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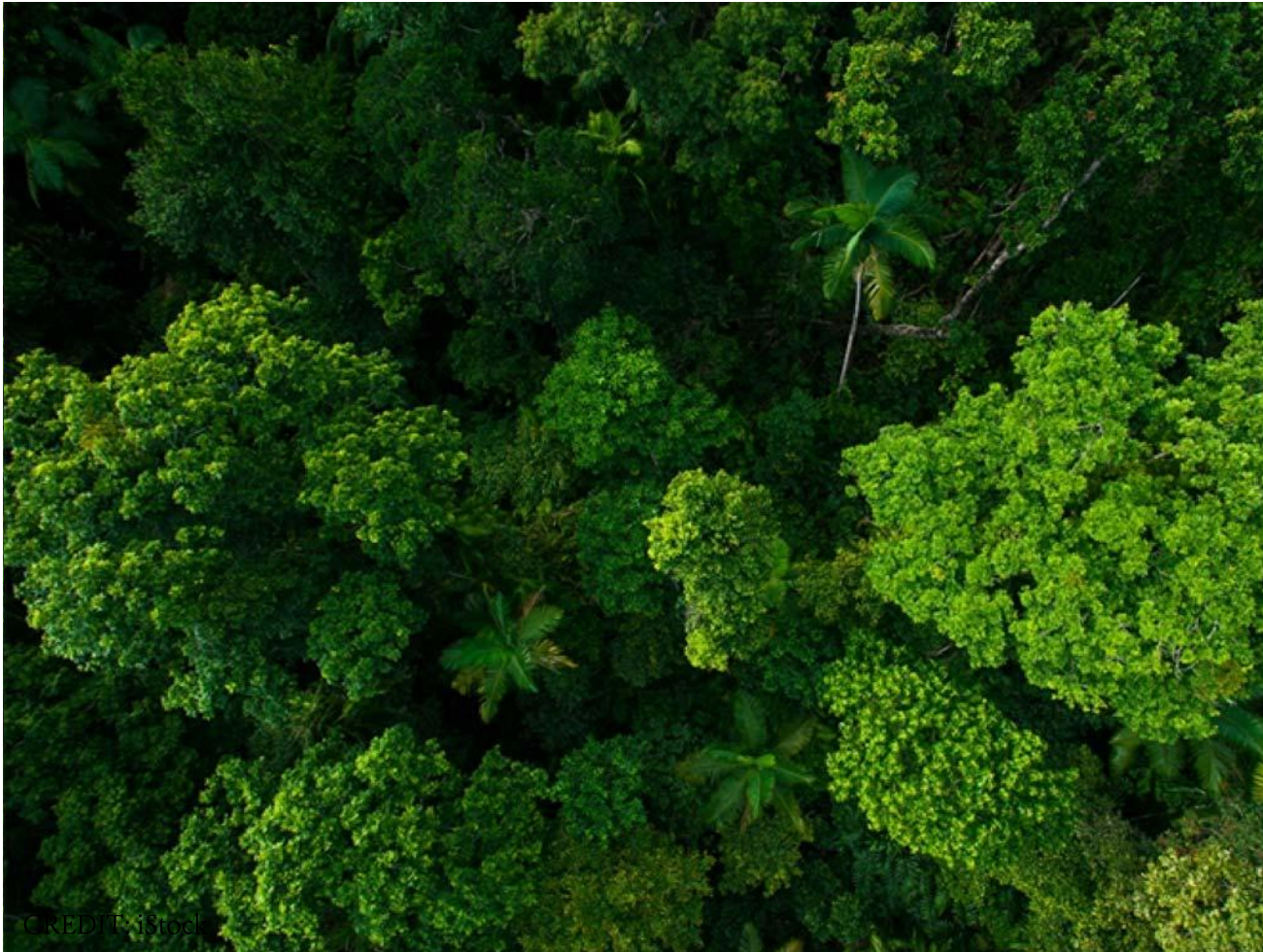


WCS NEWS RELEASE

Statement on the Credibility of HFLD Credits in Global Carbon Markets

Statement by the Wildlife Conservation Society (WCS), Rainforest Foundation Norway (RFN), and Re:wild, as members of the Forests for Life Partnership

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Our organizations are writing in response to the Comment published in Carbon Pulse on April 14, 2022, titled “We must protect intact forests, but CORSIA got it wrong,” which raised concerns about a new crediting approach for High Forest, Low Deforestation (HFLD) jurisdictions.

Background: On 29 March ICAO accepted ART HFLD credits as eligible units under the UN’s global offsetting scheme for aviation, CORSIA. (<https://carbon-pulse.com/155086/>)

The role of HFLD credits in carbon markets

Market incentives through the sale of forest carbon emission reduction units have been narrowly designed to reward reduced deforestation against historical baselines, and as a result, target finance towards areas that have already experienced substantial deforestation.

