

TFCI TROPICAL FOREST CREDIT
INTEGRITY GUIDE

Tropical Forest Credit Integrity Guide for Companies

DIFFERENTIATING TROPICAL FOREST
CARBON CREDITS BY IMPACT,
QUALITY AND SCALE

MAY - 2022

Authoring Organizations



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Executive Summary

TROPICAL FOREST CREDIT INTEGRITY GUIDE FOR COMPANIES:

Differentiating tropical forest carbon credits by impact, quality and scale.

BACKGROUND

The science is clear that halting loss of tropical forests – the home and heritage of Indigenous Peoples (IPs) and Local Communities (LCs) who have long been their stewards – is necessary for addressing climate change and achieving the Paris Agreement goals. Companies, in concert with governments, civil society, IPs and LCs, have multiple avenues to help halt both deforestation and forest degradation. Increasing corporate interest in purchasing tropical forest carbon emissions reductions and removals credits in voluntary markets makes it imperative that companies have guidance in order to differentiate their purchases by impact, quality and scale. Without this differentiation, the rapid increase in demand for credits carries a risk of lowering the quality of supply and missing the opportunity to incentivize the most transformative interventions.

This Guidance is designed to assist decision making by individuals and teams responsible for developing and implementing corporate climate mitigation/net zero strategies. While this Guidance is not a standard against which performance can be certified, it is our strong hope that those who set relevant standards will consider integration of this Guidance.

ONE TOOL IN THE CLIMATE MITIGATION TOOLBOX

Voluntary markets for tropical forest carbon credits can play an important complementary role in helping to limit global warming to 1.5 degrees Celsius when combined with companies' deep decarbonization within their operations and supply chains. Science-based decarbonization targets, zero-deforestation

targets, and the mitigation hierarchy all are necessary components of deep decarbonization.

The organizations coauthoring this Guidance agree that voluntary actions by companies can play a critical role in saving tropical forests alongside many other necessary strategies and actions to meet the goals of the Paris Agreement. Some of us look to voluntary carbon markets as a central strategy while others of us have concerns about relying too heavily on the voluntary market. Nonetheless, in the face of the urgency to conserve tropical forests and the rapidly increasing demand for tropical forest carbon emissions reductions and removals credits, we agree that guidance for companies choosing to make such purchases is urgently needed. Summary recommendations follow. We urge readers to review the full text for critical further context and detail in this rapidly evolving space.

GUIDANCE FOR COMPANIES: CONSENSUS RECOMMENDATIONS

When purchasing high-quality tropical forest carbon credits, companies should:

I. INCLUDE TROPICAL FOREST CARBON CREDITS IN THEIR BEYOND VALUE CHAIN MITIGATION STRATEGIES TO AUGMENT AN AMBITIOUS, SCIENCE-BASED DECARBONIZATION TARGET.

II. ENSURE THAT ESSENTIAL COMPONENTS OF SOCIAL AND ENVIRONMENTAL INTEGRITY ARE MET FOR ALL CREDITS PURCHASED.

A. Companies should ensure the credits they purchase meet the criteria identified in this Guidance, achieve the full climate mitigation they represent and comply with the Cancun Safeguards, including respect for

rights and full and effective participation for IPs, LCs, women and other underserved communities; respect for local systems, knowledge and traditions, equitable sharing of benefits, and environmental integrity.

- B. Companies should conduct additional due diligence to ensure quality until the above-mentioned criteria are fully and stringently integrated into quality standards for carbon credits as well as relevant policies and protocols.
- C. Companies should advocate that forest carbon credit standard-setting organizations develop standards that are sufficiently stringent and comprehensive, and verification protocols that are sufficiently robust, to enable buyers to rely on certification under those standards without having to undertake significant additional due diligence.

III. ALIGN CORPORATE REPORTING OF FOREST CARBON CREDITING PURCHASES WITH THE PARIS AGREEMENT'S TRANSPARENCY AND ACCOUNTING REQUIREMENTS AND WITH ENHANCEMENT AND ACHIEVEMENT OF NATIONALLY DETERMINED CONTRIBUTIONS (NDCS).

- A. Companies should support the establishment of the rules, administrative systems and infrastructure needed by national governments to implement the Paris Agreement's Article 6 transparency and accounting requirements as they apply to carbon credits.
- B. Companies should report on their use of carbon credits, specifying the host country of the forest carbon crediting activity, vintage, project or program, standard-setting body, and whether the credits are associated with a corresponding adjustment.
- C. If forest carbon crediting activities will be counted towards the host country's NDC, the company must publicly communicate that the underlying reductions or removals will also contribute to the host country's NDC.
- D. In the absence of comprehensive climate mitigation claims guidance from entities like the Voluntary Carbon Market Integrity Initiative VCMI, and in recognition of ongoing debate regarding the

potential risks related to double-claiming between corporate and national emission reduction targets, we recommend that companies navigate any uncertainty around claims they make by being as transparent, honest and authentic as possible in their reporting and communications.

IV. RAPIDLY SHIFT DEMAND TOWARD CREDITS FROM JURISDICTIONAL-SCALE PROGRAMS (INCLUDING FULLY-NESTED PROJECTS).

- A. Companies should rapidly evolve their credit purchasing portfolios to include an increasing share of credits from jurisdictional-scale programs (including fully-nested projects).
- B. Companies should expedite the transition to jurisdictional-scale crediting by signaling demand through forward purchase commitments and agreements.
- C. Companies should encourage project developers and existing projects to take all possible steps to promote establishment of high-quality jurisdictional-scale crediting and associated accounting frameworks, and to nest into them.

V. PRIORITIZE PURCHASE OF CREDITS FROM PROGRAMS AND PROJECTS THAT REDUCE THREATS TO STANDING TROPICAL FORESTS.

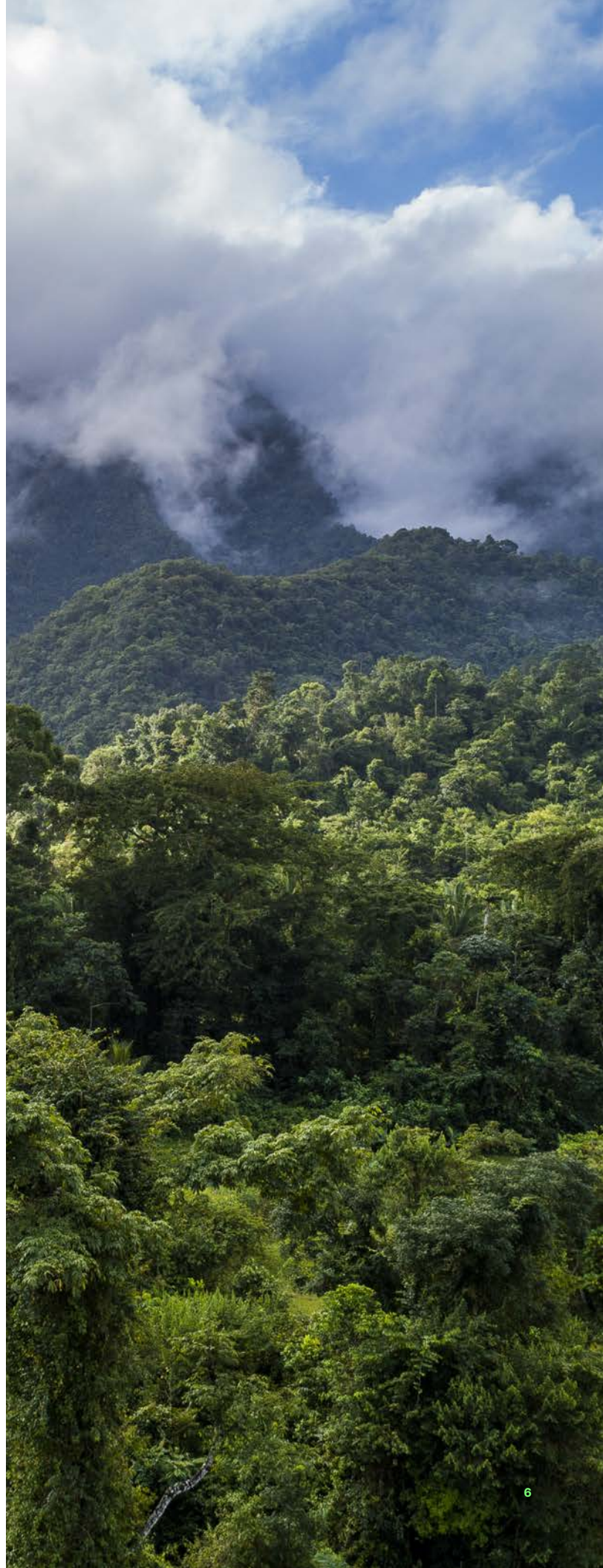
- A. In places where deforestation continues, companies should prioritize purchase of high-quality emissions reductions credits over removals credits (e.g., those generated through tree-planting efforts associated with reforestation and afforestation).
- B. Companies should consider including conservatively-issued credits from High Forest, Low Deforestation (HFLD) jurisdictions (many of which include Indigenous territories) in their portfolios. Such purchases can provide near-term incentives to maintain remaining intact forests and support recognition of the success of IPs and LCs in forest conservation.

