TREES 3.0 Statement of Reasons

Intro

The Architecture for REDD+ Transactions (ART) has been developed to promote the environmental and social integrity and ambition of greenhouse gas (GHG) emission reductions and removals (ERRs) from the forest sector to catalyze new, large-scale finance for REDD+ and to recognize forest countries that deliver high-quality REDD+ emissions reductions and removals. ART provides a credible standard and rigorous process to transparently register, verify, and issue jurisdictional REDD+ emission reduction and removal credits that ensure environmental and social integrity.

Since The REDD+ Environmental Excellence Standard (TREES), version 2.0 was published in August 2021, ART has seen tremendous momentum in Participants joining, designing and implementing their programs, developing their documentation, and undergoing the validation and verification process. This wealth of experience has enabled the ART Secretariat to gather significant, valuable feedback from ART Participants, technical assistance providers, Validation and Verification Bodies, Indigenous Peoples and Local Communities and other market stakeholders. Feedback has included where TREES 2.0 was unclear, where content and reporting requirements were duplicative or onerous, and where processes worked well and where they didn't.

The stakeholder feedback, combined with a review of the latest literature and market needs, led to the ART Board approving changes to TREES. The majority of the changes result from a desire to streamline and simplify the reporting process, clarify requirements, provide options, and ensure the latest market trends are reflected. The ART Secretariat published the draft version 3.0 for stakeholder consultation for 60 days between July 22 and September 22, 2025, and accepted late submissions through October 1. The Secretariat received 33 formal submissions totaling 684 individual comments.

The comments were thoughtful and reflected both an understanding of REDD+ and a wide breadth of expertise. The comments and questions covered many topics and offered numerous suggestions for improvement. Copies of the original submissions and responses to all comments are available in the TREES 3.0 Comment and Response Log posted on the ART website.

This Statement of Reasons document seeks to highlight ART's treatment of the key issues that received the most comments and have the greatest impact on the outcome of TREES.

The approach and rationale taken to address stakeholder comments related to these key issues is described below.

Timeline for National Accounting

ART holds six Immutable Principles, one of which is to "credit emission reductions at the national level, or at the subnational level as a time-bound interim measure only where it represents high ambition and large scale and is recognized as a step towards national-level accounting."

In TREES 2.0, subnational accounting areas overseen by either national or subnational governments are allowed only until the end of 2030. Recognizing the need to continue to incentivize subnational accounting as a critical step towards national accounting, the public comment draft of TREES 3.0 proposed to extend this deadline to the end of 2040.

It was clear from both the public comments and other feedback received by the ART Secretariat and ART Board that there are strong differing opinions about the requirement to transition to national accounting. Some see a transition to national accounting as a critical measure to prevent leakage and the selective inclusion of subnational areas and to promote the holistic transformation of the land use sector, and urged ART to maintain the 2030 deadline. Others see the requirement to transition to national accounting as a significant burden to jurisdictions that is not demanded or incentivized by the carbon market and advocated for 2040 or no deadline for the transition.

In an attempt to bridge these diverse viewpoints, the ART Board has approved two changes related to the transition to national accounting for TREES 3.0.

First, TREES 3.0 specifies a deadline by which Participants must be national governments with national-level accounting (e.g. annual reporting of national-level emissions) but will continue to allow crediting at either the national or, on an interim basis, subnational level after this date. Requiring national level accounting will address concerns about leakage and favorable selection of which subnational areas to include. The option to continue crediting at the subnational level will provide flexibility for countries that may have different carbon market strategies for different parts of the country, or that for various reasons are only able to implement activities in certain areas. The ART Board will put forth the requirements for national accounting when crediting is at the subnational level and how this data will interact with the other requirements of TREES such as leakage in the next revision of the Standard. The ART Board will also reevaluate the timeline for requiring all Participants to credit at the national level at that time.

