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REDD+ CREDITS

REDD+ credit type, which are readily and commonly sold and generated under the VCM market segment, can represent a particular case. On the one hand, there is potential to include REDD+ credits under Article 6.2, an option which may be of relevance, in the context of Article 6, especially for nations with abundant forest cover. This presents one of the avenues available for financing projects when countries decide upon which activities should be part of cooperative approaches. On the other hand, given the contentious nature regarding the types of projects and activities and their unique status concerning Article 6, the subsequent section provides deeper insights and special considerations. It sheds light on ongoing international debates and negotiations status, the eligibility of these REDD+ activities, the connections with Article 6.2 and relevant challenges of interest.

REDD+ activities and Article 6.2

With a few exceptions – such as Japan's Joint Crediting Mechanism (JCM) – REDD+ activities have traditionally not been incorporated into international carbon markets. It must be noted, however, that except from the Clean Development Mechanism (CDM), they have not been fully excluded either. The Warsaw Framework for REDD+, Article 5, and the recent Article 6 decisions have not explicitly endorsed it as a carbon markets mechanism, but they have also not provided detailed provisions for its promotion either. Despite this, REDD+ has been one the most popular project categories in the Voluntary Carbon Market (VCM) until recently. Against this background, it is worth examining the circumstances under which REDD+ could be promoted in future international carbon markets, particularly under Article 6.

Unpacking REDD+

The evolution of REDD+ at the UNFCCC level, as part of multilateral programmes, and in the VCM has primarily classified REDD+ as a result-based payment mechanism or as a transfer-based mechanism[1]. The former category does not

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[1] Streck, Charlotte; Howard, Andrew; Rajao Raoni (2017): Options for enhancing REDD+ collaboration in the context of Article 6 of the Paris Agreement, https://climatefocus.com/wp-content/uploads/2022/06/REDDOptionsfinalreport.pdf

imply a transfer of verified emission reductions/removals and has been mainly supported by donor agencies to finance REDD+ readiness activities (e.g., design of a REDD+ strategy, development of forest monitoring mechanisms). In these instances, the emission reduction achieved could be used towards the NDC targets of the host country. On the other hand, transfer-based mechanisms typically involve a transfer of verified emission reductions/removals to a buyer and have the potential to be used towards another NDC, CORSIA or any other voluntary uses. The crediting of transfer-based mechanisms can take place at national/jurisdictional level, at project scale or be part of a nested system[2]. In principle, what holds relevance for Article 6 are the transfer-based mechanisms.

Does REDD+ fit under emission avoidance, emission reduction or removals?

Under the UNFCCC, Paris Agreement and Kyoto Protocol, the only recognised emission-related categories are emission reductions and removals. The category emissions “avoidance” is not explicitly identified. One of the first references to avoidance in the context of the UNFCCC occurred with the Ecuadorian proposal in 2007, aiming to keep 846 million barrels of crude oil in the Yasuní National Park underground. Some authors note that the term “avoidance” was frequently used by REDD+ scholars, who incorporated the terminology into the UNFCCC REDD+ negotiations[3]. However, during COP11, Papua New Guinea and Costa Rica requested replacing “emission avoidance” with the concept of “emissions reductions from deforestation”. This consequently lead to the removal of the term “emissions avoidance” from the REDD+ negotiations. Nevertheless, in the course of the Article 6.4 negotiations, the term emission avoidance was brought up again, and its definition and inclusion are still under debate (see below). On a different end, in the VCM, emission avoidance has sometimes been treated as equivalent to emissions reductions, as the latter has typically been defined as the difference between the activity emissions compared to that of the baseline. In some VCM cases, avoidance has been used specifically to refer to REDD+. Furthermore, while most REDD+ VCM methodologies fall under emission reductions, The REDD+ Environmental Excellence Standard (TREES) provided by the Architecture for REDD+ Transactions (ART) also encompasses removals. Along the same line, it is crucial to consider that the “+” of REDD as outlined in the UNFCCC decisions, covers removals as well.