LOOKING FORWARD

Our organizations will continue to work together to develop additional guidance regarding corporate purchase of high-quality tropical forest carbon credits, to be completed by late 2022. We will:

- elaborate actions that companies can take to ensure the social and environmental integrity criteria and the full and effective participation of IPs, LCs women and underserved communities throughout the process, as identified in Recommendation II are actionable;
- elaborate how corporate buyers can incentivize and/or screen project-scale credits for consistency with the desired transition toward alignment with jurisdictional programs;
- specifically address the relationship between Indigenous territories and jurisdictional-scale crediting, including through consideration of crediting approaches for HFLD areas, many of which are in the traditional territories of IPs and LCs; and
- elaborate guidance on corporate portfolios of carbon credit purchases, including consideration of the roles of removals credits and credits from HFLD jurisdictions.

We recognize and value the work of many other initiatives and platforms seeking to improve the integrity of voluntary carbon markets, in which many of our organizations participate. We encourage companies to stay abreast of emerging guidance from these and other initiatives as well as other resources guiding critical company actions on climate change other than credit purchases.





Background, Context and Considerations

URGENCY OF HALTING DESTRUCTION AND DEGRADATION OF TROPICAL FORESTS

The science is clear that halting loss of tropical forests – the home and heritage of Indigenous Peoples (IPs) and Local Communities (LCs) who have long been their stewards – is necessary for addressing climate change and achieving the Paris Agreement goals.ⁱ Yet, tropical forest loss and degradation have proven difficult to reduce, generating large greenhouse gas (GHG) emissions and threatening IPs' and LCs' rights, culture and livelihoods, as well as biodiversity. Losing these forests also undermines the enormous potential for intact and recovering forests to continue to sequester carbon from the atmosphere and cool the Earth's surface through evapotranspiration and other biophysical processes.



PROTECTING TROPICAL FORESTS AND THE ECOSYSTEM SERVICES THEY PROVIDE

Living ecosystems, notably tropical forests and peatlands, contain over 100 Gt of carbon stocks that, once lost, cannot be recovered in any time frame relevant to addressing the climate crisis.ⁱⁱ However, 11 million hectares of tree cover are lost per year in the tropics, resulting in 6.3 Gt of CO₂ emissions (the equivalent of the annual emissions from approximately 900 million automobiles).ⁱⁱⁱ

Nature is fundamental to human survival and economic prosperity, yet there remains an estimated \$700 billion funding gap per year for nature and biodiversity.^{iv} In particular, nature's mitigation potential has been overlooked: natural climate solutions², such as forest conservation, receive only 3% of global climate finance.^v Yet, achieving net zero land-use emissions is an indispensable step for realizing net zero across all sectors.^{vi} This cannot be achieved without, first and foremost, a rapid elimination of tropical deforestation and degradation complemented by significant progress toward the restoration of tropical forests.^{vii}

Furthermore, the conservation and restoration of tropical forests and the ecosystem services they provide for people and nature are foundational to sustainable business in every part of the world. Many companies have extensive dependencies on functioning forests and other ecosystems, including for regulation of local climate stability and hydrology, maintenance of agricultural productivity and pollination services, and safeguarding of public health and safety. These dependencies, along with the urgent need for private sector leadership to tackle tropical forest loss, are more apparent than ever,^{viii} fueling significantly enhanced ambition from companies to help take on the climate change emergency.

¹ "Tropical forests" is used throughout to refer to both tropical and subtropical forests as well as mangroves, peatlands, and other landscapes the conservation and restoration of which is important to climate stability. ² Natural climate solutions are conservation, restoration and improved land management actions that increase carbon storage or avoid greenhouse gas (GHG) emissions in landscapes and wetlands across the globe. See Natural Climate Solutions ([nature.org](https://www.nature.org))

GUIDANCE TO COMPANIES REGARDING PURCHASE OF TROPICAL FOREST CARBON CREDITS

Companies, in concert with governments, civil society, IPs and LCs, have multiple avenues to help halt the loss of tropical forest carbon resulting from both deforestation and degradation.^{ix} There is increasing corporate interest in purchasing tropical forest carbon emissions reductions and removals credits in voluntary markets. **It is imperative that companies have guidance in order to differentiate their purchases by impact, quality and scale. This Guidance is designed to enable them to do so.**

Yet, tropical forest loss and degradation have proven difficult to reduce, generating large greenhouse gas (GHG) emissions and threatening IPs' and LCs' rights, culture and livelihoods, as well as biodiversity. Losing these forests also undermines the enormous potential for intact and recovering forests to continue to sequester carbon from the atmosphere and cool the Earth's surface through evapotranspiration and other biophysical processes.

Without this differentiation, the rapid increase in demand for credits carries a risk of lowering the quality of supply and missing the opportunity to incentivize the most transformational interventions. In contrast, the purchase of high-quality credits and signaling of future demand have considerable potential to conserve forests and benefit IPs and LCs, women and underserved communities—as they help companies and society meet climate goals by stimulating market design, accelerating policy development and generating financing for climate solutions.

All carbon credits across all sectors should ensure high-quality and environmental integrity. While this Guidance is focused on tropical forest carbon credits, many of our recommendations are not unique to forests and should be applied to credits generated across all sectors.

It is imperative that companies have guidance in order to differentiate their purchases by impact, quality and scale. This Guidance is designed to enable them to do so.

This Guidance is designed to assist decision making by individuals and teams responsible for developing and implementing corporate climate mitigation/net zero strategies. It is also intended for consultants and those who advise companies on these topics. The Guidance is therefore for a technical audience familiar with forest carbon credits.

While this Guidance is not a standard against which performance can be certified, it is our strong hope that those who set relevant standards will consider integration of this Guidance.

INDIGENOUS PEOPLES AND LOCAL COMMUNITIES, WOMEN AND OTHER UNDERSERVED COMMUNITIES

Indigenous peoples and other local communities are essential stewards of the world's forests. Research shows that IPs and LCs have effectively and sustainably managed their land for generations despite lack of secure tenure. While half of all global land is the community land of IPs and LCs,^x only 10% of the world's land is officially recognized as belonging to them.^{xi} Lands stewarded by IPs and LCs represents a significant share of global forest carbon.^{xii} Empowering IPs to conserve and make sustainable use of their land is a powerful strategy to conserve forests and the carbon, communities, and cultural and biological diversity that forests sustain. Recent research from the Amazon shows that deforestation rates on securely held Indigenous land are 50% lower than in areas outside of Indigenous territories).^{xiii} In recent years, numerous international organizations have issued additional research and reports demonstrating the critical role of IPs and LCs in land conservation.^{xiv}

IPs and LCs must be recognized as important partners in the fight against climate change and not just beneficiaries.

Effective and equitable conservation and restoration of tropical forests requires that IPs and LCs, as well as women and underserved communities be given genuine access to full and effective participation in decision making processes, with their Free, Prior and Informed Consent (FPIC).³ They must receive fair and equitable benefit-sharing from forest conservation. These principles are poorly represented in practice and need to be universally applied, which in turn requires the development of the capacity of IPs and LCs so that they may fully and effectively participate per the Cancun Safeguards.

Specifically, IP- and LC-led initiatives aligned with the goal of tropical forest conservation and high



environmental integrity should be prioritized for consideration for support. IPs and LCs can benefit through the recognition of rights and financing of self-determined pathways for implementing Indigenous governance, Indigenous economy, and cultural and ecological integrity as framed within their organizational and territorial management instruments, such as communal life plans common in Latin America.^{xv} This support can generate the enabling conditions for the implementation of IP- and LC-led initiatives, such as Amazon Indigenous REDD+ (RIA), a technical process and proposal being developed by Coordinator of Indigenous Organizations of the Amazon Basin (COICA). It is an example of an Indigenous-led jurisdictional REDD+⁺ approach for full and effective participation of IPs and LCs in the process and benefit-sharing for on the ground actions against deforestation and degradation of tropical forests.

See Recommendation II.

KEY CONSIDERATIONS

ONE TOOL IN THE CLIMATE MITIGATION TOOLBOX

Voluntary markets for tropical forest carbon credits can play an important complementary role in helping to limit global warming to 1.5 degrees Celsius when combined with companies' deep decarbonization within their operations and supply chains. Science-based decarbonization targets, zero-deforestation targets, and the mitigation hierarchy all are necessary components of deep decarbonization.^{xvi} The greatest benefit of this complementary role occurs when the carbon credits are transacted as part of a company's beyond value chain mitigation strategy^{xvii}, and represent a high level of climate mitigation impact for the activities undertaken, while supporting positive economic, social and environmental co-benefits.^{xviii, xix} See Recommendation I.

The organizations coauthoring this Guidance agree that voluntary actions by companies can play a critical role in saving tropical forests alongside many other necessary strategies and actions to meet the goals of the Paris Agreement. Some of us look to voluntary carbon markets as a central strategy, while others of us have concerns about relying too heavily on the voluntary market and see a more important role for other types of financing mechanisms and interventions to halt deforestation, and to protect and restore forests that are not addressed in this Guidance.⁵

Nonetheless, in the face of the urgency to conserve tropical forests, and the rapidly increasing demand for tropical forest carbon emissions reductions and removals credits in voluntary markets, we agree that guidance for companies choosing to make such purchases is urgently needed.