Absent the HFLD crediting approach, the market for jurisdictional credits allowed within CORSIA will reward slowing down deforestation in jurisdictions where substantial deforestation has already occurred, but will not incentivize avoidance of deforestation in areas lacking a significant history of deforestation.

HFLD credits are anchored by the large areas of intact forest that they secure, and many such forests are likely to experience increased emissions in the near-term future. Yet few, if any, of these would fit market eligibility criteria without inclusion of the HFLD approach.

Market solutions must urgently begin to incentivize action to protect forests without a significant history of deforestation as a necessary component of delivery on Paris Agreement climate targets. Through the HFLD approach, the ART TREES standard has developed a new and significant pathway for countries and jurisdictions with extensive intact forests to gain this much-needed financial incentive and prevent significant volumes of future emissions from occurring.

Why HFLD credits are credible

Our organizations recommend that HFLD-labelled credits issued under TREES 2.0 be considered for inclusion in corporate forest carbon credit purchase commitment portfolios and remain eligible in the CORSIA market. These credits have high environmental integrity because, contrary to the assertion that “CORSIA got it wrong,” HFLD credits fully address legitimate additionality, conservativeness, and permanence concerns raised in the previous comment, and furthermore counteract international leakage, reward forest stewardship by Indigenous Peoples, and incentivize action at scale while avoiding perverse incentives that would exist in the marketplace if HFLD crediting were absent.

Additionality

Exclusive reliance on historical baselines does not adequately represent current and future pressures that HFLD countries and subnational jurisdictions face. Such jurisdictions are dominated by intact forest landscapes where future emissions can often be expected to exceed past ones, as evidenced by the fact that from 2000 to 2016 roughly 9% of the planet’s most intact forests were cleared or substantially degraded for the first time (Potapov et al 2017). Considering widespread projected rises in deforestation, degradation, and fragmentation to 2050 (Busch and Engelmann 2017), very few forested regions are accurately characterized as “unthreatened,” making untenable the argument that there is no “additionality” to protecting them.

HFLD credits reward countries and subnational jurisdictions for acting to retain large, highly intact forests, including through monitoring, law enforcement, conservation, and regulation, among other measures. Their efforts reflect the possibility of a different, nature-positive future from what has evolved in other places that have already lost substantial areas of forest. It is paradoxical that the market would incentivize governments for slowing forest loss while excluding from the market those that incur costs associated with avoiding it.

Conservativeness

TREES 2.0 takes a limited, conservative approach to HFLD-crediting, to ensure that HFLD credits are robust and credible in a market context. In particular, the TREES HFLD methodology issues credits for less than 0.05% of standing forest carbon stocks annually in HFLD jurisdictions. This is less than the .1% carbon stock HFLD adjustment permitted by the Forest Carbon Partnership Facility's Carbon Fund and the Green Climate Fund REDD+ Results-Based Payment Pilot Programme. The methodology also applies deductions for uncertainty, non-permanence risk, and sub-national leakage comparable to those applied to non-HFLD credits, as well as further deductions if emissions in the jurisdiction begin to rise above historical averages. As a further factor ensuring conservativeness, any avoidance of loss of the intact forest that characterizes HFLDs avoids an average of roughly six times the CO₂ impacts than are accounted for by a sole focus on deforestation under conventional methods, including TREES 2.0 (Maxwell et al 2019).

Permanence

Permanence concerns are no more germane to HFLDs than they are for non-HFLD credits, and the insurance mechanisms required by the TREES standard (e.g., buffer pools) ensure that in both cases the overall atmospheric benefit of these units will be maintained, even if reversals occur in some locations.

Counteract global leakage

Widespread increased investments in reducing deforestation and degradation will likely create an elevated risk of transboundary "leakage" of deforestation – largely driven by shifting of commodity agriculture production – from high-deforestation jurisdictions that benefit from those investments, into other jurisdictions that are not eligible for them. The purchase of HFLD credits can serve as an essential "hedge" against global leakage, acting as a de-risking strategy for other investments in forest-based nature-positive solutions.

Reward forest stewardship by Indigenous Peoples

HFLD credits offer an additional pathway for Indigenous Peoples to benefit from markets for jurisdictional REDD+ credits. TREES2.0 offers a pathway for Indigenous Peoples' territories to aggregate into subnational accounting areas as part of national submissions and are eligible to qualify as HFLD and use the optional HFLD crediting approach, which is more likely to reward and sustain their historical performance in protecting their forests than non-HFLD crediting.

Avoid perverse incentives

Including HFLD credits in a credit portfolio helps to ensure a balance of approaches to forest protection, alleviating concerns that REDD+ can create perverse incentives by disproportionately rewarding jurisdictions that have experienced the highest rates of deforestation and thereby contribute the most to climate change impacts from forest-based emissions.

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