Second, the deadline for the transition is set for December 31, 2035. In other words, after 2035, all Participants must be national governments with national accounting and either national or subnational crediting. The ART Board recognizes that progress towards national accounting has happened more slowly than expected for many reasons, and that 2030 as a transition deadline is not realistic for many countries. Requiring national accounting after 2035 seems achievable – but only if there is continued innovation in the space, sufficient support for technical capacity building and assistance for both governments and IPLCs, and only if market demand continues to be strong for JREDD+ credits with recognition of the level of effort necessary to transition to national accounting. The ART Board will evaluate whether these conditions have been met during the next revision of TREES and determine any resulting implications for the timeline of the transition, including the possibility for variances depending on national circumstances.

Alignment with UNFCCC

ART's second Immutable Principle states "Be consistent with United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP) decisions including the Paris Agreement, Warsaw Framework for REDD+, and the Cancún Safeguards…"

TREES 2.0 included explicit requirements regarding Summary of Information reports and Safeguards Information Systems. While other aspects were implied, TREES 2.0 did not explicitly require all UNFCCC REDD+ elements referred to in UNFCCC Decision 1/CP.16, paragraph 71, to be in place in accordance with UNFCCC Decision 9/CP.19, and Paris Agreement Art. 5.2. TREES 3.0 has added these elements, ensuring that ART Participants are fully aligned with Article 5.2 of the Paris Agreement while incorporating the additional elements needed for compliance and voluntary market access and recognition as high integrity under Article 6.2. ART will continue to monitor development of large-scale program requirements under Article 6.4 to evaluate the conformance of TREES with those requirements as well. It is acknowledged that the reporting cycles under TREES and those under the UNFCCC and the Paris Agreement may not align and Participants are able to proceed with the TREES processes, including issuance of TREES Credits, while simultaneously working towards fulfilling the additional elements.

Transition Pathway for FCPF and ISFL and other Countries

The ART Board recognizes that ART stands on the shoulders of many REDD+ readiness efforts to prepare tropical forest countries for eventual market-based REDD+ crediting. Some of these readiness programs will end soon, particularly the Forest Carbon Partnership Facility (FCPF) and the Initiative for Sustainable Forest Landscapes (ISFL) administered by the World Bank. ART and the World Bank have collaborated to identify a process for these programs to transition seamlessly to ART in order to continue their progress and to access a broad set of climate finance opportunities.

The public comment version of TREES 3.0 proposed a transition pathway for those that participated in FCPF to enter ART with different eligibility criteria if they have a TREES Concept accepted by the end of 2028. Those participating in the Carbon Fund would be able to use their FCPF accounting area for one crediting period, even if it did not meet the TREES requirements (see Section 3.1.1). It was also proposed that participants in the Readiness Fund have special eligibility requirements, allowing them to join ART with a minimum area of 1 million hectares of forest instead of the 2.5 million hectares required by TREES. These participants would still need to meet all other requirements of TREES.

ART received many comments on the transition pathway during the public comment period. Most comments supported having a pathway for FCPF countries to continue their work under ART. Some commenters suggested also allowing participants in the Initiative for Sustainable Forest Landscapes (ISFL) or other REDD+ programs to use the transition pathway. We also received some comments that were concerned about lowering the minimum area for Readiness Fund participants, noting that the large scale is part of what differentiates TREES from other Standards, and that not all Readiness Fund countries had developed REDD+ programs.

In response to these comments, the ART Board has approved several changes to the transition pathway for the final version of TREES 3.0.

First, ISFL country participants will also be able to use their ISFL accounting area under TREES for one crediting period. Similar to the Carbon Fund, the accounting areas in ISFL represent large-scale crediting based on jurisdictional boundaries but follow slightly different criteria from TREES. Allowing ISFL participants to use their ISFL accounting area for one crediting period will enable a more seamless transition to ART.

