years has expired, verifiers must re-apply for renewal by responding to the RFA in the year their accreditation will expire.

Conflict of Interest

The independence of verification is important. Verifiers acting on behalf of the Market Administrator must work in a credible, independent, nondiscriminatory, and transparent manner, complying with applicable state and federal law. This includes disclosing any pre-existing relationships between the Project Developer or Buyer and the verifier. Verifiers must provide a Notice of Verification and Conflict of Interest Form to the Market Administrator at least 10 business days before verification activities can proceed.

As an added protection, a verifier can only provide verification services to a Project Developer for a period up to five years. If a verifier violates these conditions, the Market Administrator at its discretion, may disqualify an accredited verifier for a period of up to five

years. See the Market Administrator's Conflict of Interest Code for full detail.

Lead agencies⁴ may send representatives to accompany verifiers in the course of verification activities primarily for but not limited to information and educational purposes. In the very rare instance when a Project Developer may request that information resulting from these visits be kept confidential, the state agency and Market Administrator will consider the request to the limited extent authorized by ORS 468.095(2) governing state confidentiality and EPA's Regulations on the Confidentiality of Business Information (see 40 CFR Part 2).

Part III: Conducting Verification

The primary goals of verification are to ensure a Project Developer's Credit Estimate and Ongoing Verification Reports meet the required level of accuracy. This does not include re-collecting data. Verification looks to see that data collection methodologies are consistent with the Pilot General Crediting Protocol and approved methodologies, actions are implemented as planned, and all the contracts are in place to ensure protection, maintenance, and monitoring of those credits. The Market Administrator currently recognizes a defined set of currencies and eligible conservation and development actions.

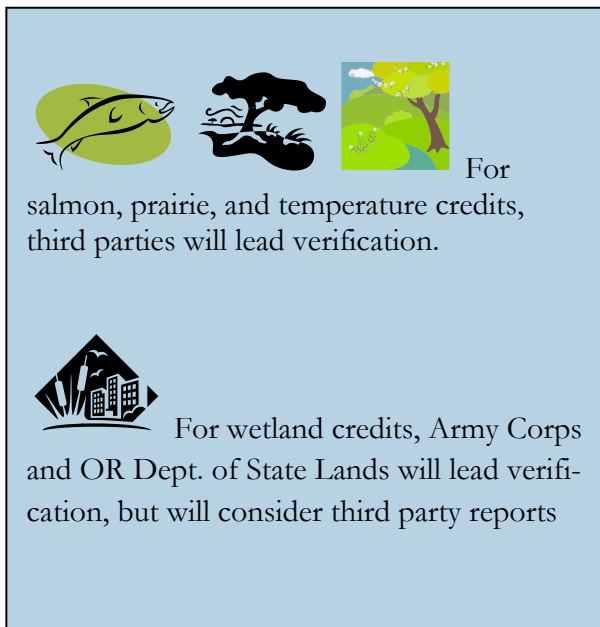
See Annex 1 for detailed explanation of verification process. All steps must be

completed by the verifier to submit their report to the Market Administrator. The schedules below outline the minimum frequency and requirements for verification. A Project Developer, lead agency, or a contract between Project Developer and credit purchaser can require more frequent verification or additional steps. To meet the Market Administrator's conflict of interest policies, one verifier would be able to complete verifications in years 1-5. Following that verification cycle, a new verifier must be chosen in year 6 for the next cycle. Under normal circumstances, verification activities should occur as follows:

Table 1: Verification Timeline

<i>Year</i>	<i>Activities</i>
1	Review credit generation information Confirm as-built conditions for actions Confirm contracts are in place for protection, maintenance, monitoring
2-4	Streamlined review of annual monitoring reports
5	Visit site to confirm data in annual monitoring reports
	Change verifier
6-9	Streamlined review of annual monitoring reports
10	Visit site to confirm data in annual monitoring reports
11...	Continue as required for the active credit life of a project

Verification begins when Project Developers submit their Credit Estimates to the Market Administrator and request verification. At this point, either a lead agency conducts verification, or an accredited third party is assigned by the Market Administrator. See below for who will verify different currencies.



Once a verifier has been assigned, the verifier will have access to the Credit Estimate and other project information to use. Verifiers will also need to enter their reports into the Market Administrator's system. In reviewing annual monitoring reports on years where site visits are not required, verifiers must complete a cursory check of reported information to ensure the Project Developer has not overlooked an event that significantly impacts the status of their credits. Project Developers need to report any significant changes that might affect their credits (tree removals, significant natural disturbances, ownership change, etc.) These reports may also contain optional information beyond what is required (e.g. biodiversity benefits, additional protections, etc.). This data is optional and does not require verification.

