

# Cassowary Credit Scheme Reversal Procedure



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# CASSOWARY CREDIT SCHEME REVERSAL PROCEDURE

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Bronwyn Robertson, Cath Moran



## 1. Objective of the Reversal Procedure

The *Cassowary Credit Scheme Reversal Procedure* (the Reversal Procedure) is intended to be used by the Secretariat to determine the appropriate response in situations where a Significant Reversal occurs during a Project's Crediting Period, in an area where Project outcomes have already been Credited.

## 2. Reversal Procedure Applies to Significant Reversals

Significant Reversals are defined in approved Methodologies in terms of the minimum quantum of decline in the outcomes that have been Credited to the Project, which may include metrics associated with the quantified benefit and/or the spatial extent of the Project affected. For Projects with Project Activities that have a defined spatial extent, a Significant Reversal will be deemed to have occurred if this decline affects at least 5% or 1 hectare (whichever is smaller) of a Management Unit, or if there are no Management Units, of the Project Area or Methodology Area. For Projects with Project Activities that do not have a defined spatial extent, the approved Methodology will define the circumstances when a Significant Reversal is deemed to have occurred.

### 2.1 Unavoidable Significant Reversals

Unavoidable Significant Reversals are Reversals that could not reasonably have been mitigated or minimised by the Proponent. Unavoidable Significant Reversals may arise from:

- i) Severe Natural Events (e.g., severe cyclones, uncontrolled bushfires, floods, drought, severe frost, disease or pest outbreak); or
- ii) other circumstances (e.g., vandalism, damage by uncontrolled stock) that cannot be fully mitigated by Proponents; or
- iii) circumstances that cannot be mitigated in any way by the Proponent (e.g., war, meteorite strike).

To the extent that the risk of Significant Reversal as a result of these factors can be anticipated and minimised through reasonable management actions, this should be carried out.

Unavoidable Significant Reversals are deemed to have occurred if a Significant Reversal is caused by a Severe Natural Event or other circumstance AND the Proponent:

- a. has evidence that they have implemented reasonable actions to minimise the risk of damage from Severe Natural Events and other circumstances, according to an approved Permanence Plan AND
- b. followed all relevant laws, notices and advice regarding the Severe Natural Event.

### 2.2 Avoidable Significant Reversals

Avoidable Significant Reversals are Reversals that could reasonably have been mitigated or minimised by the Proponent. Avoidable Significant Reversals are deemed to have occurred if there is not evidence that the Proponent implemented reasonable actions to minimise or mitigate the risk of damage from Severe Natural Events and other circumstances, or if the Reversal was caused by the Proponent, through insufficient or inappropriate management or negligence.

### 3. Proponent responsibilities to manage Risk of Reversal

Participation in the Cassowary Credit Scheme comes with the obligation to proactively protect the benefits to rainforest biodiversity that have been Credited to Project Activities during the Crediting Period.

Proponents must take reasonable steps to manage the Risk of Reversal from any cause. Proponents should seek expert advice during project planning and delivery to identify and implement reasonable management actions to mitigate and minimise the Risk of Reversal. Examples of reasonable management include:

- consideration of local and landscape-scale risk factors in locating Project Areas e.g., flood risk.
- accounting for exposure to risk factors in design of Project Areas e.g., shape.
- physical protection from risk factors e.g., frost guards, fencing, fire breaks.
- use of materials that are resistant to risk factors e.g., plant species selection.

Proponents must submit a Permanence Plan at application, outlining steps they have taken or will take to mitigate Risk of Reversal. They should undertake any actions in the Permanence Plan and keep records of those actions for reporting. Proponents are required to report any Significant Reversals to the Secretariat during a Project's Crediting Period.

### 4. Scheme approaches to minimising and mitigating the Risk of Reversal

If a Significant Reversal occurs, this Risk of Reversal Procedure will be applied to determine whether or not the Significant Reversal can be recovered through reasonable actions.

