

PROJECT CYCLE

PROCLIMA®

From the project idea to the market

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1 Introduction

This document describes the process for the certification and registration of GHG mitigation initiatives and other GHG projects (hereafter "Project"), as well as the procedures for the issuance of VCC (Verified Carbon Credit) in the PROCLIMA Program.

The following steps are required to certify and register a project with the PROCLIMA Program: account creation, request for certification and registration of a project, project documentation's evaluation, project registration, initial issuance of VCCs, and periodic issuance of VCCs.

The PROCLIMA Program has a system for registering GHG mitigation projects, including the certification and assignment of a unique serial number for GHG emission reductions or removals, verified by the Validation and Verification Body (VVB).

PROCLIMA ensures the review of the documentation related to the validation and verification of the projects. Likewise, to confirm that the VVB comply with the requirements described in Resolution 1447 of August 1, 2018, in Decree 926 of 2017 and others defined by the Certification Program - PROCLIMA. In this sense, PROCLIMA can guarantee the projects' integrity and the Verified Carbon Credits contained in the PROCLIMA registration platform.

The registration system and documentation are available to the public on PROCLIMA's website (www.proclima.net.co). Thus, the initiatives that PROCLIMA has certified, the Verified Carbon Credits (VCC) issued, and the corresponding documentation can be found on the registration platform.

2 Objectives

The objectives of the " PROCLIMA Project Cycle" document are:

- (a) Description of the components of the project cycle;
- (b) Provide the necessary procedures to comply with the requirements for certification and inclusion in the registry system of GHG mitigation initiatives and other GHG projects;
- (c) Ensure consistency and clarity for the presentation of documents related to the registration system and the issuance of Verified Carbon Credits (VCC);
- (d) Maintain the integrity and efficiency of the procedures related to the PROCLIMA Registration system.

3 Version

This document constitutes Version 2.0 January 29, 2021.

This version may be adjusted periodically. Intended users should ensure that they are using the most current version.

4 Scope and area of application

This document describes the steps to be followed by project holders, account holders in the registry system, validation and verification bodies (VVBs) and other interested parties for the certification and registration of a project, the issuance of Verified Carbon Credits (VCCs) and related actions.

This document is intended for:

- (a) Any natural or juridical person, public or private that intends to register its Project or Initiative;
- (b) Validation and Verification Bodies (VVB);
- (c) Holders of GHG mitigation initiatives classified as Sectoral GHG Mitigation Projects or REDD+ Projects;
- (d) Holders of other greenhouse gas projects;
- (e) Trading and transaction of GHG emission reductions agents and other interested parties.

5 Terms and definitions

Administrator

The registry system administrator is responsible for the management and reliability of the data in the registry system. The registry system administrator safeguards the information so that the system is transparent and reliable, ensuring that it is properly stored and secure, as well as easily accessible when needed. PROCLIMA is the registry system administrator.

GHG statement

A formal written statement, addressed to the intended user, assuring compliance with the ProClima certification program requirements, and compliance with the criteria contained in ISO 14064-2, and evaluated under ISO 14065 and ISO 14064-3.

Validation / Verification statement

A formal written statement, addressed to the intended user, assures the responsible party's GHG statement. This statement, made by the validator or verifier, may contain stated GHG emissions, removals, emission reductions or incremental removals.

Withdrawal Statement

A formal written statement, addressed to the intended user, assuring compliance with the ProClima certification program's requirements for the cancellation or retirement of Verified Carbon Credits.

Project Document

A document describing the Project's GHG emission reduction and removal activities, following the requirements of the Program and GHG quantification methodologies.

Project documents

The documents required to register the Project or issue VCC.

PROCLIMA Standard

The document that gathers and describes the set of principles and requirements necessary for the design, development, validation, verification and certification of mitigation initiatives and other GHG projects and the issuance of Verified Carbon Credits (VCC).

