EDF ENVIRONMENTAL DEFENSE FUND
Finding the ways that work

Architecture for REDD+ Transactions (ART) Secretariat
2121 Crystal Drive, Suite 500
Arlington, VA
Submitted via email to: REDD@Winrock.org
Re: Support for The REDD+ Environmental Excellency Standard (TREES)

September 30, 2019

Dear ART Secretariat:

Environmental Defense Fund (EDF) would like to commend the Architecture for REDD+ Transaction (ART) Secretariat, Technical Committees, and Interim Steering Committee for their efforts to provide confidence in the environmental and social integrity of national and jurisdictional-scale forest carbon emissions reductions (ERs). The REDD+ Environmental Excellency Standard (TREES) and broader ART framework are an important step to unlocking carbon market opportunities for high-ambition jurisdictional REDD+ programs consistent with guidance from the Paris Agreement, Warsaw Framework for REDD+, and other global best practices. EDF appreciates the chance to comment on TREES and recognizes the standard's potential to help mobilize finance to achieve forest emissions reductions at scale and to raise the ambition of tropical forest protection efforts. Further to this end, EDF has helped to establish a new nonprofit market intermediary, the Emergent Forest Finance Facility, which will facilitate finance and transactions in jurisdictional-scale credits approved via the ART framework. **EDF strongly supports TREES and would like to highlight several points that could contribute to the success of the standard.**

Forests are critical not only to fostering biodiversity and securing the livelihoods and cultures of the millions of people who depend on them, but also to storing and absorbing greenhouse gas emissions. Recent research suggests that tropical forests could provide one-quarter to one-third of the mitigation needed to avoid the worst impacts of climate change. In order to drive down the current global trajectory of emissions at the pace needed for a 2-degree or below world, forest loss and degradation must be eliminated and reversed. It is, therefore, crucial that living forests are valued to an extent commensurate with their contributions to supporting biodiversity, livelihoods, and a stable climate through processes such as REDD+. The TREES standard, through which countries can generate verified emissions reductions from reducing deforestation and forest degradation, could unlock and catalyze the large-scale finance necessary to support REDD+ and conserve and protect the world's forests.

The following comments aim at both soliciting clarification and providing recommendations to strengthen TREES. We strongly support the objective of establishing a jurisdictional-scale standard that can guarantee high social and environmental integrity and reward countries with high levels of ambition for reducing forest carbon emissions. In addition to providing some specific suggestions to improve clarity, we also highlight some areas in which the standard could be additionally prescriptive and others where the standard could be more flexible to encourage participation while maintaining integrity and ambition.

Section 3.1, Eligible Entities

Currently, TREES states that, "The ART shall […] Credit ERs at the national level or subnational level as a time-bound interim measure only where it represents high ambition and large scale and is recognized as a step toward national-level accounting […]," as part of the Immutable Principles on page 9**.** The meaning is ambiguous as to whether the phrase, "…as a time-bound interim measured…" applies to just the subnational level or both the national and subnational. If the purpose of the ART is to credit ERs at national level, with just subnational as an interim measure only in the case of high ambition and large scale, then we suggest that the language be edited as suggested in Annex, point 1.

The standard stipulates participants may only be national governments, even though subnational accounting areas are, in certain cases, permitted until 2025. We believe there is value in also allowing subnational government entities to be participants during this interim period, if they are duly authorized by their national government. Such flexibility could maintain alignment with national programs but reduce barriers to participation in TREES in cases where subnational governments are actively leading the development of REDD+ programs.

Section 3.1.2, National Reporting Requirements

The requirements indicate that, "TREES participants shall include forests in their NDCs and submit annual UNFCCC Summary of Information Reports," with footnote 3 further indicating that, "Forests must be included as part of the overall NDC target. A specific NDC target for forests is not required" (page 18). In regards to this section, we applaud the requirement of including forests in NDCs, but given the wide heterogeneity of NDCs, including single year vs multi-year targets, believe more specificity is needed over what constitutes appropriate inclusion of forests in NDCs to qualify for TREES. We also agree that a specific NDC target for forests should not be required of all TREES participants. However, we do recommend that TREES require that either the entire NDC, including forests, or at least the forest portion of

NDCs, include transparent absolute budget targets or clear trajectories of emissions. This will help to provide a clear basis for ensuring that at least the forest component of emissions is not being double claimed against a national commitment.

