

## IETA Response: The REDD+ Environmental Excellency Standard

September 2019

This document forms the response from the International Emissions Trading Association (IETA) to the Architecture for REDD+ Transactions (ART) public consultation on The REDD+ Environmental Excellency Standard (TREES). We welcome the opportunity to respond on this important topic.

### High level comments

IETA is keenly aware of the need to scale investment into REDD+ to ensure it plays its full role in delivering the Paris Agreement targets. Therefore, we welcome the ambition stated in TREES to issue high-quality and fungible emission reduction credits and catalyse new, large-scale finance for REDD+. We recognise the value in having GHG standards that operate on national or subnational levels, along with the infrastructure to operationalise them, such as global registries to transact credits from these programmes. If TREES can operate alongside existing projects and results-based-payment approaches, we hope this new standard will provide an additional route to channel new finance into REDD+ activities and help grow market demand for REDD+ credits.

However, IETA is concerned about the lack of private sector opportunities afforded by this standard. Privately financed REDD+ projects play a vital role in reducing deforestation and forest degradation in some of the most threatened areas using targeted techniques and activities. Support and finance for these projects needs to be increased, and private sector participation in the full REDD+ value chain must be incentivised going forwards. With the right GHG standard and government adoption, these projects can operate within national and subnational programs to ensure critical on-the ground activities can be financed by the private sector and that tenure holders' rights are protected.

IETA is concerned that this standard does not provide countries with guidance on some of the big issues that they are facing as they develop their REDD+ GHG quantification approaches and seek to maximise opportunities for all forms of finance, including from the private sector. These issues include guidance on:

- Constructing spatially explicit baselines;
- Performing spatially explicit Monitoring, Reporting & Verification (MRV);
- Designing performance pools that can allow for allocation of emissions/payments at site/project levels;
- Implementing benefits allocation that protect land tenure rights and serve to attract the private sector; and
- Offering registry features that can allow for countries (and their underlying land holders) to participate in multiple sources of potential demand with associated climate finance (e.g. the FCPF Carbon Fund, Green Climate Fund, other voluntary standards, CORSIA etc).

Developing a new standard that does not provide guidance on these issues will not materially improve on existing standards. In turn this may lead to fragmentation of REDD+ standards and confusion around the approach governments are taking to reduce emissions from deforestation and forest degradation. In an environment where REDD+ faces challenges, fragmentation of

standards may act to counter the efforts to scale results-based climate finance and markets for reducing deforestation and forest degradation.

Further comments concerning specific aspects of the standard are also set out in the sections below.

### **Crediting levels**

The short crediting period of 5 years proposed by TREES will not allow for countries to develop long-term financial sustainability for their REDD+ programmes. This is because predicting emission reduction generation and the resulting finance cannot be done on such short intervals. In addition, requiring participating countries, every five years, to:

- update their crediting level years using a new historical reference period that includes the previous 5 years; and
- reduce their crediting level by 20% of the historical average

will make it very difficult for countries to generate sufficient emission reductions to justify their investment and participation in the TREES framework. The effectiveness of measures taken to reduce deforestation and forest degradation is directly linked to the dynamics and complexities of land-use change. In most countries reducing deforestation and forest degradation can only be achieved through a broad set of activities targeting multiple stakeholders. Even in well-funded REDD+ programmes, changing these land-use dynamics takes time.

To put this in context, for many REDD+ programmes, their effectiveness may only have reached 20% by year five, yet under the TREES framework participating countries would have a new crediting level (based on the deforestation rate during their initial crediting period minus 20%) to beat before being issued credits.

A better approach to building in an element of “own ambition” for countries would be not to adjust the crediting level by 20%, but to require that countries retire 20% of their credits at issuance. This way a highly challenging crediting level would not be imposed, and the country would retire 1/5 of all emission reductions generated, for the purposes of achieving their own ambition.

### **Co-benefits**

Many buyers of REDD+ credits seek to not only reduce their carbon footprints but also to produce real and measurable social and other environmental impacts. This cannot be achieved through emission reductions produced under TREES as it does not provide in its requirements any guidance about tracking social and other environmental impacts below the national or subnational level.

### **Emission removals**

We note that this version of the TREES framework will not credit the emission removals associated with reforestation, afforestation, enhancement of forest carbon stocks, or improved forest management. This removes very important incentives needed to re-establish forest cover and to increase carbon stocks in degraded forest areas, which are vital actions to promote sustainable landscape management. Enhancement of carbon stocks is a key component of reducing emissions in the land-use sector and IETA recommends that it should be part of the

TREES framework from the outset, especially as methodologies for the quantification of GHG emissions from these activities are known and tested in practice.

### **High Forest cover & Low rates of Deforestation (HFLD)**

The interim HFLD component of the standard proposes a technical approach that simply uses historical averages. However, setting a baseline of near zero provides no incentive for HFLD countries to make the hard decision and trade-off between development and forest protection.

We welcome the ART Secretariat's intention to establish a robust approach to explicitly address the important role of HFLD countries in maintaining forest cover going forward. But there are proven and robust ways to construct baselines for HFLD countries that apply known factors that impact future deforestation to construct a realistic forward-looking baseline which should be included as part of the standard.

### **Carbon leakage**

Management of leakage is a driver for choosing to credit emission reductions at a national or subnational level, and in turn it is therefore a driver for the development of this standard. However, the proposed leakage assessment tool appears to be a simple table of deductions based on the percentage of forest cover included in TREES. These seem to be an arbitrarily defined set of percentages and further clarity on how these have been calculated, and whether mitigating circumstances will be taken into account, would be helpful.

ART could consider strengthening the provisions in this part of the standard by using a leakage risk assessment to determine deductions, rather than using a simple percentage of forest area.