GHG Mitigation Initiative

These are programs, projects, actions or activities developed at the national, regional, local and sectoral level to reduce emissions, avoid emissions, remove and capture GHGs. Initiatives are classified into GHG emission reduction initiatives and GHG removal initiatives. These initiatives may be sectoral or REDD+. For Resolution 1447/2018, the regional and local implementation level shall be understood as a subnational level. These initiatives are developed in the national territory.

Methodology or Methodological Document

A document that gathers systematizes and defines the techniques, methods, and procedures to be applied according to each Project's type and particular characteristics to quantify GHG removals or reductions.

Validation and verification bodies

They are independent entities that perform validation and verification processes of GHG mitigation initiatives. The VVB is responsible for conducting an objective assessment and issuing a validation or verification statement concerning the information submitted by the holder of the mitigation initiative, and the other criteria defined by the GHG Certification Programs or carbon standards and the National Government.

Interested Party

A person or organization that may affect, be affected or perceived to be affected by a decision or activity.

Verification period

The period during which the GHG reductions or removals reported in the verification report and contained in the Verification Statement are quantified.

Registration process

The project registration process refers to all or any of the stages that a project under the PROCLIMA Program must complete to register a project and issue VCCs, as the case may be.

PROCLIMA Program

Set of principles, regulatory documents, standards, methodologies, procedures and tools developed by ProClima for its effective operation in the international carbon market.

Registration System and Registration Platform

The Registry is a system for the issuance, transfer and retirement, through a VCC (Verified Carbon Credits) custody service. One VCC is generated for each ton of GHG reduction or removal certified by the PROCLIMA Program, which can be transferred between users' accounts in the Registry Platform. The data comprising the Registry includes information on validated and verified GHG emission reductions and removals.

The Registration Platform is the web application through which users can self-manage the processes of i) account registration, ii) project registration, iii) verification period registration, iv) VCC issuance, v) VCC transfers and vi) VCC withdrawal.

Validation report

The validation report is the report prepared by a validation and verification body (VVB), pursuing Project's validation, which reports the validation process results and includes the amount of greenhouse gas emission reductions that can be achieved during the project registration period.

Verification report

A report prepared by a validation and verification body (VVB), according to the verification, reports the results of the verification process. The written assurance that, during the specified period, the Project achieved the reduction or removal of GHG emissions, as verified.

Authorized representative

The person (natural or legal) authorized by the account holder to give instructions to the PROCLIMA registry administrator on his/her behalf. The authorization is granted using an agreement that includes the account opening application and the declaration on representation, under the modalities and procedures defined by PROCLIMA, and any additional instructions/guidance from the PROCLIMA registry administrator.

Initiative or project holder

The natural or legal person, public or private, responsible for the formulation, implementation, monitoring and registration of a GHG mitigation initiative.

Administrator's website

PROCLIMA Web site: www.proclima.net.co

User of the Registry

The user is the natural or legal person who, under the terms and circumstances provided for by law, may access the information of one or more data owners offered by the operator or by the source, or directly by the data owner. Insofar as he or she has access to third party information, the user is subject to compliance with the duties and responsibilities provided to ensure the protection of the rights of the data owner.

Intended user

An individual or organization identified by those reporting on GHG-related issues as using such information for decision making.

6 The PROCLIMA Project Cycle

The ProClima Project Cycle comprises the processes and procedures that must be fulfilled to carry out the certification and registration of GHG Mitigation projects through the ProClima Program. The methods described below are mandatory and must be carried out in the order indicated.

The document *Manual of Use and Good Practices of the Registration Platform* and the video tutorials are the documents that guide and regulate the use and functionality of the Registration Platform. Any potential user who needs to access the platform and register in PROCLIMA must follow step by step the indications described in this Manual. This document complements each of the processes described in the PROCLIMA Project cycle, starting from the creation of an account in the Registration platform to the VCC Withdrawal process. To access the Manual and tutorials must be previously requested through the e-mail info@proclima.net.co.

6.1 Account creation on the registration platform

Market participants who intend to request CCVs' issuance and trade them through PROCLIMA's registration system must have an account in the Registration Platform. They may ask for account creation at any time. Thus, account holders may have an account in the registry platform before having a project to register or before having a legal agreement to purchase CCVs, as the case may be.

