

TFCI

TROPICAL FOREST CREDIT
INTEGRITY GUIDE

Tropical Forest Credit Integrity Guide for Companies Version 2

Differentiating Tropical Forest Carbon Credits
by Impact, Quality, and Scale

Revised February 2023 to include
Implementation Guidance



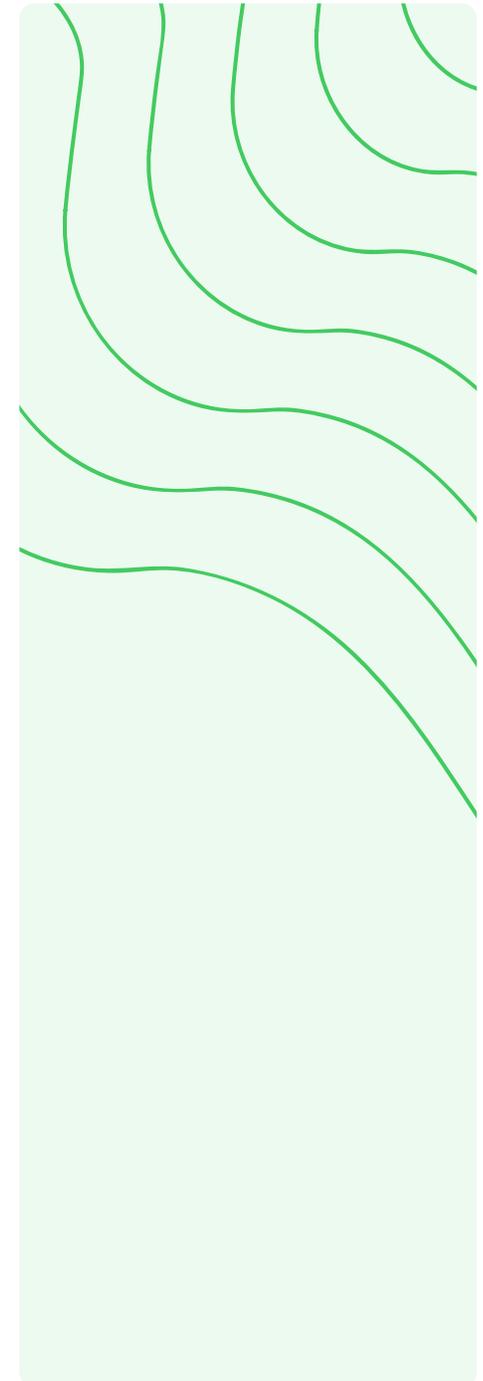
Authoring Organizations



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Overview

Keeping global warming to less than 1.5 degrees Celsius requires conservation of standing tropical forests. We must maintain these carbon stocks and their ongoing sequestration capacity. These forests also have extraordinary cultural and ecological significance and value, particularly for the peoples who live in them and depend upon their vitality and integrity. A large percentage of these threatened standing forests are in high forest, low deforestation (HFLD) areas. Tragically, tropical forests have far higher short-term economic value felled than as living ecosystems. We need to reverse that equation to halt tropical forest loss.

Companies can play a critical role in providing the finance necessary to keep these forests standing as part of their climate mitigation strategies. The urgency to conserve tropical forests and the effort to achieve net zero targets have led to rapidly increasing demand for natural climate solutions, including those financed through tropical forest carbon emissions reductions and removals credits. Some organizations authoring this Guide look to voluntary carbon markets (VCMs) as a central strategy for financing tropical forest protection, while others focus on non-market-based finance. However, given rapid growth in the VCM, we all agree that guidance for companies choosing to purchase carbon credits is urgently needed to help them differentiate credits based on impact, quality, and scale, and, in so doing, drive the voluntary market to higher integrity.

We won't be able to meet global climate goals if we approach forest conservation in a piecemeal, project-oriented manner. We must shift to larger-scale strategies that align with the jurisdictional accounting framework called for in the Paris Agreement and that incentivize improved public policy and governance at the scales at which drivers of forest loss operate.

Furthermore, we won't succeed in conserving tropical forests without the partnership and leadership of Indigenous Peoples and local communities (IPs and LCs). Direct access to carbon markets is essential for full and equitable participation of Indigenous territories in tropical forest carbon crediting. Jurisdictions should move toward enabling such access and consider IPs and LCs as central rightsholders, including to forest carbon originating in their territories, as they develop and evolve their crediting programs. This should become a benchmark for a high-quality jurisdictional REDD+ crediting program.

Companies can be critical partners in achieving this shift to conservation of tropical forests at scale, in partnership with Indigenous Peoples and local communities. We call on those companies seeking to purchase tropical forest carbon credits to:

1. **Publicly commit to a science-based emissions reduction target validated by the Science Based Targets initiative (SBTi) or equivalent to provide transparency and ensure that carbon credits transacted are a complement to and not a substitute for a company's decarbonization. Companies should then consider using tropical forest carbon credits as part of their beyond value chain mitigation (BVCM) strategies.**
2. **Conduct comprehensive due diligence to ensure that any credits purchased are of high quality and integrity and align with Tropical Forest Credit Integrity (TFCI) guidance. Avoid purchase of tropical forest credits that do not meet the criteria in this Guidance.**
3. **Rapidly shift demand toward credits originating from jurisdictional-scale programs verified and validated to the most rigorous standards as detailed in this guidance, including through advance purchase and forward finance agreements for jurisdictional-scale credits.** Since these credits are not yet widely available, a strong demand signal and up-front financing are needed to stimulate expansion of supply. Jurisdictional-scale credits include those originating directly from jurisdictions based on forest conservation activities and policies as well as those originating from projects that are fully "nested" into jurisdictional accounting and programs.
4. **Prioritize purchase of high-quality emissions reductions credits over removals credits,** with a view to conserving standing forests until global goals of halting deforestation are achieved. Investment in "removals credits" should represent a smaller portfolio share in the near term and be in the form of advance purchase or forward finance agreements to ensure a supply of such credits to meet net zero targets in the future.
5. **Purchase appropriately conservative jurisdictional HFLD credits that meet TFCI's criteria for high quality.** We agree that HFLD credits should be included in company credit portfolios and that a continual assessment of rigor is needed in this evolving space.
6. **Support complementary actions that promote high-quality jurisdictional program development and performance.** Reducing deforestation and degradation at jurisdictional scales is an enormous but essential challenge that cannot be met without collective action and responsibility. This Guide highlights several ways that companies can support jurisdictions and their diverse stakeholders in this endeavor and access results-based finance.

This second version of our TFCI Guide provides both the context and the detailed guidance companies need to participate in the voluntary carbon market for tropical forest carbon credits with a high degree of integrity and confidence. This version focuses almost exclusively

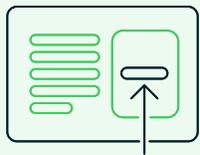
on supply-side integrity and does not address many important demand-side considerations, such as offsetting or contribution claims, that may be associated with credit purchases. These too are a key part of integrity in VCM transactions and are the focus of other ongoing initiatives.

The TFCI Guide Version 2 supersedes Version 1, released in May 2022, and includes an additional section entitled Implementation Guidance.

This new section and its associated annexes elaborate on the original Consensus Recommendations to make them more actionable.

There have been no major substantive revisions to the Consensus Recommendations or other material in Version 1.

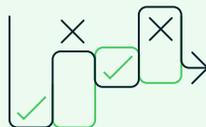
This guide is divided into four parts:



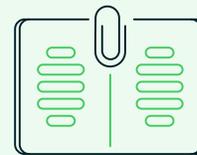
BACKGROUND,
CONTEXT, AND
CONSIDERATIONS



CONSENSUS
RECOMMENDATIONS



IMPLEMENTATION
GUIDANCE



ANNEXES

This Guide has been developed in stages. The information is layered as follows:

The **Background, Context, and Considerations** section conveys the key issues at stake in the tropical forest carbon credit market. Take note of the text boxes, which contain important information and perspective.

The **Consensus Recommendations** outline our goals, the outcomes we are seeking to achieve, and the direction of travel for companies to advance those outcomes. The text boxes in this section as well as the annexes more deeply explain the rationale for specific recommendations.

The **Implementation Guidance** provides detailed, actionable guidance. It is intended to help decision makers and teams responsible for developing and implementing corporate climate mitigation/net zero strategies navigate the tropical forest carbon credit marketplace with clear purpose and high integrity. For companies choosing to pursue tropical forest carbon credits as part of their climate mitigation strategy, this section offers a four-step process to be undertaken after they publicly commit to a science-based target validated by the Science Based Targets initiative (SBTi) or equivalent.

Step 1 Plan your tropical forest credit portfolio to align with global needs as they evolve.

Step 2 Build your portfolio with purchases that drive demand for high-quality jurisdictional-scale crediting.

Step 3 Conduct due diligence to ensure high-quality credits.

Step 4 Follow up with complementary actions and stay attuned to new developments.

Development of this Guide

This Guide is the result of an 18-month collaborative process facilitated by Meridian Institute to develop guidance for companies interested in purchasing tropical forest carbon credits. After several months of deliberations and exchanging diverse experiences and perspectives, the eight authoring organizations issued a “Draft Consensus Statement on High-Quality Tropical Forest Carbon Credits” in November 2021.

Our first consultation process engaged diverse stakeholders around the world from December 1, 2021, through February 15, 2022.¹ We are grateful for their participation and input. Our views were informed and improved as a result. The TFCI Guide Version 1 was released in May 2022.

The consultation process also identified areas in need of more detailed guidance. We worked together to address some of these complex issues in a second phase, which concluded in October 2022. Our second round of consultation, Version 2, was more limited and took place in the fall of 2022. See list of consultees for both rounds at the [end of this Guide](#). TFCI Guide Version 2 supersedes Version 1, substantially elaborates our recommendations, and translates them into more actionable [Implementation Guidance](#).

This Guide reflects the general agreement, views, and recommendations from the eight authoring organizations involved in this process since its inception. We look forward to continuing engagement with diverse stakeholders as we work together to ensure that voluntary forest carbon credits provide necessary and intended benefits to the climate, IPs, LCs, and forest ecosystems.

¹ The consultation process started on December 1, 2021, and ended on February 15, 2022. The authoring organizations broadly socialized the draft consensus statement, beginning at the Conference of Parties (COP)26 in Glasgow in early November 2021, and requested input from a diverse set of stakeholders around the globe through briefings, a public electronic survey, three invitation-only regional consultations in Africa, Asia, and Latin America, and bilateral outreach to Indigenous Peoples organizations, companies, and government representatives. We received meaningful comments and suggestions from more than 85 parties. The group assessed the feedback and determined what changes to make in response, resulting in this document.



Background, Context, and Considerations

Urgency of Halting Destruction and Degradation of Tropical Forests

The science is clear: halting loss of tropical² forests—the home and heritage of Indigenous Peoples (IPs) and local communities (LCs)³ who have long been their guardians—is necessary to address climate change and achieve the Paris Agreement goals.¹ Yet, tropical forest loss and degradation have proven difficult to reduce, generating large greenhouse gas (GHG) emissions and threatening IPs' and LCs' rights, culture, and livelihoods, as well as biodiversity. Losing these forests also undermines the enormous potential for intact and recovering forests to continue to sequester carbon from the atmosphere and cool the Earth's surface through evapotranspiration and other biophysical processes.



2 The term “tropical forests” is used throughout to refer to both tropical and subtropical forests as well as mangroves, peatlands, and other landscapes, the conservation and restoration of which is important to climate stability.

3 Both IPs and LCs play critical roles in protecting forest and the biodiversity within them. Different initiatives choose to refer to these groups with one combined acronym (IPLCs) or separately (IPs and LCs). In this document, they are referred to separately in order to recognize their specific needs while at the same time acknowledging the important and synergistic roles both groups play in forest protection.

Protecting Tropical Forests and the Ecosystem Services They Provide

Living ecosystems, notably tropical forests and peatlands, contain over 100 gigatons (Gt) of carbon stocks that, once lost, cannot be recovered in any time frame relevant to addressing the climate crisis.ⁱⁱ Eleven million hectares of tree cover are lost per year in the tropics, resulting in 6.3 Gt of carbon dioxide (CO₂) emissions (the equivalent of the annual emissions from approximately 900 million automobiles).ⁱⁱⁱ

Nature is fundamental to human survival and economic prosperity, yet there remains an estimated \$700 billion funding gap per year for nature and biodiversity.^{iv} In particular, nature's mitigation potential has been overlooked: natural climate solutions, such as forest conservation, receive only 8 percent of public climate finance.^v Finance specifically directed toward forests is less than 1 percent of the total needed to meet the international goal of halting and reversing deforestation by 2030.^{vi} Yet, achieving net zero land-use emissions is an indispensable step for realizing net zero across all sectors.^{vii} This cannot be achieved without, first and foremost, a rapid elimination of tropical deforestation and degradation complemented by significant progress toward the restoration of tropical forests.^{viii}

Furthermore, the conservation and restoration of tropical forests and the ecosystem services they provide for people and nature are foundational to sustainable business in every part of the world. Many companies have extensive dependencies on functioning forests and other ecosystems, including for regulation of local climate stability and hydrology, maintenance of agricultural productivity and pollination services, and safeguarding public health and safety. These dependencies, along with the urgent need for private-sector leadership to tackle tropical forest loss, are more apparent than ever,^{ix} fueling significantly enhanced ambition from companies to help take on the climate change emergency.

Guidance to Companies Regarding Purchase of Tropical Forest Carbon Credits

Companies, in concert with governments, civil society, IPs, and LCs, have multiple avenues to help halt the loss of tropical forest carbon resulting from both deforestation and degradation.⁴ There is increasing corporate interest in purchasing tropical forest carbon emissions reductions and removals credits in voluntary markets. At the same time, there are widespread misunderstandings and even conflicting advice from voluntary carbon market platforms and initiatives regarding the integrity of REDD+⁴ credits, crediting of high forest, low deforestation (HFLD) areas, and the respective roles of forest carbon emissions reductions and removals.

Companies that choose to purchase tropical forest carbon credits need guidance to differentiate their purchases by impact, quality, and scale in order to align their tropical forest carbon credit portfolios with the best available science and contribute to limiting warming to 1.5 degrees Celsius. This report offers such guidance. Without this differentiation in underlying attributes of credits, the rapid increase in demand for credits carries a risk of lowering the quality of supply and missing the opportunity to incentivize the most transformational interventions. In contrast, purchasing high-quality credits and signaling future demand have considerable potential to conserve forests and benefit IPs and LCs, women, and underserved communities—as they help companies and society meet climate goals by stimulating market design, accelerating policy development, and generating financing for climate solutions.

This Guide is designed to assist decision making by individuals and teams responsible for developing and implementing corporate climate mitigation/net zero strategies through approximately 2030, the time frame of the global commitment to end deforestation and forest degradation.⁵ When this commitment has been achieved, reassessment and refinement of forest protection and carbon crediting strategies will be needed. We recognize that some specific elements of this Guide may be outdated before 2030 and other elements may remain relevant long after 2030.

This Guide is also intended for consultants and those who advise companies on these topics and is therefore for a technical audience familiar with forest carbon credits.

While this Guide is not a standard against which performance can be certified, it is our strong hope that those who set relevant standards will consider integration of these recommendations.

All carbon credits across all sectors should be high quality and ensure environmental integrity. While this Guide focuses on tropical forest carbon credits, many of our recommendations are not unique to forests and should be applied to credits generated across all sectors.



4 “REDD” stands for Reducing Emissions from Deforestation and forest Degradation; the “+” signifies the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks.

5 Glasgow Leaders’ Declaration on Forests and Land Use, available at <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>.

Indigenous Peoples and Local Communities, Women, and Other Underserved Communities

Indigenous Peoples and other local communities are essential guardians of the world's forests. Research shows that they have effectively and sustainably managed their land for generations, despite lack of secure tenure. While half of all global land is community land of IPs and LCs,^{xi} only 10 percent is officially recognized as belonging to them.^{xii}

Lands governed by IPs and LCs represent a significant share of global forest carbon.^{xiii} Empowering IPs and LCs to conserve and make sustainable use of their land is a powerful strategy to conserve forests and the carbon, communities, and cultural and biological diversity that forests sustain. Recent research from the Amazon shows that deforestation rates on securely held Indigenous land are 50 percent lower than in areas outside of Indigenous territories.^{xiv} In recent years, numerous international organizations have issued additional research and reports demonstrating the critical role of IPs and LCs in land conservation.^{xv}

Direct access to carbon markets is essential for full and equitable participation of Indigenous territories in tropical forest carbon crediting. Jurisdictions should move toward enabling such access and consider IPs and LCs as central rightsholders, including to forest carbon originating in their territories, as they develop and evolve their crediting programs. This should become a benchmark for a high-quality jurisdictional REDD+ crediting program (herein referred to simply as a jurisdictional program). In addition, standard-setting bodies should provide for the full and effective participation of IPs and LCs in standard-setting processes to support equitable and transparent benefit sharing and movement toward direct access to crediting. Both standards and credit purchasers have an important role to play in influencing jurisdictions to provide Indigenous territories direct access to carbon markets.



Key Considerations

One Tool in the Climate Mitigation Toolbox

Voluntary markets for tropical forest carbon credits can play an important complementary role in helping to limit global warming to 1.5 degrees Celsius when augmenting companies' deep decarbonization within their operations and supply chains. Science-based decarbonization targets, zero-deforestation targets, and the mitigation hierarchy^{6,xvi} are all necessary components of deep decarbonization.^{xvii} The greatest benefit of this complementary role occurs when (a) the carbon credits are transacted as part of a company's beyond value chain mitigation strategy,^{xviii} and (b) they represent a high level of climate mitigation impact for the activities undertaken while supporting positive economic, social, and environmental co-benefits.^{xix,xx} (See [Recommendation I.](#))

The organizations authoring this Guide agree that voluntary actions by companies can play a critical role in saving tropical forests alongside many other necessary strategies and actions to meet the goals of the Paris Agreement. Some of us look to voluntary carbon markets as a central strategy, while others of us have concerns about relying too heavily on the voluntary market and see a more important role for other types of financing mechanisms and interventions to halt deforestation and to protect and restore forests, strategies that are not addressed in this Guide.⁷

Nonetheless, in the face of the urgency to conserve tropical forests and the rapidly increasing demand for tropical forest carbon emissions reductions and removals credits in voluntary markets, we agree that guidance for companies choosing to make such purchases is urgently needed.

Clarification on Use of the Term “Carbon Credit”

In this Guide, a “carbon credit” is defined as an emission unit that is issued by a carbon crediting program and represents an emission reduction or removal of GHGs (i.e., a “mitigation outcome” as referenced in international agreements; see the [Glossary](#) for the definition of “climate mitigation outcome”). Carbon credits are uniquely serialized, issued, tracked, and cancelled by means of an electronic registry. Carbon credits can be used and claimed within corporate climate strategies in various ways.