CLARIFICATION ON USE OF THE TERM

“CARBON CREDIT”

In this document the most basic definition of a “carbon credit” is an emission unit that is issued by a carbon crediting program and represents an emission reduction or removal of GHGs (i.e., a “mitigation outcome” as referenced in international agreements; see glossary for definition of climate mitigation outcome). Carbon credits are uniquely serialized, issued, tracked and cancelled by means of an electronic registry. Carbon credits can be used and claimed within corporate climate strategies in various ways.

However, readers should be aware that the terms for – and claims regarding – use of carbon credits are evolving, with different proposals by host countries, voluntary standards and norms within the market, and differences of view among the coauthoring organizations. This points to the complexity and importance of having guidance on how to make credible claims when investing outside of one's value chain. For example, some credits may be appropriate to use towards claims such as “carbon neutrality” or “net zero.”⁶ The use terms of other carbon credits may only allow the buyer of the credit to refer to how it financed this reduction or removal, because the host country would already be claiming it. Initiatives such as the Voluntary Carbon Market Integrity Initiative (VCMI) are developing additional guidance on how companies should make claims associated with their voluntary use and accounting of carbon credits.⁷

³ On FPIC: “consent should be sought before any project, plan or action takes place (prior), it should be independently decided upon (free) and based on accurate, timely and sufficient information provided in a culturally appropriate way (informed) for it to be considered a valid result or outcome of a collective decision-making process.” Reference: “Free Prior and Informed Consent. An Indigenous peoples' right and a good practice for local communities: Manual for Project Practitioners” Food and Agriculture Organization of the United Nations, 2016.. ⁴ COICA defines an Indigenous-led jurisdictional REDD+ approach as: the implementation of a strategy to reduce emissions from land use and change at the level of a jurisdiction, in this case, the Indigenous Territories. It is based on the guidelines of Amazon Indigenous REDD+ (RIA, a proposal of its own by COICA that prioritizes the holistic management of forests and Indigenous Territories, and recognizes their governance structures), and ensures not only respect for territorial and land rights and the CPLIFPIC for Indigenous Peoples, but also the effective participation of Indigenous Peoples in the process, and a fair distribution of benefits. Specifically, the inclusion of areas with high vegetation cover and low deforestation (HFLD) is sought, since most of the Indigenous territories, due to their achievements in forest conservation, are characterized by HFLD areas. ⁵ Because the scope of this document is limited to a subset of the issues required to ensure the integrity of crediting arrangements (i.e., with a focus on supply-side integrity), it should not be interpreted broadly as an endorsement of voluntary carbon markets for tropical forests by all of the authoring organizations.⁶ Both of these terms mean a company compensates for remaining operational or value chain emissions with an equal amount of emissions reductions and/or removals that come from outside a company's value chain. ⁷ Our Guidance does not directly address demand-side integrity issues such as claims associated with credit purchases.

ACCOUNTABILITY TO INDIGENOUS PEOPLES AND LOCAL COMMUNITIES

Those seeking to take action involving tropical forests need to be accountable to the IPs and LCs that reside in them and/or hold rights to them. The benefits of forest conservation occur at local, subnational, national and global levels, while the burdens are borne disproportionately by IPs and LCs. Regarding voluntary carbon markets, this requires going beyond ensuring that all carbon credits purchased meet strict conventional criteria for environmental and social responsibility (e.g., “do no harm” in all geographies). It means recognizing the necessity of full and effective participation in design and governance of forest carbon crediting programs and equitable benefit sharing for IPs and LCs. See accompanying box, Indigenous Peoples and Local Communities, Women and Other Underserved Communities and Recommendation II.

MAKING PURCHASING DECISIONS THAT SHAPE THE FUTURE

The following Guidance clarifies how companies purchasing tropical forest carbon credits from the voluntary market as part of their climate strategy can direct and leverage their demand for credits effectively to help stop and reverse the loss of tropical forests. Implementation of this guidance can also accelerate the development of a high-quality pipeline of credits that represent outcomes at scale. (See Table 1 for a graphic depicting the desired shift in market trajectory).

We are confident that commitments and purchases in alignment with our recommendations and supplemental to deep decarbonization will effectively contribute to climate stabilization and the delivery of necessary social and environmental co-benefits.





Guidance for Companies:

Consensus

Recommendations

WHEN PURCHASING HIGH-QUALITY TROPICAL FOREST CARBON CREDITS⁸, COMPANIES SHOULD:

I. CONSIDER USING TROPICAL FOREST CARBON CREDITS IN THEIR BEYOND VALUE CHAIN MITIGATION STRATEGIES TO AUGMENT AN AMBITIOUS, SCIENCE-BASED DECARBONIZATION TARGET.

The greatest benefit from the use of carbon credits occurs when the credits are transacted as part of a company's beyond value chain mitigation strategy and represent a high level of climate mitigation impact for the activities undertaken, while supporting positive economic, social and environmental co-benefits.^{xx,xxi}

To provide transparency and ensure that carbon credits transacted are a complement to and not a substitute for company decarbonization, companies must publicly commit to a science-based target validated by the Science Based Targets Initiative (SBTi) or equivalent⁹, and the mitigation hierarchy should be a guidepost for prioritizing their actions.^{xxii} Companies for which deforestation within supply chains is significant must also be actively implementing a zero-deforestation target in line with the Accountability Framework initiative (AFi) and a base year of 2020 or earlier.

REPUTATIONAL RISK AND THE DUE DILIGENCE REQUIRED TO MITIGATE IT

Many companies have concluded that they can no longer afford the material or reputational risks of being associated with forest loss. Some are going beyond commitments to remove deforestation from their supply chains by supporting implementation of actions and initiatives in host countries to address drivers of deforestation and degradation, such as by providing up-front investments in aligned activities and technical capacity.¹⁰

There also are reputational risks associated with purchase of low-quality tropical forest carbon credits. While companies should consider purchasing credits as described in this Guidance, buyers should be aware of known weaknesses in current standards and the associated reputational risks that may result from purchase of credits without adequate due diligence. Critical weaknesses in standards include a lack of recognition of IP and LC rights and ensuring beneficial impact to, benefit sharing with, and full and effective participation of IPs and LCs. As standards evolve and monitoring technology improves to better address relevant concerns, the burden of conducting additional due diligence will lessen for companies and their advisors.

⁸ All carbon credits across all sectors should ensure high quality and environmental integrity. While this document and these recommendations are focused on tropical forest carbon credits, many of these recommendations are not unique to forests and should be applied for credits generated across all sectors.⁹ In accordance with the best available science, the Paris Agreement and Sustainable Development Goals, companies should transition towards net-zero in line with mitigation pathways that are consistent with limiting warming to 1.5°C with no or limited overshoot. Reference: "Foundations for Science-Based Net-Zero Target Setting in the Corporate Sector, Principle 2." <https://sciencebasedtargets.org/resources/files/foundations-for-net-zero-full-paper.pdf> ¹⁰ See for example, Landscape Scale Action for Forests, People and Sustainable Production: A Practical Guide For Companies <http://forestsolutions.panda.org/uploads/default/report/JA-Practical-Guide.pdf>

II. ENSURE THAT ESSENTIAL COMPONENTS OF SOCIAL AND ENVIRONMENTAL INTEGRITY ARE MET FOR ALL CREDITS PURCHASED.

A. Companies should ensure the credits they purchase meet the following criteria, in addition to complying with the Cancun Safeguards.¹¹

Respect for rights

- The rights of IPs, LCs, women and other underserved communities should be fully respected, including rights to the free use of, and property rights to, lands, territories, waters and resources, according to their customary sustainable use and traditional knowledge.

Full and effective participation

- Interventions must ensure FPIC for IPs and LCs and equitable access to information, including full explanations of the scope of proposals, in a transparent manner that is technically accessible and culturally appropriate.
- IPs, LCs, women and other underserved communities, where relevant, should function as partners and rightsholders or stakeholders—and not just beneficiaries—in a genuinely collaborative and intercultural approach that values diverse cultural practices and ensures full and effective participation on equal terms throughout the process, from the initial proposal to the implementation, and with special emphasis on the equitable distribution of benefits.

- Capacity building, technical support and logistical resources should be provided to IPs, LCs, women and other underserved communities (or to organizations that represent and serve them) to enable their full and effective participation on equal terms to support and strengthen REDD+ proposals and to advance of IP- and LC-led climate action (e.g., RIA – see footnote 4).



¹¹ "REDD + safeguards are also known as Cancun safeguards and aim to ensure that REDD + initiatives adequately address sensitive issues. The seven Cancun safeguards state that REDD + initiatives should promote and support:

- That actions complement or are consistent with the objectives of national forest programs and relevant international conventions and agreements;
- Transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
- Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
- The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities;
- That actions are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of Decision 1/CP.16 are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;
- Actions to address the risks of reversals; and
- Actions to reduce displacement of emissions.

See "Monitoring & Evaluation: REDD+ Safeguards," The Amazon Fund (<http://www.amazonfund.gov.br/en/monitoring-evaluation/REDD-safeguards/>). See also the UNFCCC's REDD+ Safeguards (<https://redd.unfccc.int/fact-sheets/safeguards.html>)

Respect for local systems, knowledge and traditions

- Local consultation protocols must be respected.
- Due consideration should be given by governments and non-state actors to IP- and LC-proposed and led approaches to forest conservation and reducing deforestation and degradation (e.g., RIA – see footnote 8).
- IPs' and LCs' management systems and organizational structures should also be fully respected.
- Concerns regarding measurement methodologies raised by IPs and LCs based on their experience should be seriously considered.