For this purpose, the interested party must submit an application to create the account, sending documentation related to the natural person or legal entity that will represent the account holder. Once the information is evaluated, and the request is approved, an account is created in the registration system.

The account holder will then provide the Registration System Administrator with an authorization, authorizing a designee to access the Registration Platform on his or her behalf.

The Registry use and the registry site are subject to terms and conditions, which constitute a binding contract between the Account Holder as a user of the Registry and the Administrator. Thus, by using or accessing the Registry, the Account Holder agrees to be bound by the terms of use and accepts actual responsibility to fulfil the users' duties. That

is, by using the Registry, the Account Holder shall be subject to the rules and operating procedures, applicable to such use.

The account types are as follows: Project Holder Account, General Account and Aggregator Account. Each of these accounts has an associated Active Account and a Withdrawal Account.

6.1.1 Project holder account

A project holder is a natural or legal person, public or private, responsible for the formulation, implementation, monitoring and registration of a GHG mitigation project.

The owner of this type of account may register projects, request the issuance of VCCs, transfer them to other account holders, or withdraw them in his own name. This type of account cannot receive VCC transfers or hold or withdraw on behalf of third parties. Project developers who do not trade credits in the market may have this type of account, but if, in addition to registering projects, an Account Holder also trades CCVs, a General Account is required.

The project holder may only register the mitigation initiative in his own name, provided that he submits the related documentation.

The project holder account cannot withdraw CCVs in the name of third parties, and it can only withdraw them in its own name and transfer them to other account holders.

6.1.2 General account

The owner of a general account may be a project holder or act on behalf of the project holder(s).

A Market Participant holding this type of account may register projects, request the issuance of VCCs, transfer or export VCCs to other accounts, receive transfers of VCCs from other accounts and withdraw VCCs in its own name. A General Account holder can also withdraw VCCs on behalf of third parties. This account is tailored to the needs of organizations that buy and sell VCCs and those that develop projects and, in turn, market VCCs.

6.1.3 Aggregator account

Aggregator Accounts are secondary market accounts. This type of account allows the holder to receive VCC transfers from other accounts and withdraw them on behalf of third parties. The holder of an Aggregator Account cannot transfer or export VCCs to other account holders. This type of account is recommended for those who purchase VCCs to withdraw them on behalf of third parties.

6.2 Application for registration of a project

The Project holder, or whoever is duly authorized by the holder, is the one who may request the registration of the Project.

First, the initiative holder must request the registration of the Project in the PROCLIMA Registration Platform. The initiative holder may request to register the Project before the validation process is completed, attaching the information required in the online form and described in the *Registration Platform's Manual of Use and Best Practices*. Certification and registration may be required when the Project is in the validation process. However, certification and registration will be given only when the Project has the validation report and statement.

6.2.1 RENARE

The RENARE National Registry of GHG Emissions Reduction is a technological platform of the National Information System on Climate Change in Colombia.

Any holder of a GHG mitigation initiative in the national territory that requests certification, registration and issuance of CCVs with ProClima must register its initiative in the RENARE from the feasibility phase before bidding ProClima registration.

6.2.2 Project review and evaluation

Once the process of analyzing the documentation's completeness and consistency has been completed, the PROCLIMA team carries out an evaluation. It ensures that the Project, as well as the validation or validation/verification process, complies with the requirements of the Certification and Registration Program.

In addition, it determines whether the Project complies with the principles and requirements of the PROCLIMA Program and the conditions established in the applicable national regulations.

The Project will be registered in the registration platform only if i) it complies with the requirements established in the Standard, ii) it submits all the information required in the registration form and iii) the information presented is consistent.

6.3 Certification and registration

To complete the certification and registration of a GHG mitigation project, the project holder must register a verification period by registering their Project on the Registration Platform, including the documents required by the online form.

