A comparison of carbon market standards for REDD+ projects

Recommendations & guideline for IKI REDD+ projects

Recommendations

REDD+ will be an integral part of the UNFCCC Paris Agreement and will play an important role in mitigating global GHG emissions. Despite its many promising effects, the REDD+ concept has also been criticised for potentially creating negative social and environmental outcomes[1]. The International Climate Initiative (IKI) of the BMUB aims to ensure that REDD+ projects under the IKI can deliver positive benefits – for the climate, people and the environment. Therefore, a separate generic analysis of REDD+ project standards against expectations and principles set by the BMUB/IKI and Germanwatch was conducted. atmosfair contributed with its experience in the field of MRV and climate integrity of offset projects. This document draws on this analysis and combines it with project requirements under the IKI. We recommend that all IKI REDD+ projects that aim to produce emission reduction certificates for the voluntary market should use one of the following combinations of standards and must meet additional requirements (below expressed as 'X'). These requirements should also be subject to third party validation.

VCS + CCBS + X
(X = jurisdictional integration & alignment with national forest policies + human rights)

ACR + CCBS + X
(X = jurisdictional integration & alignment with national forest policies + human rights)

To demand the use of VCS + CCBS or ACR + CCBS for IKI REDD+ and AFOLU projects or REDD+ projects in general would cover a significant part of expectations and principles of BMUB/IKI and Germanwatch. It should be noted that the quality of the assessed standards is based on its generic analysis of its principles, while the practical experience from the performance of these standards will ultimately inform about their suitability in the future.

Two issues of major importance remain though that must be addressed by additional requirements.

The first is the mandatory integration (nesting) of projects into **jurisdictional policies and their alignment with national REDD+ policies**. This could be a 'meta criterion' when selecting projects for IKI eligibility or it could be demanded by IKI in cases where REDD+ projects are to be implemented in countries

[1] See e.g. http://wrm.org.uy/books-and-briefings/redd-a-collection-of-conflicts-contradictions-and-lies/

where a jurisdictional or national REDD+ program is being implemented. Even here, both the VCS and ACR provide guidance through their respective jurisdictional requirements documents (the VCS JNR being more comprehensive). With regard to permanence projects need to be nested in jurisdictional and national policies. Ultimately, government policies should lead towards national REDD+ systems that allow for accountability for potentially lost carbon. A buffer approach alone might not be sufficient in the long term, in case of falling carbon prices and a situation where sellers, buyers and the standard organisation would no longer be operational.

On top of that, the IKI could request that REDD+ projects have to clearly show how they fit within the national or jurisdictional REDD+ strategy as well as national forest strategy and also provide documented evidence for this (letter of approval or similar from the National REDD+ coordination body).

The second issue of major importance is the consideration of human rights by standards. In light of violations of or ignorance of human rights in REDD+ project development (see e.g. Espinoza Llanos and Feather, 2011), sound guidelines on human rights are necessary. Human rights refer primarily to the rights of individuals. Therefore, it is not adequate to summarize them under 'community rights'. The only standard that explicitly covers human rights is the Gold Standard *([...] No human rights abuses [...], see* Gold Standard Framework 2013a). The CCBS implicitly includes human rights aspects and procedural requirements, by requesting that in general all impact and risk assessments must also consider direct or indirect impacts or risks to human rights and that these impacts must be avoided or risks be mitigated). All other standards do neither explicitly nor implicitly include human rights issues. Consequently, the protection of human rights is a very important indicator that should be included into the IKI's safeguard policy; and – with a particular view towards projects going for validation – the IKI should request that this indicator is validated by the independent auditor in charge of general project validation.

To this end, we suggest the following specific criteria:

1. The project/programme explicitly expresses that throughout all phases of planning and management human rights – as set out in the International Bill of Human Rights, in the ILO-conventions and as declared in the United Nations Declaration on the Rights of Indigenous Peoples – adopted by the United Nations General Assembly are respected by project developers and – if existing – their partner institutions or business partners.

2. Risk assessments must assess the human rights context prior to a proposed project activity, identify who may be affected (especially local communities, vulnerable community groups and other stakeholders affected by the project), catalogue the relevant human rights standards and issues, and project how the proposed project could have adverse human rights impacts on those identified.

