



September 27, 2019

Public Consultation - The REDD+ Environmental Excellency Standard (TREES)

Wildlife Works' Comments and Recommendations

Wildlife Works Carbon is a forest and wildlife conservation company that attracts new finance to tropical countries to protect endangered habitats and forest landscapes, while simultaneously developing sustainable livelihood alternatives with local communities. We achieve these goals by collaborating both with governments and forest communities, whose voice we seek to strengthen in the negotiations with national and international institutions. Key foci are the building of health and education infrastructure, as well as job creation as alternatives to destructive forest pathways in locations where governments are often absent or reluctant to operate.

Wildlife Works operates the longest running REDD+ project, the Kasigau Corridor REDD+ Project in South Eastern Kenya, which is dual-certified under the VCS and CCB Standards, and for which we report impact on 14 Sustainable Development Goals. Besides our own project, we have developed ~ 20% of the projects in the market. We thrive to make them all best in class and assure they provide income opportunities for local communities, while maintaining forest ecosystems (and sequestered carbon) for generations to come.

We are hence keen to better understand the intentions and the intended operationalization of the proposed new TREES standard and its institutional set-up. Drawing on the many years that we have supported methodology development, worked with forest carbon standards and standard setting institutions and upon reviewing the publicly available information for the TREES standard, we wish to raise the following general questions and concerns:

Use-purpose

I. The overall intended use-purpose of this new standard is unclear to us. The stated purpose of TREES is "to promote the environmental and social integrity and ambition of greenhouse gas (GHG) emission reductions (ERs) and removals from the forest and land use sector to catalyze new, large-scale finance for REDD+ and to recognize forest countries that deliver high-quality REDD+ emissions reductions and removals." It was unclear to us whether the TREES standard was intended to replace or improve upon the existing standards currently being used in the sector. We inquired directly to a Winrock associate about this, and we were told that "the market needs an unimpeachable standard with verified emission reductions that is purely focused at the national level." If the intention is to validate public investments and impacts to justify the transfer of emission reductions, we would like to enquire how it relates to the work under way on OECD DAC Criteria for Evaluating Development Assistance. As there are references to selling units to private companies in other parts of the documentation, we'd also like to understand how these fit with the above-stated intent.

Governance

II. The governance structure appears opaque; it is unclear who appoints the board of directors as well as their potential conflicts of interests and what the role of the interim steering committee will be moving forward.

III. The claim has been made that the standard's quality criteria could go beyond requirements of the UNFCCC. It is however unclear who or which entity would set those criteria and decide upon their uptake, given an institutional set-up that appears opaque. At the same time, we note that that application of the standard could lead to higher transaction costs for host countries, a decision that appears to be at the discretion of an exclusive circle of board members.

Technical Criteria

IV. The documentation claims that the TREES standard aims to have 'more technical rigor' and 'higher environmental and social integrity', but it does not mention to what it compares itself to. It also fails to mention exactly how it aims to achieve that higher integrity. To avoid further confusing investors in an already fragmented marketplace, we suggest further clarity by providing clear guidance that demonstrates how measurable effects will be delivered using this standard. More specifically:

Carbon Pools

- a. TREES is unclear about whether certain carbon pools are required, and if so, under which circumstances. It appears that the primary required carbon pools for inclusion are above-ground live tree biomass and peat (when present). Secondary carbon pools are below-ground live tree biomass, standing dead wood, lying dead wood, litter, non-tree live biomass, and non-organic soil carbon. It appears that the secondary carbon pools are optional, and their inclusion is left to the discretion of the program. It appears that additional carbon pools not listed are to be excluded from the program. Most surprisingly, this includes harvested wood products, which we feel could represent a significant carbon pool.

