

Complementary Resource to:

TFCI

TROPICAL FOREST CREDIT
INTEGRITY GUIDE



Guidance to Identify and Purchase High- Quality Forest Carbon Credits

Summary Version of The Tropical Forest
Credit Integrity Guide for Indigenous
Peoples and Local Communities



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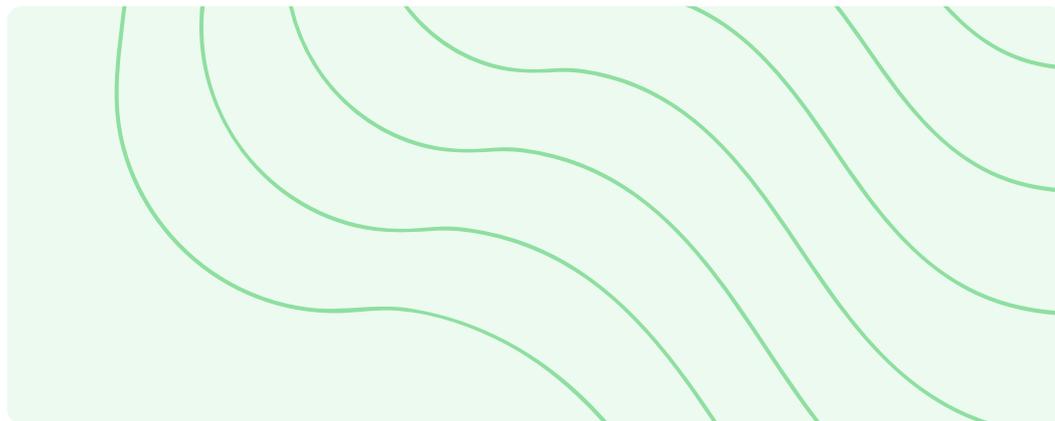
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Section 1

Context For This Resource:

This document is a summarized version of the [Tropical Forest Credit Integrity \(TFCI\) Guide](#)— a resource produced by eight leading environmental and Indigenous Peoples and local community organizations¹ to help companies interested in purchasing carbon credits in the voluntary carbon market differentiate among forest carbon credits by impact, quality, and scale.

The TFCI Guide is the result of an 18-month collaborative process. As part of this process, participating organizations created several working groups, one of which was the “Indigenous Peoples and Local Communities” working group. This working group organized a series of workshops and consultations to gather input from organizations of Indigenous Peoples and local communities in Meso and South America.

Developed by select members of the “Indigenous Peoples and Local Communities” working group, this summary version of the TFCI synthesizes the content of the original guide to make it more accessible to Indigenous Peoples and local communities. The intent is for the summary version to be a useful resource in enhancing understanding and capacity building around the tropical forest carbon credit market. If readers would like more details about the recommendations in this summary version, please refer to the original TFCI Guide.

¹ The following organizations are the co-authors of the Tropical Forest Credit Integrity (TFCI) Guide: Coordinator of the Indigenous Organizations of the Amazon Basin (COICA), Conservation International (CI), Environmental Defense Fund (EDF), The Amazon Environmental Research Institute (IPAM), The Nature Conservancy (TNC), Wildlife Conservation Society (WCS), World Resources Institute (WRI), World Wildlife Fund (WWF).

Background

- Global warming is on track to exceed 1.5°C.



- Reducing deforestation is essential to limiting global warming to 1.5°C, in addition to the complementary benefits it generates for the population.



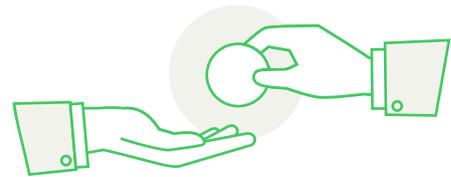
- The main cause of deforestation is the economic revenues resulting from land-use activities that result in forest destruction or degradation.



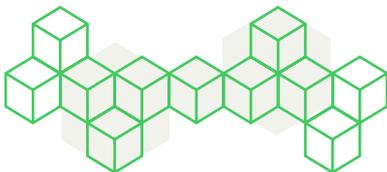
- It is necessary to recognize that there may be areas with a risk of future deforestation that is greater than the rates that have been presented in the past (HFLD areas). What happened in the past is not necessarily the same as what will happen in the future and this is the reality of many Indigenous Peoples and local communities (IPs and LCs) territories.