3. The project must ensure the stakeholders' full and effective participation, including access to information, consultation, participation in decision-making and implementation. This has to be during the whole crediting period and needs to consist i.a. of recurrent consultation events with the local stakeholders. Free, Prior, and Informed Consent (as defined by the United Nations Declaration on the Rights of Indigenous Peoples and International Labour Organization Convention 169) has to be obtained from those Indigenous Peoples and traditional local communities whose property, land use or customary rights are affected. Project developers should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement. Where feasible and necessary for ensuring the full, effective and unbiased stakeholder participation, it is recommended that projects offer the provision of independent legal advice accessible to affected indigenous peoples.

4. Social impact assessments must assess the nature of the actual and potential adverse human rights impacts with which a project may be involved and in consequence the development and implementation of a plan to mitigate these impacts. Project activities do not lead to involuntary removal or relocation of Property Rights Holders from their lands or territories, and does not force them to relocate activities important to their culture or livelihood.

5. Grievance redress & feedback mechanism to solve disputes that may arise during any phase of the project must include the option to bring forward any infringements and violations of human rights for legal prosecution. Further, such mechanisms must comply with the effectiveness criteria for non-judicial grievance mechanisms as set out in the United Nations Guiding Principles on Business and Human Rights No 32.

Additionally, IKI projects active in the field of generating verified emission reductions under the discussed voluntary REDD+ standards should ensure their financial additionally; i.e. projects that would be financially viable without the generated emission reduction certificate revenues and the anticipated public funding through BMUB will not be considered under the IKI.

Plan Vivo could be allowed for smaller projects. Smaller projects would need to be defined. As with small-scale CDM projects, the definition is best related to the amount of annual emission reductions. For CDM small-scale A/R projects, the threshold is set at 16,000 t CO_2/year of net GHG removals and we recommend using this threshold for small A/R projects under the IKI.

As IFM and REDD+ projects usually have a higher emission reduction potential, we recommend setting the threshold at 30,000–50,000 t CO_2/year of net GHG emission reductions or removals. The setting of thresholds is always to some extent arbitrary. We thus recommend that BMUB/IKI does an evaluation after 3–5 years to determine the appropriateness of the threshold.

Projects that meet the definition of a **small-scale project under the IKI** and are thus **allowed to use Plan Vivo, should** still **meet** the following **additional climate integrity requirements** (see below). In general, we recommend tying these requirements to specific tools of other standards, as this would facilitate the validation process and save the effort of formulating additional requirements in detail:

- A clearer and more rigorous demand for determining additionality. This could e.g. be achieved by demanding the application of the 'Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities'.

- A more transparent and rigorous approach to non-permanence. To be pragmatic, the IKI could demand the application of the VCS tool for non-permanence (as does the ACR). Non-permanence risk stipulations by Plan Vivo are also rather vague/non-specific, as is the management of the buffer reserve. As such, the IKI could demand that buffer credits are immediately retired.

- Further, to ensure that lower-quality credits do not penetrate the market, IKI could demand that such credits can only be sold once, before they have to be retired.

- Addressing of market leakage where this is applicable using the VCS AFOLU requirements.

- Calculation of and consequent deductions for uncertainty with regard to emission reductions following guidance provided by the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (chapter 3).

Guideline for IKI REDD+ projects that seek issuance of credits after the IKI funding period

This guideline sets out additional rules and procedures for IKI REDD+ projects that seek issuance of carbon credits for sale in the voluntary market following the IKI funding period.

Please note that issuance of credits is only possible following the end of the IKI funding period.

Further, no IKI project may seek issuance of compliance offsets under an international or regional GHG programme or emission trading scheme.

REDD+ projects seeking issuance of credits will enter into a separate contractual relationship with the IKI, which will clarify the rights and responsibilities of the project, in particular with regard towards the generation and use of these credits and compliance with the IKI requirements.

This guideline is a living document that shall be updated and reviewed from time to time in order to maintain the highest level of REDD+ project implementation. The project implementer should ensure that he is using the latest version of this guideline.

Applicability conditions:

- This guideline is only applicable to IKI REDD+ projects. A REDD+ project is defined as any IKI project that seeks to reduce emissions from deforestation and forest degradation, and/or account for emissions / removals from conservation, sustainable management of forests and enhancement of forest carbon stocks. This guideline is only applicable to REDD+ projects that seek issuance of credits for sale in voluntary carbon markets.
- Germanwatch and BMUB view the applicability of the combination of standards plus the additional requirements as reasonable. Germanwatch and BMUB do not assume any responsibility if third parties apply the guideline. Responsibility lies solely with project implementing agencies.

