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GUIDELINE

PERFORMANCE SHORTFALL – GUIDELINES, REQUIREMENTS AND PROCEDURE

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RELATED DOCUMENTS

- [GHG Emissions Reduction & Sequestration Product Requirements](#)
- [Land-Use & Forests Activity Requirements](#)

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SUMMARY

This document “performance shortfall guidelines,” presents a set of requirements and procedure to address performance shortfalls scenario that may be associated with Gold Standard Land-Use and Forests project. Various causes, both force and non-force majeure, may lead to performance shortfalls and require different approaches to address them. These guidelines provide likely shortfall scenarios and corresponding follow up actions to address the situations of the shortfall.

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1| SCOPE AND APPLICABILITY

1.1.1 | The requirements and procedure describe in this document are applicable to GS4GG Land Use project activities that faces performance shortfalls scenario due to force and or non-force majeure.

2| TERMS AND DEFINITIONS

2.1.1 | In addition to the definition contained in the glossary: GS4GG, the following terms apply in this document:

- a. **Adjusted ex-ante CO2-fixation model:** refers to an updated version of validated ex-ante estimations for CO2-fixation prepared to account performance shortfall scenario
- b. **Ex-ante CO2-fixation model:** refers to the project’s validated ex-ante estimations for CO2-fixation.
- c. **Force majeure:** Any cause constituting force majeure i.e., an event beyond the control of the project developer and not involving the developer’s fault or negligence and not foreseeable. Such events may include, but are not limited to;
 - i. any act of war (whether declared or not), invasion, revolution, insurrection, terrorism, or any other acts of a similar nature or force, that prevents DOE travel to project site
 - ii. Natural disaster like flood, earthquake, etc.
 - iii. Change in Governmental requirements, policy, etc. that affect the project implementation and operation
 - iv. Any other situation which meets the definition above

An event may qualify as “Force majeure” while it was assessed as no or low risk for project implementation under “[Risk and Capacities](#)” and/or “[Safeguarding Principles and Requirements](#)” section [P 9.2.](#) “[Vulnerability to Natural Disaster](#)” assessment.

Force majeure does not include shortage of personnel, industrial action, economic downfall, sickness of personnel, breach of contract by subcontractors and liquidity or solvency problems.

- d. **Loss event:** Any situation where there is a significant loss (more than 5%) of previously verified GSVERs as a result of losses of carbon stocks in pools accounted for the project.
- e. **Non-Force majeure:** Any other cause that is not covered under force majeure.
- f. **Performance shortfall scenario:** A performance shortfall scenario represents the situation when the issued planned emission reductions (PERs) are more than the project’s ex-post carbon stocks for a given vintage or monitoring period.

- g. **Planned emission reductions (PERs):** A Planned Emission Reduction represents the expected (i.e., future) sequestration of 1 tonne of CO_{2eq} but does not represent an actual sequestration and accordingly shall not be used for carbon neutral claims until its conversion to a Verified Emission Reduction takes place. PERs may be issued to the Projects following the [Land-use & Forest Activity Requirements](#). If the project has been issued PERs regardless of the fact that the issued PERs are in the project registry account or not the actions to address the performance shortfall are mandatorily required.
- h. **Reversal event:** A situation where net carbon stocks are negative as a result of a loss in carbon stocks.

3| REQUIREMENTS

- 3.1.1 | According to the [GHG Emissions Reductions & Sequestration Product requirements](#) (Section 11.4 Carbon Performance) - the Project Developer must ensure that the project carbon stocks are aligned with the number of issued PERs and GSVERs over time. Refer to [GHG Emissions Reductions & Sequestration Product requirements](#) for further details.
- 3.1.2 | If compliance with the requirement described in Section 11.4 Carbon Performance is not maintained, the project falls in a performance shortfall scenario. The Project Developer shall follow the guidelines and procedure described in this document to address the reversal or performance shortfall and recover appropriate levels of carbon stocks to comply with the requirement (where applicable).

