Shell comments on: The REDD Environmental Excellency Standard (TREES)

September 2019

Introduction

Shell is pleased to submit this letter in response to the ART Secretariat Consultation on The REDD+ Environmental Excellency Standard (TREES).

Shell supplies around 3% of the energy the world uses. We want to play our part and contribute to the global effort to tackle climate change and meet the goal of the Paris Agreement.

We have put in place our own Net Carbon Footprint Ambition to keep the products we sell in step with the demands of society as it moves towards the goals of the Paris Agreement[1]. We aim to cut the Net Carbon Footprint of the energy products we sell globally – measured in grams of CO2 per megajoule of energy consumed – by around 20% in 2035 and 50% by 2050. While our ambition is long term, we believe we must act today. Beginning in 2019, we have set an unconditional three-year target to reduce our Net Carbon Footprint by 2% to 3% compared to 2016.

Our 'New Energies' business was set up in 2016, to help support our ambition. We plan to invest on average $1-2 billion a year in New Energies until 2020 via commercial investments in New Fuels - hydrogen, biofuels and electric vehicle charging – and Power. In addition, we have also established a business to develop high quality nature based solutions (NBS) to expand the range of solutions we can use to reduce and offset emissions generated by our customers and to meet the goals of the Paris Agreement. Shell plans to invest $300 million from 2019 to 2021 in natural ecosystems.[2]

General comments

The collective, overarching, intent should be to urgently reduce emissions by targeting efforts and finance to the areas of high emissions resulting from deforestation and forest degradation; by realizing emission removals through reforestation and restoration, by promoting innovation and success cases, and by channeling incentives and rewards to the appropriate stakeholders.

We welcome the standard as a useful development that builds on existing standards and frameworks; it also fills a gap in respect of subnational and national programmes by providing a flexible and criteria-based accounting methodology for large-scale REDD+ programmes, as well as the infrastructure for a globally accessible registry of ERs from such programmes.

We recognize the importance of policy actions at the national scale. However, we also see an important continued role for project and subnational activities, as these often take the necessary first steps in tackling hard to abate drivers of deforestation in a targeted and locally-specific manner. We

[1] https://www.shell.com/energy-and-innovation/the-energy-future/what-is-shells-net-carbon-footprint-ambition.html

[2] https://www.shell.com/energy-and-innovation/new-energies/nature-based-solutions.html

believe such activities require incentives to ensure immediate action. While we recognize that TREES is intended as a jurisdictional standard, we also believe there is a broader need for guidance and principles in relation to nesting of project-scale activities. We therefore see merit in establishing a cross-sector dialogue aiming to establish key principles and objectives for nesting, and to assess learnings and recommendations from current experiences.

While we support the high ambition set in TREES, we consider some of the requirements to be insufficiently flexible to accommodate practical realities on the ground, while others may be insufficiently stringent to ensure robust GHG reduction credits. In addition, several provisions could result in reducing the incentive for action in areas that most require action it. A number of these concerns are noted below.

Specific views

Eligibility requirements for a sub-national area: The current provisions restrict sub-national programs based on land area. The current eligibility could restrict subnational areas with high emissions from deforestation or high forest cover under significant threat from participating and so could have the unintended consequence of excluding the highest risk areas from action. There should be more flexibility to allow for a broader set of sub-national governments to participate. This could be achieved by allowing the setting of 'smarter' eligibility criteria which not only consider area size but also factor in forest cover, emissions, or threat levels. For example, to allow subnational jurisdictions that have: a minimum level of potential GHG reductions (e.g. 1 million tCO_2) or a minimum amount of forest area (e.g. 1 million ha).

Incentives for subnational jurisdictions: While we support the intent to encourage national performance, more flexibility is preferred for crediting at subnational jurisdictional levels. A strict time limit by 2025 offers insufficient incentives for subnational governments—particularly those with authority over land management—to take action now. Recognizing different levels of REDD readiness amongst countries in some instances, it will not allow sufficient time for systems to have been put in place to support a fully national approach. This is further compounded by the leakage provisions which penalize subnational jurisdictions if the rest of the country isn't included by 2025. We suggest using a leakage risk assessment to determine deductions for leakage rather than a simplified % of forest area.

Program proponent: We would support allowing subnational governments, or entities appointed by either national or subnational governments, to also be program proponents (i.e. the "Participant"), with national government approval.

Crediting level: We support a conservative approach to crediting to minimize risks of over-crediting. However, the combination of provisions relating to buffer withholding, leakage, and the 20% automatic ratchet can unnecessarily deter action. Greater flexibility in the application of these provisions can ensure appropriate risk mitigation whilst also providing incentives.

For example, crediting levels should decrease over time, but not be required to reduce by an automatic 20%. The requirement to revise the crediting level every 5 years will result in decreasing crediting levels, while better reflecting actual trends and providing incentives for participation. In addition, we suggest allowing shorter reference periods (e.g. 5 years instead of 10, as long as the period captures interannual variability), as this better reflects future emissions.

Additionality: Recognizing that exogenous factors (such as falling or rising commodity prices) can have a significant impact on deforestation rates, it would strengthen the TREES standard to require proof that new or enhanced implementation actions or policies were taken that are demonstrably additional to status quo.

Permanence: Large-scale programs face large-scale reversal risks. And unlike project-based buffer pools that aggregate risks from a large number of projects over various regions, a buffer pool for national (or subnational) scale crediting may be at higher risk of undersubscription. For this reason, the provision for buffer contributions to be returned to Participants after 10 years increases risks for those investing in TREES units. Additional criteria should be formulated that clarify under what conditions buffer contributions are to be returned, ensuring an appropriate minimum buffer pool is maintained over time.

Uncertainty: Currently TREES measures uncertainty of the baseline and the crediting period separately, but not the uncertainty of the emission reduction. It does not have strong provisions to ensure a reasonable level of uncertainty as compared to expected reductions. This should be strengthened to ensure only "real" tons are being credited.

Closing

Shell supports high quality Nature Based Solutions (NBS) and we agree investment at scale in REDD+ is currently lacking in the sector. Countries and private sector need to work together to attract and leverage finance to NBS at scale. We therefore appreciate the invitation to comment and would welcome the opportunity for further discussions on TREES.

If you have any queries regarding this submission, please contact: Daniel Wegen at Daniel.Wegen@shell.com