The verification period shall comply with the applicable Standard and Methodology requirements, specifically with the requirements for dates and crediting periods described in section **¡Error! No se encuentra el origen de la referencia..**

The ProClima team must thoroughly review the request for registration of a verification period. If the PROCLIMA team confirms compliance with the applicable standards and procedures, and the Project's integrity is verified, the Certification and Registration of GHG Mitigation Initiatives document is issued. It contains general project information, including data related to the market participant, the Project and the validation and verification body.¹

After determining that the Project meets all requirements, the Registration Platform will issue a unique project reference ID to identify the Project in the registration platform.

6.3.1 Confirmatory verification procedure

PROCLIMA requires that all verification processes carried out/initiated prior to the adoption of the Certification and Registration Program for GHG², Mitigation Initiatives and Other Greenhouse Gas Projects, culminate/confirm the Verification process through the following Confirmatory Verification Protocol:

1. The DOE (Designated Operational Entities) or VVB (Validation and Verification Bodies), other than the Colombian Institute of Technical Standards and Certification (ICONTEC) are in charge of Verification. The processes initiated before the date of adoption of the PROCLIMA Standard (April 7, 2020) must complete and resubmit to PROCLIMA the Verification Report with the requested information. This action aims to confirm compliance with the Standard's requirements, the provisions of the applicable national regulations, and the needs of the market.
2. The nature of this procedure is interim, and its purpose is to standardize the verification processes carried out before the issuance of this protocol, to confirm that the GHG reductions or removals occurred as a result of the project activities registered in PROCLIMA, under the applicable norms and standards. Consequently, for compliance with the regulations in force to date, the Verification Processes shall be understood to have been completed only as of the date on which the Confirmatory Verification process is satisfactorily completed.

¹ The ProClima team reserves the right to accept or reject the registration of a verification period in the registration platform. If incomplete or inconsistent information is submitted, PROCLIMA must reject the registration of a verification period until the validation and verification requirements specified in the standard are met.

² Version 2.3. October 2020

3. The additional information requested includes the breakdown of GHG reductions or removals made each year (vintage), facilitating accounting and registration, and strengthening custody over the carbon removal/reduction units (Verified Carbon Credits VCC).
4. Once the confirmatory verification process has been completed, the GHG reductions or removals reported in the Verification Reports, resulting from the adequate implementation of the projects registered in PROCLIMA, will be understood fully verified.
5. The term to carry out the Confirmatory Verifications is three (3) months from the date of publication of this procedure.

6.4 Verified Carbon Credits (VCC) issuance

Once the documentation related to the validation and verification process has been received, the PROCLIMA team evaluates compliance with the Program requirements and accepts or rejects the issuance of the VCCs.

The issuance of VCCs will only be possible once the verification process and the subsequent evaluation of ProClima 's technical team's related documentation are concluded. For this process, the user shall request the issuance of VCCs through the Registry Platform. The number of VCCs issued through the Registry Platform will always be equal to the number of GHG removals or reductions verified by a VVB and approved by ProClima.

The issuance of CCVs is done through the creation of serials. These serials characterize each of the credits, differentiating their destination for the voluntary market, the carbon tax (in the Colombian market), or the reserve, their crediting period (year) and their amount per year.

Serials are certified through the GHG Statement's issuance, a document received by the Account Holder that registered the Project, which contains the relevant information on the rights of the CCVs issued and on the project information.

6.4.1 Serial identification

The design of the serials in PROCLIMA platform ensures a unique serial ID. Through its code, it is possible to trace the origin of the serial, including the Project Holder. Figure 1 describes the information provided by a VCC serial issued by PROCLIMA.

