State of Nevada

Conservation Credit System 15-Year Verification

June 2026

Reverification

Private Credit Projects must complete a reverification at year 15 of 30-year Credit Projects, and 15-year increments for longer duration Credit Projects. This reverification is to ensure GRSG habitat is being maintained as planned by implementing a full HQT verification (at 100% the effort of the initial HQT quantification for the project) by a certified third-party verifier. The same HQT version that is identified in the Proponents Management Plan will be used for the reverification process. This will allow for a direct comparison with the initial HQT quantification. Indication of a trend in GRSG habitat decline or deviation from management commitments found by the Administrator resulting from reverification efforts could result in more robust evaluation of projects by the Administrator. The relatively comprehensive annual management and monitoring report to be turned in for all Credit Projects will add to the considerable knowledge about the management and status of projects.

If reverification shows that a Credit Project is performing at or above the initial assessment from the original HQT, the Credit Project Proponent may receive uplift credits for the remainder of their project timeframe; or if they are at the end of their project life, renew the project for another 30-year term rerun under the current HQT version, or may choose to end the project at that time.

Credit Variability & Verification Results

Credit variability is variation in GRSG habitat function on a site as measured by the HQT at two different points in time. Even on relatively stable sites, variability is likely to result due to variation in climatic conditions and other natural events that influence GRSG habitat function. Credit variability is also likely to occur due to sampling errors that are inherent to any measurement method. Based on these considerations, the CCS allows for limited variability in GRSG habitat function as a mechanism to insulate Credit Project Proponents from being subject to penalties for minor fluctuations in GRSG habitat quality that are out of their control.

Credit Project verifications that demonstrate satisfactory achievement by meeting conditions defined in the Management Plan or Mitigation Plan do not require a reduction in credits or trigger the use of Financial Assurances for the site. In years of extreme drought, or other atypical conditions, the Administrator may recommend waiting for more typical conditions to verify a credit release.

- *Is there a moving window that we could have for the 15-year verifications if recent drought has caused poor range conditions?*
- *This window could be a total of 3 years with 1 year + or – the 15/30 years*

If verification shows that a Credit Project is performing below the credit variability tolerance and is therefore not meeting conditions, the Credit Project Proponent must work with the Administrator to determine a remedial action plan. Credit Projects outside of the credit variability tolerance may be subject to reversals.

- *Defining the Credit Variability Tolerance is going to be the most important aspect of the 15-year verifications.*
- *Is it even possible to come up with a number of credits or percent change in vegetation 15-30 years out that would be reliable?*
- *Should State and Transition models be taken into account for this type of variance?*

Credit Project Failure (Credit Reversals)

A Credit Project failure may include an unintentional reversal or an intentional reversal. The Credit Project Proponent or Administrator must notify the other party as soon as possible and no later than 30 days following an event that may cause a Credit Project failure. This may include but is not limited to failure to execute the required Management or Mitigation Actions according to the terms and conditions of execution or the Administrator determines that site-specific performance measures are not maintained based on an evaluation of the Management or Mitigation Plan, field data, and the Habitat Quantification Tool (taking into account natural climate variability).

The SETT will coordinate with the Credit Project Proponent to consider whether adaptive management measures can be implemented to remediate a Credit Project prior to concluding there has been a Credit Project failure.

Depending on the specific cause and circumstances of a Credit Project failure, invalidated credits can be either temporarily or permanently replaced using a combination of the reserve account and financial assurances, as illustrated in figure 8.

Unintentional Reversals

Force Majeure

When credits generated by a credit site are invalidated by an extraordinary event or circumstances beyond the control of the Credit Project Proponent, such as wildfire, the Credit Project Proponent is not Liable.

- Financial Assurances may be used in these cases by the Administrator to replace the invalidated credits.
- The Administrator will withdraw credits initially from the reserve account to cover invalidated credits.

In cases where the credit site can be fully or partially recovered within a reasonable amount of time and cost, the Credit Project Proponent may develop a remedial action plan that is approved by the Administrator and paid for with the financial instruments secured for long-term management and unintentional reversals.

If only a portion of the credits are recovered following a force majeure event, then payments from financial instruments secured for long-term management and unintentional reversals are reduced according to the number of credits being generated on the ground. The Administrator may use the remaining amount in the project financial instruments to acquire credits elsewhere. Any dedicated reserve account credits are returned to the reserve account if the invalidated credits are remediated, assuming all requirements of those reserve account credits are still being met.