We also note that more information is needed regarding what is meant by, "annual UNFCCC Summary of Information Reports." This term is referred to in Section 3.1.2 as well as 12.3. However, we are not aware of such an information requirement under UNFCCC decisions. Is this intended to refer to the "structured summary" in the biennial transparency reports (BTRs)? If so, these are only required biennially and even the yearly information required under paragraph 77d of the Katowice decisions are only required to be *reported biennially*.

We agree it would be very useful to support transparency and market integrity by requiring TREES participants to publicly disclose annual reports of emissions and transfers. Developed countries do report their emissions annually to the UNFCCC, for example, but annual reporting is not currently required for developing countries. TREES should require annual disclosure of emissions and transfers from all participants but more explanation of the reporting processm purpose and content of this "Summary of Information" report would be needed for clarity.

Section 3.2, Eligible Activities

Removals associated with the enhancement of forest carbon stocks are not eligible for crediting under the draft version of TREES. Such activities will be essential for meeting the Paris Agreement goal of achieving a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century. Furthermore, sustainable management of forests and enhancement of forest carbon stocks to sequester carbon dioxide are both integral parts of many countries' REDD+ strategies. We encourage ART to prioritize, as soon as possible, the incorporation of removals occurring in natural forests and deem them eligible for crediting. These removals could be tracked separately from emissions reductions from deforestation and forest degradation.

Section 3.4, Additionality

The requirements read that, "Further, once countries have emissions accounted under this Standard in their Nationally Determined Contributions (NDCs), *transferred GHG reductions from this sector...must be adjusted* to avoid double claiming [sic] between NDC accounting and ART ER transactions per requirements in Section 13." This language requires editing as it is not the transferred reductions themselves that must be adjusted. Rather, the point is that the transfers should be accounted for through an adjustment in the *emissions balance* of the structured summary of the country's biennial transparency report. The language in Section 3.4 should thus made consistent with the language in Section 13.3 (page 51) which requires the host country to issue a letter and, "…in that letter agree to report the transfer to the UNFCCC and to make an accounting adjustment in the structured summary of its biennial transparency reports." Also the See Annex, point 4 for suggested language edits.

Section 5.2, Timeframe for Subnational Accounting

TREES currently requires that, while subnational accounting areas may be accepted under certain conditions, participants must transition to a national accounting area by 2025. We support the ambition of moving towards national accounting by 2025, but the transition to national accounting could be addressed via requirements regarding the NDC, which, together with the no double counting provisions, establish a national accounting requirement, rather than through a requirement for national accounting under TREES per se. Such added flexibility could be valuable to facilitate participation of large subnational programs, which in many cases are larger than some countries, as long as national governments were meeting requirements under the Warsaw Framework for REDD+ and avoiding double claiming of any transfers in line with the Paris Agreement. In particular, in the case of large subnationals, we recommend that the national accounting requirement under TREES could be met by 2025 if the country either transitions to a national program under TREES or if it has an overall NDC (or forest-specific component of the NDC), based on a clear quantified budget or absolute trajectory as noted above, that matches the ambition of TREES and as long as country's are meeting all requirements of the Warsaw Framework for REDD+. Full national accounting drawing on all the requirements under TREES should still be required by a later date. This approach would ensure national accounting, and avoid delaying progress for large subnational regions in cases where countries are slower in fully aligning all aspects of their national program with TREES requirements.

Section 7, Reversals and Leakage

A jurisdictional approach, including via accounting within NDCs, is in itself a conservative approach to crediting that helps address risks of reversals and leakage. We thus recommend that TREES include added flexibility for jurisdictions to reduce deductions by demonstrating mitigating factors through good program design, as per the suggestions below.

Section 7.1, Reversals

Jurisdiction-wide accounting is itself the best insurance mechanism for addressing risks of reversals, as it will pool the risk of reversals due to fires and other risks across the entire jurisdiction.A jurisdictional approach to reducing deforestation that reduces emissions while maintaining or increasing production of agricultural commodities and otherwise addressing the drivers of deforestation, as discussed in the comments below regarding Section 7.2 on leakage, is also of central importance to managing risk of non-permanence. Such an approach reduces risks that deforestation pressures are building up, such that emissions from deforestation will later rebound and reverse earlier gains. As a result, we recommend adding a "Mitigating Factor

3” that would reduce the contribution to the buffer by 10%, which would be “Demonstrated maintenance of rate of growth of production of agricultural and forestry commodities driving deforestation.” The same assessment approach described with regards to leakage below could be applied to demonstrate achievement of this condition. To ensure some contribution to the buffer, we suggest the current Mitigating Factor 2 could be reduced from 10% to 5% as it is future program design rather than historic emissions variability that is most central to reversal risks in the future.