Equitable sharing of benefits

- Fair, transparent and equitable distribution of benefits and revenues developed in consultation with relevant rights holders and other stakeholders is required, including to recognize and reward IPs', LCs', women's and other underserved communities' vital role in forest conservation.
- Distribution of benefits must, when possible, go directly to IPs, LCs, women and other underserved communities who protect forests rather than through third party intermediaries requiring administrative fees. However, if intermediaries are necessary due to lack of capacity to receive funds directly – or part of the proceeds from projects is needed to enable capacity building and/or provide technical support – roles and associated costs of intermediaries' services must be transparent and agreed by all parties in advance.
- Funds received directly by IPs and funds managed by other parties (e.g., government agencies) in support of IPs should be invested according to IP proposals and through their territorial management tools, including in vigilance activities in forests, Indigenous economy, governance and recovery of ancestral knowledge, amongst others.

Environmental integrity

- Crediting must be based on:
- Independently verified compliance with requirements for robust, evidence-based baselines to ensure additionality;
- Requirements for deductions (i.e., "discounts") that are based on conservatively estimated risks of non-permanence and leakage;
- Continuous improvement of data specificity and a reduction in overall uncertainty over time determined through the use of the latest/best-available science;
- Alignment with jurisdictional programs and accounting frameworks where developed (see also Recommendation IV);
- Avoidance of double counting; and



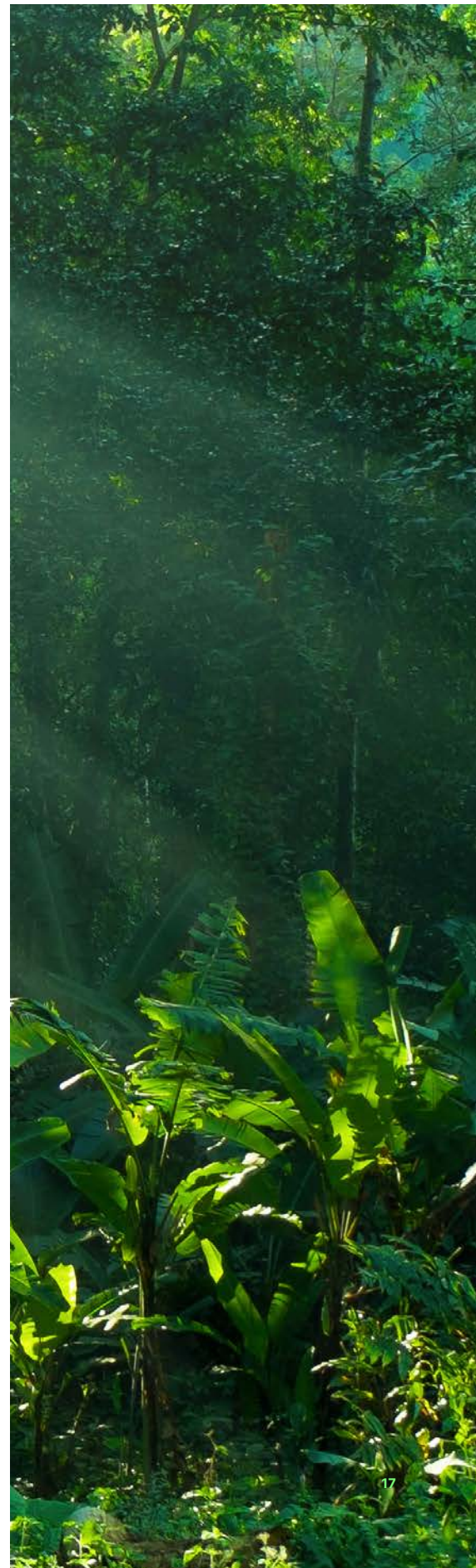
- Activities that avoid adverse environmental or social impacts, generating sustainable development benefits beyond reducing GHG emissions.
- Activities that contribute to enhancing biodiversity.
- Activities that enhance adaptation and resilience.

B. Companies should conduct additional due diligence to ensure quality until the above-mentioned criteria are fully and stringently integrated into quality standards for carbon credits as well as relevant policies and protocols.

This additional due diligence is required during a transitional period while standard-setting processes are tightening up their requirements, governments are putting accounting and other infrastructure into place, and other initiatives in the voluntary carbon market space are developing and updating guidance on governance of these systems (e.g., to ensure that project-scale baselines are robust, and that jurisdictional-scale benefit sharing arrangements are equitable; see Annex C for suggested areas for due diligence).

- C. Companies should advocate that forest carbon credit standard-setting organizations develop standards that are sufficiently stringent and comprehensive, consistent with the latest and best-available science and best practice to ensure full climate benefit, as well as verification protocols that are sufficiently robust to enable buyers to rely on certification under those standards without having to undertake significant additional due diligence.** Such strengthening would enable companies to purchase high-quality, jurisdictional-scale (including fully-nested) REDD+ credits (hereafter referred to as jurisdictional-scale credits) as they become available. Companies cannot reasonably be expected to undertake extensive and sustained independent due diligence on the social and environmental integrity of the forest carbon credits they purchase. Standard-setting and certification organizations best enable companies to efficiently participate in the marketplace through comprehensive, rigorous and transparent standards and validation processes. Companies are encouraged to advocate that the standard-setting organizations develop and improve standards that achieve high social and environmental integrity through alignment of all crediting with jurisdictional REDD+ programs (hereafter referred to as jurisdictional programs), where possible and as those programs develop.

In a second phase of work, the authoring organizations will elaborate actions that standards and companies can take to ensure these criteria are actionable.



III. ALIGN CORPORATE REPORTING OF FOREST CARBON CREDITING PURCHASES WITH THE PARIS AGREEMENT'S TRANSPARENCY AND ACCOUNTING REQUIREMENTS AND WITH ENHANCEMENT AND ACHIEVEMENT OF NATIONALLY DETERMINED CONTRIBUTIONS (NDCS).

- A. Companies should support the establishment of the rules, administrative systems and infrastructure needed by national governments to implement the Paris Agreement's Article 6 transparency and accounting requirements as they apply to carbon credits.**
- B. Companies should report on their use of carbon credits, specifying the host country of the forest carbon crediting activity, vintage, project or program, standard-setting body, and whether the credits are associated with a corresponding adjustment.**
- C. If forest carbon crediting activities will be counted towards the host country's NDC, the company must publicly communicate that the underlying reductions or removals will also contribute to the host country's NDC.**
- D. In the absence of comprehensive climate, mitigation claims guidance from entities like the VCMI, and in recognition of ongoing debate regarding the potential risks related to double-claiming between corporate and national emissions reduction targets, we recommend that companies navigate any uncertainty around claims they make by being as transparent, honest and authentic as possible in their reporting and communications.**

IV. RAPIDLY SHIFT DEMAND TOWARD CREDITS FROM JURISDICTIONAL-SCALE PROGRAMS (INCLUDING FULLY-NESTED PROJECTS).

Note For Reader: For additional background, see text boxes, "Why is a rapid transition to jurisdictional-scale programs and fully-nested projects needed?" and "What are 'jurisdictional-scale crediting' and 'fully-nested project credits?'" as well as Annex B.

- A. Companies should rapidly evolve their credit purchasing portfolios to include an increasing share of credits from jurisdictional-scale programs (including fully-nested projects).** Annex C provides Guidance for companies regarding the purchase of forest carbon credits as the maturation of jurisdictional programs takes place at differing paces in various jurisdictions. The evolution of a portfolio of forest carbon credits representing the recommended direction of the overall market is depicted in Figure 1.
- B. Companies should expedite the transition to jurisdictional-scale crediting by signaling demand through forward purchase commitments and agreements.** To signal current demand for future credits associated with programs and interventions that can both deliver high-quality results and rapidly scale up impact, companies must differentiate among the forest carbon credits currently and prospectively¹² available on the voluntary market. In the near term, until jurisdictional-scale (including fully-nested) credits are widely available, company commitments to the forward purchase of such credits can contribute to incentivizing an accelerated and increased supply of such credits. This demand signal can provide the certainty and incentives governments need to invest in strengthening legal, regulatory, and accounting systems, and can prompt project proponents to accelerate progress on nesting arrangements. Forward purchase commitments are particularly encouraged in places where a jurisdictional program is already or expected to be registered and validated by an internationally recognized standard and offering credits in the near-term.

¹² Prospectively available credits means credits anticipated to be available in the future, but currently are not. Prospective is not synonymous with "ex-ante" credits (i.e., credits generated in advance of the reduction occurring). The authoring organizations do not endorse ex-ante crediting.

C. Companies should encourage project developers and existing projects to take all possible steps to promote establishment of high-quality jurisdictional-scale crediting and associated accounting frameworks and to nest into them.

Jurisdictional programs with high environmental and social integrity provide the opportunity to start shifting carbon credit supply to transformational scales envisioned in the Paris Agreement. However, in locations where the current government is unlikely to support and/or effectively implement equitable jurisdictional-scale crediting, selective near-term corporate purchases of high-quality project-scale credits may provide interim support for critical forest conservation needs and opportunities so long as they do not disincentivize jurisdictional-scale actions and/or associated crediting.