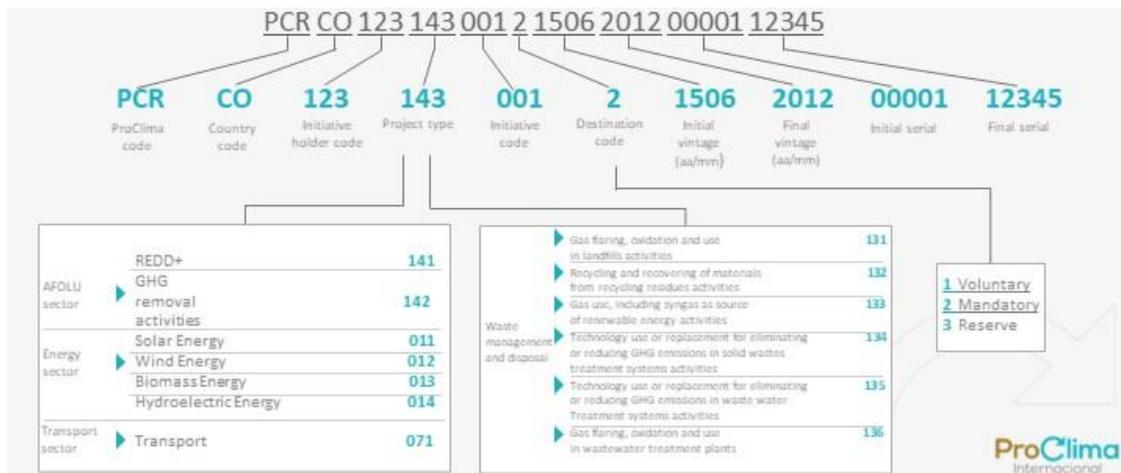


Figure 1: Serial Identification

The generation of the ProClima serial through the Registration Platform ensures that:

1. The same serial number shall not be issued more than once
2. Serials have an assigned destination and therefore cannot be used for other purposes
3. Once a serial has been withdrawn/cancelled it is deducted from the user's accounting of available VCCs and cannot be used again.

6.4.2 Non-Permanence

PROCLIMA has developed for the AFOLU sector, the VCC Reserve mechanism, which consists of allocating VCCs for the Reserve allocation to foresee the risk of reductions or eliminations being reversed. The Reserve mechanism ensures that 15% of the VCCs issued annually for a project in the AFOLU sector are immediately allocated in the Reserve allocation. When this occurs, through the Registry Platform, the reserve allocation serials are temporarily blocked in the system until a new project verification period is registered.

The Reserve has the function of guaranteeing that if events occur that require the replenishment of credits placed in the market, those affected will be covered with these Reserve credits. ProClima will periodically review this percentage and, if necessary, make adjustments to it.

6.4.3 Traceability and Custody of CCVs

The VCC identification serial can be traceable from the moment it is issued until its withdrawal. Through the Registration Platform, the system can register the issuance of

VCCs, the transfer of VCCs between account holders and withdrawals. Also, the amount of active and withdrawn VCCs for each Project is identified.

Through the Registration Platform and having access to a Holder Account can be consulted online:

1. Total number of active VCCs
2. Number of CCVs withdrawn
3. Amount of VCC transferred
4. Transfers Register (sender, receiver, amount, serial, date)
5. Withdrawal Register (Project, end-user, quantity, serial, date)

Additionally, the Public Registry provides relevant information on the custody of CCVs (See section 13.1.2).

6.5 VCC Transfers and Withdrawals

Market participants make transfers and withdrawals of Verified Carbon Credits to buyers and other account holders following the allowances assigned to each type of account/user.

Withdrawals are made and registered through the Registration Platform through a request by the Account Holder and approval by the PROCLIMA administrator.

There are four (4) fundamental rules for withdrawals, controlled from the platform:

1. The system does not allow withdrawals from the Reserve destination if a verification period after the verification period for which the VCCs were issued has not been recorded.
2. The system does not allow withdrawals to be the non-causation of the carbon tax (Colombia case) if issued for the "voluntary" destination.
3. The system does not allow withdrawals of unavailable amounts.
4. The system does not allow you to request a withdrawal of a serial in the process of being approved for withdrawal from a previous transaction.

With each Withdrawal transaction, the system issues a ***Withdrawal Statement*** containing all the information about the transaction.

Document history

Version	Date	Nature of the document	Type of /document/review
1.0	April 30, 2020	Procedures description Normative	Initial version
2.0	January 29, 2021	Procedures description Normative	Adjusted version Certification and registration Account type in the registration system Other minor editorial aspects