

Policy Briefing – Vulnerability Reduction Credits (VRCs™):

Potential role in national adaptation management, tracking, measuring, reporting, and verification

VRC PURPOSE

Developing climate adaptation practices and measures that will protect individuals and communities against current and upcoming climate effects is the fundamental imperative of the 21st century.

The Vulnerability Reduction Credit (VRC™) has been created as a fungible mechanism that provides a universal measure of the avoided impact costs of climate adaptation across projects and activities. This makes effective and sustainable climate change investment attractive and enables more transparent and effective monitoring of the outcome of adaptation activities.

A national system for management, tracking, and monitoring, reporting, and verification (MRV) can be developed that allows for system-wide assessment of different adaptation projects—from agriculture to coastal defences—that allows for projects to be compared against their managed efforts to reduce vulnerability to climate change. This can help target and prioritize adaptation investment, reward successful projects, and articulate results to government and donors as a part of a comprehensive MRV system.

Unlike other systems, VRCs offer the potential for different projects in different sectors to have their adaptation benefits quantified, compared, and priced and allows for a comprehensive national management system structured around one metric (but deploying other metrics as deemed appropriate by policymakers).

VRC DEFINITION

A VRC is worth €50 of avoided impact costs and enables a direct and auditable comparison of potential adaptation costs and benefits across different projects that might be undertaken to reduce the vulnerability of communities to climate change.

The VRCs generated by project activity are simply calculated based on the Avoided Impact Cost (AIC), a value assigned to the outcome of undertaking the project that can reflect factors—including protected revenue, avoided damage to infrastructure, improved health and well-being, or even hedonic measures such as cultural or natural resource value—that can be measured monetarily. To account for differences in local wealth and income, an additional Income Equalisation Factor (IEF), based on the community income level relative to a World Bank income benchmark, is also applied:

$$\text{Number of VRCs generated} = (\text{AIC} \times \text{IEF}) \div \text{€50}$$

VRC registration is governed by the [VRC Standard Framework](#), which applies principles-based safeguards for communities and the environment.

VRC APPLICATION

VRCs can be earned by communities or enterprises carrying out climate adaptation projects. These can then be sold to investors or donors interested in measuring and verifying project outcomes in a transparent manner. Crucially, as VRCs are only earned if a project is maintained and evaluated over an agreed time period, they incentivise sustained adaptation behaviour and can promote commitment to adaptation projects beyond the scope of political or business cycles.

VRC PROJECT CYCLE

Projects that ensure climate resilience through demonstrated and validated climate adaptation measures are awarded transferrable VRCs by the Higher Ground Foundation. The HGF manages the process of VRC project development, execution, and monitoring through a multi-step process in conjunction with all project stakeholders and also with third-party auditors.

WHAT MIGHT A NATIONAL VRC MANAGEMENT SYSTEM LOOK LIKE?

- **NAP AND NDC Planning:** VRCs can be key to identifying, prioritizing, and communicating progress to the UNFCCC and for national planning. A VRC-based planning platform would show the international community clear, measurable results and may stimulate multi-lateral and bi-lateral climate finance.
- **Project/Program Funding:** Once funding is secured from national and international sources, programs can disperse project funds based on VRCs earned. This may create a further project revenue stream to encourage private debt finance.
- **Monitoring, Reporting, and Verification:** A VRC-based MRV system would channel information of project success or need for remedies and would give greater confidence to government and international donors of the efficacy of project funding. This in turn would encourage the development of more effective projects to tackle the most significant national climate priorities.

PILOT PROJECT

HGF, in partnership with the Environment Ministry of Côte d'Ivoire, is currently conducting a [prefeasibility study](#) on the implementation of a National VRC Management system. We invite you to visit our [website](#) for more details on this effort and on the VRC Mechanism.

To reach out directly to HGF, contact us at: info@thehighergroundfoundation.org