We also recommend that ART consider allowing jurisdictions to use private insurance arrangements or contribute a share of or credits to a pooled buffer account, as approaches to spread risks and thus further lower their required continual deductions for a buffer pool.

Section 7.2, Leakage

A jurisdictional approach that recognizes aggregate reductions achieved below the level of a baseline of emissions across a large jurisdiction is conservative from the start in terms of capturing potential leakage within a jurisdiction. As a result, we urge ART to consider ways to recognize ways to avoid added deductions for leakage that may not be necessary. In particular, the current leakage assessment tool is based entirely on the percentage of national area included in TREES. While this seems an appropriate default starting point, this does not recognize the ability of good program designs and implementation to mitigate leakage. We urge TREES to follow other frameworks (e.g. California’s Tropical Forest Standard (TFS), Verra’s Jurisdictional and Nested RREDD+ (JNR) standard) in establishing a methodology for jurisdictions to avoid or lower leakage deductions based on demonstrated risk mitigation. This would increase the attractiveness for jurisdictions to participate early in TREES.

In particular, we recommend that TREES incorporate a simple yet effective approach to ensure that forest protection efforts within a jurisdiction are effectively addressing the root drivers of deforestation, chiefly pressures to expand agriculture in an unsustainable manner, rather than merely shifting these pressures to other locations outside the jurisdiction. For example, the California TFS (Chapter 7) requires, “…a demonstration that drivers, agents, and causes of deforestation are directly addressed by the program within the implementing jurisdiction’s geographic boundaries. This could include a demonstration of production of crops and livestock at a business-as-usual rate or accelerated rate accompanied by simultaneous lower deforestation and forest degradation rates. This could also include a demonstration of no increase in production of extractive industry such as mining, timber, or oil and gas extraction accompanied by simultaneous lower deforestation and forest degradation rates.”

An appropriate way to do this is to ensure that the jurisdiction is maintaining, rather than suppressing, agricultural and forestry output and other economic activity driving deforestation at the same time that expansion into forest areas is being controlled. We have developed a simple approach for estimating the potential for leakage called the "effective area approach" that has been adopted in the Global Commodity Leakage Module: Effective Area Approach of Verra's JNR standard. This approach tracks whether, for every hectare of forest protected rather than deforested, the jurisdiction has added an "effective" hectare of commodity production elsewhere within its borders, either by extending production or improving productivity on existing production areas. Thus, a hectare's worth of agricultural production can effectively be added by adding one more hectare of agricultural production or by commensurately increasing the productivity of existing agricultural areas. This approach is simpler than other approaches that rely on modeling and that require detailed information on what specific commodities would be grown on the areas of avoided deforestation/degradation.

To the extent that the potential leakage is detected, some fraction of that potential leakage could be deducted from the jurisdictional performance, as per the JNR approach which considers likely leakage within the country in which the jurisdiction is located. Another approach would be to assume one-for-one or 100 percent potential for leakage from any amount of hectares of lost production not made up for in the jurisdiction either by more extensive or intensive production. This would be a simplified and conservative approach to address the uncertainties over demand and supply elasticities in global markets with the goal of encouraging mitigation of leakage within the jurisdiction.

Section 12, Safeguards

We applaud the TREES requirement for participant jurisdictions to ensure that their programs align with relevant UN decisions under the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and adhere to the Cancun Safeguards. This bedrock requirement is critical and broadly comprehensive. We provide suggestions for further strengthening the social safeguards and verification requirements in TREES by incorporating some aspects of the California TFS, as recently adopted by the California Air Resources Board.

First, we recommend added specificity required of jurisdictions in demonstrating how program safeguards are designed and implemented, as well as the requirements for transparency and public disclosure through regular public reporting of jurisdictional monitoring and third-party verification reports, as described in Chapters 9 and 10 of the TFS. These requirements go beyond a "do no harm" approach, not only to ensure Free Prior and Informed Consent for community inclusion in the program, but to transparently demonstrate tangible benefits for communities who chose to take part. Implementation of robust community consultation and collaborative development of program and benefit distribution plans can be challenging and take time, but are critical to a program's long-term success and integrity. There are existing models of robust and collaborative consultation processes that enable equitable and effective distribution of benefits to support forest communities. Individual jurisdictions may be able to demonstrate rigorous standards that do not necessarily carry specific certifications, such as the REDD+ Social and Environmental Standards (SES). As such, we encourage an approach that references the detailed requirements in specific standards such as the REDD+ SES to serve as a benchmark for jurisdictions to evaluate their programs against, while allowing some flexibility for jurisdictions to demonstrate the establishment and implementation of other equivalently rigorous mechanisms. Independent, third party verification of these mechanisms for developing and implementing social safeguards is also an important component that strengthens a standard's overall integrity.