If only a portion of the credits are recovered following a force majeure event, then payments from financial instruments secured for long-term management and unintentional reversals are reduced according to the number of credits actually being generated on the ground. The Administrator may use the remaining amount in the project financial instruments to acquire credits elsewhere. Any dedicated reserve account credits are returned to the reserve account if the invalidated credits are remediated, assuming all requirements of those reserve account credits are still being met.

Intentional Reversals

Anything not covered under unintentional reversals may be considered an intentional reversal. Examples may include but are not limited to:

- not implementing management activities to achieve GRSG habitat quality as defined in the Management or Mitigation Plan,
- decreased GRSG habitat quality due to over-utilization,
- intentional disturbance, development, or inappropriately managed or unaddressed known risks.

Prior to a finding by the Administrator, the Credit Project Proponent and Administrator will determine if an agreed-upon remedial action plan can be implemented or if credits must be replaced either by transferring available credits generated by the Credit Project proponent or by purchasing available off-site credits.

If a remedial action plan cannot be agreed upon, and the Administrator determines the reversal to be intentional, then the Project Proponent may request an appeal. Following a finding by the Administrator or the Sagebrush Ecosystem Council of Credit Project failure due to an Intentional Reversal, all payments to the Credit Project Proponent immediately cease. The Credit Project Proponent is responsible to the Administrator for the entire cost of acquiring replacement credits from a different credit site, any associated legal fees, and an additional administrative fee (i.e., contract penalty).

If there is a time lag between the intentional reversal and the recovery of the site, or a time lag between the intentional reversals and when the Administrator secures new credit contracts, the Administrator will withdraw from the reserve account for a limited duration to prevent any gaps in coverage for sold credits. The credit withdrawal from the reserve account reverts back to the account as credits are acquired to cover the remainder of the contract.

These terms are defined and legally in place with the signing of the management plan and participant contract.

Participant Contract (Sections)

6. Financial Assurances

The Administrator and Participant have defined below the financial assurances required to ensure there are sufficient funds for long-term management and monitoring of the Project Area over the Contract Period and the use of such funds to address Unintentional Reversals. The Parties have also defined a process and financial assurances for replacing Credits that have been sold or otherwise applied to offset Debits but become invalidated due to Intentional Reversal.

a. The Financial Assurance for Long-term Management and Monitoring is primarily intended to ensure that Participant has sufficient financial resources to conduct regular management and monitoring of the Project Area over the Contract Period. In accordance with Section 12 of this Contract, it may also be used by Participant to conduct remedial actions due to an Unintentional Reversal or by the Administrator to replace Credits in the case of Credit Project failure due to Unintentional Reversal of Credits that have been sold or otherwise applied to offset Debits. Administrator and Participant have defined financial assurances sufficient to (1) cover all anticipated costs associated with management and annual qualitative monitoring of the Project Area for the duration of this Contract Period and (2) ensure contingency funds are available to address periodic costs that are likely to occur...

    4. The Administrator shall have access to the Financial Assurance Fund for Long-term Management and Monitoring in the case of default of this Contract by the Participant or Credit Project failure due to an Intentional or Unintentional Reversal to carry out Administrator remedies included in this Contract, in accordance with the terms of Section 12 of this Contract.

b. Process and Financial Assurance for Intentional Reversal:
The Administrator and Participant agree to a process for,or agree to the Administrator using the financial assurance to cover the costs of replacing Credits that have been sold or otherwise applied to offset Debits due to Intentional Reversal. The purpose of such replacement process and financial assurance is to ensure the replacement of Credits if, at any

point during the Contract Period, Credit Project failure as a result of Intentional Reversal is determined.