While this Guide does not directly address offsetting or contribution claims associated with credit purchases, they are a key part of integrity considerations. Please note that the terms for—and claims regarding—the use of carbon credits are evolving, with different proposals by host countries, voluntary standards, and norms within the market, and that coauthoring organizations hold diverse views about them. For example, some credits may be appropriate to use toward claims such as “carbon neutrality” or “net zero,”⁸ while other carbon credits or non-credit finance may instead enable the buyer to refer to the contribution it has made to climate mitigation (e.g., as in a contribution claim). This points to the complexity and importance of guidance on how to make credible claims when investing in climate mitigation outside of a company's value chain. Initiatives such as the Voluntary Carbon Market Integrity (VCMI) Initiative are developing additional guidance on how companies should make claims associated with their voluntary use and accounting of carbon credits.

6 A set of prioritized steps to limit negative impacts, as much as possible, through avoidance, mitigation (or reduction), restoration, and offsetting (compensation). These prioritized steps are used in environmental frameworks from waste management to climate and biodiversity impact mitigation.

7 Because the scope of this document is limited to a subset of the issues required to ensure the integrity of crediting arrangements (i.e., with a focus on supply-side integrity), it should not be interpreted broadly as an endorsement of voluntary carbon markets for tropical forests by all authoring organizations.

8 Both of these terms mean a company compensates for remaining operational or value chain emissions with an equal amount of emissions reductions and/or removals that come from outside a company's value chain.

Accountability to Indigenous Peoples and Local Communities

Those seeking to take action involving tropical forests need to be accountable to the IPs and LCs that reside in them and/or hold rights to them. The benefits of forest conservation occur at local, subnational, national, and global levels, while the burdens of forest conservation are borne disproportionately by IPs and LCs. Regarding voluntary carbon markets, this requires going beyond ensuring that all carbon credits purchased meet strict conventional criteria for environmental and social responsibility (e.g., “do no harm” in all geographies). It means recognizing the necessity of full and effective participation in design and governance of forest carbon crediting programs and equitable benefit sharing for IPs and LCs. (See the accompanying box, “Indigenous Peoples and Local Communities, Women, and Other Underserved Communities,” [Recommendation II](#), and [Implementation Guidance Step 3](#).)

Making Purchasing Decisions that Shape the Future

The following guidance clarifies how companies purchasing tropical forest carbon credits from the voluntary market as part of their climate strategy can direct and leverage their demand for credits effectively to help stop and reverse the loss of tropical forests. Implementing this guidance can also accelerate the development of a high-quality pipeline of credits that represent outcomes at scale. (See Figure 1 for a graphic depicting the desired shift in market trajectory.)

We are confident that commitments and purchases that align with our recommendations and are supplemental to deep decarbonization will effectively contribute to climate stabilization and the delivery of necessary social and environmental co-benefits.

Evolving Voluntary Carbon Market Governance

The authoring organizations recognize and value the work of the many other initiatives and platforms seeking to improve the integrity of voluntary carbon markets, in which many of our organizations participate. These include the Integrity Council for Voluntary Carbon Markets (IC-VCM), the Natural Climate Solutions Alliance (NCSA), the Science Based Targets initiative (SBTi), Voluntary Carbon Markets Integrity (VCMI) Initiative, and the Carbon Credit Quality Initiative (CCQI).

These and other initiatives are working to provide guidance on both the supply- and demand-side carbon credit quality issues, as well as guidance on quality for credits outside of the forest sector. We intend to collaborate with these initiatives to support the evolution of a consistent, coherent, inclusive, equitable, and efficient framework for voluntary carbon market governance. We do not intend to create a new entity; rather, we seek to actively advocate for uptake of this guidance by these other initiatives and platforms.

We encourage companies to stay abreast of emerging guidance from these and other initiatives as well as other resources guiding critical company actions on climate change other than credit purchases.^{xxi}



Consensus Recommendations

When purchasing high-quality tropical forest carbon credits,⁹ companies should:

I. Consider using tropical forest carbon credits in their beyond value chain mitigation (BVCM) strategies to augment an ambitious, science-based decarbonization target.

The greatest benefit from the use of carbon credits occurs when the credits are transacted as part of a company's beyond value chain mitigation strategy and represent a high level of climate mitigation impact for the activities undertaken, while also supporting positive economic, social, and environmental co-benefits.^{xxii, xxiii}

A. To provide transparency and ensure that carbon credits transacted are a complement to and not a substitute for company decarbonization, companies must publicly commit to a science-based target¹⁰ validated by the Science Based Targets initiative (SBTi) or equivalent,¹¹ and the mitigation hierarchy should be a guidepost for prioritizing their actions.^{xxiv} Companies for which deforestation within supply chains is significant must also be actively implementing a zero-deforestation target in line with the Accountability Framework initiative (AFi) and have a cutoff year of 2020 or earlier.

9 All carbon credits across all sectors should be high quality and ensure environmental integrity. While this document and these recommendations focus on tropical forest carbon credits, many of these recommendations are not unique to forests and should be applied to credits generated across all sectors.

10 Companies with an intensive land footprint should include a Forest, Land, and Agriculture (FLAG) target within their science-based climate target. More information available at <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>.

11 In accordance with the best available science, the Paris Agreement, and the United Nations' Sustainable Development Goals, companies should transition toward net zero in line with mitigation pathways that are consistent with limiting warming to 1.5 degrees Celsius with no or limited overshoot. Reference: "Foundations for Science-Based Net-Zero Target Setting in the Corporate Sector, Principle 2," available at <https://sciencebasedtargets.org/resources/files/foundations-for-net-zero-full-paper.pdf>.

Clarifying the Role of Reductions and Removals in Achieving Net Zero

In the near term, the purchase of carbon credits falls within a company's beyond value chain mitigation activities, so it is important to understand the types of credits companies should be considering in their BVCM strategies. SBTi guidance does not limit beyond value chain mitigation to removals. BVCM activities can avoid or reduce greenhouse gas emissions or remove and store GHGs from the atmosphere.

BVCM is expected to be the second step companies take after abatement of value chain emissions. BVCM efforts should begin immediately, whereas neutralization is expected to ramp up as the company gets closer to reaching its net zero targets.

However, SBTi's guidance has been widely misinterpreted as indicating that emissions removals are superior to emissions reductions for all mitigation as companies decarbonize over the coming decades. According to SBTi, removals are only necessary for "neutralization of residual emissions" defined as "GHGs released into the atmosphere when the company has achieved their long-term SBT [and which] must be counterbalanced through the permanent removal and storage of carbon from the atmosphere."¹²

12 Science Based Targets initiative (SBTi) Corporate Net Zero Standard, Version 1.0, October 2021, available at <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>. See also "Going Above and Beyond to Contribute to Societal Net Zero," SBTi, August 31, 2022. <https://sciencebasedtargets.org/blog/going-above-and-beyond-to-contribute-to-societal-net-zero>.

Reputational Risk and the Due Diligence Required to Mitigate It

Many companies have concluded that they can no longer afford the material or reputational risks of being associated with forest loss. Some are going beyond commitments to remove deforestation from their supply chains by supporting implementation of actions and initiatives in host countries to address drivers of deforestation and degradation, such as providing upfront investments in aligned activities and technical capacity.¹³

There are also reputational risks associated with the purchase of low-quality tropical forest carbon credits. While companies should consider purchasing credits as described in this Guide, buyers should be aware of known weaknesses in current standards and the associated reputational risks that may result from purchase of credits without adequate due diligence. Critical weaknesses in standards include lack of recognition of IP and LC rights and ensuring beneficial impact to, benefit sharing with, and full and effective participation of IPs and LCs. As standards evolve to better address relevant concerns and as improvements in monitoring technology enable more timely, accurate, and precise assessment of performance against those standards, the burden of conducting additional due diligence will lessen for companies and their advisors.

Furthermore, should private-sector buyers seek to purchase units from initiatives that do not meet the fundamental thresholds of rigorous, independent verification and social safeguards processes, (e.g., the REDD.plus platform, at the time of this writing), they should be aware that these units may not deliver against corporate climate targets.

See [Step 3](#) of the Implementation Guidance on conducting necessary due diligence.

¹³ See, for example, "Landscape Scale Action for Forests, People and Sustainable Production: A Practical Guide for Companies," available at <http://forestsolutions.panda.org/uploads/default/report/JA-Practical-Guide.pdf>.

II. Ensure that essential components of social and environmental integrity are met for all credits purchased. (See [Step 3](#) in Implementation Guidance.)

A. Companies should ensure the credits they purchase meet stringent quality criteria, in addition to complying with all Cancun Safeguards.^{14,15} Companies must perform due diligence to ensure that the credits they purchase meet the following criteria:

Indigenous Peoples and local communities as active partners, not passive beneficiaries

- **Respect for rights**

- The rights of IPs, LCs, women, and other underserved communities should be fully respected, including rights to the free use of, and property rights to, lands, territories, waters, and resources (including carbon), according to their customary sustainable use and traditional knowledge.

¹⁴ Cancun Safeguards are also known as REDD+ safeguards. Cancun Safeguards aim to ensure that REDD+ initiatives adequately address sensitive issues. The seven Cancun Safeguards state that REDD+ initiatives should promote and support:

- Actions that complement or are consistent with the objectives of national forest; programs and are relevant to international conventions and agreements;
- Transparent and effective national forest governance structures that take into account national legislation and sovereignty;
- Respect for the knowledge and rights of Indigenous Peoples and members of local communities by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
- The full and effective participation of relevant stakeholders, and in particular Indigenous Peoples and local communities;
- Actions that are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of Decision 1/CP.16 are not used for the conversion of natural forests but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services and to enhance other social and environmental benefits;
- Actions to address the risks of reversals; and
- Actions to reduce displacement of emissions.

See "Monitoring & Evaluation: REDD+ Safeguards," The Amazon Fund, available at <http://www.amazonfund.gov.br/en/monitoring-evaluation/REDD-safeguards/>. See also the United Nations Framework Convention on Climate Change REDD+ Safeguards, available at <https://redd.unfccc.int/fact-sheets/safeguards.html>.

¹⁵ Some of the criteria are elaborations of criteria in the Cancun Safeguards, and some are additional to those safeguards.

- **Full and effective participation**

- Interventions must ensure Free, Prior, and Informed Consent (FPIC) for IPs and LCs and equitable access to information, including full explanations of the scope of proposals, in a transparent manner that is technically accessible and culturally appropriate.
- IPs, LCs, women, and other underserved communities, where relevant, should function as partners and rightsholders or stakeholders—and not just beneficiaries¹⁶—in a genuinely collaborative and intercultural¹⁷ approach that values diverse cultural practices and ensures full and effective participation on equal terms throughout the process, from initial proposal to implementation, and with special emphasis on the equitable distribution of benefits.
- Capacity building, technical support, and logistical resources should be provided to IPs, LCs, women, and other underserved communities (or to organizations that represent and serve them) to enable their full and effective participation on equal terms and to support and strengthen REDD+ proposals and advance IP- and LC-led climate action (e.g., Amazon Indigenous REDD+).¹⁸

- **Respect for local systems, knowledge, and traditions**

- Customary consultation protocols must be respected.
- Due consideration should be given by governments and non-state actors to IP- and LC-proposed and led approaches to forest conservation and reducing deforestation and degradation.
- IPs' and LCs' management systems and organizational structures should be fully respected.
- Concerns regarding measurement methodologies raised by IPs and LCs based on their experience should be seriously considered.

Equitable and transparent benefit sharing

- Fair, transparent, and equitable distribution of benefits and revenues developed in consultation with relevant rightsholders and other stakeholders is required, including to recognize and reward IPs', LCs', women's, and other underserved communities' vital role in forest conservation.
- IPs and LCs should have the right to determine to which companies or other entities they sell credits that are based on their activities and actions to protect tropical forests; where IPs and/or LCs do not have the ability to sell credits directly, IPs and LCs should have a role in determining to whom credits based on their activities and actions may be sold.
- Distribution of benefits must, when possible, go directly to IPs, LCs, women, and other underserved communities who protect forests rather than through third-party intermediaries requiring high administrative fees. However, if intermediaries are necessary due to lack of capacity to receive funds directly—or part of the proceeds from projects is needed to enable capacity building and/or provide technical support—roles and associated costs of intermediaries' services must be transparent and agreed to by all parties in advance.
- Funds received directly by IPs and funds managed by other parties (e.g., government agencies) in support of IPs should be invested according to IP proposals and through their territorial management tools, including in vigilance activities in forests, Indigenous economy, governance, and recovery of ancestral knowledge, among others.

Appropriately conservative baselines

- Baselines should be independently verified to be in compliance with requirements for robust, evidence-based baselines to ensure additionality.

¹⁶ Being a partner and not just a beneficiary means participating in all decision-making processes during the project/program, and not just being passive receivers of the goodwill of the jurisdiction/program.

¹⁷ Interculturality refers to the presence and equitable interaction of diverse cultures and the possibility of generating shared cultural expressions through dialogue and mutual respect. Reference: Article 4.8 of the Convention on the Protection and Promotion of the Diversity of Cultural Expressions, available at <https://es.unesco.org/creativity/interculturalidad>.

¹⁸ Coordinator of the Indigenous Organizations of the Amazon Basin (COICA) defines an Indigenous-led jurisdictional REDD+ approach as: the implementation of a strategy to reduce emissions from land use and change at the level of a jurisdiction (in this case, Indigenous territories). It is based on the guidelines of Amazon Indigenous REDD+ (RIA), a proposal of its own by COICA that prioritizes the holistic management of forests and Indigenous territories and recognizes their governance structures. It also ensures not only respect for territorial and land rights and FPIC for Indigenous Peoples, but also the effective participation of Indigenous Peoples in the process and a fair distribution of benefits. Specifically, the inclusion of areas with high vegetation cover and low deforestation (HFLD) is sought, since most Indigenous territories, due to their achievements in forest conservation, are characterized by HFLD areas.

- Project-scale emissions reductions and removals should be based on an independently certified, jurisdictionally allocated baseline, when one exists.

Permanence

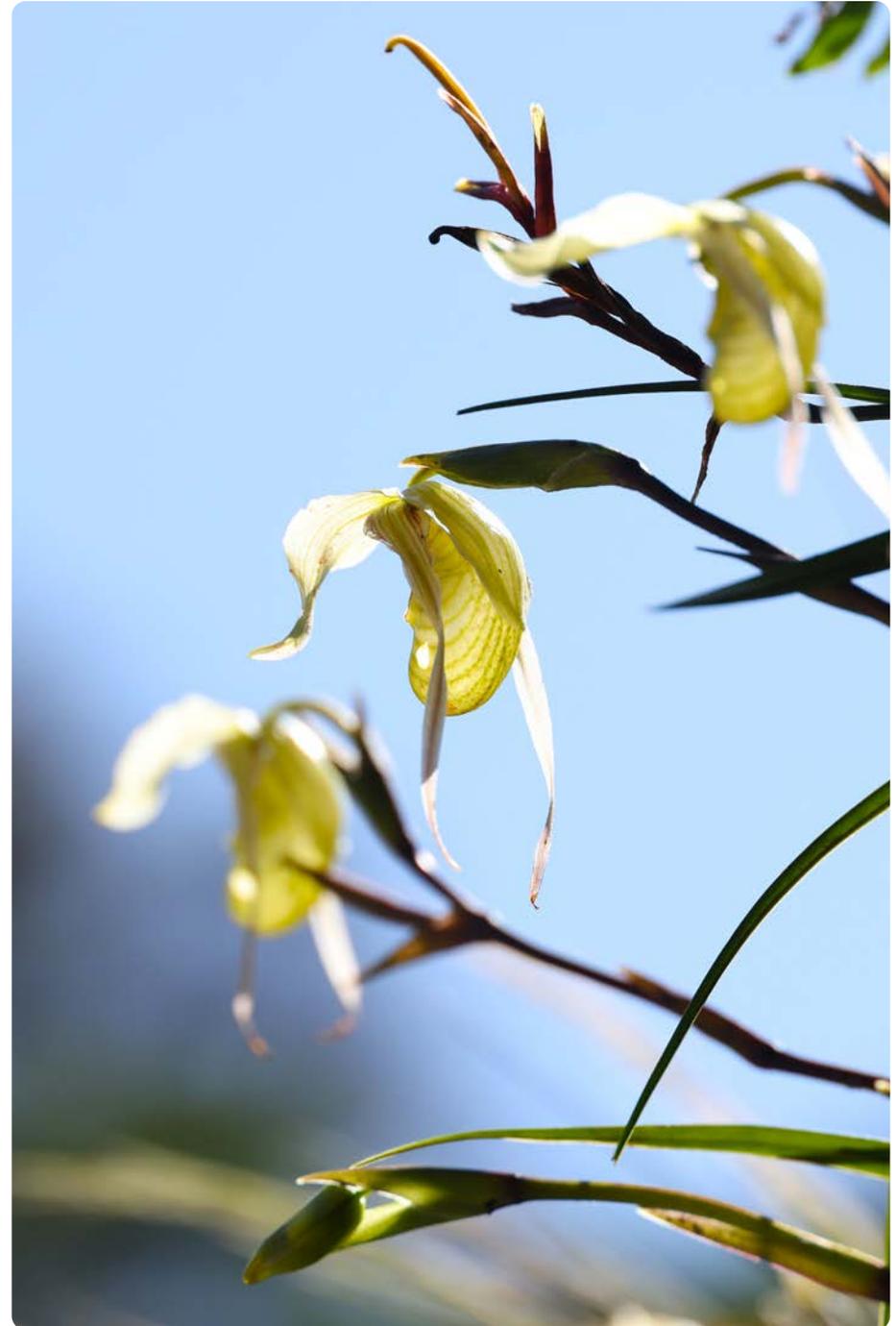
- Requirements for deductions (i.e., “discounts”) should be based on conservatively estimated risks of non-permanence and leakage.