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[2] Böttcher, Hannes; Fallasch, Felix; Scheneider, Lambert; Siemons, Anne; Urritia, Cristina; Wolff, Franziska; Atmandja, Stibniati; Martius, Christopher; Thu Thuy, Pham (2023): Potentials for “results-based payments” in the forest sector under the Paris Agreement, https://www.umweltbundesamt.de/sites/default/files/medien/479/publikationen/cc_12-2023_potentials_for_results-based_payments_in_the_forest_sector_under_the_paris_agreement.pdf

[3] Kreibich, Nicolás; Arens, Christopher (2022): REDD+ and the Article 6 Rulebook: Will there be crediting of forestry activities under Article 6? https://www.carbon-mechanisms.de/fileadmin/media/dokumente/Publikationen/Policy_Paper/REDDplus_Art6.pdf

Article 6.2 and REDD+

The COP26 Article 6 Decisions do not contain any explicit reference to REDD+. However, there is a prevailing consensus in the international community that REDD+ can be accommodated under Article 6.2, as parties involved can ultimately decide which activities should be part of cooperative approaches. The most relevant aspects to keep in mind regarding Article 6.2 and REDD+ are as follows:

Eligibility of REDD+ activities:

The definition of ITMOs under Article 6.2 includes emissions reductions and removals, without explicitly specifying sectors to include or exclude. A commonly held perspective in this context suggests that REDD+, as long as they strictly adhere to all requirements set out in the guidance on cooperative approaches under Article 6.2 or the rules, modalities and procedures for the Article 6.4 mechanism, could be promoted through cooperative approaches[4]. This adherence includes meeting the requirements of, inter alia, additionality, baselines, leakage, permanence, robust accounting, transparency and environmental and social safeguards. It is important to note that the potential for REDD+ crediting is limited to REDD+ as a transfer-based mechanism.

Some countries have already included REDD+ in their Article 6.2 activities. For example, the first JCM REDD+ project was registered in June 2023 under an agreement between Japan and Cambodia[5]. The Australian Indo-Pacific Carbon Offsets Scheme (IPCOS) focuses on REDD+ in Papua New Guinea (PNG), while Korea and Laos are expected to sign an MoU by the end of the year 2023 on REDD+ credits. Additionally, Korea is targeting Vietnam, Gabon, and Peru for similar MoUs[6].

Countries engaging in these bilateral agreements will need to carefully identify which REDD+ activities are considered low-hanging fruits that could be used towards the achievement of their NDC compared to the middle-hanging fruits REDD+ activities to be potentially used as ITMOs.

Links between Article 5 and Article 6.2 of the Paris Agreement:

The Warsaw Framework (WF) for REDD+ indicates that results-based actions are eligible for market-based approaches if they are subject to further verification. In this regard, the framework does not preclude the possibility of securing carbon market finance for REDD+ activities. However, the WF acknowledges the need for supplementary provisions to be developed to ensure more rigorous verification of the REDD+ credits.

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[4] The Nature Conservancy (2021): ARTICLE 6 Q&A on what was decided and next steps after COP26, https://www.nature.org/content/dam/tnc/nature/en/documents/Article_6_Common_Questions_V2.pdf (accessed September 10, 2023)

[5] Carbon Pulse (2023): UN completes technical check on REDD emission data for vast areas in two nations. https://carbon-pulse.com/219763/

[6] Carbon Pulse (2023): South Korea to sign REDD+ MOU with Laos by year-end. https://carbon-pulse.com/218997/

During COP26, Parties rejected the position from PNG and the Coalition for Rainforest Nations (CfRN) advocating for a direct link between Article 5 and Article 6.2. If accepted, this linkage would have permitted the creation of ITMOs under the WF REDD+, bypassing the need to comply with Article 6.2 Guidance standards. Additionally, it would have facilitated the inclusion of a substantial volume of REDD+ credits generated before 2020 due to the reference to “2015 onward” . The decision to reject this linkage implies that Article 5 REDD+ credits will not automatically be transferred and classified as ITMOs under Article 6.2.