In a second phase of work, the authoring organizations will issue more detailed guidance regarding milestones for jurisdictional progress, nesting, and additional due diligence requirements.

WHY IS A RAPID TRANSITION TO JURISDICTIONAL-SCALE CREDITING NEEDED?

Our organizations believe that forest-based emissions reductions and removals can be delivered most efficiently and effectively by jurisdictional-scale crediting approaches (including both jurisdictional programs and fully-nested projects), but must be urgently resourced in order to succeed. Moving from project-scale crediting toward jurisdictional-scale crediting and emissions accounting is needed to increase the scale of tropical forests climate mitigation initiatives to the level required to achieve the global goals to limit warming to 1.5 degree C.

Jurisdictional-scale crediting is consistent with the national approach to forest monitoring, baselines, strategies and safeguards in the Warsaw Framework for REDD+^{13,xxiii} negotiated under the United Nations Framework Convention on Climate Change (UNFCCC) and incorporated into the Paris Agreement. The critical rationale for the development of this framework for REDD+ with accounting for emissions reductions and removals at national scales holds true for all jurisdictional-scale crediting: to address environmental integrity issues such as leakage, additionality, and non-permanence; preserve biodiversity; and create incentives for policy changes and large-scale implementation.^{xxiv}

Furthermore, jurisdictional programs that ensure the inclusion of Indigenous territories with the full and effective participation of IPs, LCs, women and underserved communities as partners have the potential to extend benefits to more communities, including for the conservation of carbon stocks.

We anticipate that jurisdictional-scale credits will become increasingly available for purchase in the voluntary carbon market in the next few years.^{14,xxv} In many cases, successful jurisdictional-scale crediting will require that governments strengthen the necessary institutional infrastructure, such as legal, regulatory and accounting frameworks. Companies' demand for jurisdictional-scale credits can play an important role in accelerating these developments.

¹³ Negotiations in the context of the UNFCCC toward the international framework for Reducing Emissions from Deforestation and forest Degradation (REDD+) were launched in Bali in 2007. Key decisions were reached at subsequent negotiations in Cancun (on safeguards) and Warsaw (on the overall framework), and the framework was affirmed under Article 5 of the Paris Agreement.

¹⁴ The first jurisdictional-scale credits have recently become available to a limited set of investors through the Forest Carbon Partnership Facility's Carbon Fund (<https://www.forescarbonpartnership.org>) and include advance purchases; others are available for advance purchase contracts through the LEAF Coalition (<https://leafcoalition.org>).

Project-scale efforts will continue to play a role in generating emissions reductions and removals, but as demand for jurisdictional-scale crediting increases, we expect that project-scale crediting will be aligned with jurisdictional-scale crediting. Jurisdictional-scale programs have the potential to generate much greater mitigation in the medium-term.

In a second phase of work, the authoring organizations will specifically address the relationship between Indigenous territories and local communities and jurisdictional-scale crediting, including crediting approaches for High Forest, Low Deforestation (HFLD) areas, many of which are in the traditional territories of IPs.

See Annex B for additional background and discussion of the rationale and path for the transition to jurisdictional-scale crediting.

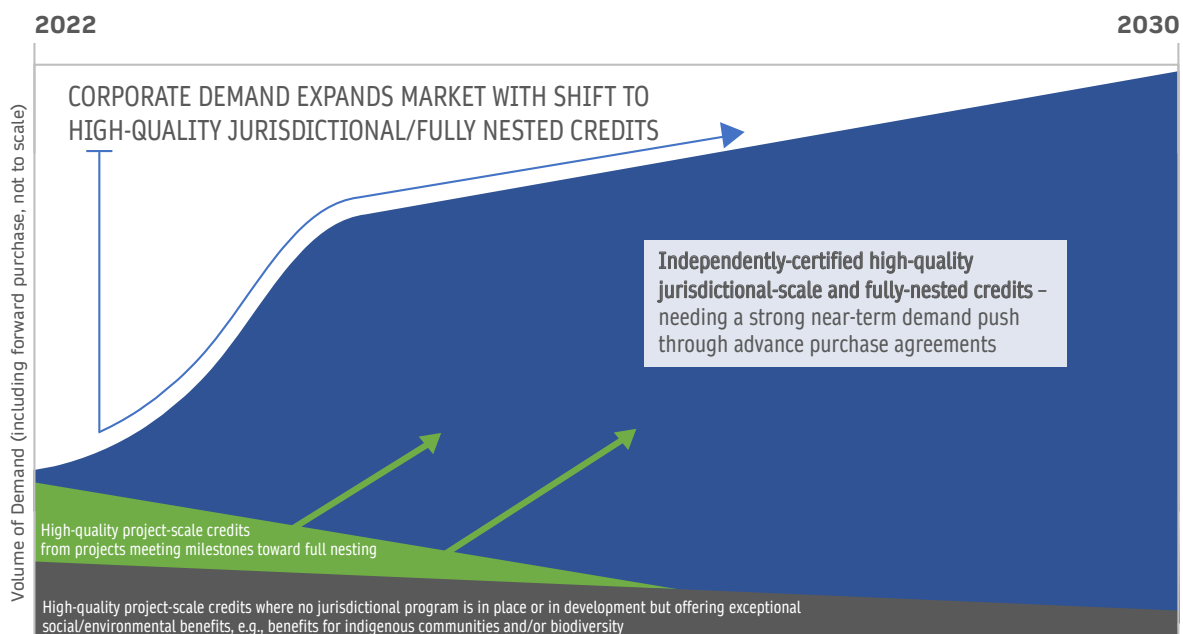
DESIRED MARKET TRAJECTORY

IN THE NEAR TERM, COMPANIES SHOULD:

- Prioritize purchase of credits for emissions reductions over removals where deforestation continues
- Use advance purchase agreements to scale supply of jurisdictional-scale credits
- For project-scale credits, prioritize projects based on Annex C (differentiated by characteristics of jurisdiction from which credits are sourced)
- Include credits from high forest low deforestation areas (HFLD) as well as least developed countries (LDCs) where both social / environmental benefits and integrity are high as part of a diversified portfolio approach

OVER TIME, COMPANIES SHOULD:

- Continue to prioritize purchase of credits for emissions reductions (in preference to credits for removals) except in jurisdictions where deforestation and degradation are declining
- Ramp up purchase of jurisdictional-scale credits as they become available
- Continue to include credits from high forest low deforestation areas (HFLD) as well as least developed countries (LDCs) where both social / environmental benefits and integrity are high as part of a diversified portfolio approach



WHAT ARE “JURISDICTIONAL-SCALE CREDITING” AND “FULLY-NESTED PROJECT CREDITS”?

Jurisdictional-scale REDD+ crediting (jurisdictional-scale crediting) is based on baseline emissions / removals quantified and assigned according to measurements for an accounting area defined at the scale of entire countries or large, subnational political/administrative units. Current jurisdictional-scale crediting standards define jurisdictions in various ways.¹⁵ For jurisdictional programs, we believe that environmental and social integrity are better served by standards that specify a minimum forest area threshold for subnational crediting, are tied to political/administrative units with significant decision making authority over forest land-use, and explicitly address the role of Indigenous territories.

Fully-nested project credits refers to credits from projects situated within the scope of a jurisdictional-scale program that is registered with and verified by an internationally-recognized accreditation standard and that has emissions baseline accounting integrated at the jurisdictional level. Fully-nested projects will be those that meet the following criteria:

1. Project-scale interventions are aligned with strategies and measures prioritized by jurisdictional programs, and project-scale emissions reductions and removals are accounted for within jurisdictional accounting and reporting.
2. The baseline is measured at the jurisdictional scale within the context of an independently verified crediting level.
3. Benefits from crediting are then allocated to stakeholders and rights holders in a fair and transparent manner. Such allocations can utilize different possible approaches, including, but not limited to, those based on performance relative to jurisdictionally allocated baselines.
4. All aspects of the jurisdictional program, including monitoring and reporting systems and compliance with safeguards to ensure equitable benefit sharing, are independently verified at regular intervals.

In a second phase of work, the authoring organizations are committed to providing more detailed guidance regarding how corporate buyers can screen project-scale credits for consistency with the desired transition toward alignment with jurisdictional programs.

V. PRIORITIZE PURCHASE OF CREDITS FROM PROGRAMS AND PROJECTS THAT REDUCE THREATS TO STANDING TROPICAL FORESTS.

At a global level, reducing emissions from the loss of standing forests is an urgent near-term priority. Avoiding the conversion and degradation of tropical forests prevents large amounts of carbon from

¹⁵ The ART-TREES 2.0 standard requires jurisdictions to be national by 2030 at the latest and, before then, either national or no more than one-level down from the federal government (e.g., state or province). There is an additional minimum size requirement for subnational jurisdiction(s) of no less than 2.5 million hectares of forest area. The minimum size threshold for a crediting area can be achieved through aggregation of subnational jurisdictions and/or indigenous territories. The California Tropical Forest Standard (TFS) allows either national or subnational jurisdictions “typically taking the form of a state or province,” with no size requirements. The VCS Jurisdictional and Nested REDD+ (JNR) standard requires jurisdictions to be either national or administrative units no more than two levels below the national government (e.g., municipalities in Brazil), with no size requirements. The FCPF Methodological Framework allows for jurisdictions to be either national governments or subnational accounting areas of “significant scale,” including any political jurisdictions as well as other regions (e.g., eco-regions) designated by the national government.

being released into the atmosphere and maintains their ability to continuously sequester carbon. While investment in restoration activities will result in future removals, such activities are less effective than conserving forests at lowering atmospheric GHG concentrations in the short- to medium-term^{16,xxvi} and may not fully recover the biodiversity legacies of standing forests. In some specific locations, purchase of removals credits may be appropriate in the near-term, with a potentially greater role for removals in the future as company portfolios evolve over time in response to changing forest conditions.