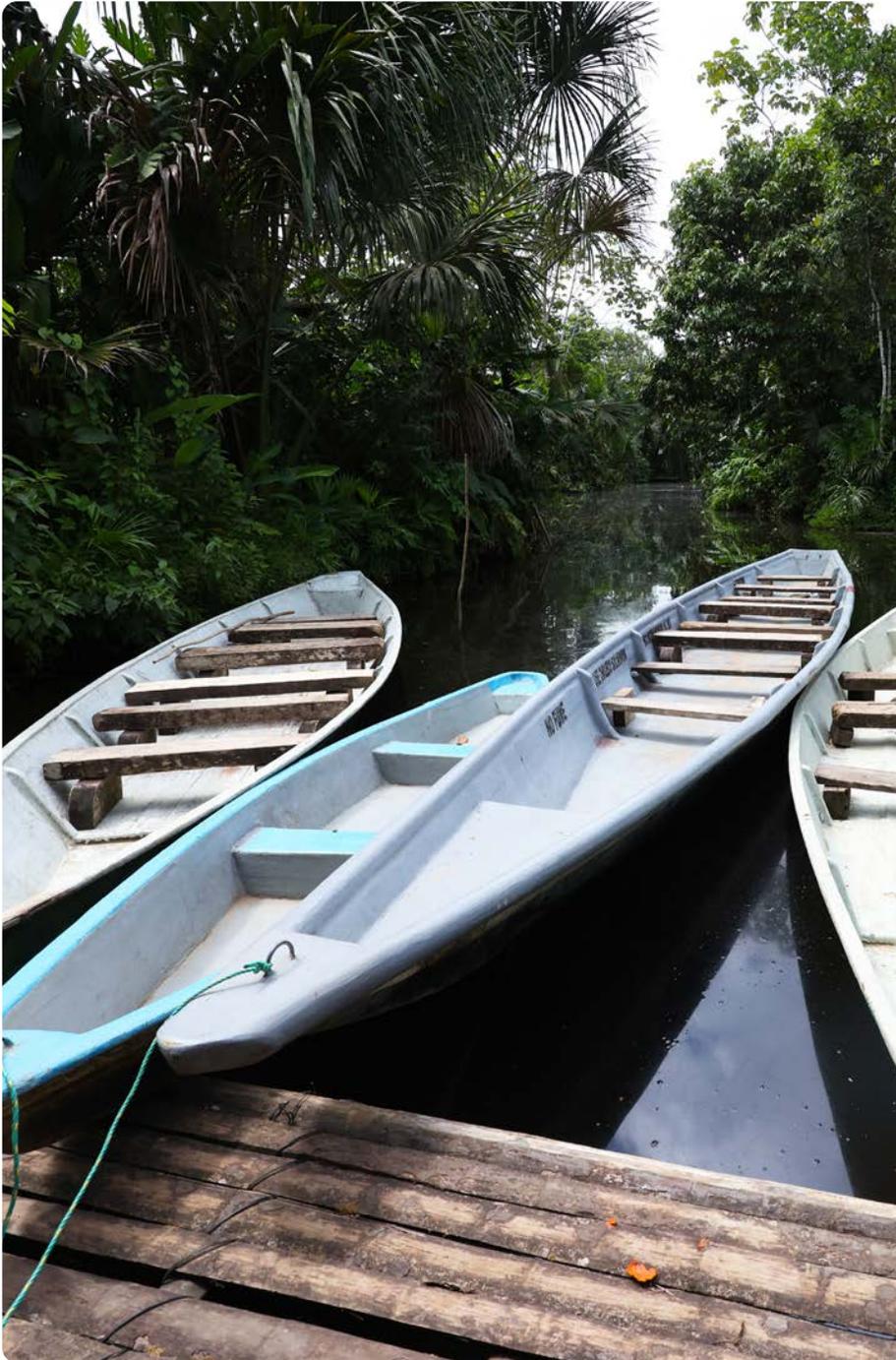
Additional environmental integrity criteria

Crediting must be based on:

- Continuous improvement of data specificity and a reduction in overall uncertainty over time through the use of the latest/best-available science;
- Alignment with jurisdictional programs and accounting frameworks where developed (see also [Recommendation IV](#));
- Avoidance of double counting;
- Activities that avoid adverse environmental or social impacts, generating sustainable development benefits beyond reducing GHG emissions;
- Activities that contribute to enhancing biodiversity; and
- Activities that enhance adaptation and resilience.

See [Implementation Guidance Step 3](#) regarding due diligence to ensure these criteria are met by credits purchased.





III. Align corporate reporting of forest carbon crediting purchases with the Paris Agreement's transparency and accounting requirements and with enhancement and achievement of nationally determined contributions (NDCs).

- A. Companies should actively express support for the establishment of the rules, administrative systems, and infrastructure needed by national and subnational governments to implement the Paris Agreement's Article 6 transparency and accounting requirements as they apply to carbon credits.
- B. Companies should report on their use of carbon credits, specifying the host country of the forest carbon crediting activity, vintage, project or program, standard-setting body, and whether the credits are associated with a corresponding adjustment.
- C. If forest carbon crediting activities will be counted toward the host country's NDC, the company must publicly communicate that the associated reductions or removals will contribute to the host country's NDC.
- D. In the absence of comprehensive, credible climate mitigation claims guidance and in recognition of ongoing debate regarding the potential risks related to double claiming between corporate and national emissions reduction targets, companies should navigate any uncertainty around claims they make by being as transparent, honest, and authentic as possible in their reporting and communications.

IV. Rapidly shift demand toward credits originating from jurisdictional-scale programs (including fully nested projects).

For background on jurisdictional crediting, see text box entitled “The Case for a Rapid Transition to Jurisdictional-Scale Crediting,” as well as the [Annex to Recommendation IV](#).

A. Companies should expedite the transition to jurisdictional-scale REDD+ crediting (hereafter referred to as jurisdictional-scale crediting/credits) by signaling demand through forward finance agreements¹⁹ and/or forward credit purchase commitments.

To signal current demand for future credits associated with programs and interventions that can both deliver high-quality results and rapidly scale up impact, companies must differentiate among the forest carbon credits *currently and prospectively*²⁰ available on the voluntary market.

In the near term, until jurisdictional-scale (including fully nested) credits are widely available, company commitments to forward finance and/or forward credit purchase can contribute to incentivizing an accelerated and increased supply of such credits. This demand signal can provide the certainty and incentives governments need to invest in strengthening legal, regulatory, and accounting systems for jurisdictional-scale approaches, and can prompt project proponents to accelerate progress on nesting arrangements. (See [Glossary](#) for definition of “nested project” and Annex to Step 2 for criteria for “fully nested” and “nesting ready” projects.)

Forward finance agreements and/or credit purchase commitments are particularly encouraged in places where a jurisdictional program is already or expected to be registered and validated by an internationally recognized standard and offering credits in the near term.

B. Companies should rapidly increase the share of their credit purchases from jurisdictional-scale programs (including fully nested projects). [Implementation Guidance Step 2](#) provides guidance for companies regarding the purchase of forest carbon credits from jurisdictions at various stages of maturation of jurisdictional programs.

C. Companies should encourage project developers and existing carbon projects to take all possible steps to promote establishment of high-quality jurisdictional-scale crediting and associated accounting frameworks and to nest into them. Jurisdictional programs with high environmental and social integrity provide the opportunity to start shifting carbon credit supply to transformational scales envisioned in the Paris Agreement. However, in locations where the current government is unlikely to support and/or effectively implement equitable jurisdictional-scale crediting, selective near-term corporate purchases of high-quality project-scale credits may provide interim support for critical forest conservation needs and opportunities so long as they do not disincentivize jurisdictional-scale actions and/or associated crediting.

See [Implementation Guidance Step 1](#) and [Step 2](#) for specific guidance about constructing a vision for a tropical forest carbon credit portfolio and sourcing credits to populate it.

¹⁹ Financing received to establish a project or program and undertake initial emissions reduction or removal activities, prior to the issuance of carbon credits. May include contracts for the purchase of credits at a future date based on specified prices and other terms.

²⁰ Prospectively available credits are credits anticipated to be available in the future but currently are not. Prospective is not synonymous with “ex ante” credits (i.e., credits generated in advance of the reduction occurring). The authoring organizations do not endorse ex ante crediting.

The Case for a Rapid Transition to Jurisdictional-Scale Crediting

Our organizations believe that forest-based emissions reductions and removals can be delivered most efficiently and effectively by jurisdictional-scale crediting approaches (including both jurisdictional programs and fully nested projects) but must be urgently resourced in order to succeed. Moving from *un-nested* project-scale crediting toward jurisdictional-scale crediting and emissions accounting is needed both to incentivize actions and policy changes at the scales at which drivers of deforestation operate and to increase the scale of tropical forest climate mitigation initiatives to the level required to achieve the global goals to limit warming to 1.5 degrees Celsius.

Jurisdictional-scale crediting is consistent with the national approach to forest monitoring, baselines, strategies, and safeguards in the Warsaw Framework for REDD+^{21, xxv} negotiated under the United Nations Framework Convention on Climate Change (UNFCCC) and incorporated into the Paris Agreement. The critical rationale for the development of this framework for REDD+ with accounting for emissions reductions and removals at national scales holds true for all jurisdictional-scale crediting: to address environmental integrity issues such as leakage, additionality, and non-permanence; preserve biodiversity; and create incentives for improved governance, needed policy reforms, and large-scale implementation.^{xxvi}

Furthermore, jurisdictional programs that ensure the inclusion of Indigenous territories with the full and effective participation of IPs, LCs, women, and underserved communities as partners have the potential to extend benefits to more communities, including for the conservation of carbon stocks. There may also be Indigenous jurisdictions that are directly registered as jurisdictional programs.

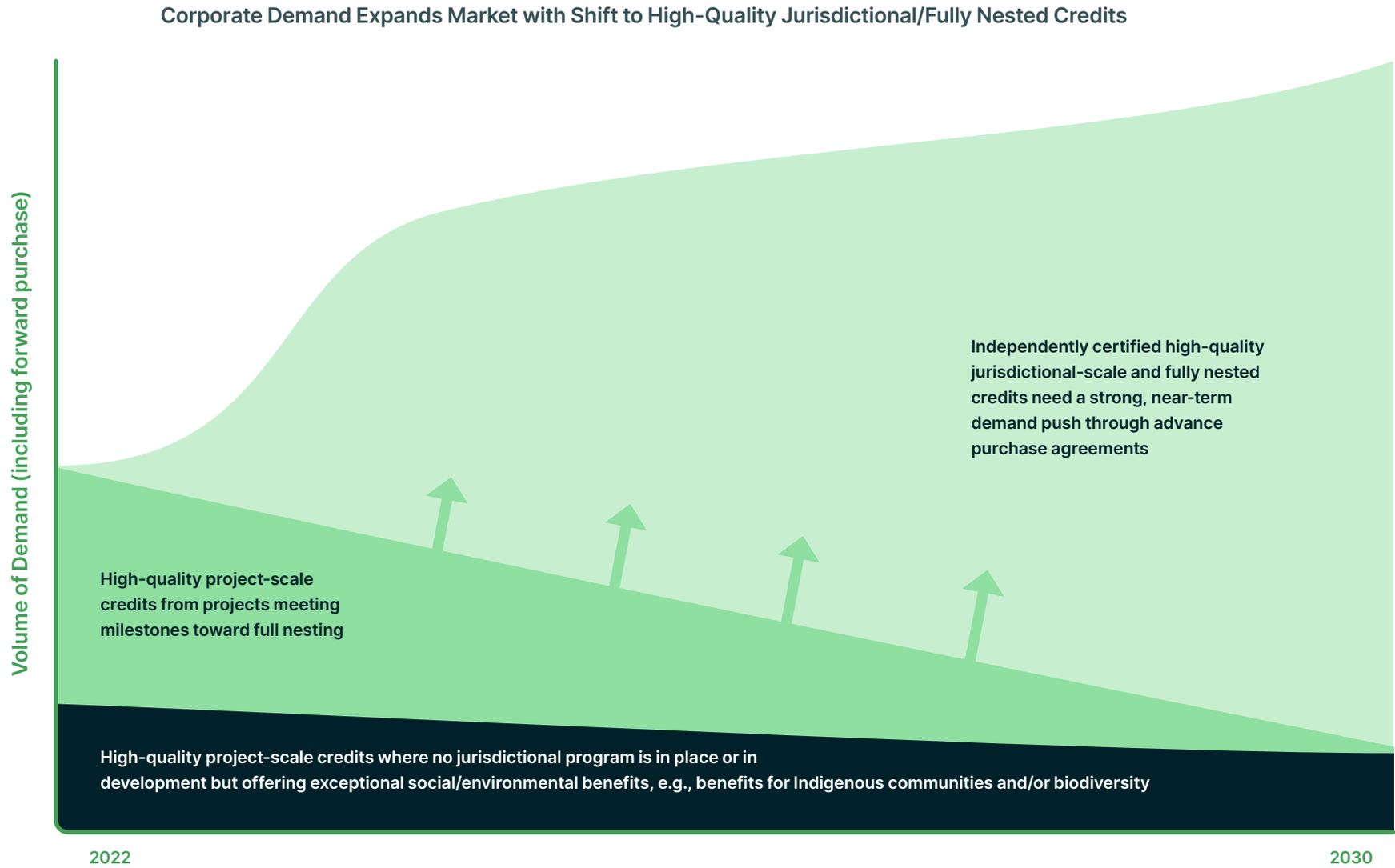
We anticipate that jurisdictional-scale credits will become increasingly available for purchase in the voluntary carbon market in the next few years.^{xxvii} In many cases, successful jurisdictional-scale crediting will require that governments strengthen the necessary institutional infrastructure, such as legal, regulatory, and accounting frameworks. Companies' demand for jurisdictional-scale credits can play an important role in accelerating these developments. Increasing the supply of jurisdictional credits should make it possible to differentiate high-quality credits among those jurisdictions that can demonstrate full and effective participation of IPs and LCs and full respect for their rights, including direct access to carbon credit finance.

Project-scale efforts will continue to play a role in generating emissions reductions and removals, but, as demand for jurisdictional-scale crediting increases, we expect that project-scale crediting will be aligned with jurisdictional-scale crediting. Jurisdictional-scale programs have the potential to generate much greater mitigation in the medium term.

See [Annex to Recommendation IV](#) for additional background and discussion of the rationale and path for the transition to jurisdictional-scale crediting. See [Implementation Guidance Step 2](#) and the [Annex to Step 2](#) for more detailed guidance regarding how corporate buyers can screen project-scale credits for consistency with the desired transition toward alignment with jurisdictional programs.

21 Negotiations in the context of the UNFCCC toward the international framework for REDD+ were launched in Bali in 2007. Key decisions were reached at subsequent negotiations in Cancun (on safeguards) and Warsaw (on the overall framework), and the framework was affirmed under Article 5 of the Paris Agreement.

Figure 1: Desired Market Trajectory



V. Prioritize purchase of credits originating from programs and projects that reduce threats to standing tropical forests.

Achieving the Paris Agreement's goal of balancing emissions reductions and removals by midcentury requires both ending deforestation and accelerating forest restoration. However, science is clear that in the near term, priority must be given to protecting forests that are still standing, especially those in the tropics. Emissions caused by tropical deforestation are significant, immediate, and irreversible in the relevant time frame. Emissions from deforestation contribute about 11 percent of total global emissions.^{xxviii}

In addition to an immediate pulse of emissions when forest vegetation burns or decomposes, newly deforested areas also lose ongoing sequestration capacity and are often replaced with an emissions-intensive land use such as beef production. Further, while young trees remove carbon from the atmosphere, newly restored forests are not equivalent to the mature systems whose losses they are intended to replace, either in terms of the magnitude or timescale of their total carbon storage potential.^{xxix} In that sense, carbon released from the conversion of tropical forests to other land uses is “irrecoverable” through restoration activities between now and 2050.^{xxx}

A. Companies should prioritize purchase of high-quality emissions reductions credits over removals credits (e.g., those generated through tree-planting efforts associated with reforestation and afforestation) until global goals of halting deforestation and ecosystem loss are achieved.

B. Companies should include conservatively issued jurisdictional credits originating from HFLD jurisdictions (many of which include Indigenous territories) in their portfolios. Such purchases provide near-term incentives to maintain remaining intact forests²² and support recognition of the success of IPs and LCs in forest conservation.

See *Implementation Guidance* [Step 1](#) for further guidance on the appropriate inclusion of emissions reductions, removals, and HFLD credits, and [Annex to Step 1](#) for additional details on attributes of conservatively issued HFLD credits.



²² An unbroken expanse of natural ecosystems within the zone of current forest extent, showing no signs of significant human activity and large enough that all native biodiversity, including viable populations of wide-ranging species, could be maintained.



Implementation Guidance

The following Implementation Guidance aims to help companies navigate the marketplace of tropical forest carbon credits with integrity and clarity of purpose.

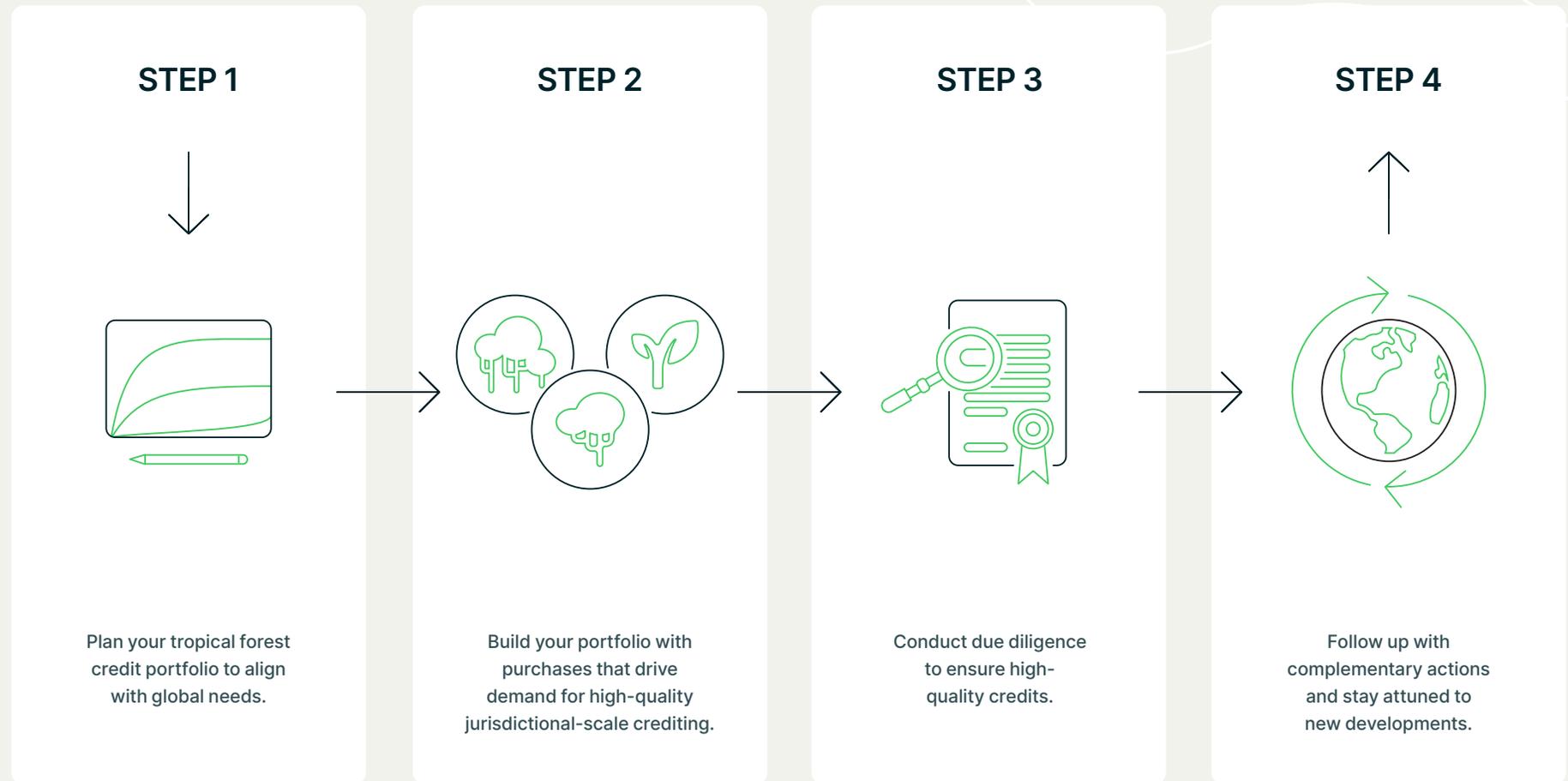
Intended for individuals and teams that are developing and implementing strategies to reduce companies' carbon emissions and achieve net zero goals, this section offers a four-step process for developing a strategy and vision for a portfolio of such credits and populating it over time. It should be viewed as a supplement to the Consensus Recommendations.