Second, the Board opted to refine the criteria for those that could use the lower minimum area in the transition pathway to those that had participated in any previous REDD+ or readiness program, countries that have less than 2.5 million hectares of forest, Small Island Developing States (SIDS), or those that have accounting areas made up of one or more

recognized Indigenous territories. The Board recognizes that Participants meeting one or more of these criteria would benefit from a time-bound onramp to ART, noting that this pathway is limited to those that have an accepted TREES Concept by the end of 2028, and that crediting using this pathway may only continue for up to two crediting periods or the end of 2035, whichever comes first. The Board also opted to raise the minimum area eligible for crediting during this period to 1.25 million hectares of forest, which is half of the TREES minimum area.

Third, any credits issued that use the transition pathway criteria will be labeled as "Transition Pathway" in the ART Registry. This acknowledges the fact that Participants using this pathway have different criteria for their accounting area than is normally required under TREES, and will allow buyers or others to distinguish these credits from others. The ART Board expects that the application of such a label will encourage Participants to meet the TREES Criteria as soon as they are able to do so. Participants that use the transition pathway for the first crediting period may choose to meet the TREES Criteria for their second crediting period, and any ART Participant may choose to use the TREES Criteria for their initial crediting period even if they qualify to use the transition pathway.

It is important to note that the transition pathway only provides different criteria for a Participant's accounting area – Participants must still meet all other requirements of TREES for safeguards, carbon accounting, and other elements.

Removals Crediting Approach

The removals crediting approach was added to TREES 2.0 to allow crediting of removals from eligible areas of reforestation. Under TREES 2.0, Participants must provide individual polygons of removals, explicitly link each one to REDD+ activities, and demonstrate that the areas have not been forested for at least five years. In discussions with supply jurisdictions, it has become clear that many jurisdictions do not have data on conversion of non-forest to forest in this format. Instead, many jurisdictions have removals data in the form of sample-based area estimates or wall-to-wall maps, similar to how they account for emissions.

The ART Board recognizes that collecting removals polygons requires significant effort and wanted to provide an alternative for jurisdictions to use the data they already have. In TREES 3.0, Participants are able to select from two approaches for crediting removals: the spatially explicit approach and the sample-based approach. The spatially explicit approach is the same approach from TREES 2.0, requiring polygons of removals areas, a documented link to REDD+ activities, and a demonstration that the area was not forest for at least five years for each polygon. As appropriate for the high level of documentation required to demonstrate

additionality, Participants using this approach will be eligible to use a zero baseline for removals from natural forest restoration. Alternatively, the sample-based approach allows Participants to use data more similar to that typically used for emissions, based on area estimates rather than spatial data, with no requirement to show causality between implemented REDD+ activities and individual removals areas. Participants using this approach will use a five-year historical average as the baseline, similar to emission reductions accounting.

Allowing two possible approaches for removals crediting will provide additional flexibility for Participants to credit for removals, and provide an opportunity for those that do not yet have detailed polygon data to collect that data and eventually transition to the spatially explicit approach.

Another change from TREES 2.0 is the eligibility criteria to claim removals. TREES 2.0 only allowed Participants to claim removals if they had also reduced emissions in that same year. However, the ART Board acknowledges that it is challenging for Participants that already have very low emissions to continuously lower emissions further to remain below their TREES Crediting Level in every year. As such, the ART Board has opted to allow Participants with a low deforestation rate (less than 0.25% in every year of the reference period) to claim removals even if emissions are up to15% higher than the TREES Crediting Level, provided that the increase in emissions is less than the claimed removals. This will provide a more certain incentive for Participants with low emissions to restore forests. The ART Board also discussed other requirements in place to prevent Participants from deforesting in order to immediately reforest and claim removals credits, including the requirement that removals areas be non-forest for at least five years prior to planting/ restoration, and will consider this again during the next review of TREES.