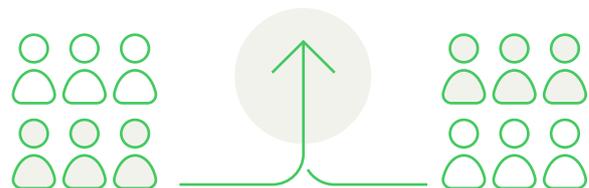
- Carbon markets, including for REDD+, are growing rapidly and can be part of the strategy to finance the protection of forests if buyers and other stakeholders are able to appropriately distinguish high-quality credits from those that are not and that negatively impact the territory.



- To meet global climate goals, we cannot 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 to address the multidimensional nature of deforestation.



- It is necessary to adopt a landscape approach, which is characteristic of jurisdictional REDD+, within which the effective participation of IPs and LCs and robust nesting methodologies and processes are essential for the success of interventions.



- Greater respect for the rights and effective participation of IPs and LCs (for example, to recognize their carbon ownership and direct market access) will result in a higher quality of jurisdictional credits.



Companies can help governments implementing jurisdictional programs adopt these good practices. To this end, the TFCI Guide recommends companies do the following:

- Set ambitious climate targets, which are achieved simultaneously by reducing emissions within their own operations and using high-quality tropical forest carbon credits as part of their climate commitments.


- Conduct in-depth research to identify and acquire high quality credits. The TFCI Guide aims to contribute to this goal.


- Acquire credits that come from jurisdictional programs certified under high quality standards, even announcing interest in advance purchase agreements.

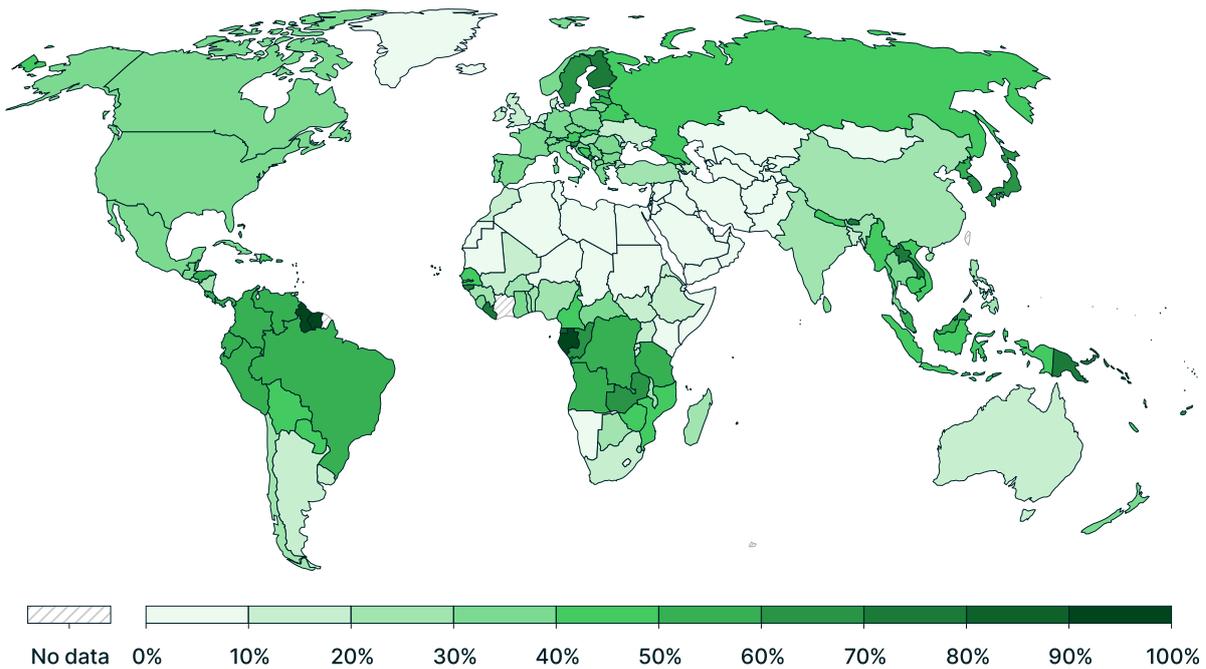

- Prioritize the purchase of emissions reductions credits over removal credits in the near term to conserve standing forests.


- Purchase high-quality HFLD credits so as not to harm territories that have remained historically well preserved and are often owned and stewarded by IPs and LCs.