Dispute Resolution

There may be instances where a verifier and a Project Developer cannot agree on the findings in a Verification Report. In such instances, both parties can request the Market Administrator's Dispute Resolution Committee to come to a unanimous, binding decision. Both the verifier and the Project Developer will pay an equal filing fee to submit their case to the committee. As part of every Verification agreement, both the verifier and the Project Developer will need to sign agreeing to this Dispute Resolution Policy.

Part IV: Completing the Verification Process

There are a number of core verification activities needed for all credit types. Table 1 contains the verification elements:

Table 2: Verification Process

Year 1 Activities	
Review Notice of Eligibility	<ul style="list-style-type: none"> - Ownership & Stewardship - Minimum quality standards - Additionality
Verify Credit Estimate submitted to the Market Administrator	<ul style="list-style-type: none"> - Review supporting documentation (current conditions data, sampling points, data inputs into credit generation calculations, model outputs, contracts, etc.) - Confirm completion of appropriate implementation steps (planning docs, invoices, photos, etc.) - Conduct site visit - Revise credit estimates as necessary based on verifier feedback
Year 2-4	
Verifier reviews annual monitoring reports submitted by project developer	<ul style="list-style-type: none"> - Review supporting documentation (data sheets, model outputs, contracts, etc.) - Conduct site visit if needed

Once these core verification activities are completed, the verifier can complete a Verification Report that contains a summary which will be available to the public, an opinion on the credit estimates, and a log of activities and findings. This report needs to be submitted to the Market Administrator's system. Annual reports will need sign-off from verifiers for projects to remain on the Markit Environmental Registry. The final stage of verification includes agency or Market Administrator certification. Certification will work differently for different currencies.

Once project developers have assembled all of the necessary documentation and received their certification, they are ready to send their package to the Market Administrator's Registry operated by the Markit Group to issue credits and make them available for sale. The Markit Group will conduct a final review for documentation completeness.



Certification is **both** an approved banking instrument and credit release letter signed by National Marine Fisheries Service



Certification is **both** an approved banking instrument and credit release letter signed by US Fish and Wildlife Service



Certification is **both** an approved banking instrument and credit release letter signed by the OR Dept. of State Lands and the US Army Corps of Engineers.



Certification is completed by the Market Administrator and is reported to the OR Dept. of Environmental Quality

Annex 1. Overview of Verification Process

Project Developer submits Credit Estimate: The Credit Estimate is submitted once initial restoration or conservation actions have begun, and the Project Developer requests verification.

Market Administrator assigns Verifier: Either a lead agency conducts verification, or a third-party is assigned from a list of accredited verifiers. Verifiers are assigned on a rotating basis, moving through the list of the people qualified to conduct verification. Project Developers then work with the verifier and begin to negotiate agreement on the terms for providing verification services. If an agreement cannot be reached, the next verifier on the list is assigned.

Verifier and Project Developer finalize Agreement and send Notice to Market

Administrator: When the verifier and Project Developer finalize a Verification Agreement, they must submit a Verification Notice to the Market Administrator. The Notice must be submitted 10 business days prior to beginning verification activities, and must include a Conflict of Interest Form from the verifier to establish the likelihood of a conflict of interest between the parties is low.

Verifier conducts verification activities: Verifier follows the guidance in the verification protocol to evaluate Project Developer's Credit Estimate.

Verifier prepares Verification Report for Project Developer: Verifier prepares a detailed summary of the verification activities for the Project Developer. This includes a draft opinion for Project Developer's review.

Verifier and Project Developer discuss Verification Report: Verifier meets with Project Developer to discuss Verification Report.

Verifier submits final Verification Report to the Market Administrator: Once authorized by a Project Developer, a Verifier completes the Verification Report Form on the Market Administrator's system.

Market Administrator secures Agency Certification: When all documentation is complete, the Market Administrator will secure the final letter of certification from the necessary agencies before sending the credit package to the Markit Environmental Registry for credit issuance.

Registry issues credits: Registry reviews the credit documentation for completeness. Once accepted into the Registry, the credit will be available for sale and a project summary available to the public.

***Steps 4-9 are completed for years 2-4 of a Verification Cycle as well.**

Annex 2. Verification Notice and Conflict of Interest Form

Annex 3: Verification Report