Below Business-as-Usual Baselines (Crediting Levels)

As of March 2024, ICAO has a new guideline in its CORSIA Emissions Unit Eligibility Criteria "requiring that baselines be set 'below business-as-usual', in line with recent rules and guidance under Article 6 of the Paris Agreement." Requirements for below business-as-usual baselines also appear in Article 6.2 and 6.4 of the Paris Agreement.

While ART's crediting approaches are meant to result in conservative issuances, TREES 2.0 does not ensure that the baselines themselves are below business-as-usual. In recognition of the CORSIA guidelines and the increasing emphasis on below business-as-usual baselines, the ART Board has approved changes to the three crediting approaches in TREES to ensure that all crediting levels are below business-as-usual.

TREES Crediting Approach

For the TREES Crediting Approach, Participants must either:

1. Take a 1% deduction to the Crediting Level at each Crediting Period renewal, OR
2. Provide quantitative evidence that the TREES Crediting Level is conservative compared to the threat of emissions during the crediting period from the drivers of deforestation and degradation outlined in the REDD+ Implementation Plan.

In our view, a 1% deduction to the crediting level each crediting period represents a real, but not overly punitive, decrease in the baseline. This aligns with the 1% materiality threshold for TREES as specified in the TREES Validation and Verification Standard.

Alternatively, Participants may provide evidence that the baseline is already below business-as-usual. The evidence will be subject to independent validation. Participants that do not have evidence readily available can choose whether to conduct a separate analysis or to apply the 1% deduction.

HFLD Crediting Approach

The HFLD Crediting Level represents a conservative proxy of the risk of deforestation and degradation in the absence of REDD+ activities and thus should already be considered as below business-as-usual. In TREES 3.0, all Participants using the HFLD Crediting Approach will be required to provide quantitative evidence that the HFLD Crediting Level is conservative compared to the threat of emissions during the crediting period from the drivers of deforestation and degradation outlined in the REDD+ Implementation Plan. The evidence will be subject to independent validation. Participants that cannot demonstrate that the risk to the forests in the absence of program activities is higher than the HFLD Crediting Level will not be eligible to use the HFLD Crediting Approach.

Removals Crediting Approach

For the sample-based approach and for commercial forest using the spatially explicit approach, both of which use a five-year historical average as the baseline, Participants must either:

1. Take a 1% increase to the Crediting Level at each Crediting Period renewal, OR
2. Describe the country-specific circumstances that demonstrate that the 5 year historical average is higher than would occur without the REDD+ activities, and estimate/ quantify the expected area of removals in the absence of program activities.

This is parallel to the requirement for the TREES Crediting Level, although since it is for removals, it requires an increase in the crediting level rather than a decrease.

For natural forest restoration using the spatially explicit approach, which uses a zero baseline, Participants must:

1. Demonstrate that the program's REDD+ activities would not have occurred in the absence of the program, AND
2. Explicitly link each new area of removals claimed to the program's REDD+ activities, AND
3. Deduct 1% of the removals results in each year of the Crediting Period

The first two requirements ensure the appropriateness of the zero baseline for this approach, while the third ensures conservativeness of crediting.

High Forest, Low Deforestation (HFLD) Crediting

The ART Board has elected to not make significant changes to the HFLD Crediting Approach. Numerous public comments were received suggesting alternative methodologies or voicing concerns that the emission reductions quantified were not accurate or additional. However, the ART Board continues to believe that the current HFLD Crediting Approach is the most defensible and as a result has not proposed changes to methodology itself although it did approve changes to eligibility and the inclusion of foregone removals.

Changes to TREES must be grounded in the latest peer-reviewed science and demonstrated applicability to jurisdictional carbon accounting. The Teo et al 2024 paper concludes that the approach in TREES is conservative overall, and in fact, likely overly conservative in jurisdictions with high deforestation risk. ART continues to track research being done to design country-specific models of the baseline. However, there is not yet industry or academic consensus on the best models to use or the parameters that should be included. Different available models still show very different results for individual jurisdictions. The ART Board also notes the specific comments about how to change the crediting level equation. Some were in favor of a more conservative baseline and some were in favor of a less conservative baseline. In ART's view, there is not sufficient evidence to change the equation. As research advances, the ART Board will continue to consider options in future revisions of TREES.

