Comments on ART TREES

September 27, 2019

These comments submitted are on behalf of the Forests for Life Partnership, which includes the following organizations: Global Wildlife Conservation (GWC), Rainforest Foundation Norway (RFN), United Nations Development Programme (UNDP), Wildlife Conservation Society (WCS), and the World Resources Institute (WRI). Our Partnership's mission is to maintain and restore the ecological integrity of the world's forests for biodiversity, for people, and for the climate. We aim to halt and reverse forest degradation across 1 billion hectares of the most intact forests worldwide.

We welcome the effort to enhance transparency and credibility by creating an ambitious new standard for REDD+, with the goal of unlocking new, large-scale financing to protect all forests. We appreciate the opportunity to provide our comments in order to improve the current standard, as well as future versions. Our comments will focus first on some general comments, before focusing specifically on issues that are of primary importance to High Forest Cover, Low deforestation (HFLD) countries. These countries are considered eligible as TREES Participants, but as is recognized in TREES, HFLD countries are likely to receive fewer emissions reduction credits under the initial TREES methodology than high deforestation countries. While ART provides recognition to HLFD countries through tagging, there is limited assurance of a demand for such tagged units, and therefore a question of incentives for these countries to invest in meeting all requirements of the Standard. We are encouraged by the stated intent of ART to establish a robust approach to explicitly address this category and credit HFLDs beyond historical levels, for continued low deforestation, in a manner consistent and fungible with credits from other REDD+ activities or other carbon markets. We request that this work proceed rapidly to move toward such an approach in a future version of TREES.

We believe that it is important for any mechanism financing forest protection to prioritize and incentivize the protection of natural forests, especially primary forest and intact forest landscapes. Therefore, we note with interest that the standard says that "It is the intent of ART to establish a robust approach to explicitly address this category and credit HFLDs in a manner consistent and fungible with credits from other REDD+ activities or other carbon markets", and that credits from HFLD countries can be tagged as HFLD credits as an interim measure. We appreciate this recognition and anticipate the development of such a robust approach. We also want to suggest that this approach incentivize countries to keep primary forests and intact forest landscapes intact, and not just to keep deforestation rates low.

Our Partnership is ready to work with HFLD countries, in collaboration with other international partners active in this space, to support the development of the content of v2.0 of the Standard that will address both criteria for HFLD countries as well as removals. Noting that 1.2.2 refers to a review and updates to the Standard taking place at a minimum of every three years, we strongly encourage moving forward with the first update to a version 2.0 as soon as possible, with clear incentives for HFLDs, as well as the inclusion of enhanced removals, and over a shorter timeframe than three years.

General Comments

Eligible Entities
The current standard only allows for the participation by national governments, even though subnational accounting areas are allowed until 2025. We see value in allowing subnational government entities to participate beyond this period, as long as such authority is explicitly given by a national government. We recommend that the standard allow national governments to designate a subnational entity, as long as such a designation would ensure a secures corresponding adjustment to the NDC.

Price
The conservative accounting approach, narrow window of opportunity, and high expectations for meeting safeguards and other conditions will make the ART/TREES opportunity seem quite limited to many countries with vulnerable forest resources. To compensate and trigger a significant scale of action, the price offered for each ton of credited reductions will need to be relatively high to provide an incentive for country participation. In order to facilitate positive decision-making within forest countries, we suggest ART foster transparency and communicate any relevant information about potential prices for reductions that meet the TREES standard. So far, no information about possible prices has been released with the standard. To rectify this situation, one role of ART should be to communicate any relevant information about potential market prices for reductions that meet the TREES standard, in a transparent and ongoing way, in order to facilitate good decision-making within forest countries.

Safeguards
Regarding the Environmental, Social and Governance Safeguards, we consider them to generally form a robust framework for ensuring conformity with environmental and social standards.

