Recommendations on forests in voluntary carbon markets

Summary

- Forest protection and restoration is in urgent need of increased financial support, but **cannot be used to offset fossil emissions**
- Financial contributions should be directed at **jurisdictional programs addressing deforestation and forest degradation, rather than stand-alone projects**, as they provide incentives for improved land use policies in a way project-level interventions cannot
- Buyers/financiers must ensure that the programmes they provide results-based finance to use **up-to-date, reliable and conservative baselines, pursue ambitious policies, and apply strict and comprehensive social and environmental safeguards**
- **Indigenous Peoples and local communities should be fully involved in forest protection programmes, including in benefit-sharing, as this leads to more effective climate action.**

Introduction

Increased finance for climate action is urgent. Voluntary action by private companies can be additional to the current ambition under the Paris Agreement and be important in increasing global climate ambition, if the proper rules are put in place. We therefore encourage companies to actively pursue deep cuts in emissions in their own value chains in line with a 1.5 degree target while also fundinging mitigation and adaptation in developing countries.

We also appreciate the increased private sector interest in supporting the protection and restoration of forests and other natural ecosystems. Forest protection and restoration offer immediate, accessible, cost-effective, and equitable strategies for meeting the Paris Agreement's temperature goals, while also contributing significantly to sustainable development and biodiversity conservation.

Contribution, not offsetting

As companies pledge to increase their climate action, it is important that any purchase of carbon credits (not used as offsets) from voluntary carbon markets comes in addition to deep reductions in the company's own emissions, and in addition to other mitigation targets or policies they are already covered by.

Still, voluntary carbon markets have unresolved challenges with ensuring the environmental integrity of carbon credits, including the risk of double counting emission reductions, or artificially inflating the number of credits generated by a project. **Companies should therefore refrain from claiming that they have "offset", compensated, or neutralized their emissions by buying forestry carbon credits.** Carbon credits could instead be used to measure the financial contribution provided by a company to a country and its climate efforts. This would make companies' claims more accurate and will help ensure that credits are not used as a way of avoiding internal reductions.

Claiming to have contributed to climate action rather than to have compensated one's own emissions also has the benefit of avoiding intrinsic problems with using forest credits to offset fossil emissions. Carbon stored in trees can be released easily, whereas fossil emissions will stay in the atmosphere for

a very long time. The former can hence not fully compensate for the latter. At the same time, there is an urgent need to stop the loss of forest carbon stocks to avoid the imminent dangers of climate change. **If companies refrain from claiming that their fossil emissions have been offset by forest credits, one can shift focus to incentivizing the transformational change in land-use policies globally needed to stop deforestation. This should be done instead of creating complicated methodologies intended to guarantee that the forest emission reduction is equivalent to a fossil emission.**

Credits from jurisdictional programs, not individual projects

Long-term transformational change at scale is needed to preserve the world's remaining natural forests. Achieving this depends on a change of policy and governance across a wide spectrum of sectors and landscapes. Individual mitigation projects can make important contributions, but will alone never achieve this at the necessary scale. Credits from forest projects also have significant issues related to additionality. Voluntary contributions through buying forest credits should therefore incentivize governments to reform land use policies and end unsustainable land use practices that threaten natural ecosystems through land and forest degradation, deforestation, and biodiversity loss.

To create this incentive, financial contributions should be directed to jurisdictions that achieve ambitious emissions reductions from forests and that channel these contributions towards further actions to preserve and restore forests and promote sustainable development. Buyers/financiers should ensure that jurisdictions pursue ambitious forest protection policies, and actively encourage them to increase their ambition, in line with the Paris Agreement.

Jurisdictional programs also have the benefit of a significantly lower risk of "leakage". The larger an area, the lower the risk of deforestation moving to another location. With the proper safeguards (see below), jurisdictional approaches can also incentivize the inclusion of Indigenous Peoples and local communities' in relevant policies and programs, and advances in the recognition of their customary land rights.

The scale of a jurisdictional program should be the entire area of a country, or of sub-national jurisdictions maximum one administrative-level down.

Reliable and conservative baselines

Reliable baselines are essential to ensure the environmental integrity of a carbon credit. Current carbon standards use a variety of different approaches to this, many of which lead to inflated baselines and thereby low environmental integrity. Jurisdictional level programmes reduce the risk of having inaccurate baselines, but do not fully rule out gaming. Programmes should therefore calculate results compared to their historical emissions, not going too far back in time (preferably the last five years). Exceptions could be applied, for example to provide suitable incentives for jurisdictions with large forests areas and very low historical deforestation rates. However, such exceptions create risks of gaming, and should therefore be based on conservative assumptions.

Promoting human rights and ecosystem integrity through strong safeguards

Any forest-based mitigation measure has a strong likelihood of affecting the rights and livelihoods of the people who live off and on these lands. It can also affect the functioning of ecosystems and the biodiversity they contain and support. Therefore, any carbon credit from forests must apply, and demonstrate compliance with, strict, robust, and comprehensive safeguard measures, ensuring that they advance, not impede, the rights of the people who live there, and protect the ecological

integrity of the forests. They should contribute to multiple objectives beyond climate mitigation, including adaptation, biodiversity protection and sustainable development.

The particular importance of respecting and promoting the rights of indigenous peoples requires respecting their right to Free, Prior and Informed Consent (FPIC) as a basis for engagement, and access to an independent grievance mechanism. Indigenous peoples and local communities should be involved as key stakeholders and implementers in forest-based mitigation efforts as this often leads to the most effective solutions, and get a fair share of the financial support that recognizes their contribution to protecting forests.

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