(1) In the event of an Intentional Reversal of Credits that have been sold or otherwise applied to offset Debits, Participant will have the following options:
   - (a) Replace the Credits that were invalidated with other Credits owned by Participant that have not been sold or otherwise applied to offset Debits, either from the same Project Area or from another project area owned or controlled by Participant.
   - (b) Replace the Credits that were invalidated with other Credits obtained by Participant from other credit developers.
   - (c) Contract with another landowner to develop Credits to replace the Credits that were invalidated. Prior to pursuing this option, Participant must reach an agreement with Administrator regarding how to address any interim shortfall while the replacement Credits are being developed.
   - (d) Develop a Remedial Action Plan to Remediate the Credits, which must be approved by the Administrator and shall be an amendment to this Contract and the Management Plan. Participant will directly pay for the costs of implementing the Remedial Action Plan. Prior to pursuing this option, Participant must reach an agreement with Administrator regarding how to address any interim shortfall while the Credits are being Remediated.
   - (e) Pay a financial penalty to the Administrator equal to the amount required for the Administrator to obtain the least expensive Credits available to fully offset the remaining duration of the Debits that had been offset by the Credits that were subject to Intentional Reversal. In the event that the only available Credits are of a duration that exceeds the remaining Debit duration, the excess Credit duration will be available to Participant for its own use or for sale to offset other Debits. If no Credits are available for the Administrator to purchase at the time of the Intentional Reversal, the Administrator will engage in a competitive bidding process to procure the least expensive Credits possible. Prior to purchasing any Credits, the Administrator will provide Participant with notice of the proposed purchase to allow Participant an opportunity to pursue another option under Section 6.b.1 of this Contract, if the Participant so desires

.

(2) If Participant selects one of the options identified in Sections 6.b.1.a, 6.b.2.b, 6.b.2.c, and 6.b.1.d of this Contract to address an Intentional Reversal, it will pay the Administrator an administrative fee of $10,000. If Participant selects option identified in Section 6.b.1.e to address an Intentional Reversal, it will pay the Administrator an administrative fee of $20,000.

(3) Participant will inform the Administrator of which option in Section 6.b.1 that they intend to pursue within 30 calendar days of being formally notified of the Intentional Reversal per Section 13 of this Contract.

(4) The requirements of Section 6.b no longer apply after the end of the Credit Project's Contract Period or to Credits that are invalidated but have not been sold or otherwise applied to offset Debits.

11. Credit Project Failure

The Administrator may determine there has been a Credit Project failure if:

a. Participant fails to comply with any Participant obligations under this Contract;

e. The Administrator determines that site-specific performance measures for the pertinent Credit Release are not maintained based on an evaluation of the Management Plan, field data, and the Habitat Quantification Tool. When evaluating whether site-specific performance measures have been maintained and the potential for Credit Project failure, the Administrator will take into account the natural climate variability and will work with the Participant to consider whether adaptive management measures can be implemented to salvage a Credit Project prior to concluding there has been a credit project failure.

f. The Administrator determines that Participant has failed to execute the required Management Actions according to the terms and conditions of execution as defined in the Management Plan

12. Liability and remediation for Credit Project Failure

a) Unintentional Reversal.

1. Following a finding by the Administrator (or the Sagebrush Ecosystem Council, if the issue is elevated by Participant under Section 13.b.3 of this Contract) of Credit Project failure as a result of Unintentional Reversal, the Administrator may withdraw Credits from the Reserve Account to cover any invalidated Credits at no cost to Participant. Administrator and Participant shall discuss whether to continue with the Credit Project.

2. If the entire Project Area is affected by the Unintentional Reversal, and if either or both Parties choose not to Remediate the Project Area, Participant has the option to cancel this Contract without penalties and retain the ability to re-enroll the Project Area at a later time. The Administrator's right to cancel this Contract is addressed in Sections 12.a.4, 12.b.2, and 16 of this Contract. If the Participant cancels this Contract, the Participant relinquishes the right to withdraw funds from the Financial Assurance for Management and Monitoring that is proportional to the number of Credits that were invalidated. The Administrator shall use the remaining amount of funds in the Financial Assurances Fund for Management and Monitoring to purchase Credits proportional to the number of

Credits that were invalidated and that were sold or otherwise applied to offset Debits from a different Project Area.

3. If the Parties agree to fully or partially Remediate the Project Area (or the portion of the Project Area affected by the Credit Project failure), Participant, in coordination with the Administrator, must initiate development of a Remedial Action Plan as an amendment to this Contract and the Management Plan within 30 days following identification of Credit Project failure. The Remedial Action Plan must be completed within 120 days following identification of Credit Project failure, unless the Parties mutually agree to an extension. Funds remaining in the Financial Assurances Fund for Management and Monitoring may be used to pay for activities in the remedial action plan. If the Parties agree not to Remediate a portion of the credits are recoverable Credits, and those Credits have been sold or otherwise applied to offset Debits, the Administrator may use funds remaining in the Financial Assurance Fund for Management and Monitoring to purchase credits from a different property to make up the deficit.