4| PROCEDURE AND GUIDELINES

4.1 | Performance Shortfall Scenarios

- 4.1.1 | **Scenario 1 - Force majeure:** This refers to a reversal and/or performance shortfall situation caused by the force majeure. Depending on the level of the loss and/or under performance happened in the project boundary, the GSVERs may have reversed partially or completely and/or not all issued PERs converted in GSVERs for a given monitoring period.
- 4.1.2 | **Scenario 2 - Non- Force majeure:** This refers to a reversal event and/or performance shortfall situation caused by non-force majeure such as poor project management and overestimation of the ex-ante CO₂-fixation model, among others. As a result, the project may experience a reversal of GSVERs and/or an underperformance that prevents all issued PERs from converting into VERs for a given monitoring period.
- 4.1.3 | **Scenario 3 - De-certification/De-registration:** This refers to a reversal/performance shortfall situation resulting from discontinuation of the project such as de-certification or de-registration caused by non-conformity, bankruptcy, or project withdrawal by the project developer. This situation is considered as full reversal of all GSVERs issued to the project.

4.2 | Notification to Gold Standard

- 4.2.1 | In a reversal event or performance shortfall, the Project Developer shall notify Gold Standard Secretariat (standards@goldstandard.org) no more than 30 calendar days after the discovery of the reversal event. If the performance shortfall is identified during the certification process, the project developer and VVB shall notify Gold Standard Secretariat (standards@goldstandard.org) immediately upon discovery.
- 4.2.2 | Upon receiving the notification, Gold Standard shall freeze the project Registry account that is affected with the reversal event. No activity including issuance, transfer, assignment, or retirement of PERs and/or GSVERs from the project registry account shall be allowed until a decision or action plan is finalised by GS Secretariat. In case the project developer has multiple projects under the same Registry account, Gold Standard shall work with the project developer to prevent transfer of assignment of GSVERs or PERs from the affected project.

4.3 | Assessment report

- 4.3.1 | The Project Developer shall submit a detailed assessment report within three months of initial notification date. In the case shortfall is identified during the certification process, the VVB shall include its opinion on assessment report in the verification report.
- 4.3.2 | The assessment report shall provide information on the incident including but not limited to its causes, evidence, written or otherwise, to assess and determine the nature of event, the magnitude of the loss of carbon stocks (number of units i.e., GSVER and/or PERs) and a mitigation measure, where possible, to avoid occurrences of similar incidents in future. In the case of a performance shortfall, the assessment report shall clearly explain the causes of shortfall.
- 4.3.3 | The project developer shall take into account the following requirements when preparing the assessment report
- a. For Scenario 1 – If a reversal event affects individual Modelling Units (MUs), the Project Developer shall submit adjusted CO₂-fixation model with revised ex-ante estimates for the affected Mus as part of the assessment report. This is done to assess the effect on the remaining crediting period. The ex-ante CO₂-fixation model shall be adjusted (downsized) for the affected MUs to reflect the loss in above and below ground biomass, as well as in soil carbon, where applicable. The adjusted model for the affected MUs shall start from the date of the reversal event until the end of the crediting period. It is important to note that the crediting period of the project cannot be altered.
In the case of a performance shortfall in which it is not possible to identify with certainty the affected MUs, the Project Developer shall conservatively adjust the ex-ante CO₂-fixation model for all the MUs constituting the project.

- b. For Scenario 2: The ex-ante CO₂-fixation model shall be adjusted (downsized) for all the MUs in the project to account for the loss in above and below ground biomass, as well as in soil carbon (where applicable). The adjusted model shall start from the date of the reversal event until the end of the crediting period. Note that the crediting period of the project cannot be altered.
- c. To adjust the ex-ante CO₂-fixation model, the project shall refer to the verified reversal event or performance shortfall, as applicable. The adjusted model is the result of reducing the ex-ante CO₂-fixation model by the shortfall: Ex-ante CO₂-fixation model X (ex-post/ex-ante). Note that this adjustment is done and reported at the vintage level.