Second, we recommend require adherence to the Guiding Principles of Collaboration and Partnerships between Subnational Governments, Indigenous Peoples and Local Communities, as a way to build upon the principles and priorities developed by a working group of subnational tropical forest jurisdictions, along with 18 Indigenous and Local Community representative organizations, through the Governors' Climate and Forest (GCF) Task Force.

Section 13. Double Claiming

EDF applauds TREES requirements to ensure no double claiming. To ensure clarity and avoid confusion on this critical issue, it will be important for TREES to distinguish between "attestation letter" and "authorization letter," which are used to refer to the same document in TREES, but are used differently in Article 6 of the Paris Agreement and CORSIA. In the Paris Agreement, Article 6 refers to "authorization" meaning that the use of transferred units has been authorized by the host Party. CORSIA uses the term "attestation" to mean that the host Party attests that it will not count the reductions being used in CORSIA toward its own targets/obligations. See Annex, point 6 for further explanation and suggested language edits.

We also recommend clarifying what is meant by, "When the transfer or retirement is affected, the reason for the transfer (between registry accounts)/retirement will be stated," (page 31).

We would like to reaffirm our appreciation for the opportunity to express EDF's views on this important standard, representing a major contribution to efforts to scale up financing for high-quality jurisdictional REDD+ credits and enhance protection of the world's forests and climate.

Sincerely,

Ruben Lubowski
Chief Natural Resource Economist

Annex- Suggestions for Text Edits (indicated in red)

1. Page 9: To clarify that the purpose of the ART is to create ERs at national level, with subnational only as an interim measure, either a comma is needed after "national level" and insert the word "at" before subnational, or the whole last clause needs to be put in parentheses, as follows:

Credit ERs at the national level, or at subnational level as a time-bound interim measure only where it represents high ambition and large scale and is recognized as a step toward national-level accounting);

OR

"Credit ERs at the national level (or subnational level as a time-bound interim measure only where it represents high ambition and large scale and is recognized as a step toward national-level accounting).

2. Page 11: The subject-verb agreement in the Conflict of Interest agreement needs to be corrected. Either revise to read:

"Each ART Board member and ART Secretariat member ~~are~~ is required to regularly affirm in writing that ~~they are~~ he or she is in compliance with this policy, that he or she ~~they~~ discloses, avoids and mitigates all Conflicts of Interest, and ~~that they~~ takes reasonable action to avoid circumstances that create the appearance of a Conflict of Interest."

Or

"~~Each~~ All ART Board members and ART Secretariat members are required to regularly affirm in writing that they are in compliance with this policy, that they disclose, avoid and mitigate all Conflicts of Interest, and that they take reasonable action to avoid circumstances that create the appearance of a Conflict of Interest."

3. Page 21, footnote 6: The text currently says, "IPCC Guidelines are not specific to the purpose of REDD+ related estimation/reporting and may not systematically provide a necessary level of detail or specification. Therefore, other sources for best practices should be referenced. [footnote 6]" However, footnote 6 reference IPCC guidelines, not to "other best sources."

4. Page 20. The text currently says, "Further, once countries have emissions accounted under this Standard in their Nationally Determined Contributions (NDCs), transferred GHG reductions from this sector (to another Party for use toward its NDC or to a non-Party, such as a voluntary buyer, an airline or a capped entity, for use toward ER targets) must be adjusted to avoid double claiming between NDC accounting and ART ER transactions per requirements in Section 13." Revise to read:

"Further, once countries have emissions accounted under this Standard ~~in their Nationally Determined Contributions (NDCs)~~, transferred GHG reductions from this sector (to another Party for use toward its NDC or to a non-Party, such as a voluntary buyer, an airline or a capped entity, for use toward ER targets) must be authorized and accounted for~~adjusted~~ to avoid double claiming between NDC accounting and ART ER transactions per requirements in Section 13."

