Feedback on TREES V2 – Revised HFLD Chapter (Released: 24 May 2021)

Introduction

The Governments of Guyana, Gabon and Suriname welcome the version of Trees V2 Revised HFLD Chapter. In its first version, it was noted that ART-TREES had several positive elements, including the fact that it promoted jurisdiction-scale crediting, which has long been Guyana's preferred option. ART-TREES also identified the need to incentivize the maintenance of forests in HFLD countries, and emphasized the need to be compatible with REDD+ decisions within the UNFCCC. Further, there was inclusion of the HFLD score which is an innovative mechanism to incentivize countries that remain HFLD. However, there were several areas where improvements were recommended for the model to be appropriate and beneficial to HFLD countries.

The revised version of the HFLD module released for public feedback on 24th May, 2021, fulfills two of our collective objectives:

1. Ensures environmental integrity through the creation of incentives for all the REDD+ activities;
2. Starts to create a market for forest-based carbon credits which achieves a fair balance between the legitimate needs of both buyers and sellers.

The revised version of the module has fulfilled each of the areas of recommendation made by Guyana, Gabon and Suriname in terms of core objectives/principles, and technical recommendations.

Revised HFLD Module Fulfills Core Principles for HFLD Countries

Environmental Integrity

- Values Standing Forest and creates longer term incentives for jurisdictions to maintain a high level HFLD score, or to invest in achieving one if a jurisdiction is not yet over the threshold.
- Sustained decreases in deforestation in reference period create a higher crediting level but decreases if this level increases over historical period;
- Increases in deforestation lead to a negative crediting level; and
- Incentives to prioritize jurisdiction level projects.

Fairness

The new structure creates positive crediting level that provide incentives to maintain low rates of deforestation and forest degradation, as well as to lower those rates where opportunity for this exists.

Technical Areas of Improvement Fully Considered

1. The revised model addresses the defining value of very high forest cover and low deforestation rates countries through the integral inclusion of forest size/cover/carbon stocks within consideration of reference and crediting levels.

2. The revised model also recognizes and provides for marginal variation in crediting levels across narrow ranges which have shown overall low rates of emissions.

3. The revised HFLD module has utilized an envelope or range rather than a single value for emissions and creates incentives for additionality against this range. Further, the use of a single crediting emissions level for each crediting period creates a fairer mechanism that more practically reflects crediting for emission reductions within the envelope with full crediting only occurring when emissions are fully below the entirety of the envelope.

4. The provisions of adjustments to Mitigating Factor 2 for HFLD under Reversal Buffers that recognizes the circumstances of countries with very low deforestation rates, countries that, in reality, are least likely to cause reversal harm.

Comprehensiveness of Revised HFLD Module

The revised TREES HFLD Module takes full account of deforestation, forest degradation and enhancement of forest carbon stocks. Additionally, the revision also encourages HFLD countries that have maintained a steady state to remain at this level; those that have room for improvement from previous higher emissions will be incentivized to decrease these levels; and those potentially eligible HFLD countries (currently marginally below the HFLD Score) will have the incentive to become HFLD as the incentive and structure provides positive incentives for being in this category. This will encourage high ambition and accelerated climate action where a “Steady State” is seen as a realistic and attractive destination to reach and then to stay at. This fits with a vision of the major forest basins reaching at least zero net deforestation within 10-15 years and then staying there for decades afterwards.

Fungibility

Guyana, Gabon and Suriname are of the view that the revised version of ART TREES V2 (Revised HFLD module) offers fungibility within the existing and potentially new carbon markets. Reducing emissions cannot exist without forests first. The inclusion of carbon stocks recognizes the role that

forests play in its steady state and applying that in tandem with historical emissions thereby driving incentives to maintain low rates or reduce levels where practicable. Combined, these express the full function of forests in HFLD in stabilizing CO_2 emissions and fulfilling global targets. In summary, Guyana, Gabon and Suriname are of the view that the credits as derived from this revised model are fungible for the following reasons:

- It directly contributes to the global target set to limit planetary warming to well below 2°C or 1.5°C;
- It is a core aspect of achieving carbon neutrality as defined by the IPCC: balancing of residual emissions with emission (carbon dioxide) removal;"[1]
- Combined with maintaining low rates of emissions and incentivizing additionality, emissions credits fulfill the same functions typical of non-HFLD credits.

Recommendation for Clarification

It is recommended that Section 3.3 on additionality be clarified, to be conditioned by the provisions of the HFLD Section in terms of eligibility, for those applications that are seeking to enter ART under the HFLD Module.

Supports Immutable Principles of ART TREES

Combined, these criteria would build additionality, encourage ambition and link to historic emissions while also recognizing the long-term value of forests in "steady state". This revision also encourages longer term commitment from HFLD countries and fully support the two immutable principles of the ART Trees structure of fundamentally building off a model of historical emissions, and creating incrementally increasing ambitions for improved performance.

The Governments of Guyana, Gabon and Suriname support this revised version of Trees V2 Revised HFLD Chapter and looks forward to its finalization and implementation.

[1] IPCC SR1.5 Annex: Glossary.
https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_AnnexI_Glossary.pdf

Annex 1

Crediting Level Case Examples

Gabon Test Case[2]

Crediting Level for 2017-2021 = Average Historic Emissions (2012-2016) in CO_2eq + (HFLD Score X 0.1% of Carbon Stocks in CO_2 eq)

= 24,752,527 + (0.79 X 15,908,380)

= 37,320,147 tCO_2eq

Payment Level for Year 2017 will be: (Crediting Level - Annual Emissions level) X Price

= 37,320,147 tCO2 - 28,027,712 tCO2 = 9,292,435 tCO_2eq

= 9,292,435 X US$10 = **US$92,924,352 for 2017**

Guyana Test Case

Crediting Level per Year for 2021-2025 = Average Historic Emissions in CO2 + (HFLD Score X 0.1% of Carbon Stocks in CO2)

= 15,924,366 tCo2 + (0.79 X 21,899,044)

= 33,224,611 tCO2

Payment Level for Year 2021 will be: (Crediting Level - Annual Emissions level) X Price

= 33,224,611 tCo2 – 15,000,000 tCo2 = 18,224,611 tCO2

= 18,224,611 tCO2 X US$10 = **US$182,246,108 for year 2021**

Suriname Test Case[3]

Crediting Level per Year for 2020-2024 = Average Historic Emissions in CO2 + (HFLD Score X 0.1% of Carbon Stocks in CO2)

= 6,864,415 tCo2 + (0.86 X 10,295,683)

= 15,718,703 tCO2

Payment Level for Year 2020 will be: (Crediting Level - Annual Emissions level) X Price

= 15,718,703 tCO2 – 7,000,000 tCO2 = 8,718,703 tCO2

=8,718,703 tCO2 X US$10 = **US$87,187,029 for year 2020**

[2]1 Sliding Scale not applied as actual level for 2021 to be confirmed. Uncertainty and Reversal Buffers not factored in as yet.

[3] Ibid