Per Recommendation I, companies should only follow these steps once they have publicly committed to a science-based target validated by the Science Based Targets initiative (SBTi) or equivalent. Companies should use the mitigation hierarchy as a guidepost for prioritizing their actions. Companies for which deforestation within supply chains is significant must also be actively implementing a zero-deforestation target in line with the Accountability Framework initiative (AFi).

As they follow this guidance, companies should recognize that significant changes in crediting processes are needed to make tropical forest carbon crediting fully equitable for IPs and LCs, including direct access to carbon markets for Indigenous territories. For more detail, see "Indigenous Peoples, Local Communities, Women, and Other Underserved Communities" on [page 11](#).

Implementation Guidance.

A four-step process.



STEP 1

Plan Your Tropical Forest Credit Portfolio to Align with Global Needs as They Evolve

Corporate credit portfolios should be constituted to align with global needs to limit global temperature increase to 1.5 degrees Celsius. As conservation of standing forests should be prioritized, the composition of portfolios should change over time based on how well and how quickly the global community makes progress in eliminating deforestation and forest degradation.

Recommended actions to construct a portfolio in the near term:

A. Prioritize purchase of, and advance purchase and forward finance agreements for, jurisdictional-scale emissions reductions credits in the near term to conserve and reduce threats to tropical forests. Companies should align tropical forest carbon credit portfolios with the latest science by prioritizing emissions reductions credits and only increasing the share of removals credits in their corporate portfolio in alignment with global achievement of halting deforestation and ecosystem loss.

B. Include jurisdictional-scale HFLD credits to provide near-term incentives to maintain remaining intact forests and support recognition of the success of IPs and LCs in forest conservation.²³ Forests in HFLD jurisdictions are currently at risk and their emerging threats are shifting rapidly. Actors within many HFLD jurisdictions have been actively defending forests against these risks without compensation. This is neither equitable nor likely sustainable.

Revenues from HFLD credits can incentivize implementation of holistic, inclusive, and equitable approaches that ultimately lead to the most durable forest protections, reflecting the real and legitimate contribution of HFLD areas (and their protectors) to climate mitigation. Therefore,

jurisdictional-scale HFLD credits issued through appropriately conservative methods should be included in corporate carbon credit portfolios. The authoring organizations recognize the methodologies of the Forest Carbon Partnership Facility Carbon Fund (FCPF CF) and the Architecture for REDD+ Transactions' (ART) The REDD+ Environmental Excellence Standard (TREES) as appropriately conservative approaches for jurisdictional-scale HFLD credits in the interim while additional science is undertaken.²⁴ **All carbon crediting methodologies, including those for HFLD credits, must invest in continuous improvement over time, in light of further analysis and experience.**

To generate credits, HFLD jurisdictions must implement the same REDD+ activities as non-HFLD jurisdictions (e.g., enacting forest management plans, establishing protected areas, developing REDD+ regulation and policies, etc.) to *maintain* their low levels of deforestation, rather than to lower deforestation levels, as is the case with non-HFLD jurisdictions. In many cases, HFLD jurisdictions owe their designation and the integrity of their forests to ongoing and persistent efforts of Indigenous Peoples and local communities, who actively confront the drivers of forest loss. Until recently, the results of such efforts to actively maintain low levels of deforestation have not been effectively recognized by crediting mechanisms, in part because these mechanisms have relied upon historical average baselines and do not consider increasing future risks of deforestation to standing forests. Though the use of historical average baselines is generally conservative and appropriate, crediting against these baselines in HFLD jurisdictions can have the effect of excluding many IPs and LCs from access to carbon credit finance, thereby overlooking the real, dynamic threats to forests and the activities needed to address them. (See Implementation Guidance Step 3, section C, on [page 36](#), for additional explanation of baseline methodologies.)

²³ The scope of this guidance is limited to tropical forest carbon credits, which informs this recommendation. The authoring organizations agree that HFLD forests should be included in market-based incentives such as jurisdictional REDD+ credits; companies can and should also provide non-market-based finance to these geographies.

²⁴ The ART TREES and FCPF CF methodological frameworks limit crediting to 0.05 percent or 0.1 percent of the jurisdiction's carbon stocks, respectively. Our organizations recognize the valuable contribution of ART and FCPF CF to credit HFLD jurisdictions, bringing the issue to the center of the debate and offering solutions. As empirical evidence and experience accumulate, the authoring organizations welcome continuous improvement in methodologies to credit HFLD jurisdictions, including those proposed by IPs and LCs.

Recent standards like ART TREES and FCPF CF have recognized this challenge and addressed it through conservative mechanisms to credit HFLD jurisdictions for their contributions to reducing forest emissions overall. HFLD crediting serves to buttress the effectiveness of tropical forest emission reduction credits by reducing the potential for international leakage and providing incentives for continued activities that reduce risks to forests.

The proportion of HFLD credits within the overall portfolio will differ by company and could be based on different internal or external considerations. For example, if a company's sourcing area overlaps with specific HFLD jurisdictions, it might consider purchasing HFLD credits from those jurisdictions. Alternatively, since roughly a quarter of deforestation occurs in intact forests, purchasing HFLD credits in the range of 25 percent of the overall portfolio would align an individual company's portfolio with global deforestation trends. Regardless, companies should be transparent about the use of HFLD credits in their portfolio including how they contribute to any BVCM-related claims.^{xxxix}

For additional background on HFLD crediting, see [Annex to Step 1: High Forest, Low Deforestation Credits](#).

C. Incentivize nature-based removals through advance purchase and forward finance agreements for removal credits consistent with all TFCI criteria to be generated as companies approach a net zero date of 2040 or 2050. Given the lag time between the initiation of forest restoration activities and the generation of significant volumes of emissions removals, such actions now are necessary to ensure an adequate supply of removals credits to neutralize residual emissions. SBTi projects that, to achieve net zero emissions, companies will need to abate at least 90 percent of their emissions. Companies should recognize the global imperative to halt deforestation and prioritize near-term investments in emission reduction credits, rather than narrowly focus near-term investment on removals credits they anticipate needing to meet their own net zero goals.

Any near- or mid-term share of removals credits in a corporate portfolio should therefore play a complementary role to emissions reductions and should be consistent with the criteria listed in this Guide. Preference should be given to sourcing credits originating from: (a) jurisdictions that have successfully reversed deforestation to reward early action; (b) jurisdictions and fully

nested projects where restoration activities are integrated into jurisdictional-scale programs and where deforestation and degradation are declining; and (c) projects that are verified to standards that adhere to TFCI criteria and demonstrate exceptional benefits for IP and LC rights and livelihoods; restoration of biodiversity and/or adaptation, resilience, and food security.

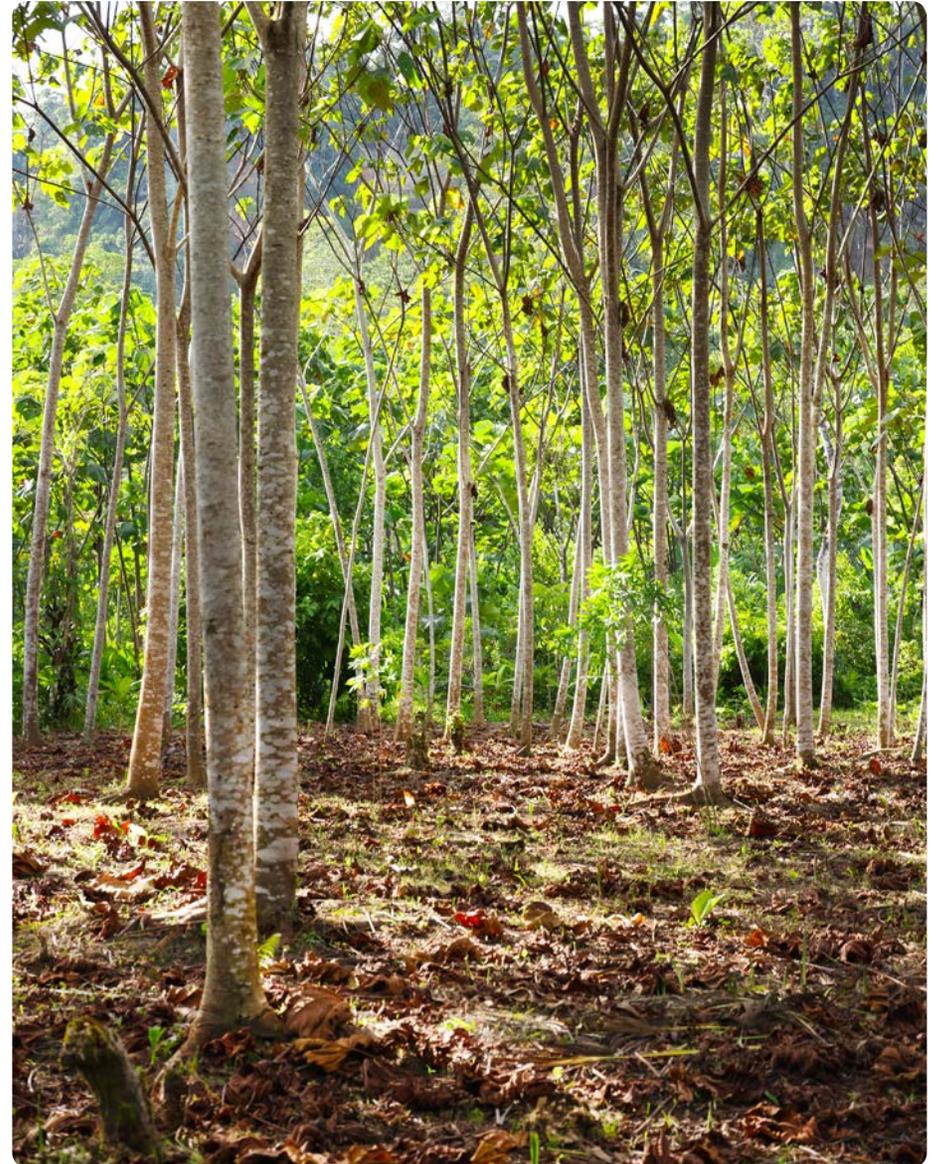
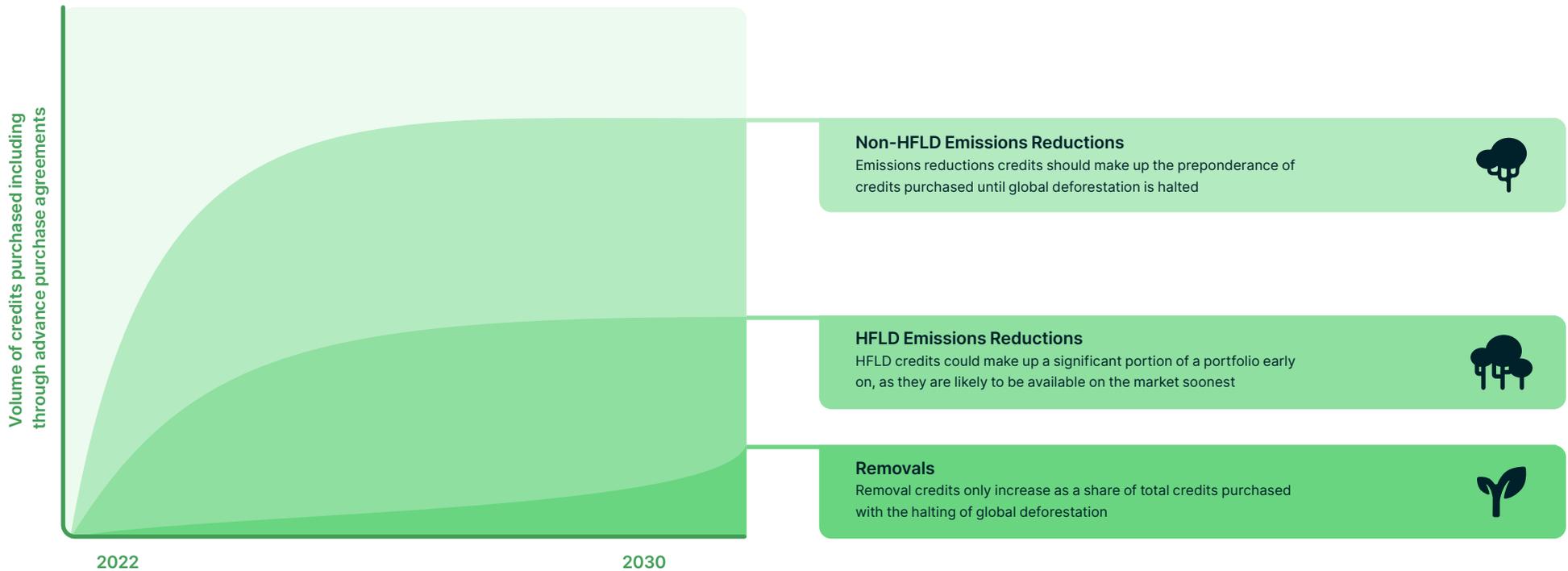


Figure 2: Example portfolio of tropical forest carbon credits—progression over time



While not all corporate credit portfolios will be the same, Figure 2 depicts a corporate portfolio that increases in volume over time, with the relative proportion of emissions reductions, removals, and HFLD credits changing as 2030 nears. The proportion of emissions reduction credits, including HFLD credits, in the portfolio should make up the majority of credits in the

near term, peaking in the medium term as the world achieves zero deforestation targets. The proportion of removals credits in a corporate portfolio should initially constitute a small percentage of the total and grow over time at the pace of collective success in reducing deforestation and forest degradation.

STEP 2

Build Your Portfolio with Purchases that Drive Demand for High-Quality Jurisdictional-Scale Crediting

As described in [Recommendation IV](#), the authoring organizations recommend that companies rapidly shift demand toward credits originating from jurisdictional-scale programs (including fully nested projects),²⁵ including from Indigenous jurisdictions. This can be achieved by:

- Rapidly evolving company credit purchases to include an increasing share of credits originating from jurisdictional-scale programs (including fully nested projects);
- Expediting the transition to jurisdictional-scale crediting by signaling demand through forward purchase and forward finance commitments and agreements; and
- Encouraging project developers and existing projects to take all possible steps to promote high-quality jurisdictional-scale crediting and associated accounting frameworks, and to nest into them.

Jurisdictional-scale forest carbon credits fall into three tiers, differentiated by progression toward a high-quality jurisdictional program or becoming fully nested within one (Table 1). Companies should follow this recommended order of preferred credits when purchasing tropical forest carbon credits—assuming all other TFCI criteria are met. See [Recommendation II](#) for criteria and Implementation Guidance [Step 3](#) for due diligence required to ensure high-quality credits.

Within each credit category, companies should prioritize credits that, in addition to meeting all TFCI criteria, provide the most direct and equitable benefits possible to IPs and LCs.

By carefully selecting their credit purchases based on these preferences, companies can use their purchasing power to send demand signals for high-quality jurisdictional or

fully nested forest carbon credits to carbon credit standards, project developers, and jurisdictional authorities.

Near-Term Purchasing Guidance

TFCI has assessed all major jurisdictional-scale crediting standards and the nesting scenarios within them against a set of TFCI criteria. This is the basis for the identification of which standards/scenarios conform to TFCI guidance in each category below. For details, see “Assessment of Standards Against TFCI Criteria” in the [Annex to Step 2](#).

Companies should start with Tier 1 (Table 1) credits for purchase or advance purchase or forward finance agreements, and advance to the next tier if (a) such credits are unavailable, (b) currently available Tier 1 credits plus advance purchase agreements do not adequately meet a company’s need for holding credits in the near term, and/or (c) Tier 1 credits do not help fulfill a company’s commitment to invest in a specific geography to advance social and environmental outcomes.

Review of the much more detailed guidance in the [Annex to Step 2](#) is essential to fully understand the TFCI credit categories and associated criteria and to determine if credits meet those criteria. See “Assessment of Standards Against TFCI Criteria for Fully Nested Credits” in the *Annex to Step 2* for explanations of the nesting scenarios within the ART TREES and Verra Jurisdictional and Nested REDD+ (JNR) standards identified in the tiers below (Table 2) as well as an assessment of those scenarios against TFCI criteria (Table 3).

²⁵ See Glossary for definition of “nested project” and Annex to Step 2 for criteria for “fully-nested” and “nesting-ready” projects.

Table 1. Order of Preferred Credits²⁶

Credit Origin	Purchasing Guidance See Annex to Step 2 for complete purchasing guidance. All credits require additional due diligence per Step 3 .
<p>First Tier</p> <p>Fully operational jurisdictional programs.</p> <p>Fully nested projects.</p>	<p>Buy available and enter into advance purchase and forward finance agreements²⁷ for high-quality jurisdictionally generated reductions credits²⁸ and HFLD²⁹ credits originating from operational jurisdictional programs and/or projects fully nested into them:</p> <p>Jurisdictional program must be certified to an internationally recognized standard that meets TFCI criteria, such as ART TREES, Verra JNR (Scenarios: 2a or 3), and FCPF CF.</p> <p>Project must be fully nested in conformance with ART TREES (Scenarios 1 or 2), VERRA JNR (Scenarios 2a or 3), or FCPF CF, as well as certified to an internationally recognized standard.</p>
<p>Second Tier</p> <p>Nesting-ready projects in jurisdictions making strong progress toward fully operational jurisdictional programs.</p>	<p>Buy credits originating from high-quality emissions reductions projects that meet TFCI criteria for nesting-ready projects:</p> <p>Jurisdictional program scenarios must be seeking to meet an internationally recognized standard that meets TFCI criteria, such as ART TREES, Verra JNR (Scenarios 2a or 3), and FCPF CF.</p> <p>Projects must be certified to an internationally recognized standard as well as seeking to fully nest in conformance with ART TREES (Scenarios 1 or 2) or VERRA JNR (Scenarios 2a or 3).</p>
<p>Third Tier</p> <p>Projects nested into jurisdictional programs that do not intend to issue credits.</p>	<p>Buy credits originating from high-quality emissions reductions projects that meet TFCI criteria for nesting-ready projects and are located in jurisdictions that do not intend to issue credits and only intend to authorize nested projects:</p> <p>Jurisdictional program must be certified to Verra JNR Scenario 2b.</p> <p>Projects must conform to Verra JNR Scenario 2b as well as be certified to an internationally recognized standard.</p>

²⁶ Any entities that issue emissions reductions or removals units that are not identified here do not at the time of writing meet TFCI criteria. This includes REDD.plus, which is a platform, not a standard.