4. If all or a portion of the Project Area is affected by the Unintentional Reversal and if conditions on the Project Area have not improved by, or continue to deteriorate for, three growing seasons after the date that the Parties agreed to the Remedial Action Plan, then the Administrator may elect to revisit the decision to continue the Credit Project. Participant will provide, at a minimum, annual progress reports on the implementation of the Remedial Action Plan. If the Administrator decides to cancel this Contract, the payment provisions in Section 12.a.2 of this Contract apply.

b) Intentional Reversal. The Administrator must provide Participant with notice of a proposed finding of Intentional Reversal in accordance with Section 13 of this Contract.

1. Following a finding by the Administrator (or the Sagebrush Ecosystem Council, if the issue is elevated by Participant under Section 13.b.3 of this Contract) of Credit Project failure as a result of Intentional Reversal, the provisions of Section 6.b of this Contract apply.

2. If the Intentional Reversal causes all map units to be indirectly affected by the anthropogenic disturbance, or less than 100 Credits will remain associated with the Credit Project after the anthropogenic disturbance, then the Administrator may elect to terminate this Contract in accordance with Section 16 of this Contract.

REMEDIAL ACTION PLAN

If a project is found to be invalidated after reverification, the administrator and proponent will work together to create a remediation action plan. If the project is found to be invalidated at the 15-year mark, the remediation plan can be extended to the 30-year mark to allow the producer to restore their property back to the baseline, or variance of that baseline, that was established through field work. The below plan would follow with milestones at the 1-, 5-, 10-, and 15-year marks. If the project is found to be invalidated due to not meeting the baseline, or variance of that baseline, at 30 years, the proponent will have 10 years to return the site to its prior conditions following the milestones at the 1-, 5-, and 10-year marks. This includes extending the life of annual monitoring through the end of that term.

- *The annual monitoring points are set in the management plan in the early stages of the project. I think that we should just tailor this to just the map units that need a remedial action plan instead of having them do a comprehensive annual monitoring that would cover areas that are not under the remediation plan.*

Years After Implementation of Remediation Action Plan (Remediation Milestones)	**If Project Doesn't Meet Baseline at 15-year Reverification**	**If Project Doesn't Meet Baseline at End of Life Reverification**
15 Year Re-verification	• Vegetation communities not found to meet levels of initial verification	• Vegetation communities not found to meet levels of initial verification
1 year	• Increase % of meadow grass and forb cover • Increase % of upland grass and forb cover • Increase % of shrub cover • Increase % of sagebrush count • Increase % of sagebrush cover • Decrease % of invasive annual grasses cover • Increase forb richness	• Increase % of meadow grass and forb cover • Increase % of upland grass and forb cover • Increase % of shrub cover • Increase % of sagebrush count • Increase % of sagebrush cover • Decrease % of invasive annual grasses cover • Increase forb richness
5 years	• Increase % of grass and forb cover • Increase % of shrub cover • Increase % of sagebrush count • Increase % of sagebrush cover • Decrease in invasive annual grasses cover • Increase forb richness	• Increase % of grass and forb cover • Increase % of shrub cover • Increase % of sagebrush count • Increase % of sagebrush cover • Decrease in invasive annual grasses cover • Increase forb richness
10 years	• Grass, forb, and shrub cover meets or is close to meeting initial verification baseline • Sagebrush count meets or is close to meeting initial verification baseline • 10% of sagebrush cover meets or is close to meeting initial verification baseline • Meets or is close to meeting pre-project conditions for invasive annual grasses cover • Meets pre-project conditions for forb richness	• All vegetations communities need to meet levels of the initial verification or remediation has failed and the proponent will need to purchase credits to offset the loss.

15 years (time of next verification/end of project life)	• All vegetations communities need to meet levels of the initial verification or remediation has failed and the proponent will need to purchase credits to offset the loss.	

- *A verification could be expensive; however, it is most likely that it will not be over the entirety of a project and would focus on the map units that underperformed.*
- *Would remote sensing be a possible way to verify at less cost?*

POST-REMEDIAL ACTION PLAN

If the remedial action plan is successful, the Credit Project Proponent and Administrator will dissolve the agreement, as with a normal end-of-life. The Credit Project will come to an end with an understanding that sufficient effort was used to try and remediate the loss of credits. Reserve account credits will be used to make up for the credits that were not restored.

If the remedial action plan is unsuccessful, the Credit Project Proponent will have to follow through with Section 6.b.1 of the participant contract. Upon completion of a purchase, generation of new credits to offset the loss, or payment to the Administrator to cover lost credits, the Credit Project agreement will end.