4.4 | Review of assessment report and follow up actions

- 4.4.1 | The GS Secretariat shall carry out an initial review of the assessment report and decide if external expert's opinion and/or a site visit by an VVB/Objective Observer at the **at project developer's expense** is necessary to substantiate information on incident and evaluate the extent of the reversal/performance shortfall. The Gold Standard Secretariat, in consultation with LUF TAC, shall decide
 - a. Whether an Objective Observer or VVB shall be involved, and;
 - b. the level of adjustment of the ex-ante CO₂-fixation model.
- 4.4.2 | During the review process, the project developer may be asked to provide additional information and or evidence on incident. Any future PER issuance shall be based on the adjusted ex-ante CO₂- fixation model.
- 4.4.3 | If a future performance shortfall event occurs, the project developer shall repeat the same steps described above, as applicable.
- 4.4.4 | The project developer shall take into followings for revisiting an adjusted ex-ante CO₂- fixation model:
 - a. A project developer may request to reinstate the validated ex-ante CO₂-fixation model at the time of renewal of crediting period only if consistent evidence (i.e., at least three year verified growth performance)) confirms that the project is outperforming the adjusted ex-ante CO₂-fixation model.
 - b. The GS Secretariat shall review the change during a crediting period renewal assessment to determine if returning to the validated ex-ante CO₂-fixation model presents a conservative approach given the risk profile of the project and the effectiveness of the implemented mitigation actions.
 - c. Upon a satisfactory decision on the revised ex-ante CO₂-fixation model, the GS Secretariat may change the project status and unlock PERs from the project's registry account (previously locked to address a performance shortfall) for the remaining crediting period. The issuance of PERs shall follow the latest rules PERs issuance.

4.4.5 | After successful closure of the review, the Gold Standard Secretariat in consultation with developer shall prepare an action plan ("Action Plan") to compensate for the losses incurred due to the reversal event.

4.5 | Compensation/Retirement of lost emission reduction units

4.5.1 | The Project Developer shall immediately notify buyers of the affected PERs and/or GS VERs who are holding these units in their Gold Standard registry account at the time of the discovery of the shortfall. The notification shall include the cause of the reversal and/or shortfall and the Action Plan as agreed with Gold Standard Secretariat.

4.5.2 | The Gold Standard shall include a note to record the reversal event, volume of PERs and/or GSVERs affected due to the reversal event/performance shortfall, origin of the units used to compensate the loss, and follow up actions. The language and format of this note shall be in the form of an entry on The Gold Standard Registry and shall be determined in the sole discretion of the GS Secretariat.

4.5.3 | The GS Secretariat shall lock the equivalent volume of issued PERs and/or GS VERs units lost due to the reversal event and all PERs above the accepted adjusted ex-ante model. This also applies to the corresponding units in the compliance buffer account of the project. In addition, issuance of PERs shall be limited by the adjusted ex-ante CO₂-fixation model estimates (following current PERs issuance rules). To compensate transferred/assigned lost GSVERs and/or performance shortfall PERs, the preferential order as summarised in the table below shall be followed for different scenario.

Table 1 – Options to compensate the lost GSVERs

Options in preferential order of implementation	Scenario 1 Force majeure	Scenario 2 Non- Force majeure	Scenario 3 De-certification/ De-registration
Compensate using an equivalent number of GSVERs that were not affected from the reversal event and are available in project's registry account	Yes	Yes	NA
Compensate using an equivalent number of GSVERs purchased from other Gold Standard project	Yes	Yes	Yes
Compensate using an equivalent number of GS VERs available in the compliance buffer pool	Yes	NA	NA

- 4.5.4 | The Project developer shall, at its expense, compensate the lost GSVERs within 4 months (120 days) of the receipt of action plan from Gold standard Secretariat, unless additional time is agreed and granted by GS Secretariat.
- 4.5.5 | Project developer shall compensate for the full amount of all issued GSVERs to the project under scenario 3.
- 4.5.6 | If the Project developer does not compensate the lost GSVERs within 4 months (120 days) of the receipt of action plan from Gold standard Secretariat, Gold Standard Secretariat retains the right to freeze the project registry account and use any existing GSVERs available in project account to compensate for the Reversal and/or shortfall.
- 4.5.7 | Gold Standard may introduce further options for Project developer for the reconciliation of lost GSVERs in the future.

DOCUMENT REVISION HISTORY

Version Number	Release date	Summary of changes
2.0	28/08/2023	<ul style="list-style-type: none"> - Revision to outline the procedure and requirements - Introduction to implement the options available to compensate the loss in the event of reversal and/or performance shortfall
1.1	02/04/2020	<ul style="list-style-type: none"> - Rule clarification to outline order of preference - Editorial changes
1.0	01/01/2019	<ul style="list-style-type: none"> - Initial adoption of document