²⁷ Agreements should communicate threshold conditions for high-quality jurisdictional programs. See milestones of indicative progress toward the operationalization of a high-quality jurisdictional REDD+ program (see Annex to Step 2, Tier 2, for milestones).

²⁸ As per guidance in Step 1 above: As we near 2040, companies should enter into advance purchase and forward finance agreements for removals credits—in whichever category of credit they are purchasing—in anticipation of their need for removals credits to balance residual emissions over the long term. As the global community achieves its global deforestation and forest degradation goals and investment in reductions credits is no longer as urgent, resources may be shifted to include purchase of removals credits. It should be noted that the authoring organizations have focused our assessment of standards and criteria for nesting on reductions credits; additional analysis is needed to determine how best to apply nesting criteria to removals projects.

²⁹ As of this writing, ART TREES and FCPF CF credit HFLD areas but only in the context of jurisdictional programs.

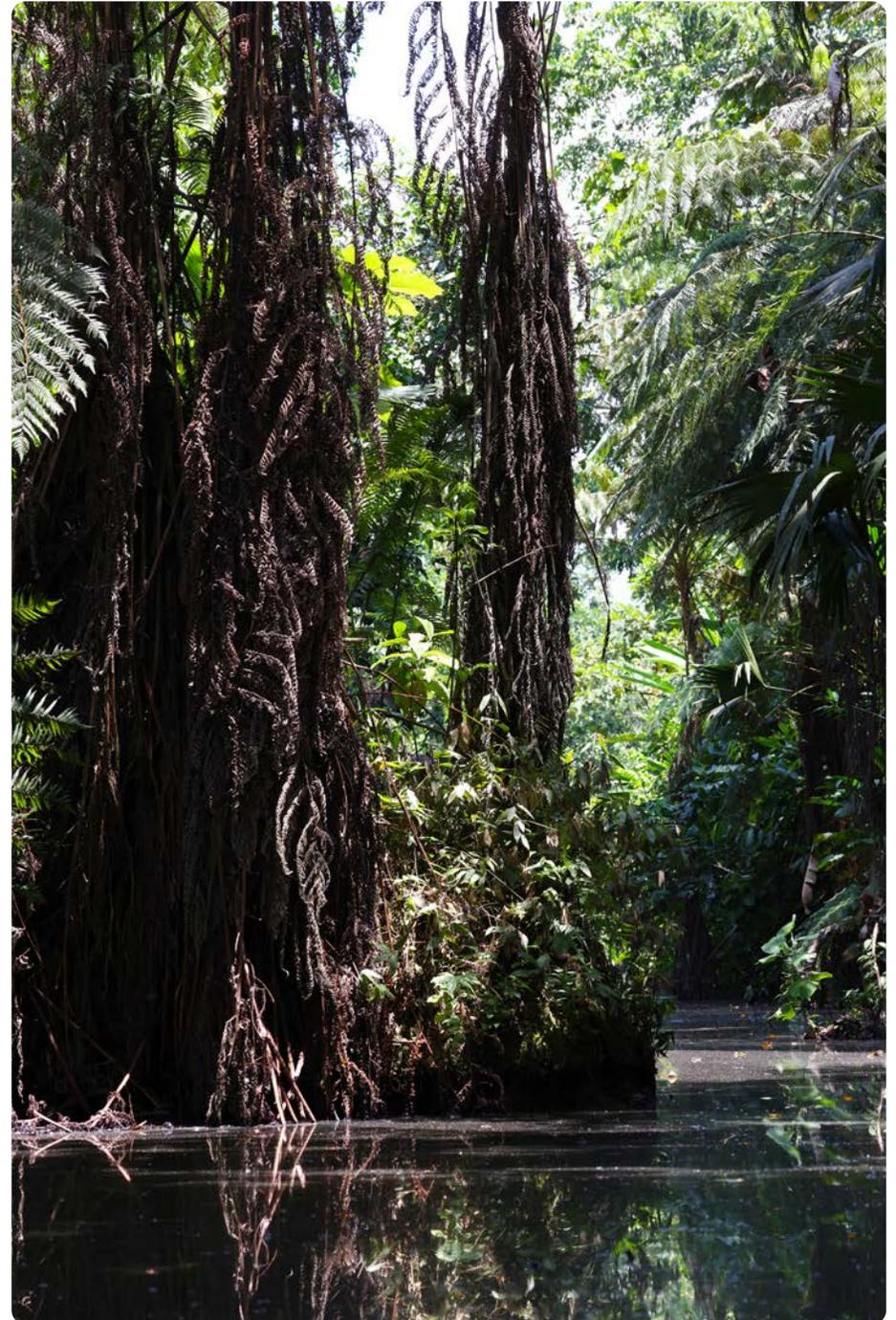
Credits Originating from Jurisdictions Without Programs

In jurisdictions that currently lack programs and are unlikely to develop them in the near to medium term³⁰ (i.e., those not identified above) buyers should limit their purchase of credits to those from high-quality emissions reductions projects that (1) deliver exceptional benefits for IPs, LCs, women, underserved communities, adaptation, resilience, food security, and/or biodiversity, and (2) meet relevant TFCI [nesting-ready criteria](#), including adoption of a jurisdictionally allocated baseline.³¹ Furthermore, such credits must be verified and validated under an internationally recognized standard (e.g., Verra's Verified Carbon Standard (VCS)³²) and screened for adherence to all TFCI quality criteria. See *Implementation Guidance Step 3 for recommended due diligence*.

30 Or that have jurisdictional programs that do not include the scope of a specific project's activities.

31 To determine if direct, exceptional benefits are provided to IPs, LCs, women, underserved communities, and/or biodiversity by a project, buyers must consult with relevant, credible IP, LC, and/or environmental organizations to provide documentation of benefits.

32 The authoring organizations have not comprehensively reviewed project-scale crediting standards and neither endorse nor rule out any particular project-scale standard or methodology.



STEP 3

Conduct Due Diligence to Ensure High-Quality Credits

As with any procurement or purchasing decisions, companies should go beyond exclusive reliance on standards to conduct additional due diligence to ensure the social and environmental integrity of their purchases. While some due diligence is always required, the intensity and focus will vary based on the types and sources of credits purchased. Companies also must stay well informed about the quality of standards and crediting efforts themselves. Companies must familiarize themselves with key tropical forest credit quality considerations, as well as with documentation they should seek and questions they should ask project developers and credit suppliers to address potential gaps in standards and associated risks.

Distinguishing Standards from Other Efforts

Companies must first distinguish well-developed, widely recognized standards from other efforts that do not meet the definition of a standard. Some non-standard-based efforts, platforms, and initiatives seeking to promote tropical forest carbon units do not include essential elements of an internationally recognized standard for high-quality credits, such as independent third-party verification and validation. Third-party verification and validation are essential for ensuring that credits are (a) generated in compliance with applicable laws and regulations as well as safeguards requirements; (b) have established carbon rights and implemented FPIC; (c) have minimized uncertainty risk; and (d) are monitored against a credible baseline. (See “Critical Areas for Due Diligence” for more information on technical concepts such as baselines.) Platforms that lack these elements—as is currently the case for the REDD.plus platform, for example³³—are not standards and should not be relied upon for distinguishing high-quality credits in line with TFCI criteria. However, purchase of unverified units may be valued by companies for other corporate objectives, such as philanthropy.

Variation Among Standards and the Need for Continual Improvement

Even well-developed and widely recognized standards vary in their requirements, in particular with regard to key social and environmental criteria (see [Recommendation II](#)). There are gaps and weaknesses in many standards that may contribute to variations in levels of environmental and social quality. Companies must also recognize that projects verified and validated to the same standard may vary in quality.

Standard-setting and certification organizations best enable companies to efficiently participate in the marketplace through comprehensive, rigorous, and transparent standards and verification and validation protocols. Companies are encouraged to advocate that the standard-setting organizations develop and improve standards that achieve high social and environmental integrity, consistent with the latest and best-available science and best practices to ensure full climate benefit. Such strengthening would enable companies to purchase high-quality, jurisdictional-scale (including fully nested) REDD+ credits (hereafter referred to as jurisdictional-scale credits) as they become available.

Standards Recognized by TFCI

The only jurisdictional and nesting standards the TFCI currently recognizes are Architecture for REDD+ Transactions’ The REDD+ Environmental Excellence Standard (ART TREES), Verra’s Jurisdictional and Nested REDD+ (JNR), and Forest Carbon Partnership Facility Carbon Fund (FCPF CF). Only these standards are sufficiently aligned with the quality thresholds of this Guide (as of February 2023) and, therefore, jurisdictionally generated credits from these standards may be considered for purchase after satisfactory due diligence.

³³ For example, REDD.plus uses forest reference emission levels (FRELs) that have undergone technical assessment by the UNFCCC. However, this assessment is, by design, not intended to deliver compliance with any technical standards or methodologies that apply to the private sector: UNFCCC Decision 13/CP.19 (Annex) states that the technical assessment is to be limited to a “facilitative, non-intrusive, technical exchange of information supporting the capacity of developing country Parties for the construction and future improvements, as appropriate, of their forest reference emission levels and/or forest reference levels, subject to national capabilities and policy.”

TFCI has not comprehensively reviewed project-scale crediting standards (e.g., VCS) and neither endorses nor rules out any particular project-scale standard or methodology.

Critical Areas for Due Diligence

There are five critical areas for due diligence in purchasing tropical forest carbon credits:

- **Full and effective engagement with Indigenous Peoples, local communities, women, and other underserved communities as active partners;**
- **Equity and transparency in benefit-sharing arrangements;**
- **Utilizing conservative, credible baselines;**
- **Addressing the risk of non-permanence; and**
- **Sufficiently rigorous and/or independent verification and validation.**

Basic background on each key area for due diligence is provided below, along with suggestions for how companies might undertake due diligence to ensure quality regarding each. The suggested actions describe basic steps that companies can take to obtain important information. In some cases, additional exemplary actions are identified. Additional due diligence questions are provided for each of the five key areas below in [Annex to Step 3](#). These suggested actions and questions should not be considered comprehensive due diligence; companies should assess the information they receive from project developers, credit suppliers, jurisdictions and others and probe any areas in which they lack confidence that the TFCI criteria for high quality in this Guide have been met.

Note on due diligence for jurisdictional-scale credits: As explained in the [Annex to Recommendation IV](#) (“The Path to Jurisdictional-Scale Forest Carbon Crediting”), many risks

related to inflated baselines, non-permanence, and social integrity are considerably mitigated through increasing scale. Evidence is growing to demonstrate that the environmental integrity of emissions reduction depends on scale and systemic changes,^{xxxii} both of which are key features of jurisdictional-scale programs.³⁴ Due diligence regarding criteria and indicators regarding the progress of jurisdictional programs and the nesting-readiness of projects can be found in the [Annex to Step 2](#).

A. Full and effective engagement with Indigenous Peoples, local communities, women, and other underserved communities as active partners.

Effective and equitable conservation and restoration of tropical forests require that IPs and LCs, as well as women and other underserved communities, have genuine access to full and effective participation in decision-making processes, with their Free, Prior and Informed Consent,³⁵ from the moment a program or project is planned. For any planning activity or implementation of REDD+ projects or programs, IPs and LCs should be accompanied by technical and legal advisors, their national and regional organizations, and competent state entities; these are critical enabling conditions³⁶ for effective participation. As each country has different legal mechanisms and forms of representation, companies should consult the national IP and LC organizations for recommendations on the best way to implement projects and programs without causing any damage to IPs and LCs and their ways of life.

These principles are often poorly represented in practice and need to be universally applied. To apply these principles consistently, it may be necessary to provide support to IPs, LCs, women, and other underserved communities to build their own technical capacities, per the Cancun Safeguards. Jurisdictional programs and project developers must ensure

34 This Guide does not suggest a minimum size. Standards vary considerably in how to address scale. Current jurisdictional-scale crediting standards define jurisdictions in various ways. The ART-TREES 2.0 standard requires jurisdictions to be national by 2030 at the latest and, before then, either national or no more than one level down from the federal government (e.g., state or province). There is an additional minimum size requirement for subnational jurisdiction(s) of no less than 2.5 million hectares of forest area. The minimum size threshold for a crediting area can be achieved through aggregation of subnational jurisdictions and/or Indigenous territories. The California Tropical Forest Standard (TFS) allows either national or subnational jurisdictions “typically taking the form of a state or province” with no size requirements. Verra’s VCS Jurisdictional and Nested REDD+ (JNR) standard require jurisdictions to be either national or administrative units no more than two levels below the national government (e.g., municipalities in Brazil) with no size requirements. The Forest Carbon Partnership Facility Methodological Framework allows jurisdictions to be either national governments or subnational accounting areas of “significant scale,” including political jurisdictions or other regions (e.g., eco-regions) designated by the national government.

35 On FPIC: “Consent should be sought before any project, plan or action takes place (prior), it should be independently decided upon (free) and based on accurate, timely and sufficient information provided in a culturally appropriate way (informed) for it to be considered a valid result or outcome of a collective decision-making process.” Reference: “Free Prior and Informed Consent. An Indigenous peoples’ right and a good practice for local communities: Manual for Project Practitioners,” Food and Agriculture Organization of the United Nations, 2016.

36 Enabling conditions in general refers to strengthening the capacities of IPs, LCs, women, and other underserved communities to undertake all activities and processes required to successfully execute a REDD+ project/program from the inception of programs or projects as partners and not beneficiaries, and to ensure full and effective participation, including in all aspects of design and execution of benefit-sharing arrangements.

assessments of compliance with safeguards and effective participation are undertaken with the active participation and engagement of IPs, LCs, women, and other underserved communities at all levels of political representation considered relevant by participants; such assessments should be undertaken by knowledgeable, independent, third-party evaluators and made available upon request.

Efforts to conserve tropical forests initiated and/or led by IPs, LCs, women, and other underserved communities should be prioritized for consideration. These groups benefit from recognition of rights and financing of self-determined pathways for implementing Indigenous or local governance, economy, and cultural and ecological integrity as framed within their organizational and territorial management instruments, such as communal life plans common in Latin America.^{xxxiii}

This support can generate the enabling conditions for the implementation of initiatives led by these groups, such as Amazon Indigenous REDD+ (RIA), a technical process and proposal being developed by Coordinating Committee of Indigenous Organizations of the Amazon Basin (COICA) and its organizations at the jurisdictional level. It is an example of an Indigenous Peoples-led jurisdictional REDD+ approach³⁷ for full and effective participation of IPs and LCs in the process, and benefit sharing for on-the-ground actions against deforestation and degradation of tropical forests.

Where available, companies should prioritize credits that are: directly available from initiatives led by IPs and LCs; fully nested into jurisdictional accounting; and from jurisdictions that respect the right of forest owners, especially the aforementioned groups, to directly access carbon markets.

Companies should reach out directly to those selling credits for documentation of the participation of IPs and LCs in design and management of the associated activities, accounting, and crediting mechanisms, as well as documentation of technical and financial

support provided to enable IPs and LCs to fully and effectively participate. Documentation of compliance with the Cancun Safeguards should be requested. Companies might also inquire of jurisdictional programs whether they allow IPs and LCs to directly receive and trade credits based on activities in their territory. Companies that have cultural competence for direct outreach to IPs and LCs might contact those groups directly to inquire about their experience and assessment of programs and projects against criteria for social integrity.

B. Equity and transparency in benefit-sharing arrangements.

Building on the guidance in [Recommendation II](#), companies should take steps to understand how benefits are shared with IPs, LCs, women, and other underserved communities under specific projects or programs, and prioritize purchase of credits with the most equitable and transparent arrangements. Companies should review plans and agreements for fair, transparent, and equitable distribution of benefits and revenues and ensure they were developed in partnership with relevant rightsholders and other stakeholders. Benefit sharing should recognize full and effective participation and reward IPs, LCs, women, and other underserved communities for their vital role in forest conservation. Projects and programs should allocate the highest percentages of revenues to these groups according to their contribution to forest protection.

Distribution of benefits must, when possible, go directly to IPs, LCs, women, and other underserved communities who protect forests rather than through third-party intermediaries requiring high administrative fees. Creating conditions to enable the direct distribution of funds³⁸ should be prioritized. However, if intermediaries are necessary due to lack of capacity to receive funds directly—or some project proceeds are needed to enable capacity building and/or provide technical support—roles and associated costs of intermediaries' services must be transparent and agreed to in advance by all parties. Funds received directly by IPs, as well as those managed by other parties (e.g., government agencies) in support of IPs, should be invested according to IP proposals and through their territorial management tools,

37 COICA defines an Indigenous-led jurisdictional REDD+ approach as: the implementation of a strategy to reduce emissions from land use and change at the level of a jurisdiction (in this case, the Indigenous territories). It is based on the guidelines of Amazon Indigenous REDD+ (RIA), a proposal of its own by COICA that prioritizes the holistic management of forests and Indigenous territories and recognizes their governance structures) and ensures not only respect for territorial and land rights and FPIC for Indigenous Peoples, but also the effective participation of Indigenous Peoples in the process and a fair distribution of benefits. Specifically, the inclusion of areas with high forest and low deforestation (HFLD) is sought, since most of the Indigenous territories, due to their achievements in forest conservation, are HFLD areas.

38 In this context, enabling conditions include administrative capacities, capacities to negotiate funds, and capacity for political advocacy to ensure direct access to/distribution of funds. The creation of enabling conditions should be supported by the jurisdictional governments or other program/project developers to ensure programs/projects have high social integrity.

including in vigilance activities in forests and Indigenous economy, governance, and recovery of ancestral knowledge.

Companies should reach out directly to those selling credits and request to review benefit-sharing arrangements and documentation of implementation. Additional due diligence might include independently confirming satisfaction with the agreement and its implementation with representatives of IPs and LCs who are participants/signatories to such agreements.

C. Appropriately conservative baselines.

Baselines for forest carbon stocks and emissions are the benchmarks against which to calculate *how many carbon credits a project/program will generate*. It is imperative that baselines are robust and evidence-based at all scales to ensure environmental integrity.

Baseline methodologies typically rely on an extrapolation of historical data (the average level of emissions during a set historical period³⁹) based on the whole jurisdiction (in the case of a jurisdictional program) or an area “similar to” a proposed project, sometimes called a reference region. In some circumstances, such data can be supplemented with scientifically rigorous land-use change modeling as a means of estimating the risk of deforestation across the landscape. Best practice for the “historical averaging” approach and deforestation risk modeling in the context of project baselines requires the best data and scientific modeling techniques available at the time of the baseline creation; prioritizing minimizing uncertainty in historical deforestation observations; using and documenting conservative assumptions (i.e., to avoid potential for overcrediting); and minimizing biases in the construction of risk maps resulting from uneven specificity of information across a jurisdiction.