Reference Level

- b. The TREES requirements on reference level calculation seems to be exceedingly simple. Apart from the requirement that a jurisdictional reference level must be calculated as a 10-year historical average, the reference period must be immediately adjacent to the start of the program's crediting period, and it must be "demonstrated" that no data has been excluded which could influence the crediting period. There is very little additional guidance, which leads us to question what additional REL calculation criteria is

- stipulated in the TREES standard beyond that which is provided in other existing standards and frameworks.
- c. The TREES standard only uses the term “crediting level” and does not use the term “reference level” or “forest reference emission level”. We would therefore inquire if this is an attempt to decouple the TREES standard criteria from official national RELs/FREs?

High-forest / Low-deforestation Countries (HFLD)

- d. The standard stipulates no adjustments to RELs for HFLD countries, requiring that all national RELs should remain strictly calculated as the 10 yr historical deforestation average. To compensate HFLD countries for the gap in incentive vs. risk that this will create, TREES proposes an HFLD credit tag, seemingly with the hope that eligible projects with tagged credits will command higher prices in the carbon market than those generating non-HFLD credits. TREES states that this is an interim approach, and that a “robust method” to credit HFLD countries “beyond historic levels, for continued low deforestation” is envisaged in the future. We submit that this tagging approach to accounting for increased threat of future deforestation, that is not necessarily captured historically, cannot be effective in the current market setting. In our experience, well thought-out and robust adjustments provide the best way to ensure that HFLDs are not artificially conservative (low), as opposed to accurately representing risk of future deforestation and thereby providing the proper performance incentive. We highly suggest the tagging policy is reconsidered or replaced with a policy that produces accurately adjusted FREs for REDD+ countries.

Crediting Period

- e. We would like to express concern about the “exogenous fixed decrease” of 20% applied to crediting level every five years. It is unclear why this decrease will be applied apart from indiscriminate, penalizing conservatism. We contend that such an approach, while perhaps satisfying certain donors, does not benefit the broader market in any way and may contribute to artificially removing REDD+ countries’ incentive to perform. We suggest replacing this exogenous approach with one that accurately calculates real error and reduces crediting accordingly.

Reversals and Leakage

- f. We would like to understand more about the detail of TREES reversal risk policy. Firstly, we contend that the policy of starting with a global reversal risk of 25% for all participants is indiscriminately and unnecessarily conservative, as opposed to accurate. We also have a question about TREES’ listed mitigating factors. In particular, for Mitigating Factor 2, it is unclear what is meant by “interannual variability of less than



15% in annual forest emissions over the prior 10 data points used in TREES Reporting". As a minimum of 3 data points are required for REL calculation, a new project would presumably not be able to use this mitigating factor. Does this imply that projects must be in existence for at least 10 years, having measured leakage annually during normal operation, before they are eligible to use Mitigating Factor 2? If so, this does not seem practical for projects or national programs in general.

- g. Pursuant to the previous concern, ART has not made clear how they intend to ensure that the risk buffer pool contains enough credits to cover large reversals and/or the geographic diversity to ensure against regional reversal hotspots. Is there a specific plan in place for managing the buffer pool for these and other reversal events?

Nesting

- h. While there is little to no guidance on nesting in the standard, we have discerned that the TREES standard only allows for the nesting/distribution of benefits, but that performance incentive (i.e. a REL) can only be applied at the national level. We submit that this policy is very unattractive to the private sector, as it could result in local performance being eliminated by poor national performance. We suggest adding some guidance pertaining to projects and nesting that addresses this potential issue, and explain how the TREES standard will allow governments to ensure the right of projects within their countries to realize benefits from the entirety of their performance.

In conclusion, Wildlife Works is aware of the technical challenges that robust methodological frameworks in the land use sector face. We nevertheless believe this standard in its current state falls short of providing the solutions project developers like us require and could struggle to deliver the robustness most stakeholders desire. We are also concerned about the potential confusion of authority the standard may cause vis a vis the UNFCCC process and the resulting lack of investor confidence that could ensue. We appreciate the opportunity to submit our comments and concerns. Should you be interested in further explanation or discourse, we welcome a discussion at any time with ART.

Sincerely,

A handwritten signature in black ink, appearing to read "JTF", is written over a thin horizontal line.

Jeremy T. Freund
VP Carbon Development
Wildlife Works
jeremy@wildlifeworks.com