We suggest the deletion of "in their nationally Determined Contributions (NDCs) in the above as that it is potentially confusing and not necessary given the requirements in section 3.1.2 for the inclusion of forests in the NDC.

5. Page 21: The text currently states "Calculations shall use IPCC approach 2/3 for representing land-use areas," without explaining if "IPCC approach 2/3" is the name of a particular methodology. If it is not a reference to a particular IPCC methodology, then does it mean that an IPCC approach should be used proportionally (by two-thirds)? Appropriate clarification, explanation, and citation would be appreciated.

6. Page 23: "IPCC" should be inserted before "Tier" on page 23 as follows: "[…] and, where allowable, use of IPCC Tier 1 and other default factor-based approaches."

7. Page 51: The text currently reads "To prevent double claiming of the ERs by the host country and another Party toward Paris Agreement NDC targets, TREES requires that the host country issue a letter to explicitly authorize the use of the specific ERs by another Party and in that letter agree to report the transfer to the UNFCCC and to make an accounting adjustment in the structured summary of its biennial transparency reports [footnote 18]. This attestation letter will be posted publicly on the ART Registry. Credits cannot be transferred to another Party's registry account or retired on behalf of another Party until such authorization letter is delivered. When the transfer or retirement is affected, the reason for the transfer (between registry accounts)/retirement will be stated. In the case of a transfer between accounts, the Party reporting the use of the ER toward its NDC must retire the credits noting the reason for retirement for the public record." As aforementioned, the words "authorization" and "attestation," are used differently in Article 6 of Paris Agreement and in CORSIA as explained below.

Paris Agreement

- "6.3. The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement shall be voluntary and authorized by participating Parties."
- "6.4. A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Agreement for use by Parties on a voluntary basis. It shall be supervised by a body designated by the Conference of the Parties serving as the meeting of the Parties to this Agreement, and shall aim:
    - (a) To promote the mitigation of greenhouse gas emissions while fostering sustainable development;
    - (b) To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;"

CORSIA (see paragraph 3.7.8 of Appendix A to the CORSIA Emissions Units Application Form)

- "3.7.8. Host country attestation to the avoidance of double-claiming: Only emissions units originating in countries that have attested to their intention to properly account for the use of the units toward offsetting obligations under the CORSIA, as specified in paragraph (and sub-paragraphs of) 3.7.9, should be eligible for use in the CORSIA. The program should obtain, or require activity proponents to obtain and provide to the program, written attestation from the host country's national focal point or focal point's designee. The attestation should specify, and describe any steps taken, to prevent mitigation associated with units used by operators under CORSIA from also being claimed toward a host country's national mitigation target(s) / pledge(s). Host country attestations should be obtained and made publicly available prior to the use of units from the host country in the CORSIA."
- "3.7.9. Double-claiming procedures: The program should have procedures in place requiring that activities take approach(es) described in these sub-paragraphs to prevent double-claiming, which attestations should confirm:
    - 3.7.9.1. Emissions units are created where mitigation is not also counted toward national target(s) / pledge(s) / mitigation contributions / mitigation commitments.
    - 3.7.9.2. Mitigation from emissions units used by operators under the CORSIA is appropriately accounted for by the host country when claiming achievement of its target(s) / pledges(s) / mitigation contributions / mitigation commitments, in line with the relevant and applicable international provisions."

With these distinctions in mind, EDF suggests that **section 13.3, paragraph I** of TREES be redrafted (and **Section 13.3, paragraph II on page 52**, which has the same issues cited above) as follows:

"I. Credits issued under TREES can be sold and transferred outside of the host country to another Party for use toward achievement of its NDC.

To prevent double claiming of the ERs by the host country and another Party toward Paris Agreement NDC targets, TREES requires that the host country issue a letter ~~to~~ explicitly authoriz~~e~~ing the use of the specific ERs by another Party and ~~in that letter agree to~~ attesting that the host country will report the transfer to the UNFCCC and ~~to~~ make an accounting adjustment in the structured summary of its biennial transparency reports18. This authorization/attestation letter will be posted publicly on the ART Registry. Credits cannot be transferred to another Party's registry account or retired on behalf of another Party until such authorization/attestation letter is delivered. When the transfer or retirement is affected, the reason for the transfer (between registry accounts)/retirement will be stated. In the case of a transfer between accounts, the Party reporting the use of the ER toward its NDC must retire the credits noting the reason for retirement for the public record."