The ART Board did elect to remove the option for crediting for avoided foregone removals in HFLD jurisdictions. This approach was felt to be difficult to use by Participants and had limited uptake.

The ART Board does appreciate that some market stakeholders remain unconvinced that HFLD jurisdictions are actually under threat or that the actions taken are additional. Therefore, the ART Board approved adding requirements that HFLD Participants better demonstrate the threats they face and the actions they have already taken to keep deforestation rates low. The first new requirement was previously discussed in the Below Business-as-Usual Baselines Section. For the second, the HFLD Crediting Approach assumes that emissions are low in the reference period in part because the jurisdiction is taking action to mitigate the drivers of deforestation and degradation. Therefore, HFLD Participants are now required to describe the REDD+ activities taken in the reference period to address the drivers of deforestation and degradation.

Forests Remaining Forests

As part of the TREES 3.0 review process, ART convened an expert committee to explore options for incorporating removals from forests remaining forests (i.e., due to restoration of degraded forests) into TREES. Due to remaining questions about additionality and quantification feasibility at scale, the ART Board has decided not to include removals from forests remaining forests at this time. ART will continue to follow the research and best practices related to this topic.

Biomass Flux

As part of the TREES 3.0 review process, ART convened an expert committee to discuss the readiness of biomass flux data (e.g. remotely-sensed data of biomass change) for inclusion in TREES as an alternative to the current activity data and emission or removal factor quantification approach. Due to remaining questions about how such data would fit with existing TREES requirements and processes, the ART Board has decided not to allow biomass flux data in TREES at this time. This aligns with recent guidance from the Global Forest Observation Initiative (GFOI) on the use of biomass maps, which identifies direct estimate of biomass change at the country level as in a research, rather than operational, phase. ART will continue to follow the research and best practices related to this topic. The use of biomass map data to derive emission or removal factors continues to be permitted, and the requirements related to its use have been further elaborated in TREES 3.0.

Long-Term Monitoring

The permanence of nature-based solutions has received significant attention in recent years due to the potential for natural and anthropogenic disturbances to forests and other ecosystems. Market stakeholders have increasingly pushed for longer-term monitoring, whether through longer participation in crediting programs or through post-crediting monitoring. ART received several comments on the draft of TREES 3.0 recommending a minimum length of participation and/or a requirement for post-crediting monitoring.

The ART Board agrees that it is critical to appropriately account for the risk of non-permanence. The Board discussed several potential changes to TREES related to long-term monitoring of program areas, but ultimately was unable to identify an option that was immediately implementable and adequately addressed the concern. Key considerations included whether governments would be able to commit to actions 20 or more years into the future, how additional monitoring, reporting and compensation activities for both government Participants and ART would be funded, who would be responsible for compensation in the event of a reversal, and whether the proposed options would sufficiently address the concern of non-permanence.

Many organizations are currently working to better address the risk of non-permanence for nature-based solutions. ART is committed to proactive engagement with emerging solutions to ensure applicability at the jurisdictional scale, and will reevaluate options for long-term monitoring in the next review of TREES. ART will also continue to evaluate the robustness of the buffer pool against potential future reversals.

In the meantime, several aspects contribute to the strength of the ART's current buffer pool approach. First, all Participants must contribute to the buffer pool according to their reversal risk using the new Risk Rating Tool, and buffer pool contributions are pooled and used to compensate for any reversals. Second, ART never returns buffer pool contributions, which leads to a steady accumulation of credits in the buffer pool over time. Third, if a Participant were to leave ART, all of their buffer pool contributions would be cancelled to account for any potential future reversals.