A Risk of Reversal Buffer of 5% is applied to all Projects in the Cassowary Credit Scheme, acknowledging there is likely some residual risk that the benefits Credited to some Projects may be reversed during Crediting Period and that these may not be able to be recovered. The Risk of Reversal Buffer will be applied to each Application for Cassowary Credits from Proponents and will be maintained by the Secretariat in a Risk of Reversal Buffer Account.

The Risk of Reversal Buffer Account will be used to mitigate against Reversals across the Scheme, in accordance with this Reversal Procedure, in situations where it is not possible to recover the benefits that have declined as a result of a Significant Reversal.

Approved Methodologies must include guidance on ways to minimise the Risk of Reversal in Projects.

### 5. Risk of Reversal Procedure

If a Significant Reversal occurs during the Crediting Period of a Project, the Secretariat will determine their appropriate response based on the decision flowchart shown in Figure 1.

In order of preference, the Secretariat's responses to a Significant Reversal include:

- a. Recovery of the decline in Credited benefit, providing it is reasonable, practical and feasible to do so.
- b. Stratify the Project Area to remove the part that has been affected by the Reversal. In this instance, the Proponent must relinquish the Credits that have been issued for that area or use Withholding Credits from the Proponent's Project or purchase new Credits or cancel the equivalent number of Credits held in the Scheme Risk of Reversal Buffer account.

- c. De-register the Project and relinquish Credits already issued for the entire Project. In this instance, the Proponent must relinquish the Credits that have been issued for that area or use Withholding Credits from the Proponent's Project or purchase new Credits or cancel the equivalent number of Credits held in the Scheme Risk of Reversal Buffer account.

The Secretariat's response will be most strongly influenced by whether the Reversal is considered to have been unavoidable or avoidable.

In cases where the Significant Reversal was unavoidable, the Secretariat will take the Proponent's efforts to minimise or mitigate risk(s) into account in its decision regarding the Reversal. In the case of unavoidable Significant Reversals, the Secretariat will work with the Proponent to identify whether it is reasonable, practical or feasible to recover Project outcomes. If recovery is considered reasonable, the Secretariat will consider supporting actions to allow this to occur e.g., by extending the Crediting Period for up to a maximum of 5 years and/or pausing Crediting while the Project Area recovers. The Standard and applied Methodology will describe any process for recovering the benefits and any consequences during the time that Project benefits are being recovered.

If the Secretariat and Proponent do not consider that it is reasonable, practical or feasible to recover the benefit that has declined and the Proponent meets the conditions above, the Secretariat may cancel the corresponding number of credits from the Risk of Reversal Buffer Account and the Project Area may be re-stratified to remove the area affected by the Significant Reversal.

In the case of an avoidable Significant Reversal, the Secretariat will implement their Compliance Procedure, which may include de-registering the Project.

## 6. Additional approaches to managing Risk of Reversal

Methodologies approved through the Cassowary Credit Scheme must ensure that genuine benefits to rainforest biodiversity are delivered and can be sustained during the Crediting Period. Additional Risk of Reversal approaches may be identified in approved Methodologies. For example, in cases where the Risk of Reversal is not reduced through reasonable management actions, a Methodology may incorporate a higher Risk of Reversal Buffer, meaning that a higher proportion of Credits are withheld from Projects.

In accordance with the Standard, Methodologies must include measures that promote, encourage or incentivise the long term security of benefits to rainforest biodiversity achieved by Projects beyond the end of the Crediting Period.

## 7. Reversals in Project Areas where Credits have not been issued

Where Credits have not been issued for an area and it experiences a Significant Reversal, the Proponent can choose to remove the area from the Project or to implement management actions to recover the benefits to rainforest biodiversity and continue the Project, claiming Credits according to requirements in the Methodology.