The baselines against which some certified projects have issued credits have been shown to exceed monitored deforestation that took place within the wider region.^{xxxiv} This problem is currently being addressed by some standard-setting organizations, which will require the use of historical averages from an objectively developed reference area and large-scale deforestation risk modeling to estimate future risks. However, as these new requirements

may come into effect only in the future or not at all for legacy projects, they do not obviate the need for additional due diligence in the near term. In certain circumstances (for instance, HFLD territories), the analysis of trends or risks in the calculation of baselines may be appropriate. Carbon accounting methodologies are steadily improving, and buyers should encourage and support new and improved baseline approaches. Jurisdictional baselines are inherently less prone to subjectivity associated with the selection of a tertiary reference region.

Aligning baselines across scales, from projects to the jurisdictional level, is also critical for upholding environmental integrity in crediting. Project-scale emissions reductions and removals must be accounted for within jurisdictional accounting and reporting (where jurisdictional programs exist). A jurisdictional program and/or projects nested into a jurisdictional program should set baselines in accordance with a jurisdiction-wide accounting methodology or, in the absence of one, an independently certified, jurisdictionally allocated baseline. Nesting-ready projects should also start the process to adopt an independently certified, jurisdictionally allocated baseline as soon as one is developed.

Companies should educate themselves about baselines for projects and programs they consider for their portfolio by directly engaging those entities selling credits to understand how the baselines were established. For example, a company may ask how the project or program (a) ensured the best-available data and scientific modeling techniques were used in calculating the crediting baseline and (b) used conservative estimation to address uncertainty.

D. Addressing the risk of non-permanence.

“Permanence” generally means that the atmospheric benefit claimed by the carbon crediting project or program is durable over time. A “reversal” occurs when GHG emissions reductions or removals credited by a mitigation activity are later reversed.⁴⁰ Reversals can occur, for example, due to a natural disaster, project mismanagement, or significant policy change/political turnover. The mitigation activity thus may result in only a temporary GHG benefit for the atmosphere. However, it should be noted that all standards currently require a proportion of all credits produced to be placed in a “non-permanence buffer pool” (specifics vary by

³⁹ Except in the case of HFLD jurisdictions where historical average underestimates the future magnitude of deforestation threat.

⁴⁰ See Carbon Offset Guide, available at <https://www.offsetguide.org/high-quality-offsets/permanence/>.

standard) to ensure that total crediting across the standard is atmospherically positive. In addition, an individual project cannot produce additional verified credits until the reversal has been recovered.

Credits originating from jurisdictional REDD+ programs (including projects nested into these programs) may be less prone to risks of reversals/non-permanence because jurisdictional program interventions are likely to be designed to address the landscape-scale drivers of deforestation holistically (e.g., at the national or large subnational scale).^{xxxv} The example of the largest-scale emissions reductions achieved by a single country shows that at-scale reductions can resist even aggressive efforts to reverse policy and increase emissions.^{xxxvi} To avoid reversals and leakage of deforestation from one area within one jurisdiction to another, jurisdictional programs should also provide legal, accounting, and monitoring frameworks that can withstand political turnover.

Methods to manage net reversals from jurisdictional REDD+ programs and projects nested into these programs may include: larger spatial scale; access to adequate financial resources; jurisdictional-scale emissions reporting; local stakeholder engagement; design of interventions to address direct and indirect drivers of deforestation (including durable policy and legal reforms); long-term monitoring; and more conservative baseline-setting. Standards should be transparent in their management of the risks of reversals/non-permanence and their process to fully address any reversals that might occur.

Companies should reach out directly to those selling credits to understand how non-permanence risks are addressed. For example, a company may ask the program if any reversals have occurred; and if so, under what timeline they were identified and recovered.

E. Sufficiently rigorous and/or independent verification and validation.

Verification and validation (V&V) bodies, often referred to as auditors, are accredited, independent, third-party entities that assess whether a project or program, and the carbon credits it issues, conform to the requirements of the standard to which it is certified (e.g., reversal risk assessments, leakage, and uncertainty deductions).

⁴¹ "Certification," available at <https://www.iso.org/certification.html>.

Without independent verification and validation by credible auditors with expertise in the standard against which they are assessing, a project or program cannot be determined to have met any of the requirements for issuance of high-quality credits. Credible standards require projects or programs to which they issue credits to pass an independent V&V assessment. Efforts that do not require this step do not meet TFCI criteria (e.g., the REDD.plus platform).

The performance and consistency of auditors is vital to the integrity of a crediting standard, and transparency is essential to understanding the efficacy of the auditing process. Concerns have been raised regarding a lack of transparency as to the performance and consistency of auditors. Buyers should determine whether the requirements of each standard appear sufficient to ensure the transparency of auditor performance and whether any selected V&V body has adequate technical knowledge and experience in the forestry sector, and REDD+ specifically.

Companies should review program/project documentation regarding to which standard and methodology and/or scenario the credits conform; which V&V protocols were followed; and who the third-party validators are (who should be International Organization for Standardization-certified).⁴¹

Additional due diligence resources

Companies should consider the additional suggested due diligence questions for each of the five key areas in [Annex to Step 3](#).

STEP 4

Follow Up with Complementary Actions and Stay Attuned to New Developments

Reducing deforestation and degradation at jurisdictional scales is an enormous but essential challenge that cannot be met without collective action and responsibility. Companies should consider complementary actions⁴² that promote high-quality jurisdictional program development and performance. Companies must take care to avoid activities that could lead to a conflict of interest or perverse incentives, especially with regard to transacting or facilitating transactions of credits between buyers (companies) and sellers (e.g., Indigenous Peoples, host jurisdictions, or nested projects).

A. Increase investment in sustainable development of supply chain products in supply sheds located within jurisdictional programs that demonstrate indicative progress toward operationalization of a high-quality, jurisdictional REDD+ program (see [Annex to Step 2](#) for milestones). This can spur further progress in those jurisdictional programs while reducing the company's exposure to risks of sourcing products associated with deforestation or human rights violations.

B. Support full and effective participation of the most vulnerable populations in all aspects of project and program development and implementation, including in the design of the participatory process and technical studies, by ensuring enabling conditions (see [Recommendation II](#)).

C. Participate in conversations with credit suppliers (e.g., jurisdiction administrators, Indigenous Peoples, and local communities) throughout program design and implementation to develop relationships, enhance communication and understanding of different priorities and enabling conditions, and ensure best practices are implemented.

D. Finance implementation of activities that improve land management and address drivers of deforestation and degradation in explicit support of landscape and jurisdictional strategies. These might include, for example, responsible production practices, securing land rights, or advocacy for policies that improve land use planning and are not limited to credit-based finance.

E. Engage in public-private partnerships whereby companies co-invest alongside nongovernmental organizations (NGOs) and multilateral/bilateral aid agencies to achieve shared interests in the establishment of the infrastructure and capacities necessary for high-quality jurisdictional programs, such as monitoring, reporting, and verification (MRV), efficient benefits distribution, and REDD+ capacity building for implementation, among others.

F. Request that projects and programs regularly and transparently share how credit proceeds are allocated over time to confirm the portions that reach IPs and LCs are consistent with equitable benefit-sharing arrangements. All else being equal, companies should prioritize purchases from jurisdictions and projects that send a higher percentage of proceeds directly to IP and LC counterparts.

G. Advocate for advancements in supply quality to ensure that forest carbon credit standards-setting organizations close loopholes, improve governance, and strengthen requirements to minimize the additional due diligence companies need to undertake to ensure credits are high quality (see [Recommendation IIC](#)).

H. Be alert to new developments that may provide opportunities to improve credit quality or create new categories of credits, including:

- Continuing evolution of existing standards and the emergence of new standards.
- New methods for crediting HFLD areas: watch for IP- and LC-direct crediting mechanisms and shift purchases toward these credits as they become available (if they meet all other TFCI criteria).
- New approaches to buffer pools and risk management that increase confidence in permanence and additionality.
- Market movement toward valuing REDD+ credits more highly because of the associated social and environmental attributes beyond carbon.

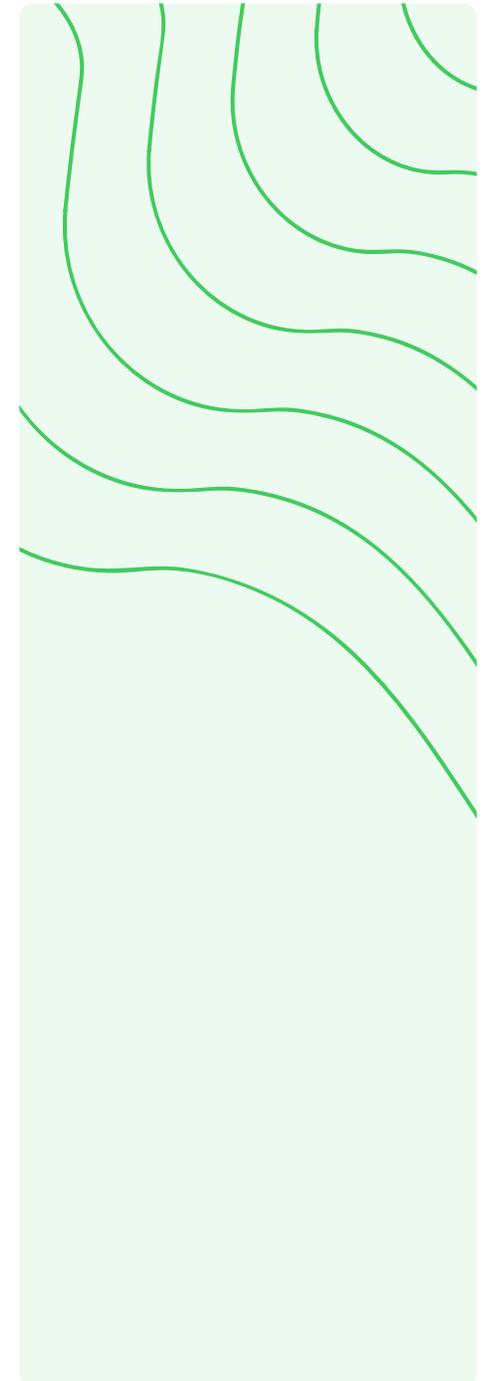
42 "Landscape Scale Action for Forests, People and Sustainable Production: A Practical Guide for Companies," Tropical Forest Alliance, World Wildlife Fund, and Proforest, September 2020, available at <https://jiaresourcehub.org/resources/guidance-for-companies/interventions/>.



Annexes

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ANNEX TO RECOMMENDATION IV:

The Path Toward Jurisdictional-Scale Forest Carbon Crediting

Moving to Action at Scale

Scale can be an important determinant of the environmental impact of carbon credits, regardless of sector. Larger-scale programs are better positioned than individual projects that are not nested into jurisdictional-scale crediting to mitigate risks of leakage, non-additionality, and non-permanence.^{xxxvii} Actors' ability to self-select into programs when and where the circumstances are most favorable is mitigated when crediting programs account for the net changes across all forests in a jurisdiction.^{xxxviii} Furthermore, as described earlier, jurisdictional programs have the potential to extend benefits to more communities.

Alignment with Country-Scale Forest Strategies

Jurisdictional-scale crediting is consistent with the Warsaw Framework for REDD+,^{43,xxxix} negotiated under the UNFCCC and incorporated into the Paris Agreement. The UNFCCC does not have jurisdiction over voluntary carbon markets, nor is the Warsaw Framework for REDD+ in itself a sufficiently elaborated rule set for crediting. That said, the Warsaw Framework does provide an agreed-upon foundation for: (a) determining eligibility for public and private results-based finance based on alignment with country-level programs; (b) quantification of impacts at national and, on an interim basis, subnational scales; (c) full and effective participation of IPs and LCs and respect for IPs, LCs, women, and underserved community rights, tenure, and knowledge; and (d) other fundamental social and environmental safeguards.

Jurisdictional programs with high environmental and social integrity developed in locations with strong political will provide the opportunity to start shifting carbon credit supply to transformational scales. Jurisdictional governments vary greatly in terms

of their readiness to generate forest carbon credits. However, important examples demonstrate proofs of concept for jurisdictional programs as well as of results-based payments using public funding to reward these reductions.⁴⁴

For example, jurisdictional-scale programs and public policy interventions, such as enforcement of laws, have had a significant impact in Brazil.^{xi} Deforestation was reduced in the Brazilian Amazon by 80 percent between 2004 and 2014 through a national policy approach, including Indigenous territories and protected areas, and reductions have largely persisted despite political changes adverse to forest conservation.^{xii} Only after three successive governments attempted to undermine and undo deforestation control policies has deforestation begun to approach 2004 levels. Though jurisdictional-scale credits are not yet available at scale on the voluntary carbon market, they can be secured through forward purchase agreements.

Overcoming Implementation Challenges

For well-governed jurisdictional-scale crediting to become a reality, a number of implementation challenges must be overcome. These challenges are implicit in the increased scale and transformative goals of these approaches. They include: complexity and cost; negotiations, compromises, and tradeoffs required to meet goals for multiple stakeholders in a landscape; uncertainty regarding ongoing political will; and limited institutional and governance capacity.^{xiii}

Given these challenges, successful jurisdictional-scale crediting depends on the establishment of robust policy, monitoring, and enforcement frameworks; the full and

⁴³ Negotiations in the context of the UNFCCC toward the international framework for REDD+ were launched in Bali in 2007. Key decisions were reached at subsequent negotiations in Cancun (on safeguards) and Warsaw (on the overall framework), and the framework was affirmed under Article 5 of the Paris Agreement.

⁴⁴ To date, private purchases of jurisdictional REDD+ credits have occurred within the Forest Carbon Partnership Facility's Carbon Fund (FCPF CF).

effective participation of local actors (including IPs, LCs, women, and underserved communities) in formal administrative and legal processes; and equitable benefit sharing, especially with respect to rightsholders such as IPs. As a result, the transition to jurisdictional-scale crediting must be accompanied by verification of adherence to high-quality standards of procedural integrity. Governments need to create these enabling conditions, ensuring that IPs, LCs, women, and underserved communities and their organizations have the capacity and technical support necessary to engage in REDD+ program development and implementation.

Like project-based crediting, jurisdictional-scale crediting must be designed by policymakers and program architects to avoid problems associated with carbon crediting, such as inflated baselines, leakage, and non-permanence. Such problems must be mitigated in all circumstances by the transparent use of scientifically valid methodologies and transparent monitoring, reporting, and verification. Like all landscape-level approaches to reducing and ending deforestation and forest degradation, jurisdictional-scale crediting programs should be designed to be responsive and adaptive to dynamic deforestation factors.

Despite these challenges, dozens of countries and subnational jurisdictions are at various stages of developing programs to generate emissions reductions and removals at scale and supply tropical forest carbon credits. Companies can effectively incentivize governments to accelerate these actions by sending demand signals for a high-quality pipeline of jurisdictional-scale credits.

Continuation of Project-Scale Activities

Project-scale tropical forest carbon credits certified to meet various accreditation standards have been available for almost two decades. Credits currently available on the voluntary carbon market are almost exclusively generated by project-scale activities to conserve and restore forests and generate emissions reductions and removals. Many project-scale activities have resulted in important outcomes for climate, biodiversity, and local communities. The best projects also have contributed to the demonstration of REDD+ as a scalable finance mechanism for forest conservation and local livelihoods and informed the development of national REDD+ systems.^{xliii} Project-scale activities will continue to support many broad-based

initiatives to conserve and restore forests, particularly when they target especially valuable or vulnerable areas; engage directly with local stakeholders and ensure they have the necessary information and technical capacity to participate effectively; and attract private investment.

Many governments have expressed intent and demonstrated capacity to establish jurisdictional-scale crediting, while other governments of tropical forest countries will be unlikely to support and/or effectively implement equitable jurisdictional-scale crediting for some time. In these cases, selective near-term corporate purchases of high-quality project-scale credits in alignment with TFCl criteria and recommendations for due diligence may provide interim support for critical forest conservation needs and opportunities until jurisdictional-scale crediting is available.

See Implementation Guidance [Step 2](#) for recommendations for purchase of credits originating from areas at specific stages of development of jurisdictional crediting.



ANNEX TO STEP 1:

High Forest, Low Deforestation (HFLD) Credits

According to one widely used definition,⁴⁵ HFLD jurisdictions have at least 50 percent forest cover and experience deforestation, though at a lower rate than the global average. HFLD status should not be taken for granted as a permanent land classification; rather, it should be acknowledged that this status is achieved through active and ongoing efforts to reduce the risk of deforestation. HFLD jurisdictions host many of the world's remaining expanses of intact tropical forests, the protection of which is essential to maintaining the stability of the global climate system. While all tropical forests provide benefits in addition to carbon storage and sequestration, forests in HFLD jurisdictions are especially valuable due to their large area and high levels of ecological integrity.

Despite the urgent need for finance to protect these forests, standard approaches for crediting forest-based emissions and removals in countries that have already experienced significant deforestation and degradation do not work for HFLD jurisdictions. Precisely because such jurisdictions have successfully forestalled forest loss, it can be difficult or impossible for them to further reduce emissions against historical baselines to generate credits, resulting in limited incentives to maintain forest carbon stocks and sinks.

Companies should consider the following reasons for including HFLD credits in their portfolios:

- **Reasonable assumption of threat:** Deforestation does happen in HFLD jurisdictions, and forests in HFLD jurisdictions are at risk. In fact, six countries lost HFLD status^{46, xlv} over the past decade (2010-2019). Deforestation is predicted to rise across the tropics in the absence of economic incentives for forest conservation even in areas where

deforestation has been historically low: HFLD areas.^{xlv} Intact forests are threatened by the same forces that increase deforestation rates worldwide as encroachment becomes more widespread and agriculture, infrastructure, and extractive activities extend into previously remote areas.

- **Active and ongoing interventions:** In order to avoid deforestation and conserve forest carbon stock in HFLD jurisdictions, active and ongoing interventions are needed. HFLD jurisdictions implement the same REDD+ activities as non-HFLD jurisdictions (e.g., enacting forest management plans, establishing protected areas, developing REDD+ regulations and policies, etc.). While such actions are generally considered additional when practiced by non-HFLD jurisdictions to lower their deforestation, they may be incorrectly interpreted as non-additional when practiced by HFLD jurisdictions to maintain their low levels of deforestation.
- **Equity:** Many Indigenous lands fall within HFLD designation because they often contain largely intact forests and have higher forest cover than adjacent jurisdictions due to persistent efforts of Indigenous Peoples and local communities to address the drivers of deforestation and conserve their forests. Crediting HFLD jurisdictions provides access to finance for IPs and LCs whose lands have remained largely intact and are in good ecological condition.
- **International leakage and perverse incentives:** HFLD crediting serves to buttress the effectiveness of emission reduction credits by reducing the potential for international leakage and providing incentives to continue activities that reduce risks to forests. Studies

⁴⁵ Proposed by da Fonseca GAB, et al. (2007). No Forest Left Behind. PLoS Biol 5(8): e216. <https://doi.org/10.1371/journal.pbio.0050216>. This approach uses a ten-year historical average deforestation rate. The 2019 Krutu of Paramaribo Joint Declaration on HFLD Climate Finance Mobilization uses the same definition of HFLD based on the da Fonseca approach. The 0.22 percent deforestation rate that they list was the ten-year historical average rate when the declaration was written (https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201903220903---Krutu%20of%20Paramaribo_13-02-19.pdf).