IKI funded REDD+ projects seeking issuance of credits must be validated against one of the following standard combinations:

1. Verified Carbon Standard + Climate, Community & Biodiversity Standards
2. American Carbon Registry + Climate, Community & Biodiversity Standards

Further, <u>all</u> IKI REDD+ projects have to meet the following additional requirements. These requirements will also be subject to third party validation.

VCS + CCBS + X
(X = jurisdictional integration & alignment with national forest policies + human rights)

ACR + CCBS + X
(X = jurisdictional integration& alignment with national forest policies + human rights)

Integration with jurisdictional REDD+ programmes & alignment with national forest policies

Where a REDD+ or AFOLU project is implemented in a country or jurisdiction that is developing or implementing a jurisdictional or national REDD+ programme, the project must be nested into this programme and comply with all programme requirements and ensure alignment with all relevant national forest policies.

Ensuring the recognition of human rights in project planning and implementation

1. The project/programme explicitly expresses that throughout all phases of planning and management human rights – as set out in the International Bill of Human Rights, in the ILO-conventions and as declared in the United Nations Declaration on the Rights of Indigenous Peoples – adopted by the United Nations General Assembly are respected by project developers and – if existing – their partner institutions or business partners.

2. Risk assessments must assess the human rights context prior to a proposed project activity, identify who may be affected (especially local communities, vulnerable community groups and other stakeholders affected by the project), catalogue the relevant human rights standards and issues, and project how the proposed project could have adverse human rights impacts on those identified.

3. The project must ensure the stakeholders' full and effective participation, including access to information, consultation, participation in decision-making and implementation. Free, Prior, and Informed Consent (as defined by the United Nations Declaration on the Rights of Indigenous Peoples and International Labour Organization Convention 169) has been obtained of those whose property rights are affected. Project developers should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement.

4. Social impact assessments must assess the nature of the actual and potential adverse human rights impacts with which a project may be involved and in consequence the development and implementation of a plan to mitigate these impacts. Project activities do not lead to involuntary removal or relocation of Property Rights Holders from their lands or territories, and does not force them to relocate activities important to their culture or livelihood.

5. Grievance redress & feedback mechanism to solve disputes that may arise during any phase of the project must include the option to bring forward any infringements and violations of human rights for legal prosecution. Further, such mechanisms must comply with the effectiveness criteria for non-judicial grievance mechanisms as set out in the United Nations Guiding Principles on Business and Human Rights No 32.

Additionally, IKI projects active in the field of generating verified emission reductions under the discussed voluntary REDD+ standards should ensure their financial additionally; i.e. projects that would be financially viable without the generated emission reduction certificate revenues and the anticipated public funding through BMUB will not be considered under the IKI.

Validation of REDD+ and AFOLU IKI projects must be achieved during the IKI funding period to demonstrate the projects ability to produce voluntary market credits of the highest quality. Should the project not achieve validation during the IKI funding period, the IKI reserves the right to withdraw its consent to credit issuance. Furthermore, the validation/verification body must be accredited under the United Nations Clean Development Mechanism (CDM) as a Designated Operational Entity (DOE).

Small REDD+ projects may choose to be validated against the Plan Vivo Standard if they meet the following requirements:

- For A/R projects: Maximum of 16,000 t CO_2/year of net GHG removals
- For REDD+ and Improved Forest Management projects: Maximum of 40,000 t CO_2/year of net GHG emission reductions.

Where projects have been validated against Plan Vivo and generated net GHG emissions reductions or removals in excess of these limits, these emission reductions cannot be issued as credits.

In addition to the requirements set out by the Plan Vivo Standard, such small-scale projects must meet and be validated against the following additional requirements to ensure climate integrity:

- Application of the 'Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities'.
- Application of the VCS tool for non-permanence
- Buffer credits are to be retired immediately.
- Issued credits may only be sold once before they have to be retired.
- Addressing of market leakage where this is applicable using the VCS AFOLU requirements.
- Calculation of and consequent deductions for uncertainty with regard to emission reductions following guidance provided by the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (chapter 3).

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