It is also important to note that reversal risk is different at the jurisdictional scale compared to the project scale. While a single fire or illegal mining invasion could affect an entire project site, the large scale of jurisdictional approaches makes it unlikely that a single event would result in a reversal (under ART, defined as total emissions above the crediting level). Further, jurisdictional-scale programs may result in lower cumulative emissions from deforestation and degradation even if emissions eventually return to their previous levels. Schwartzman et al. 2021 illustrates this point for the Brazilian Amazon.

Reversal Risk Tool

TREES 2.0 required Participants to conduct a Reversal Risk Assessment to determine the percentage of TREES Credits that the Participant must contribute to a shared buffer pool to compensate for a reversal if one were to occur. Each Participant began with a default 25% buffer pool contribution rate, which could be lowered if the Participant could demonstrate that it met any or all of three unique mitigating factors.

This approach was developed after significant review of existing risk assessment tools and discussions with experts and potential participants. It addressed the common sources of risk in a manner that was felt appropriate for jurisdictions given the large scale of the program and provided for streamlined reporting and verification. Under TREES 2.0, the three mitigating factors addressed the key risk area in a binary manner. If the Participant met the requirement, it was deemed low risk and lowered the percentage of buffer pool credits that the Participant must contribute. If the Participant did not meet the requirement, it was deemed high risk and could not reduce its buffer pool contribution.

The approach used in TREES 2.0 was welcomed by Participants who found it straightforward and simple to implement. However, it caused confusion for many stakeholders who expected the assessment to be based on a ratings matrix similar to those used by other Standards. They have raised concerns that there are not enough different ratings to accurately reflect local contexts or to get unique risk ratings for each Participant (under the TREES 2.0 approach, Participants have limited final contribution value options). Across the market, there has also been a general movement towards more country-specific, objective parameters.

In response to the comments and questions received, the ART Board approved development of a new Risk Rating Tool which takes the elements of the TREES 2.0 tool but puts them into a tabular form with additional ratings categories. The new tool starts with a minimum value and then adds to it based on the jurisdiction-specific level of risk in each category rather than starting with a maximum and subtracting from it. From comments received, this framing is more intuitive to stakeholders.

The TREES 3.0 Reversal Risk Rating Tool has three categories over which Participants must assess their risk: *Governance Risk*, *Program Continuity Risk*, and *Vulnerability to Disturbances Risk*. Using risk-category headings serves to make the included risks more transparent to stakeholders and to more clearly articulate the risks being evaluated. We believe this will help address some misunderstandings. Specific indicators are included for each category.

In the first category of Governance Risk, we include Mitigating Factor #1 from TREES 2.0 in question form but altering the language slightly to clarify that it must be a legally binding instrument to qualify. We also added a new factor, the Worldwide Governance Indicators (WGI) Score, which provides an objective, easily verifiable factor that is unique to each country and encompasses many aspects of governance that can impact the success of the JREDD+ program. This score is often used in risk ratings and addresses concerns that the risk analysis is not reflective of individual performance in each country.

The second category focuses on the risk of Program Continuity or longevity. These elements focus on the program's history and design to assess the sustainability of the REDD+ program. The first question asks how long the REDD+ program or its underlying foundation has existed and if appropriate, how long it has been generating finance from any climate finance source. The longer a program has been in operation and generating finance, the less likely it is to be overturned by political changes. The second question evaluates whether there is a robust, long-term participatory process. Greater involvement of all stakeholders in the process of designing, implementing and monitoring the program helps ensure the longer-term sustainability of the program.

The third category looks at Vulnerability to Natural Disasters. The first question changes from the focus on variability of annual emissions, as in Mitigating Factor #2 in TREES 2.0, to an analysis of the impact of natural disasters over the previous five years. The second element asks about plans to reduce the impact of natural disasters, similar to elements of the TREES 2.0 Mitigating Factor #3, with a more direct emphasis on natural disaster prevention.