- A. In places where deforestation continues, companies should prioritize purchase of high-quality emissions reductions credits over removals credits (e.g., those generated through tree-planting efforts associated with reforestation and afforestation).** Companies may prioritize credit purchases that scale up restoration efforts in regions where emissions from deforestation and degradation are also declining in the context of a jurisdictional program or integrated land-use planning.
- B. Companies should consider including conservatively-issued credits from HFLD jurisdictions (many of which include Indigenous territories) in their portfolios.** Such purchases can provide near-term incentives to maintain remaining intact forests¹⁷ and support recognition of the success of IPs and LCs in forest conservation. Particular attention must be given to ensuring additionality when purchasing credits from HFLD jurisdictions.

In our next phase of work, the authoring organizations will elaborate on issues relating to HFLD jurisdictions. COICA also plans to develop technical guidance called Indigenous-led Jurisdictional REDD+ for considering HFLD zones in Indigenous Territories in the Amazon region in future work.

¹⁶ Preventing the loss of one hectare of mature tropical forests avoids an emission of approximately 100 tons of CO₂e, whereas reforestation in the tropics sequesters on average only 3 tons of CO₂e per hectare (Koch, Brierley, and Lewis, 2021; IPCC 2018). Prioritizing high-quality emissions reduction credits is critical as restoration activities will be unable to compensate for the carbon loss from destruction of natural, high carbon stock ecosystems on meaningful timescales (Goldstein et al. 2020; Cook-Patton et al. 2021). The global climate benefits from protecting standing forests are augmented by local climate stabilization benefits (Lawrence et al. 2022), biodiversity conservation (Nunez et al. 2020), and protection of IP and LC rights and livelihoods (Infield et al. 2018) that cannot be replaced through restoration efforts in the near term. ¹⁷ An unbroken expanse of natural ecosystems within the zone of current forest extent, showing no signs of significant human activity and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained.

LOOKING FORWARD

Our organizations will continue to work together to develop additional guidance regarding corporate purchase of high-quality tropical forest carbon credits, to be completed by late 2022. We will:

- Elaborate on actions that companies can take to ensure the social and environmental quality criteria and the full and effective participation of IPs, LCs, women and underserved communities throughout the process, as identified in Recommendation II, are actionable;
- Elaborate how corporate buyers can incentivize and/or screen project-scale credits for consistency with the desired transition toward alignment with jurisdictional programs;
- Specifically address the relationship between Indigenous territories and jurisdictional-scale crediting, including through consideration of crediting approaches for HFLD areas, many of which are in the traditional territories of IPs and LCs; and
- Elaborate guidance on corporate portfolios of carbon credit purchases including consideration of the roles of removals credits and credits from HFLD jurisdictions.

We recognize and value the work of many other initiatives and platforms seeking to improve the integrity of voluntary carbon markets, in which many of our organizations participate, including the Integrity Council for Voluntary Carbon Markets (IC-VCM), the Natural Climate Solutions Alliance (NCSA), the Science Based Targets Initiative (SBTi), Voluntary Carbon Markets Integrity initiative (VCMI) and the Carbon Credit Quality Initiative (CCQI). These and other initiatives are working to provide guidance on demand-side carbon credit quality

issues such as claims, as well as guidance on credit quality for credits outside of the forest sector. It is our intent to collaborate with these initiatives to support the evolution of a consistent, coherent, inclusive, equitable and efficient framework for voluntary carbon market governance. We do not intend to create a new entity; rather, we seek to actively advocate for uptake of this Guidance by these other initiatives and platforms.

We encourage companies to stay abreast of emerging guidance from these and other initiatives as well as other resources guiding critical company actions on climate change other than credit purchases.^{.xxvii}



Annex A: Development of the Guidance

This Guidance is the result of a year-long collaborative process facilitated by Meridian Institute to develop guidance for companies interested in purchasing tropical forest carbon credits. After several months of deliberations and exchanging diverse experiences and perspectives among the eight authoring organizations, we issued a Draft Consensus Statement on High-Quality Tropical Forest Carbon Credits in November 2021.

Our consultation process engaged diverse stakeholders around the world from 1 December 2021 through 15 February 2022.¹⁸ We are grateful for their participation and input. Our views have been informed and improved as a result. The consultation process also identified areas where more detailed guidance is needed. The authors of the document are continuing to work together to address some of these complex issues in a second phase, as referenced herein.

This Guidance reflects the general agreement, views and recommendations from the eight authoring organizations involved in this process since its inception. We look forward to continuing engagement with diverse stakeholders as we work together to ensure that voluntary forest carbon credits provide necessary and intended benefits to the climate, IPs, LCs and forest ecosystems.



Annex B: The Path Toward Jurisdictional- Scale Forest Carbon Crediting

scale crediting will need to be accompanied by verification of adherence to high standards of procedural integrity. Governments need to create these enabling conditions, ensuring that IPs, LCs, women and underserved communities and their organizations have the capacity and technical support necessary to engage in REDD+ program development and implementation.

Like project-based crediting, jurisdictional-scale crediting must be designed by policymakers and program architects to avoid risks such as inflated baselines, leakage and non-permanence. Such risks must be mitigated in all circumstances by the transparent use of scientifically valid methodologies and transparent monitoring, reporting and verification (MRV). Like all landscape level approaches to reducing and ending deforestation and forest degradation, jurisdictional-scale crediting programs should be designed to be responsive and adaptive to dynamic deforestation factors.

Despite these challenges, dozens of countries and subnational jurisdictions are at various stages of developing programs to generate emissions reductions and removals at scale and supply tropical forest carbon credits. An effective way for companies to incentivize governments to accelerate these actions is by sending demand signals for a high-quality pipeline of jurisdictional-scale credits.

CONTINUATION OF PROJECT-SCALE ACTIVITIES

Project-scale tropical forest carbon credits certified to meet various accreditation standards have been available for almost two decades. Forest carbon credits currently available on the voluntary carbon market are almost exclusively generated by project-scale activities to conserve and restore forests and generate emissions reductions and removals. Many project-scale activities have resulted in important outcomes for climate, biodiversity and local communities. The best projects

have contributed to the demonstration of REDD+ as a scalable finance mechanism for forest conservation and local livelihoods, and have informed the development of national REDD+ systems.^{.xxxiii} Project-scale activities will continue to support many broad-based initiatives to conserve and restore forests, particularly in cases where they target especially valuable or vulnerable areas; engage directly with local stakeholders and ensure they have full information and the necessary technical capacity to participate effectively; and attract private investment.

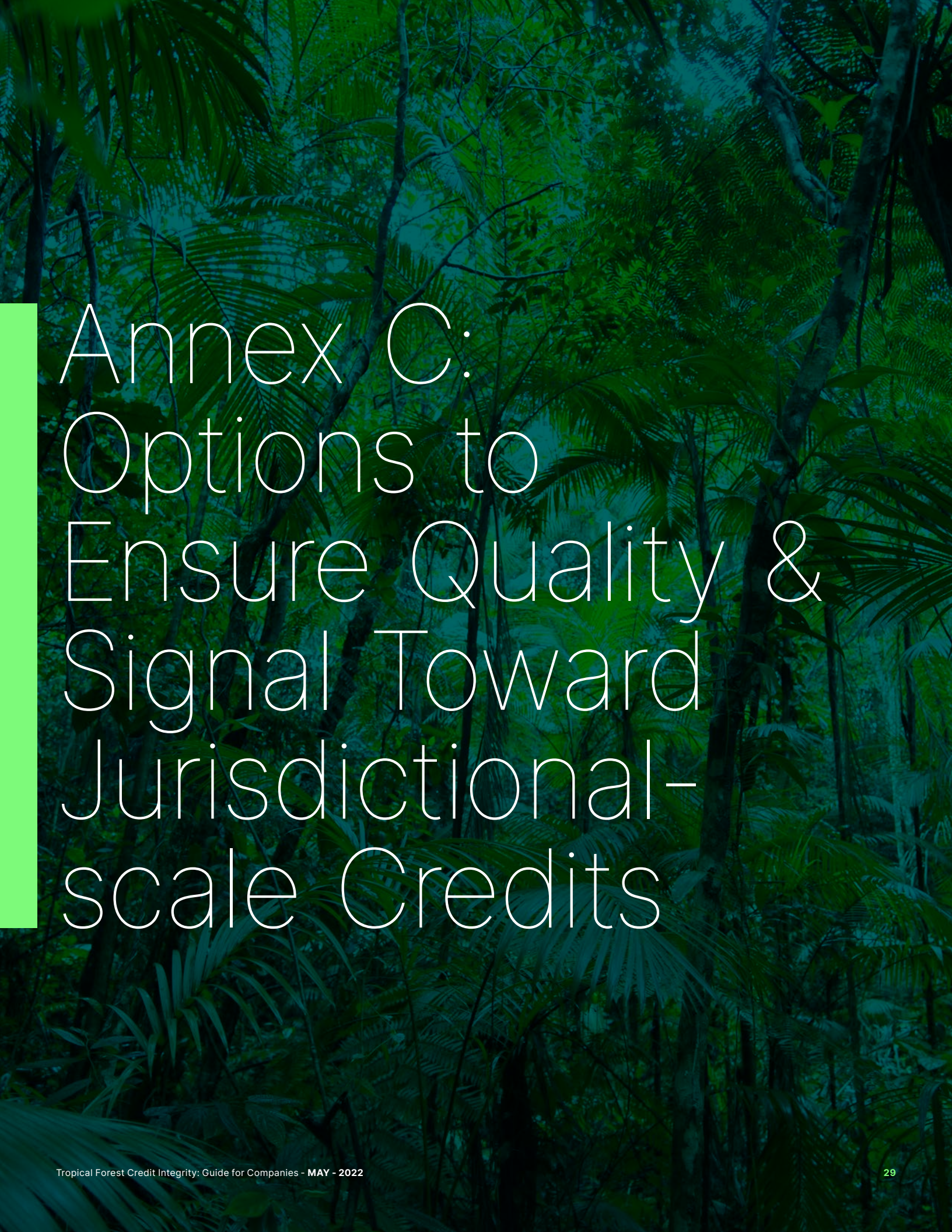
While many current governments have expressed intent and demonstrated capacity to take actions to establish jurisdictional-scale crediting, for some time there will continue to be tropical forest countries where the current government is unlikely to support and/or effectively implement equitable jurisdictional-scale crediting. In these cases, selective near-term corporate purchases of high-quality project-scale credits may provide interim support for critical forest conservation needs and opportunities until such time that jurisdictional-scale crediting is available.