⁴⁶ Six countries lost HFLD status over the preceding decade (2010-2019): Cambodia, Colombia, Laos, Samoa, Sao Tome and Principe, and Zambia. HFLD status was lost due to lower forest cover than the 50 percent threshold or due to a higher deforestation rate than the global average, using the da Fonseca et al (2007) approach, with an updated average global deforestation rate of 0.263 percent based on FAOSTAT data from 2009-2019, presented in World Bank Group (2021).

suggest that creating incentives, such as through the purchase of carbon credits, to maintain carbon stocks in HFLD jurisdictions can be an effective solution to reduce the risk of leakage.^{xvii} Such an approach ensures that jurisdictions where deforestation is low and where ongoing efforts to reduce emissions have been succeeding (e.g., Indigenous territories) are compensated. Carbon finance that only rewards those jurisdictions with a high historic baseline rate of deforestation creates a perverse incentive to deforest now so they can access finance in the future. HFLD credits can counter this perverse incentive by providing a finance mechanism to keep forests standing.

- **IP and LC support:** Indigenous Peoples and local communities are essential guardians of most of the world's remaining tropical forest carbon, having effectively and sustainably managed their land for generations.^{xviii} Financial support for the development of robust partnerships and equitable benefit sharing for IPs and LCs in HFLD jurisdictions can promote Indigenous economies and reinforce traditional knowledge and management systems that result in forest conservation.
- **Ecosystem services beyond carbon:** Conserving forests can enhance climate stability through ways other than carbon storage by generating rainfall at continental scales and moderating local temperature extremes, which positively impacts agricultural yield and health.^{xviii} In addition, carbon density is highly correlated with biodiversity in natural ecosystems,^{xix} and the protection of biodiversity is essential to maintain the ecosystem functions that sustain global food systems as well as human health. Furthermore, the conservation of standing, intact forests at scale can provide numerous other ecosystem services, such as storing and regulating water flows and protecting against flooding and droughts.¹

The following are basic eligibility criteria for HFLD credits, in addition to all other TFCI quality criteria. All are currently met by HFLD crediting methodologies of ART TREES and FCPF CF, both of which also require the same discounts as non-HFLD crediting for leakage, uncertainty, and reversals along with REDD+ implementation plans:

- Credits are issued by a jurisdictional program. (Project-based HFLD crediting is not currently eligible due to environmental integrity risks, including lack of additionality and/or leakage.)
- A substantial percentage of the jurisdiction is under forest cover as credibly defined by a standard/crediting program (e.g., greater than 50 percent of potential area that could be covered by forests).
- Deforestation rates in the jurisdiction fall below the credible threshold established by the standard/crediting program (i.e., below the global average) during the crediting period specific to the HFLD classification.

ANNEX TO STEP 2:

Selecting Credits for Purchase

The following is detailed Implementation Guidance for [Step 2](#), selecting credits for purchase. TFCI has identified a definition, relevant criteria, and purchasing guidance for each of the following categories of credit, ordered by preference. The second section of this annex, “Assessment of Standards against TFCI Criteria for Fully Nested Credits,” explains the nesting scenarios within the ART TREES and Verra JNR standards (Table 2) identified in the tiers below and assesses those scenarios against TFCI criteria (Table 3).

Tier 1: Credits originating from fully operational jurisdictional programs or projects fully nested into them.

Definition: Jurisdictional or fully nested credits originating from a high-quality jurisdictional REDD+ program that is currently or will be operational in the near term (one to two years).

TFCI Criteria: **Operational, high-quality jurisdictional REDD+ programs must meet the following criteria:**

- Consistent with and contribute to the national REDD+ strategy and priorities.
- Project-scale emissions reductions and removals consistent with jurisdictional program strategy are accounted for within jurisdictional accounting and reporting.⁴⁷

- Independently verified and validated at regular intervals for adherence to an internationally recognized standard including monitoring and reporting systems and compliance with safeguards.⁴⁸

Fully nested projects must both (a) meet the following three criteria for nesting scenarios and (b) be nested into programs that meet the above three criteria:

- The jurisdiction has reached agreement with the project on the nesting approach, e.g., authorization by the jurisdiction to participate in another GHG program.
- Baseline is measured at the jurisdictional scale within the context of an independently verified crediting level.
- Benefits from crediting or credits themselves are allocated to stakeholders and rightsholders in a fair and transparent manner.⁴⁹

Purchasing Guidance: Buy available, and enter into advance purchase and forward finance agreements⁵⁰ for, high-quality jurisdictional-scale emissions reductions⁵¹ (jurisdictional program credits or fully nested project credits) and HFLD⁵² credits meeting TFCI criteria for high-quality jurisdictional programs and/or nesting scenarios:

⁴⁷ We also recommend that all project outcomes, including emissions reductions and removals, are accounted for within jurisdictional accounting and reporting.

⁴⁸ Intervals are defined by the relevant standard. For example, Verra JNR v. 4.0 requires that verification shall be conducted at least once per Forest Reference Emission Level (FREL) validity period. ART TREES requires verification after years one, three, and five of the crediting period. For FCPF CF, it will take place at least twice in the 2020-2025 timeframe.

⁴⁹ Possible approaches include, but are not limited to, those based on performance relative to jurisdictionally allocated baselines. Scenarios marked with an “X” require fair and transparent benefit sharing but at different stages in operationalization of the jurisdictional program.

⁵⁰ Agreements should communicate threshold conditions for high-quality jurisdictional programs. See milestones of indicative progress toward the operationalization of a high-quality jurisdictional REDD+ program below.

⁵¹ As per Step 1, the following applies to all tiers: Reductions credits should be prioritized in the near term. As we approach 2040, companies should begin to enter into advance purchase and forward finance agreements for removals credits because removals credits will eventually be needed to balance residual emissions. When deforestation and forest degradation have been dramatically reduced in an area and investment in reductions credits is no longer as critical, resources may be shifted to include removals projects.

⁵² As of this writing, ART TREES and FCPF CF credit HFLD areas, and only in the context of jurisdictional programs.

Operational high-quality jurisdictional REDD+ program must be certified to one of the following:

- ART TREES Scenario 1-5
- Verra JNR Scenario 2a, 3
- FCPF CF

Fully nested projects must be certified to an internationally recognized standard and be fully nested in conformance with one of the following:

- ART TREES Scenario 1 or 2 (where the jurisdiction participates in ART and allows projects that apply a baseline that is nested within the TREES crediting level; projects must also be screened for adherence to TFCI quality criteria (see [Recommendation II](#) and Implementation Guidance [Step 3](#)).
- VERRA JNR Scenario 2a, 3
- FCPF CF⁵³

Tier 2: Credits originating from nesting-ready projects in jurisdictions making strong progress toward fully operational jurisdictional programs.

Definition: Credits verified and validated to a recognized international standard in jurisdictions where a jurisdictional REDD+ program is progressing and expected to be operational with high-quality jurisdictional credits and/or fully nested credits available in the medium term (within five years).⁵⁴

TFCI Criteria: Indicators of jurisdictional progress: Companies might use the following examples of indicators to assess whether jurisdictions are making progress toward operationalizing a high-quality REDD+ program. Companies should inquire directly to jurisdictional program administrators or intermediaries regarding progress in these areas:

- Jurisdiction has at least a forest reference emission level, forest monitoring system, and preliminary benefit-sharing plan; project-scale credits are being offered under a reputable and internationally recognized standard.
- Jurisdiction is developing a registry (or integrates with national registry).
- Political will for REDD+ program is demonstrated through legislation, policies, donor agreements, etc.
- Program is meeting safeguards requirements and/or following best practices.
- Jurisdiction is developing financial mechanism/modalities to administer carbon credit finance.
- Jurisdiction designates authorities to implement REDD+.
- Jurisdiction is developing capacity on legal and commercial aspects of engaging with the voluntary carbon market, including offering legal advice on transactions, evaluating opportunities, and conducting negotiations with buyers and investors.
- Jurisdiction is developing contractual arrangements with stakeholders for interventions/program and project activities.
- Jurisdiction is undertaking design of nesting approaches, with a participatory approach with IP and LC and other stakeholders.

Nesting-ready projects must meet the following criteria: Companies should inquire directly of project developers and/or credit suppliers regarding projects' progress against them:

- Project developer has iterative engagement with government and civil society focal points to achieve alignment with jurisdictional program as it develops, such as:
 - Aligning with jurisdictional strategies to address drivers of

⁵³ As of the conclusion of Phase 2 of the TFCI process in January 2023, no other standards qualify. Future market entrants would have to be independently assessed for full alignment with TFCI criteria.

⁵⁴ In this case, credits would need to be certified to an internationally recognized standard for projects and additionally to a specific nesting standard after the jurisdictional program is operational.

deforestation and degradation (e.g., national REDD+ strategy or low emissions development plan).

- Participating in REDD+ technical working groups, fora, and consultations (as governments create such opportunities for project developers to communicate and contribute).
- Projects have adopted an independently certified, jurisdictionally allocated baseline, when such baselines exist. Project developers actively encourage movement toward inclusion of projects into jurisdictional baselines.
- Project has formally or (preferentially) legally committed to update and align the project baseline in a timely manner once a standard applicable jurisdictional baseline has been developed for included activities (e.g., avoided unplanned deforestation and degradation) and when approval of relevant applicable methodology has occurred.
- The project complies with other regulations established at the jurisdictional level, including the REDD+ safeguards system.
- Project developer has demonstrated support for the development of the jurisdictional REDD+ system commensurate with size/resources of the project. This might include public statements in support of jurisdictional-scale crediting, information sharing, memos of understanding (MOU) indicating plans to work with the jurisdiction, technical support to government focal points such as capacity building and training, and contributing grants.

Purchasing Guidance

- Purchase [nesting-ready](#) project-scale emissions reductions credits verified and validated for adherence to an internationally recognized project-based standard. Credits must be screened for adherence to all TFCI quality criteria in [Recommendation II](#); see Implementation Guidance [Step 3](#) for recommended due diligence.
- Project must adhere to an internationally recognized standard's nesting scenario that meets TFCI criteria for fully nested projects: ART TREES 1 or 2; VERRA JNR 2a or 3; FCPF CF.

If a project already exists and is within the scope of a jurisdictional program, with appropriate methodologies available, it can demonstrate timely progress (within two to three years) toward becoming fully nested in accordance with one of the standards and scenarios identified above.

If a project is new, it must be situated in the jurisdictional program area and within the scope of the jurisdictional program, the baseline must be nested within the reference level, and the project must be aligned with the strategies and priorities of the jurisdictional program. In addition, the project developer must make a public commitment to nest according to one of the standards and scenarios identified earlier.

Tier 3: Credits originating from projects nested into jurisdictional programs that do not intend to issue credits.

Definition: Credits originating from project(s) nested in a jurisdictional program that meets Warsaw Framework requirements, where both project(s) and the jurisdictional program are verified and validated against an internationally recognized standard, but the jurisdiction decides not to issue credits.

TFCI Criteria: **Nested projects must meet the following criteria:** Companies should inquire directly of project developers and/or credit suppliers regarding projects' progress against these criteria:

- Have reached agreement with the jurisdiction on the nesting approach.
- Are demonstrably nesting-ready (see criteria in Tier 2, above).
- Have achieved alignment with the jurisdictional forest reference emission level (FREL).

Purchasing Guidance: Buy credits originating from high-quality reductions projects that meet TFCI nesting-ready criteria:

- Jurisdictional program must be certified to Verra JNR Scenario 2b (where a verified and validated jurisdictional program is operational but does not issue credits).
- Projects must conform to Verra JNR Scenario 2b as well as be certified to an internationally recognized project-based standard. Credits must be screened for adherence to all TFCI quality criteria in [Recommendation II](#) (see [Step 3](#) for recommended due diligence).

Assessment of Standards Against TFCl Criteria for Fully Nested Credits

Table 2 provides an overview of the nesting approaches in existing jurisdictional REDD+ standards.

Table 3 includes TFCl's six criteria for jurisdictional and fully nested credits and an assessment of the scenarios in existing standards against those criteria. It should be noted that with respect to ART TREES nesting scenarios, projects decide on the nesting approach. Different projects could choose to pursue different scenarios (e.g., 2 or 3) within the same TREES jurisdictional program. With respect to Verra JNR, the highest-level jurisdiction holds decision-making authority on which scenario to pursue.

Table 2. Nesting Approaches in Jurisdictional REDD+ Standards

Standard	Approach to Nesting
Architecture for REDD+ Transactions' The REDD+ Environmental Excellence Standard (ART TREES)	Five nesting scenarios described in Nesting under ART TREES . ⁱⁱ
Forest Carbon Partnership Facility Carbon Fund (FCPF CF)	<p>The FCPF CF does not expressly allow or disallow nesting. Under the FCPF CF, nesting is a prerogative of REDD+ countries and is considered part of the design of the benefit-sharing arrangements, or Benefit Sharing Plan (BSP).</p> <p>In case a REDD+ project is nested (or integrated in the BSP, not allowed to issue credits), the World Bank requires (Emissions Reductions Payment Agreement general conditions) REDD+ countries to sign sub-agreements with REDD+ project proponents, whereby REDD+ projects agree to comply with the implementation of safeguards, implementation of BSP, etc. If no agreement is reached, the credits issued by the project that overlap in terms of spatial, temporal, and accounting scope must be discounted as per the FCPF CF Monitoring Report template.</p>
Verra Jurisdictional and Nested REDD+ (JNR)	<p>Verra JNR v4.0ⁱⁱⁱ provides three scenarios:</p> <ul style="list-style-type: none"> • JNR 1:ⁱⁱⁱ Jurisdictional forest reference emission levels (FRELs) and nested projects and/or nested lower-level jurisdictional programs. • JNR 2:^{iv} National and subnational programs with nested projects and/or nested lower-level jurisdictional programs. • JNR 3:^{iv} National and subnational programs without origination of credits for projects and lower-level jurisdictional programs.

Table 3. Criteria for Fully Nested Crediting

	TREES 1	TREES 2	TREES 3	TREES 4	TREES 5	JNR 1	JNR 2a	JNR 2b	JNR 3	FCPF ⁵⁵
1. Jurisdictional program is consistent with and contributes to the national REDD+ strategy and priorities.	✓	✓	✓	✓	✓		✓	(✓) ⁵⁶	✓	✓ ⁵⁷
2. Project-scale emissions reductions and removals consistent with jurisdictional program strategy are accounted for within jurisdictional accounting and reporting.	✓	✓	✓	✓		(✓) ⁵⁸	✓	✓	✓	✓ ⁵⁹
3. Jurisdictional program has been independently verified and validated at regular intervals for adherence to an internationally recognized standard including monitoring and reporting systems and compliance with safeguards. ⁶⁰	✓	✓	✓	✓	✓	(✓) ⁶¹	✓	✓	✓	✓
4. The jurisdiction has reached agreement with the project on the nesting approach (e.g., authorized by the jurisdiction to participate in another GHG program).	✓	✓	✓			(✓) ⁶²	✓	✓	✓	✓ ⁶³
5. Project baseline is measured at the jurisdictional scale within the context of an independently verified crediting level.	✓	✓				✓	✓	✓	✓	✓ ⁶⁴
6. Benefits from project crediting or credits themselves allocated to stakeholders and rightsholders in a fair and transparent manner.	✓	✓ ⁶⁵	✓ ⁶⁶			✓	✓	✓	✓	✓ ⁶⁷

55 The FCPF CF does not expressly allow or disallow nesting. Under the FCPF CF, nesting is a prerogative of REDD+ countries and is considered as part of the design of the benefit-sharing arrangements, or Benefit Sharing Plan (BSP). In the case a REDD+ project is nested (or integrated in the BSP, not allowed to issue credits), the World Bank requires (emission reductions payment agreement general conditions) REDD+ countries to sign sub-agreements with REDD+ project proponents, whereby REDD+ projects agree to comply with the implementation of safeguards, implementation of BSP, etc. If no agreement is reached, the credits issued by the project that overlap in terms of spatial, temporal, and accounting scope must be discounted as per the FCPF CF MR template.

56 Applicable to national level programs only.

57 Table 1, Verification and Validation Guidelines.

58 Applicable jurisdictional program is at subnational/lower-level jurisdictional program only. As per the JNR Program Guide (p.2), under Scenario 1, "... Carbon accounting and crediting occur only for nested projects and lower-level jurisdictional programs since there is no program registered for the higher-level jurisdiction."

59 Criteria 23/37/38 Methodological Framework for accounting requirements. No explicit mention of projects; if the voluntary project chooses not to nest, it must be removed from the program area and accounting process.

60 Intervals are defined by the relevant standard. For example, Verra JNR v. 4.0 requires that verification shall be conducted at least once per FREL validity period. ART TREES requires verification after years one, three, and five of the crediting period. For FCPF CF, it will take place at least twice in the 2020-2025 timeframe.

61 Applicable jurisdictional program is at subnational/lower-level jurisdictional program only.

62 Only required for projects nested into subnational jurisdictional programs. See: JNR Nesting Requirements Scenario 1, Section 3.6 Authority and Rights to Green House Gas Emissions Reductions, and in Chapter 4 Government Approval, Verification and Validation.

63 FCPF CF does meet this requirement though it is not explicitly required in the Methodological Framework. It can be found within specific country proposals.

64 Table 1, Verification and Validation Guidelines.

65 This criterion is evaluated by a different standard for projects applying the TREES crediting level.

66 This criterion is evaluated by a different standard from ART TREES.

67 Criterion 26, Methodological Framework.

ANNEX TO STEP 3:

Sample Due Diligence Questions

As with any procurement or purchasing decision, companies should go beyond exclusive reliance on external standards as they evaluate the social and environmental integrity of potential credit purchases. The TFCI Guide authors encourage buyers and their third-party agents to consider the following sample list of questions as they conduct due diligence on credits for purchase once they have completed Steps 1 and 2 of the Implementation Guidance.

Sample questions are provided for each of the five key areas of due diligence identified in the TFCI Guide, and are intended to inform company decision-making regarding to what degree the program or project adheres to TFCI guidance on both social and environmental integrity. Many of the risks related to inflated baselines, non-permanence, and social integrity are considerably mitigated through increasing scale, as explained in the [Annex to Recommendation IV](#) (The Path to Jurisdictional-Scale Forest Carbon Crediting).

Supplementary information in [Recommendation II](#), [Step 2 Annex](#), and [Step 3](#) may be useful in interpreting information discovered. Resolution of these questions may often require gathering information beyond that typically found in program or project documentation. If companies do not know how to interpret answers to certain questions, they should ask for expert advice to better understand the complexities of responses. Responses regarding IPs and LCs should be validated by IP and LC organizations themselves when possible.