Article 5 REDD+ credits or REDD+ Results Units (RRUs) denote credits generated based on the results reported to the UNFCCC REDD+ Info hub as proposed and put forward by the CfRN. According to CfRN, RRUs are deemed high-quality forest credits due, among other aspects, to adherence to the WFR offering methodologies for measuring, reporting and verifying emission reductions. Additionally, the verification process is conducted independently by third-party experts. Nevertheless, organisations such as IETA have asserted that “RRUs are not verified carbon credits that meet foundational thresholds that assure integrity and fungibility in markets (e.g., independent validation and verification for conformance with a standard, measures to avoid double counting and issuance, use of social safeguards, etc.) as set out by globally-recognised carbon crediting standards, and therefore should not be used to make offsetting claims”. Moreover, International Civil Aviation Organisation (ICAO) has rejected twice the eligibility of RRUs for use under CORSIA. Consequently, buyers in the international market generally regard these credits as low-quality[7] Despite this, the situation has not hindered Suriname in aiming to be the first country to sell ITMOs derived from Article 5 credits[8], although the demand for these credits remains uncertain.

Article 6.4 and REDD+

As per the Article 6.4 Decision 3/ CMA.3, the A6.4 mechanism is set to issue credits for emission reduction and removals. Negotiations are underway to determine whether the mechanism can also provide credits for emission avoidance and activities that contribute to conservation enhancement. During the SBSTA58 sessions, discussions concerning the concepts of emission avoidance and conservation enhancement activities took place, but no consensus was reached on precise definitions and whether the A6.4 mechanism should encompass both of these activity types. Conversely, a range of interpretations were put forward by the Parties.

Some Parties opposed the introduction of a third category, distinct from the existing ones related to emission reductions and removals. Other parties explicitly called for the exclusion of avoidance measures from the scope of A6.4, especially concerning emissions from the forestry sector, expressing concerns about

[7] These Article 5 REDD+ credits, also known as REDD+ Results Units are also available for sale on the CfRN REDD plus trading platform for the VCM.
[8] Carbon Pulse (2023): Suriname to offer first sovereign forestry credits for sale under Paris’ Article 6. https://carbon-pulse.com/221952/

environmental integrity. Additionally, there were appeals to explicitly incorporate emission avoidance measures within Article 6.2 and 6.4 guidance as part of broader collective mitigation efforts, including forestry.

In this regard, the potential inclusion of REDD+ within the scope of Article 6.4 remains uncertain, pending the eventual definition of emission avoidance and conservation enhancements and their subsequent determination for exclusion or inclusion. Thus, REDD+-related negotiations have occurred under the agenda item “emission avoidance and conservation enhancement” during the SBSTA 58 session, given that REDD+ is not explicitly listed as a separate agenda item. However, it is noteworthy that some Parties and stakeholders already regard REDD+ as part of the emissions reduction and removal categories. The negotiations are slated to continue during COP28, although, the negotiation on emissions avoidance and conservation enhancement activities are not considered as a top priority for most parties.

Challenges for REDD+ under Article 6 Decisions

REDD+ activities in the VCM have faced significant problems related to their environmental integrity. As a result, meeting the stringent requirements set by the Article 6 decisions, particularly the Article 6.4 ones, poses a challenging task for REDD+ activities. Parties have established strict rules covering accounting, baseline methodologies and additionality, and ongoing efforts are directed toward further rule development.

Recently, REDD+ VCM projects have come under severe scrutiny for issues such as inflated baselines leading to over-crediting, lack of additionality - particularly in projects conducted in national protected areas – and concerns about non-permanence, leakage, and unequal benefit sharing distribution. Although While Verra has undertaken efforts to improve its REDD+ methodologies to tackle these drawbacks, their effectiveness remains to be observed. Likewise, jurisdictional methodological approaches to REDD+ (Verra JNR and ART TREES) aimed at addressing some of these problems, are still in the early stage of implementation, making it difficult to assess their overall impact. Moreover, concerns have been raised by experts about the potential lack of additionality in certain jurisdictional approaches, particularly those targeting nations with high forest cover and low deforestation rates[9].

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[9] Streck, Charlotte et al (2022): We must protect intact forests, but CORSIA got it wrong, https://carbon-pulse.com/156727/.