HFLD-specific Comments

High forest low deforestation countries may host extensive forests, but they require sustained finance in order to maintain forest conservation (Funk et al. 2019). The list of HFLD countries is already well known and any ERs they generate would already be recognized. It would be useful to clarify if the current standard, with minor revisions, could find a better way to channel resources to HFLD countries and reward their stewardship efforts. If that is not possible, we recommend to work with interested parties in developing criteria in v.2 well before the regular 3-year review period, to facilitate the long-term support of activities that protect forests, as a complement to incentives for emission reductions.

Eligible Activities

The current version of the standard only refers to the potential inclusion of enhanced removals: "...emission removals may be included in a future version of TREES." This appears entirely inconsistent with the stated purpose of ART and the Immutable Principles it has adopted in Section 1.1 where removals are clearly part of the scope. We recommend to strengthen text on a commitment to include enhanced removals within the scope of eligible activities in a v2.0 of this Standard, rather than the use of "may" here.

Excluded Activities
The standard asserts that removals associated with enhancement of forest carbon stocks are not eligible for crediting. However, recent research indicates that intact, natural forests continue to increase their carbon stocks, providing a net climate benefit (Phillips et al.2017; Qie et al.2017; Pan et al.2011). The exclusion of these removals would seem to create an asymmetry in

accounting that fails to acknowledge this benefit. It is also inconsistent with 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.

Additionally, sustainable management of forests and enhancement of forest carbon stocks to sequester CO_2 are a key part of the REDD+ strategy in many countries. The exclusion of GHG removals from ART/TREES could be a major drawback for countries wanting to participate.

We recommend that the standard acknowledge the potential for removals occurring in natural forests and consider their eligibility for crediting in the second version of ART/TREES. Such removals can be counted separately from emissions reductions from deforestation and forest degradation, and rewards could be contingent on emissions from these activities staying below certain benchmarks. This approach will also bring ART/TREES into sync with the NDC guidance for the Paris Agreement. Again, we recommend to work with interested parties in developing criteria in v.2 to facilitate incentives for removals, as a complement to incentives for emission reductions.

Credits
The short accounting window and the ratchet applied to future periods could lead to a difficult choice for countries with relatively low emissions such as HFLDs. They may decide that there is greater incentive to delay applying to the standard. In the interim, their best option may be to focus instead on developing their measurement capacity and reducing uncertainty levels, rather than on strengthening forest protections. Under the current approach, many countries could receive greater rewards if they do not prioritize reducing emissions in the short term, but delay their application until a later time, at which point they could document larger reductions with greater confidence and precision. This strategy could lead to the perverse outcome of delaying action and failing to strengthen forest protections until after the damage is done. The recommendation is, therefore, to ensure that the ratchet approach for the crediting baseline not be applicable to HFLDs.

Leakage
The implementation of the current TREES standard, with its incomplete coverage of HFLD countries and intact forests, could create a perverse outcome of driving leakage into those countries and forests. This would seem to undermine the goal of the standard, and we hope this gap is addressed in the second version of this standard. We see this as a significant oversight and have concerns that it was not adequately addressed as part of the first version of the standard. Again, we recommend to work with interested parties in developing criteria in v.2.0 to extend incentives to counteract leakage, as a complement to incentives for emission reductions.

Capacity
Developing countries will require sophisticated technical capacity and long-term institutional commitments of resources to meet this standard and continue their performance. We encourage the ART platform to assist in delivering these capacities and supporting such institutional efforts, apart from facilitating incentives *ex post.*

Reversals
We believe it is important to have rigorous solutions for reversals, especially as the standard is designed for compliance programs. Under the current approach, there is however no standardized way for countries to avoid penalties for reversals caused by *force majeure* (apart from applying for a variance or submitting a complaint). In addition, it appears that a country could experience a reversal due to, for example, a hurricane or tsunami in reporting years 1, 3, and 5

and be penalized under the standard, whereas a country that experienced a similar event in years 2 or 4 would not be penalized. This seems arbitrary and potentially unfair.

We thank you for the opportunity to provide comments on behalf of our Partnership, and please let us know if you have any questions.

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