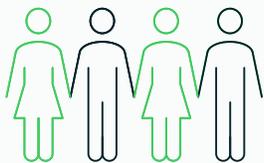
In addition, companies should be aware that credit owners may also request information as they screen potential buyers. Topics might include information on the GHG footprint of the company, progress against its SBTi target (or equivalent), claims associated with the purchase of the credits, whether credits will be retired or held for future trading, planned usage of credits towards a country's NDC, and other information.

Social Integrity

Due diligence area

Sample questions

Full and effective engagement with Indigenous Peoples, local communities, women, and other underserved communities as active partners



- In countries where such access is allowed, to what extent does the jurisdictional program/project enable forest rightsholders (especially IP and LC) to directly access carbon markets (e.g., to directly receive credits generated in their territory and trade them directly in carbon markets)?
- To what extent has the jurisdictional program/project been developed and implemented in line with the highest standards of transparency and full and effective participation of IPs and LCs in crediting in their territories? Indicators include, but are not limited to:
 - public support for the program/project from legitimate representatives of IPs and LCs;
 - equitable access to information, e.g. in local languages in a technically accessible and culturally appropriate manner;
 - provision of capacity building - including legal, commercial, financial, and technical advisory services - to enable participation on equal terms;

Due diligence area

Sample questions

“Full and effective engagement with Indigenous Peoples...” continued



- participation of IPs and LCs in program/project management, and design and implementation of intervention activities;
- prioritizing IPs and LCs in staffing;
- inclusion of a socio-environmental risk management mechanism with measurable indicators within the program/project.

- Are IPLC territories incorporated into the Forest Reference Emissions Level (FREL) in a fair and equitable way? Were IP and LC organizations consulted as partners and made aware of the implications of the FREL in advance? Does the FREL allow for the ongoing contributions from IPLC territories to be recognized and supported during the crediting period?
- Does the program/project have an established grievance mechanism? Were any formal grievances or complaints filed with the relevant standard about this program/project? If yes, is there information on grievance/complaint resolution and/or any concerns expressed from involved stakeholders about the process/outcome?

Equitable and transparent benefit-sharing arrangements



- Does the program/project allocate credits directly to stakeholders?
- If not, what benefit-sharing plan has been developed?
- Was the benefit sharing plan built in a participatory manner? E.g. to what extent have IPs and LCs been fully and effectively engaged as partners in the design and monitoring of the benefit sharing plan?
- How are the financial and resource benefits from sale of credits distributed across stakeholders and rights' holders? Identify the percentage of proceeds that have been allocated to IPs and LCs.
- How was this distribution determined? Was it through a transparent and equitable process? What evidence can be provided to show distribution of benefits consistent with that plan?
- Is there clarity on who is going to manage the funds obtained from any sale of carbon credits generated in IP and LC territories? If funds are not distributed directly to IPs and LCs, but go through intermediaries instead, are the roles and associated costs of intermediaries' services transparent and agreed by all parties in advance? Did all parties agree on the distribution?
- To what extent does the program/project identify special considerations for women and other underserved communities in benefit sharing arrangements?

Environmental Integrity

Due diligence area

Appropriately conservative baselines



Sample questions

- Is the applied framework for constructing baselines and quantifying credits sufficiently conservative in that it reasonably manages the risk of over crediting and uses the best available data?

Jurisdictional scale

- If projects exist within the jurisdiction's boundary, are project-scale emissions reductions and removals nested within jurisdictional accounting and reporting?

Project scale

- Has the project adopted an independently certified baseline allocated by or formally aligned with the jurisdictional baseline (if such a jurisdictional baseline exists)?
- If not, is it clear that the project baseline is consistent with the jurisdiction's approach, within the context of an independently verified jurisdictional crediting level?
- Does the reference region used to establish the project baseline reasonably take into account conservativeness and consider whether the selected reference region is representative of wider geographic landscape-level deforestation trends?

Addressing the risk of non-permanence



- Have the known risks of reversal been comprehensively documented? What systems or measures are in place to address and proactively mitigate the risks of reversal?
- Is there reasonable justification for how the proposed systems or measures are sufficient to fully address known risks and compensate in the event of reversals?
- Are systems for reporting reversals in place and are obligations to report reversals legally enforceable? Have any reversals been reported to date? If so, were they fully addressed in the timeframe required by the standard?

Due diligence area

Sample questions

Sufficiently rigorous and/or independent validation and verification



- Has the program/project achieved validation and verification to an internationally recognized standard? Are third-party assessors required to be certified validation and verification bodies under their own recognized certification process (such as ISO)?
- What assessment of the auditor's technical and geographic experience relevant to tropical forests was done prior to contracting the auditor? What information can the standard provide about the performance and consistency of the auditors used by this standard?
- Has verification confirmed progress towards conforming with social and environmental safeguards under the relevant standard? Does the project or program standard support the achievement of the Cancun safeguards for REDD+?
- Does the project or program document any efforts to go beyond the social and environmental safeguards in its relevant crediting standard? For example, has it achieved additional CCB certification?

Glossary

Term	Definition
Additionality (in the context of Jurisdictional REDD+)	A principle ensuring that the implemented activity reduces emissions or increases sequestration more than would have occurred in the absence of the intervention.
Baseline	In REDD+, the projected anthropogenic changes in forest carbon stock that would occur in the absence of the proposed project activity or program/policy intervention.
Beyond value chain mitigation (BVCM) strategies	Measures companies take to prevent, reduce, or remove greenhouse gas emissions outside their value chain. Examples include purchasing high-quality carbon credits and providing direct finance to climate mitigation.
Carbon credit	An emission unit that is issued by a carbon crediting program and represents an emissions reduction or removal of greenhouse gases. Carbon credits are uniquely serialized, issued, tracked, and cancelled by means of an electronic registry.
Carbon sequestration	Any process that removes carbon from the atmosphere and stores it in a form that can remain out of the atmospheric pool for some time. Synonymous with “emissions removals.”
Carbon stocks	Amount of carbon that has been sequestered from the atmosphere and is then stored within the forest ecosystem, mainly within living biomass and soil and, to a lesser extent, in dead wood and litter.
Climate mitigation outcome	<p>An ex post reduction or removal of greenhouse gases determined by quantifying a baseline for emissions within a given boundary and then measuring how much a given intervention avoids, reduces, or removes and sequesters carbon from the atmosphere.</p> <p>A climate mitigation outcome can then be unitized and in some cases serialized so it can be traded as a carbon credit or offset, but this secondary step isn’t necessary if the mitigation outcome does not need to change custody from one entity to another. In the Paris Agreement and additional decisions made by the United Nations Framework Convention on Climate Change (UNFCCC), the term “mitigation outcome” is used without the word “climate,” as the context for mitigation is understood.</p>

Term	Definition
Corresponding adjustments	An accounting entry applied in the context of Article 6 of the Paris Agreement to account for the international transfer of mitigation outcomes. A country transferring emissions reductions or removals makes an addition to the total emissions covered by its nationally determined contribution (NDC), and the country acquiring and using the emissions reductions or removals makes a subtraction.
Decarbonization	Measures that prevent the release of greenhouse gas emissions associated with electricity, industry, and transport.
Deforestation	The conversion of land from forest to nonforest.
Degradation	Anthropogenic changes within the forest that negatively affect the structure or function of the forest stand or site, and thereby lower its capacity to supply products and services. In the context of REDD+, degradation can be measured in terms of reduced carbon stocks in forests that remain as forests.
Double counting	When a single greenhouse gas emission reduction or removal is counted more than once toward achieving climate change mitigation. Double counting can occur through double issuance, double use, and/or double claiming.
Emissions reductions	Reductions of greenhouse gas emissions produced by the implementation of a REDD+ strategy or other activities, representing the difference between baseline or reference-level emissions and actual emissions, once leakage has been accounted for. Once monitored, it is reportable as a unit for carbon finance payments.
Emissions removals	The withdrawal of greenhouse gases from the atmosphere as a result of deliberate human (i.e., anthropogenic) activities. These include enhancing biological sinks of carbon dioxide and using chemical engineering to achieve long-term removal and storage.
Enabling conditions	Strengthening the capacities of IPs, LCs, women, and other underserved communities to (1) undertake all activities and processes required to successfully execute a REDD+ project/program from the inception of programs or projects as partners and not beneficiaries and (2) ensure full and effective participation, including in decision making and all aspects of design and execution of benefit sharing.

Term	Definition
Fair and equitable benefit sharing	The distribution of benefits (e.g., revenue, job creation) to Indigenous Peoples and local communities that accrue from activities to conserve forests and stop deforestation in a manner that accords with local and Indigenous rights to land and resources and applicable rules, laws, and standards.
Forest monitoring/forest monitoring system	A robust and transparent national (or subnational in the interim) system that combines remote sensing and ground-based forest carbon inventory approaches to estimate emissions, removals, and forest area change. It builds on existing systems, as appropriate, and enables the monitoring of different forest types following national definitions.
Forward finance	Financing received to establish a project or program and undertake initial emissions reduction or removal activities, prior to the issuance of carbon credits. May include contracts for the purchase of credits at a future date based on specified prices and other terms.
Forward purchase commitments/ agreements/contracts	<p>Commitments: A statement from a company about its intent to forward-purchase jurisdictional-scale credits when available, ideally with a commitment to a certain monetary value or volume amount.</p> <p>Agreements: A negotiated arrangement (legally binding or not) between parties to purchase credits at a future date.</p> <p>Contracts: A negotiated arrangement between parties to purchase credits at a future date based on specified prices and other terms of implementation.</p>
Free, Prior, and Informed Consent (FPIC)	The principle that consent for any project, plan, or action should be given in advance and should be independently decided upon and informed based on accurate, timely, and sufficient information provided in a culturally appropriate way.
Full and effective participation	Parties are fully included in a process (e.g., decision making) and valued as equal participants, and their needs are viewed as integral to social and economic order.
High forest, low deforestation (HFLD) areas	Countries and jurisdictions with high extents of forest cover and low past or low ongoing rates of deforestation.

Term	Definition
Indigenous-led jurisdictional REDD+	An Indigenous-led strategy to reduce emissions from land-use and change at the level of a jurisdiction (in this case, Indigenous territories). It is based on the guidelines of Amazon Indigenous REDD+, a proposal by Coordinator of the Indigenous Organizations of the Amazon Basin (COICA) that prioritizes the holistic management of forests and Indigenous territories and recognizes their governance structures and ensures not only respect for territorial and land rights and FPIC for IPs, but also the effective participation of IPs in the process and a fair distribution of benefits. HFLD areas are included because most Indigenous territories, due to their achievements in forest conservation, are HFLD.
Indigenous Peoples (IPs) and local communities (LCs)	<p>Culturally differentiated groups who recognize themselves as such and have their own forms of social organization, live and use their territories as a condition for cultural, social, religious, ancestral, and economic reproduction, and use knowledge, innovation, and practices generated and transmitted by tradition.</p> <p>Examples of such communities include:⁶⁸</p> <ul style="list-style-type: none"> • Riverine communities and artisanal freshwater fishers. • Coastal-based communities such as artisanal fishers, crab collectors, etc. • Communities with forest-based livelihoods, such as rubber tappers, coconut breakers, açai palm extractors, etc. • Afro-descendant traditional populations and communities. • Family farmers, small landholders, and other types of peasants. • Urban-based local communities (social groups) whose livelihoods are tightly connected to tropical forest biodiversity and natural resources.
Jurisdiction	In the context of REDD+ crediting, a country or large, subnational political/administrative unit, such as a state, province, or Indigenous territory, with authority to issue credits for forest carbon emissions reductions and removals.
Jurisdictionally allocated baseline	A deforestation/degradation baseline developed at the jurisdictional scale, that then is spatially allocated to a project within the jurisdictional area.

⁶⁸ Examples adapted from "Definition of Indigenous Peoples and Local Communities for the Science Panel for the Amazon," available at <https://www.theamazonwewant.org/wp-content/uploads/2021/11/Definition-of-Indigenous-peoples-and-local-communities-1.pdf>.

Term	Definition
Jurisdictional REDD+ programs/ jurisdictional programs	A set of activities led by jurisdictional authorities to reduce forest-based emissions and enhance removals within an accounting area according to a strategy or action plan, supported by systems for forest monitoring and compliance with safeguards, and assessed against a jurisdictional-scale reference level. Note: A variety of landscape and jurisdictional sustainability initiatives may not seek to generate and transact REDD+ credits on the voluntary market.
Jurisdictional-scale REDD+ crediting/ jurisdictional-scale crediting	The issuance of independently verified carbon credits for forest-based emissions and/or removals based on a baseline developed at the scale of an accounting area defined by a country or large subnational political/administrative unit.
Leakage	The displacement of greenhouse gas emissions from one geographic region to another as a result of the activities or interventions of a project or jurisdiction.
Mitigation	In the context of climate change, a human intervention to reduce the sources or enhance the sinks of greenhouse gases. Examples include using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power, improving the insulation of buildings, and expanding forests and other “sinks” to remove more emissions from the atmosphere.
Mitigation hierarchy	A set of prioritized steps to limit negative impacts, as much as possible, through avoidance, mitigation (or reduction), restoration, and offsetting (compensation). These prioritized steps are used in environmental frameworks from waste management to climate and biodiversity impact mitigation. ^{lv}
Monitoring, reporting, and verification (MRV)	A national and/or subnational set of processes to robustly authenticate GHG emissions. These systems allow for a determination of GHG emissions reductions, avoided emissions, and/or removals compared to the reference level. They can also be used to monitor safeguards, governance, and benefits from REDD+ activities.
Nationally determined contribution (NDC)	A national climate action plan to cut emissions and adapt to climate impacts. Each party to the Paris Agreement is required to establish an NDC and update it every five years.

Term	Definition
Natural climate solutions (NCS)	A framework and set of resource management interventions that can lead to emissions reductions and/or enhanced carbon sequestration. ^{lvii} These interventions can cover forest, agriculture, and other land-use and coastal/marine ecosystem categories, and they can be loosely organized into interventions that protect, restore, or manage resources to change the GHG fluxes associated with those resources.
Nested projects	Projects situated within the scope of a jurisdictional program that is registered with and validated by a reputable accreditation standard and that have emissions baselines integrated into accounting at the jurisdictional level.
Net zero	A state of GHG emission neutrality whereby GHG emissions and removals are balanced.
Non-permanence	The potential or statistical probability that carbon stocks for which credits have been issued will be emitted back into the atmosphere.
Paris Agreement	A legally binding international treaty on climate change adopted by 196 Parties at the Conference of Parties (COP) 21 in Paris on December 12, 2015. Its goal is to limit global warming to well below 2 degrees Celsius, and preferably to 1.5 degrees Celsius, above pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach peak global emissions as soon as possible to achieve a climate neutral world by midcentury.
Reduced emissions from deforestation and forest degradation (REDD+)	A framework created by the United Nations Framework Convention on Climate Change (UNFCCC) to reduce greenhouse gas emissions from deforestation and forest degradation and promote the role of conservation, sustainable forest management, and enhancement of forest carbon stocks in developing countries.
Reference level (RL) and forest reference emission level (FREL)	Defined under the United Nations Framework Convention on Climate Change (UNFCCC) as “benchmarks for assessing each country’s performance” in implementing REDD+ activities, expressed as annual tons of carbon dioxide emissions. Reference levels refer to an estimation of GHG emissions from deforestation and ideally forest degradation, whereas Forest Reference Emission Levels are understood to refer to an estimate of net GHG fluxes, including removals.
Restoration	Human interventions or land management practices (including intentional avoidance of human disturbance) that improve the ecological integrity of a given area and often result in the long-term increase in carbon stocks in that area.

Term	Definition
Science-based target	Targets in line with the level of decarbonization required to keep average global temperature increase well below 2 degrees Celsius (and in pursuit of 1.5 degrees Celsius) above pre-industrial temperatures, as described by the Intergovernmental Panel on Climate Change. Unless stated, such a target may not be independently validated against a rigorous methodology.
Science Based Targets initiative (SBTi)	<p>An initiative to mobilize companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy. It is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wildlife Fund for Nature (WWF) and is one of the We Mean Business Coalition commitments.</p> <p>The initiative defines and promotes best practices in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.</p>
Social and environmental co-benefits	Benefits arising from REDD+ that go beyond climate mitigation benefits, such as enhancing biodiversity and adaptation to climate change, alleviating poverty, improving local livelihoods, improving forest governance, and protecting human rights.
Verification and validation	Accredited, independent third-party entities (often referred to as auditors) that assess whether a project or program, and the carbon credits it issues, conform to the requirements of the standard to which it is certified (e.g., reversal risk assessments, leakage, and uncertainty deductions, etc.).
Vintage	A specified year or period in which the emission reduction or removal occurred. Emissions reductions or removals may be assigned or associated with particular vintages.
Voluntary carbon market (VCM)	A market that encompasses all transactions of carbon credits that are not purchased with the intention to surrender into an active regulated carbon market, including those purchased with the intent to resell or retire credits to meet carbon neutral or other environmental claims.

Acronyms⁶⁹

Term	Definition
AFI	Accountability Framework initiative
ART TREES	The Architecture for REDD+ Transactions' The REDD+ Environmental Excellence Standard (often referred to simply as TREES)
BSP	Benefit sharing plan (sometimes also referred to as a benefit-sharing arrangement)
BVCM*	Beyond value chain mitigation
COICA	The Coordinating Committee of Indigenous Organizations of the Amazon Basin
ERPA	Emission reduction payment agreement
FCPF CF	Forest Carbon Partnership Facility Carbon Fund
FPIC*	Free, Prior, and Informed Consent
FREL*	Forest reference emission level
GHG	Greenhouse gas
HFLD*	High forest, low deforestation areas or credits
IP*	Indigenous Peoples (often combined with "local communities" to form "IP and LC")
ISO	International Organization for Standardization
JNR	Verra's Jurisdictional and Nested REDD+ standard

⁶⁹ Acronyms followed by an asterisk (*) are defined in the Glossary.

Term	Definition
LC*	Local communities (often combined with “Indigenous Peoples” to form “IP and LC”)
MRV*	Monitoring, reporting, and verification
NCS*	Natural climate solutions
NDC*	Nationally Determined Contribution
NGO	Nongovernmental organization
REDD+*	Reducing Emissions from Deforestation and forest Degradation
RL*	Reference level
SBTi*	The Science Based Targets initiative
TFCI Guide Version 2	Tropical Forest Credit Integrity (the name of this document); the second version of the Tropical Forest Credit Integrity Guide for Companies
UNFCCC	The United Nations Framework Convention on Climate Change
V&V*	Verification and validation
VCM*	Voluntary carbon market
VCMi Initiative	Voluntary Carbon Markets Integrity, another initiative seeking to improve the integrity of voluntary carbon markets
VCS	Verra’s Voluntary Carbon Standard, a project-level standard

Endnotes

Note: Roman numerals are hyperlinked back to their location in the text.

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