As recommended in this Guidance, companies should conduct appropriate due diligence when purchasing project-based credits. It should be noted that the baselines against which some certified projects have issued credits have been shown to exceed monitored deforestation that took place within the region, suggesting that some portion of those project-based credits issued by such projects may not have been additional.^{.xxxiv}

See Annex C for recommendations for purchase of credits from areas at specific stages of development of jurisdictional crediting.

¹⁹ Negotiations in the context of the UNFCCC toward the international framework for Reducing Emissions from Deforestation and forest Degradation (REDD+) were launched in Bali in 2007. Key decisions were reached at subsequent negotiations in Cancun (on safeguards) and Warsaw (on the overall framework), and the framework was affirmed under Article 5 of the Paris Agreement.

²⁰ To date private purchases of jurisdictional REDD+ credits has occurred within the Forest Carbon Partnership Facility's Carbon Fund.



Annex C: Options to Ensure Quality & Signal Toward Jurisdictional- scale Credits

Options to ensure quality and to signal demand toward jurisdictional-scale credits to achieve higher volumes of emissions reductions and removals. Companies should restrict purchases to credits listed in this table.

More detailed guidance will follow this Guidance in a second phase of work regarding milestones for jurisdictional progress, nesting and additional due diligence requirements.

CHARACTERISTICS OF JURISDICTION FROM WHICH CREDITS ARE BEING SOURCED

A. Jurisdictional REDD+ program is operational and expected to be verified for adherence to an internationally recognized standard with jurisdictional and/or fully-nested credits available in the near-term

GUIDANCE TO BUYERS

- Enter into advance purchase agreements for jurisdictional-scale credits.
- Purchase certified²¹ jurisdictional-scale credits issued by jurisdictions or fully-nested projects when available on the market. These credits should constitute a rapidly growing share of companies' portfolios.

NECESSARY ADDITIONAL ITEMS FOR CONSIDERATION / DUE DILIGENCE

- Become familiar with how the jurisdictional-scale accreditation standard ensures essential components of social and environmental integrity (described in Recommendation II) and conduct supplemental due diligence to address known risks in such standards, e.g., review evidence of verification of full and effective participation and equitable benefit-sharing with Indigenous and local communities.

²¹ As in all carbon markets, accreditation programs play an essential role in the viability and integrity of the forest carbon credit market. Currently in place are several standards (e.g., Verra, Gold Standard, ART: Architecture for REDD+ Transactions, The REDD+ Environmental Excellence Standards-TREES, TFS: California Tropical Forest Standard) as well as frameworks (FCPF Carbon Fund's Methodological Framework, ICAO's CORSIA) and norms-setting processes (Natural Climate Solutions Alliance-NCSA, The Taskforce on Scaling Voluntary Carbon Markets-TSVCM, Voluntary Carbon Markets Integrity Initiative-VCMI). Many of these programs, standards, and norm-setting processes are relatively new and/or in the process of undertaking revisions and limited in terms of participation.

CHARACTERISTICS OF JURISDICTION FROM WHICH CREDITS ARE BEING SOURCED

B. Jurisdictional REDD+ program is progressing and is expected to be registered, validated and verified for adherence to an internationally recognized standard in the medium-term (program has at least a forest reference emission level, forest monitoring system and preliminary benefit sharing plan; project-scale credits are being offered under a reputable and internationally recognized standard)

GUIDANCE TO BUYERS

- Purchase project-scale credits issued by an internationally recognized standard where:
- If projects are already existing and within scope of jurisdictional program, they are in the process of nesting²² into jurisdictional-scale crediting and accounting system.
- If projects are new and within scope of the jurisdictional program, the baseline is nested within the reference level and the project is aligned with the strategies priorities of the jurisdictional program.

NECESSARY ADDITIONAL ITEMS FOR CONSIDERATION / DUE DILIGENCE

- Become familiar with how the project-scale accreditation standard ensures essential components of social and environmental integrity (described in Recommendation II), and conduct supplemental due diligence to address known risks, in such standards, e.g.,
 - require evidence that the project-scale crediting baseline reflects a mutually agreed share of jurisdictional performance;
 - require evidence of progress toward nesting project-scale crediting baselines into jurisdictional reference levels.

²² Some indicators that projects are making transparent, good-faith efforts to transition to full nesting include: aligning with the independently certified jurisdictional-scale reference level; aligning with jurisdictional strategies to address drivers of deforestation and degradation (e.g., national REDD+ strategy or low emissions development plan); contributing finance or other resources to the development of the jurisdictional REDD+ system; iterative engagement with government and civil society focal points to achieve this alignment; full transparency in methodologies; indications of multistakeholder support.

CHARACTERISTICS OF JURISDICTION FROM WHICH CREDITS ARE BEING SOURCED

C. Jurisdictional REDD+ program not in place and not anticipated to progress significantly in the near-to medium-term

GUIDANCE TO BUYERS

- Purchase project-scale credits from projects with exceptional qualities (e.g., exceptional benefits for IPs, LCs, women, underserved communities and/or biodiversity).
- Ensure the crediting baseline is based on credible, conservative and independently verified allocation of jurisdictional reference activity data. If existing projects do not yet meet this criterion, they should provide evidence of transparent and good-faith efforts to adjust the baseline as quickly as possible.²³
- Ensure that project-scale crediting does not impede the development of a jurisdictional program or eventual crediting (i.e., the transitions to rows B and A). Long-term contracts for credit purchases should anticipate possible changes in credit availability depending on future jurisdictional-scale performance and benefit-sharing decisions.²⁴
- Ensure that existing and new projects do not impede the development of a jurisdictional program or eventual crediting (i.e., transition to rows B and A). For companies, this may imply that long-term contracts not pre-specify volumes of credits (as these might change with future jurisdictional benefit-sharing decisions).

NECESSARY ADDITIONAL ITEMS FOR CONSIDERATION / DUE DILIGENCE

- See A above, plus:
- Require and review evidence that the baseline was developed using an approved methodology under an internationally recognized standard resulting in appropriate allocation of jurisdictional activity data to the project.

²³ Additional guidance will be provided in a second phase of work.

²⁴ Additional guidance will be provided in a second phase of work.



Glossary

TERM	DEFINITION
Additionality (in the context of Jurisdictional REDD+)	Additionality ensures that the implemented activity reduces emissions or increases sequestration more than would have occurred in the absence of the intervention.
Baseline	In REDD+, it typically represents the projected anthropogenic changes in forest carbon stock that would occur in the absence of the proposed project activity or program/policy intervention.
Beyond value chain mitigation strategies	Measures companies take to prevent, reduce, or remove GHG emissions outside their value chain. Examples include purchasing high-quality carbon credits and providing direct finance to climate mitigation.
Carbon credit	An emission unit that is issued by a carbon crediting program and represents an emissions reduction or removal of greenhouse gases. Carbon credits are uniquely serialized, issued, tracked and cancelled by means of an electronic registry.
Carbon stocks	Amount of carbon that has been sequestered from the atmosphere and is then stored within the forest ecosystem, mainly within living biomass and soil, and to a lesser extent also in dead wood and litter.
Certification and Verification	<p>Assessment of credits against the requirements of the applied methodology of a specific standard.</p> <p>Verification is the systematic, independent and documented assessment by a qualified and impartial third party of the emissions reduction or removal for a specific reporting period.</p>
Climate mitigation outcome	Climate Mitigation Outcome: An ex-post emission reduction or removal of GHGs determined by quantifying a baseline for emissions within a given boundary and then measuring how much a given intervention avoids, reduces, or removes and sequesters carbon from the atmosphere. A climate mitigation outcome can then be unitized and in some cases serialized for it to be traded as a carbon credit or offset, but this is a secondary step that does not need to be taken if the mitigation outcome does not need to change custody from one entity to another. In the Paris Agreement and additional UNFCCC decisions, the term “mitigation outcome” is used without the word climate, as the context for mitigation is understood.

