Stakeholder consultation for TREES 2.0 – HFLD Crediting Level approach
June 23, 2021

**Comments to TREES v2.0 from the KfW REDD Early Movers Program and the GIZ International Forest Policy Program**

The KfW REDD Early Movers Program and the GIZ International Forest Policy Program welcome the opportunity to provide further inputs to the revised approach to HFLD Crediting Level in TREES v2.0. We appreciate that the ART Board and Secretariat has further developed this topic, based on the comments received and consultations conducted. The interest by the different parties is a clear sign that being more inclusive for HFLD countries is a key priority for forest countries and donor countries alike. We hope that specific provisions for HFLD countries will help in the conservation and sustainable use of forests in countries without high rates of deforestation in the past.

**1. The proposed adjustment of the baseline**

We welcome that the new approach does not use a trend line as reference level anymore, as it gave the wrong signals and incentives. The new approach, based on a 5 y historical average crediting level, does provide incentives for countries with a constant or even declining deforestation rate, as for countries with a recent rise in deforestation. We also welcome that the new approach takes into account the HFLD score, helping to differentiate the adjustment based on the HFLD quality of each country or sub-national area.

We note that the proposed methodology of baseline adjustment is providing the possibility for high rewards for HFLD countries and jurisdictions, maintaining their high forest cover and low deforestation rates. Possible adjustments seem to be more generous than in other ODA-financed REDD+ Programs like the GCF REDD+ RBP Window (works with a 10% cap for the FREL/FRL adjustment) or the FCPF Methodological Framework approach (similarly allows an adjustment of 0,1% of carbon stock, but does not incorporate the HFLD Score discount factor).

The strategy to work with deductions, if total annual emissions exceed the crediting level by a certain factor, seems a reasonable approach, as well as the introduction of a 75% cap for ER results, if the total annual emissions exceed the crediting level by 75%. However, working with higher deductions (e.g. 50% if annual emissions exceed historical average by more than 50% - 70% if if exceeds by 70%) would help to raise ambition and reduce the adjustment potential to be more conservative. We would like to encourage the ART Secretariat and Board to think about slightly higher deductions than those currently proposed.

***2. HFLD at country level vs subnational jurisdiction level***

As stated in our previous comments, allowing for subnational jurisdictions to apply the HFLD crediting level without considering the national context has significant inherent risks. This approach would allow for generating ER´s for HFLD jurisdictions in countries with high net deforestation, where the driver dynamics are a result of factors like accessibility and suitability for conversion. Jurisdictional HFLD crediting would allow cherry picking and could create perverse incentives, where REDD+ is only implemented in areas far from deforestation hotspots and thus have unmanageable leakage risks and questionable national climate integrity.

In this regard, we would like to encourage the ART Secretariat and Board to carefully consider the eligibility of the sub-national level for the HFLD approach. Should the HFLD approach be open to sub-national participants, we encourage additional reflections on the mechanisms to monitor and account for leakage in such situations and to rule-out jurisdictional applications in countries with net emission increases compared to their national FREL under TREES instead of applying the suggested deductions.

***3. Treatment of HFLD Credits***

As stated in our previous comment, we recognize the challenges of defining a HFLD approach within the existing framework of the standard. Given the discussed challenges, we strongly encourage the ART Secretariat and Board to debate, if HFLD ER units should merit a separate category from fully fungible ER credits with access to carbon markets. Such separation would be considered key to maintain the high integrity of the TREES standard accessing markets.

New Developments like the LEAF Coalition or the World Banks Climate Emissions Reduction Facility show that there is demand and interest for HFLD ER units without transfer of carbon rights, including corresponding adjustments, e.g. through ODA (Official Development Assistance) or CSR (Corporate Social Responsibility) financed REDD+ efforts.

***4. Technical comments***

It might be beneficial to further describe the deduction approach: it is not clear, if the deduction must be applied equally to the total credits generated (means: emissions exceed by 50% - a 20% deduction to all credits apply), or differentiated by the deduction class (means: emissions exceed by 50% - no deduction to the credits below 15%, a 10 % deduction to the credits between 16-35%, a 20% deduction to the credits above 36%).