



## Nesting Under ART

### Background Information

ART issues credits only at the jurisdictional level, to national or large subnational governments. This is important not only for achieving results at scale, but also because acting at the jurisdictional level provides incentives to governments to improve forest governance: regulate land-use, enforce laws, promote forest incentives programs, and recognize Indigenous Peoples' and local communities' (IPLC) land rights.

However, a jurisdictional approach does not prohibit the government from working with a variety of stakeholders to achieve greater ambition. For REDD+ programs at the jurisdictional scale, it is anticipated and expected that the government will provide oversight and coordination, but that design and implementation will be done in concert with a variety of partners, including regional and local governments, Indigenous Peoples, local communities and the private sector.

**While ART does not directly credit project-level activities, they can be implemented under a jurisdictional REDD+ program through a variety of scenarios. ART fully recognizes the important role that projects can play in implementing a jurisdictional REDD+ Strategy.** For example, project-level activities can target deforestation hot-spots and efficiently allocate the capital and human resources necessary to address immediate threats in high-risk areas.

Incorporation of project-level activities in a jurisdictional framework is broadly referred to as “nesting.” While this term is used in many different ways, under ART, nesting is the integration of the design and implementation of REDD+ activities at multiple scales within a jurisdiction to align the accounting of smaller-scale activities with jurisdictional systems and with national reporting.

TREES includes robust environmental and social safeguards; however, ART does not prescribe the way that governments work with Indigenous Peoples, local communities or the private sector. Rather, TREES intentionally offers flexibility to accommodate any number of approaches for nesting project-level activities or allocating benefits that best suit specific jurisdictional circumstances.

Any option agreed upon by the relevant parties for nesting or benefit sharing between governments and non-government entities – which could include communities, organized civil society, projects, or individual landowners – are permissible within ART. ART does not stipulate how this is done. However, it is important to note any agreement would be subject to TREES' requirements regarding environmental and social safeguards, as well as double counting and double issuance.



### *Nesting Scenarios - What would nesting actually look like?*

There are several potential nesting scenarios. It is also possible that different scenarios could be used for different purposes at the same time within a jurisdiction. In all cases, the jurisdiction participating in ART must demonstrate rights to the carbon credits or the benefits from the carbon credits to have TREES credits issued into its account on the ART registry.

**Scenario 1:** The jurisdiction reaches an agreement with the owner of the carbon rights or benefits (e.g., Indigenous Peoples, local communities, private landowners, project developers, lower-level administrative jurisdictions or others). The jurisdiction participates in ART and shares a portion of the TREES credits, carbon revenues or other benefits with the carbon owner(s) per a negotiated agreement.

**Scenario 2:** The jurisdiction reaches an agreement with the owner of the carbon rights or benefits. The jurisdiction participates in ART and allows project-scale activities to participate in a GHG program other than ART, but rather than applying the baseline associated with the project's applicable methodology, it applies a baseline that is nested within the TREES Crediting Level. Per Section 13 of TREES, ART would subtract the volume of any credits verified to the project from the total amount of credits issued to the jurisdiction under ART to prevent double issuance.

**Scenario 3:** The jurisdiction reaches an agreement with the owner of the carbon rights or benefits. The jurisdiction participates in ART and allows project-scale activities to participate in a GHG program other than ART using that program's applicable approach for setting the project-scale baseline. Per Section 13 of TREES, ART would subtract the volume of any credits verified to the project from the total amount of credits issued to the jurisdiction under ART to prevent double issuance.

**Scenario 4:** The jurisdiction does not reach an agreement with the owner of the carbon rights or benefits and the owner of the carbon rights chooses to participate in a different GHG program. The jurisdiction participates in ART, and the project-scale activities participate in another GHG program using that program's approach for setting the project-scale baseline. Per Section 13 of TREES, ART would subtract the volume of any credits verified to the project from the total amount of credits issued to the jurisdiction under ART to prevent double issuance. The accounting under ART in scenarios 3 and 4 is identical.

**Scenario 5:** The jurisdiction does not reach an agreement with the owner of the carbon rights or benefits, and the owner of the carbon rights chooses not to participate in ART or a different GHG program. In this instance, the jurisdiction would need to propose, and have validated and verified, an approach for allocating TREES Emission Reductions and Removals to lands not under agreement. This volume would be subtracted from the credits issued to the jurisdiction under ART to respect the owners' carbon rights or benefits.