TERM	DEFINITION
Corresponding adjustments	An accounting entry applied in the context of Article 6 of the Paris Agreement to account for the international transfer of mitigation outcomes and avoid double counting of emissions reductions and removals. A country transferring emissions reductions or removals makes an addition to the total emissions covered by its NDC, and the country acquiring and using the emissions reductions or removals makes a subtraction. Corresponding adjustments thereby aim to ensure that the transferring country can no longer use the emissions reductions or removals to achieve its NDC, whereas the acquiring country may use them.
Decarbonization	Measures that prevent the release of GHG emissions associated with electricity, industry and transport.
Deforestation	The conversion of land from forest to non-forest.
Degradation	Changes within the forest that negatively affect the structure or function of the forest stand or site, and thereby lower its capacity to supply products and services. In the context of REDD+, degradation can be measured in terms of reduced carbon stocks in forests that remain as forests.
Double counting	A situation in which a single GHG emission reduction or removal is counted more than once towards achieving climate change mitigation. Double counting can occur through double issuance, double use and/or double claiming.
Emissions reductions	Reductions of GHG emissions produced by the implementation of a REDD+ strategy or other activities, representing the difference between baseline or reference level emissions and actual emissions, once leakage has been accounted for; and once monitored, reportable as a unit for carbon finance payments.
Emissions removals	Anthropogenic removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO ₂ and using chemical engineering to achieve long-term removal and storage.
Fair and equitable benefit-sharing	The distribution of benefits (e.g., revenue, job creation) to Indigenous Peoples and Local Communities that accrue from activities to conserve forests and stop deforestation in a manner that is in accordance with local and Indigenous rights to land and resources, and applicable rules, laws, and standards.
Forest monitoring / forest monitoring system	A forest monitoring system is a robust and transparent national (or subnational in the interim system that combines remote sensing and ground-based forest carbon inventory approaches to estimate emissions, removals, and forest area change. It builds on existing systems, as appropriate, and enables the monitoring of different forest types following national definitions.

TERM	DEFINITION
Forward purchase commitments / agreements / contracts	Commitments: A statement from a company about its intent to forward-purchase jurisdictional-scale credits when available, ideally with a commitment to a certain monetary value or volume amount. Agreements: A negotiated arrangement (legally binding or not) between parties as to purchase credits at a future date. Contracts: A negotiated arrangement between parties as to purchase credits at a future date based on specified prices and other terms of implementation.
Free, Prior, and Informed Consent (FPIC)	Consent for any project, plan or action should be given in advance; and the consent should be independently decided upon and informed – based on accurate, timely and sufficient information provided in a culturally appropriate way.
Full and effective participation	Parties being fully included in a process (e.g., decision making), valued as equal participants, and whose needs are viewed as integral to social and economic order.
High Forest, Low Deforestation areas (HFLD)	High Forest, Low Deforestation (HFLD) countries and jurisdictions are those with high extents of forest cover and low past or low ongoing rates of deforestation.
Indigenous-led jurisdictional REDD+ approach	The implementation of a strategy to reduce emissions from land-use and change at the level of a jurisdiction, in this case, the Indigenous territories. It is based on the guidelines of Amazon Indigenous REDD+ (RIA, a proposal of its own by COICA that prioritizes the holistic management of forests and Indigenous territories, and recognizes their governance structures), and ensures not only respect for territorial and land rights and FPIC for IPs, but also the effective participation of IPs in the process and a fair distribution of benefits. Specifically, the inclusion of areas HFLD is sought, since most of the Indigenous territories, due to their achievements in forest conservation, are characterized by that.
Indigenous Peoples (IPs) and local communities (LCs)	Culturally differentiated groups who recognize themselves as such, which have their own forms of social organization, who live and use their territories as a condition for cultural, social, religious, ancestral and economic reproduction, using their knowledge, innovation and practices generated and transmitted by tradition.
Jurisdiction	In the context of REDD+ crediting, a jurisdiction is a country or large, subnational political/administrative unit, such as a state, province, or Indigenous territory with the authority to issue credits for forest carbon emissions reductions and removals.
Indigenous Peoples (IPs) and local communities (LCs)	A set of activities led by jurisdictional authorities to reduce forest-based emissions and enhance removals within an accounting area according to a strategy or action plan, supported by systems for forest monitoring and compliance with safeguards, and performance assessed against a jurisdictional-scale reference level. Note: there are a variety of landscape and jurisdictional sustainability initiatives that may not be seeking to generate and transact REDD+ credits on the voluntary market.

TERM

DEFINITION

Jurisdictional-scale REDD+ crediting / Jurisdictional-scale crediting

The issuance of independently verified carbon credits for forest-based emissions and/or removals based on a baseline developed at the scale of an accounting area defined by a country or large subnational political/administrative unit.

Leakage

The displacement of GHG emissions from one geographic region to another as a result of the activities or interventions of a project or jurisdiction.

Mitigation

In the context of climate change, a human intervention to reduce the sources or enhance the sinks of GHGs. Examples include using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power, improving the insulation of buildings, and expanding forests and other “sinks” to remove greater amounts of GHG emissions from the atmosphere

Mitigation Hierarchy

A set of prioritized steps to limit negative impacts, as much as possible, through avoidance, mitigation (or reduction), restoration and offsetting (compensation). These prioritized steps are used in environmental frameworks from waste management to climate and biodiversity impact mitigation.^{xxv}

Monitoring, reporting, and verification (MRV)

A national and/or subnational set of processes to robustly authenticate GHG emissions. MRV systems allow for a determination of GHG emissions reductions, avoided emissions and/or removals compared to the reference level. They can also be used to monitor safeguards, governance and multiple benefits from REDD+ activities.

Nationally determined contribution (NDC)

A national climate action plan to cut emissions and adapt to climate impacts. Each Party to the Paris Agreement is required to establish an NDC and update it every five years.

Natural climate solutions (NCS)

A framework and set of resource management interventions that can lead to emissions reductions and/or enhanced carbon sequestration, as described in Griscom et al. 2017. These interventions can cover forest, agriculture and other land-use and coastal/marine ecosystem categories, and they can be loosely organized into interventions that protect, restore or manage resources to change the GHG fluxes associated with those resources.

Nested projects

Refers to projects situated within the scope of a jurisdictional program that is registered with and validated by a reputable accreditation standard and that have emissions baselines integrated into the accounting at the jurisdictional level.

Net zero

Net zero describes a state of GHG emission neutrality whereby GHG emissions and removals are balanced.

TERM

DEFINITION

Non-permanence

Characterized by having the potential or statistical probability for carbon stocks for which credits have been issued to be emitted back into the atmosphere.

Paris Agreement

A legally binding international treaty on climate change adopted by 196 Parties at COP 21 in Paris, on 12 December 2015. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of GHG emissions as soon as possible to achieve a climate neutral world by mid-century.

REDD+

Reduced Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

Reference level (RL) and Forest reference emission level (FREL)

Under the UNFCCC, RLs and FRELs are defined as “benchmarks for assessing each country’s performance” in implementing REDD+ activities, expressed in tons of carbon dioxide equivalent per year. Forest Reference Emission Levels (FRELs) are generally understood to refer to an estimation of GHG emissions from deforestation and ideally forest degradation, whereas Forest Reference Emission Levels are understood to refer to an estimate of net GHG fluxes, including removals.

Restoration

Human interventions or land management practices (including the intentional avoidance of human disturbance) that improve the ecological integrity of a given area and often result in the long-term increase in carbon stocks in that area.

Science-based target

Targets are considered ‘science-based’ if they are in line with the level of decarbonization required to keep global temperature increase well-below 2°C compared to pre-industrial temperatures, as described by the Intergovernmental Panel on Climate Change and pursuing efforts to limit warming to 1.5°C. Unless stated, such a target may not be independently validated against a rigorous methodology.

Science Based Target Initiative (SBTi)

The Science Based Targets initiative mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy. It is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and WWF, and one of the We Mean Business Coalition commitments. The initiative defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies’ targets.

TERM

DEFINITION

Sequester carbon

Any process that removes carbon from the atmosphere and stores it in a form that can remain out of the atmospheric pool for some time. Synonymous with “emissions removals.”

Social Verification and Environmental co-benefits

Benefits arising from REDD+ in addition to climate mitigation benefits, such as enhancing biodiversity, enhancing adaptation to climate change, alleviating poverty, improving local livelihoods, improving forest governance and protecting rights.

Verification

See Clarification and Verification above.

Vintage

Refers to a specified year or time period in which the emission reduction or removal occurred. Emissions reductions or removals may be assigned or associated with particular vintages.

Voluntary carbon markets

The voluntary carbon market encompasses all transactions of carbon credits that are not purchased with the intention to surrender into an active regulated carbon market. It does include credits that are purchased with the intent to re-sell or retire to meet carbon neutral or other environmental claims.

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