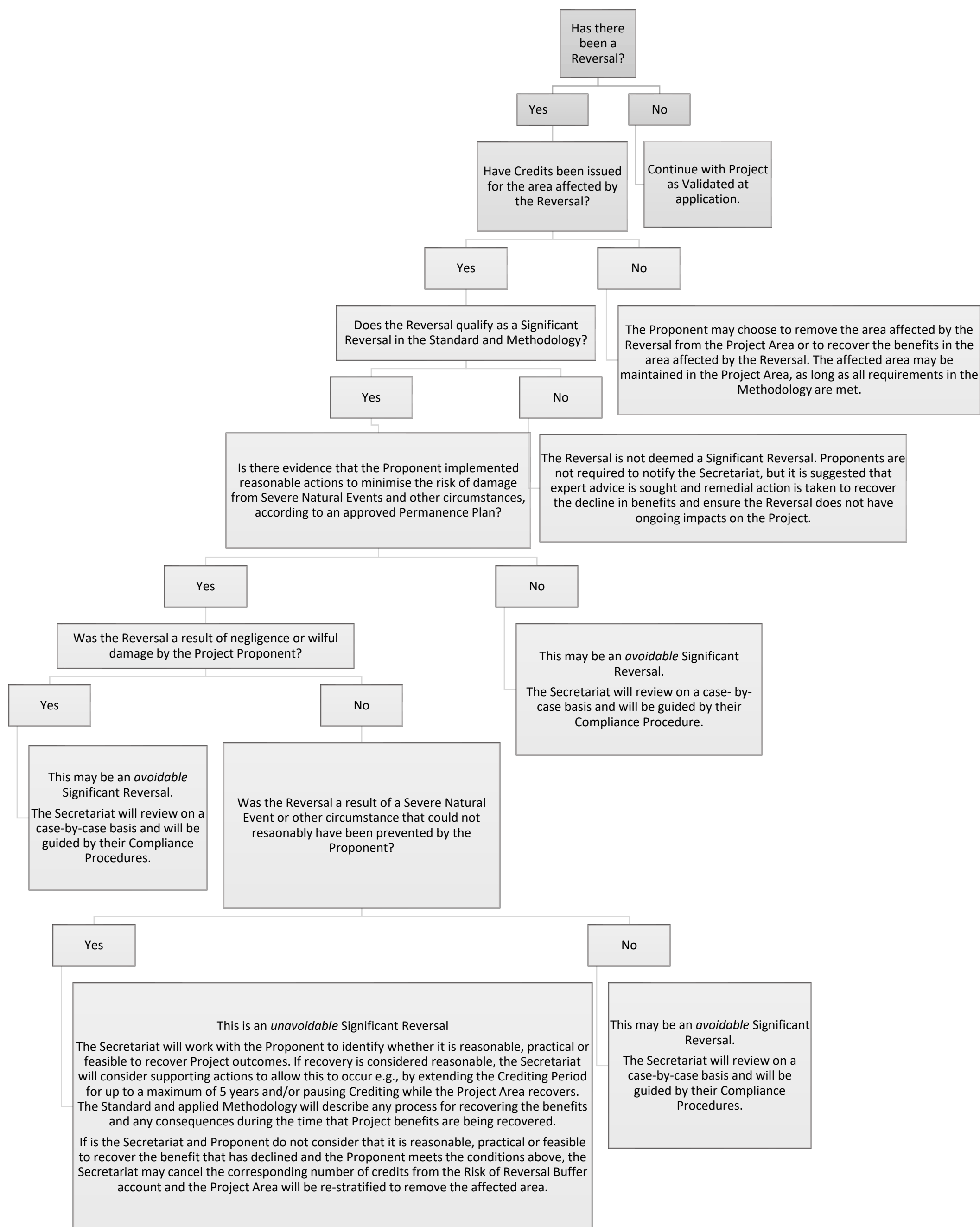


Figure 1 Risk of Reversal decision flowchart for Cassowary Credit Scheme Projects