## Frequently Asked Questions

### **Does ART allow projects?**

Yes. ART fully recognizes the important role project-level activities may play in implementing a national REDD+ Strategy. While ART does not directly credit project-scale activities, they can be implemented under a jurisdictional REDD+ program through a variety of scenarios, including those listed above.

### **Can ART prohibit projects from participating in other GHG crediting programs?**

No, ART does not and cannot prohibit project-scale activities from participating in other GHG crediting programs. ART has no authority over projects, other voluntary or compliance GHG programs, or over whatever agreements are reached between jurisdictions and project-scale activities.

### **Does jurisdictional underperformance mean that nested project-scale and other REDD+ activities receive no credits?**

This is not determined by ART, but rather by the agreement reached between the jurisdiction and the owner of the carbon rights or benefits. According to the potential scenarios for nesting project-level activities, we would expect the following:

In Scenario 1, underperformance of a jurisdiction as a whole may impact the number of TREES credits or revenues available to be shared per benefit-sharing agreements. The agreements may be negotiated to address this concern from stakeholders, however.

In Scenarios 2-4, the project-scale activities are not being registered under ART so the performance of the jurisdiction may or may not impact the project's performance, depending on the requirements of the GHG program being used by the project-scale activities.

If the GHG program does not require nesting, the performance of the jurisdiction would not impact the performance of the project.



**Do stakeholders with carbon rights have to agree to terms with the jurisdiction?**

No, there is no requirement under ART that the jurisdiction must have rights to all emission reductions and removals (ERRs) generated within the accounting area. Stakeholders are free to negotiate with jurisdictions as they see fit.

**What allocation method must a jurisdiction use?**

TREES does not prescribe an allocation method that must be used. Jurisdictions can use an existing tool that they have developed jointly with projects, an existing tool from other GHG Programs, or any other approaches.

**Must agreements or benefit sharing plans be developed using a participatory process?**

Yes, agreements and benefit sharing plans must be developed and implemented using a participatory process in line with the TREES safeguards requirements.

**How does TREES address land tenure?**

TREES safeguard requirements directly align and comply with the social and environmental safeguards defined by the United Nations Framework Convention for Climate Change (UNFCCC) for the implementation of REDD+ activities – known commonly as the Cancun Safeguards.

In terms of land tenure, TREES safeguards require that participating jurisdictions first describe their procedures for the recognition, inventorying, mapping, and securing of customary and statutory land and resource tenure rights where REDD+ actions are implemented. (These procedures may be directly related to REDD+ or may be part of other applicable frameworks or policies.) Then, the participating jurisdiction must demonstrate that resources have been/are being allocated to implement these procedures. Finally, the participating jurisdiction must demonstrate that stakeholders had access to, use of, and control over land and resources in line with their rights.

No credits will be issued unless the participating jurisdiction can demonstrate ownership of the credits or the right to receive payments for credits or other negotiated benefits. For example, in the case where rights to the ERRs are granted to private landowners within the accounting area, the government would need to have an agreement with the landowners either to receive the payment for the ERRs or to have rights to the credits that would allow for the transfer of title.



**Is ART really going to require that the rights to all of the ERRs be confirmed?**

Yes. ART understands that this will require work from the jurisdictions, but the requirement is critical for upholding the integrity of TREES. Confirming rights to the ERRs or the benefits from the ERRs will be confirmed as part of the validation and verification process. The same proof of rights to the credits or the benefits must be demonstrated for all credits regardless of the intended use. ART does this to ensure standardization and consistency across the program.

**Why does ART have the same requirements for credits that are transferred or sold as for results-based payments? Couldn't there be a less stringent requirement when credits are not being transferred or sold?**

ART will issue serialized carbon credits representing one metric ton of CO<sub>2</sub> equivalent emission reduction or removal. The carbon credits are an asset that can be transacted in many different ways, and therefore, the entity to which credits are being issued must demonstrate ownership of the asset regardless of the nature of the transaction.

ART has the same requirements regardless of the end-use of the credits to protect the rights of landowners (and those that own the rights to the carbon). For example, if a landowner has rights to the ERRs, then the landowner legally should receive payments for the results or credits from activities on that land. If ART issues credits directly to a government that does not have clear ownership rights to them, the issuance infringes on the landowner's right to the TREES credits and associated payments, or the right to register the ERR benefits on that land with another GHG program (which would result in double issuance).