- Support jurisdictions to design and implement high-quality jurisdictional programs.



Share of land covered by forest, 2020



Data source: Food and Agriculture Organization of the United Nations and historical sources. [OurWorldInData.org/forests-and-deforestation](https://ourworldindata.org/forests-and-deforestation)

Glossary

Term	Definition
Amazon Indigenous REDD+(RIA)	An approach to Indigenous-led jurisdictional REDD+ proposed 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.
Baseline / Forest Reference Emissions Level (FREL)	The amount of greenhouse gas (GHG) emissions that would occur in a given area if certain policies, programs or projects were not implemented. When the baseline is projected at a country level and referred to in the UNFCCC, it is called FREL.
Benefit Sharing	Distribution, on fair and equitable terms, of REDD+ revenues among Indigenous Peoples and local communities and in accordance with their rights and the legal framework of the country.
Carbon credit	An emission reduction or removal unit granted by a carbon crediting program, with a unique code to avoid double counting or sale.
Corresponding adjustments	Discount to be made in the seller country if a carbon credit is purchased for purposes of meeting the NDCs of the buyer country.
Crediting	Emission of carbon credits verified by an accredited entity.
Deforestation / Degradation	Permanent conversion of forest cover to non-forest cover (deforestation) or forest cover with lower biomass but that still qualifies as forest (degradation).
Double counting	When the same carbon credit is attributed/used more than once by the same or different entity or country.
Free, Prior and Informed Consent (FPIC)	Consent to be given by Indigenous Peoples for an action that impacts them, in advance of the beginning of such action and based on information received in a culturally appropriate manner.
Full and effective participation	Continuous and equal participation of the population throughout the REDD+ process and decision-making.
HFLD areas	Countries or jurisdictions with a high percentage of the original forest still preserved and still with low rates of deforestation.
Indigenous Peoples and local communities	Culturally differentiated groups and self-recognized as such, with their own forms of social organization, knowledge, and cultural practices and that have a special relationship with their territory, which is key to their integral survival.
Jurisdiction	Country or subnational administrative unit authorized to issue forest carbon credits.
Jurisdictional REDD+ Program	Structured set of actions led by a jurisdictional authority to reduce forest-based emissions and enhance removals in its administrative area.

Term	Definition
Leakage	Increase in GHG emissions in an area close to where a carbon project or program is being implemented, as a result of the geographical displacement of activities that lead to these emissions.
Measurement, Reporting and Verification (MRV)	Set of processes and systems that allow quantifying reductions or removals generated against the baseline, as well as safeguards, governance and benefit sharing.
Mitigation outcome	Net reduction or removal generated from a conservative baseline and which can become a marketable carbon credit if certified by a carbon crediting program. It can be used for non-trade financial agreements and for trade agreements.
Nationally Determined Contribution (NDC)	Measurable, time-bound commitment adopted by each country under the Paris Agreement to reduce its emissions and adapt to the impacts of climate change.
Nested project	Project situated within a jurisdictional program and whose baseline is integrated into accounting at the jurisdictional level.
Non-permanence	Probability that reductions or removals for which credits have been issued will be emitted back into the atmosphere.
Reduced Emissions from Deforestation and Degradation (REDD+)	A framework created by the United Nations Framework Convention on Climate Change to reduce GHG emissions from deforestation and degradation and promote conservation, sustainable management of forests and the increase of forest areas.
Reduction of emissions	Decrease of greenhouse gas emissions into the atmosphere.
Removal of emissions	Absorption or withdrawal of greenhouse gases from the atmosphere.
Verification and validation	An assessment conducted by an accredited, independent, third-party entity to determine whether the carbon credits of a project or program meet the requirements of the standard to which it is certified.
Voluntary carbon markets	Market in which carbon credits are traded that have not been produced in an obligatory manner and that are not being purchased to surrender to a regulated carbon market.

Key Considerations

A carbon credit is an emission unit recognized by a recognized standard. It equates to one ton of carbon dioxide captured or prevented from being emitted into the atmosphere. Each credit has an identity number (serial), is issued, tracked and, when its final use occurs, canceled.

Those who purchase credits from forests should ensure these credits come from carbon crediting programs where IPs and LCs have full and effective participation, broad governance, and equitable benefit sharing.

Section 2

Urgent need to stop forest destruction



There is an urgent need to stop the destruction of forests

Forest destruction not only has a negative impact on climate change and ecosystem functions, but also—and mainly—affects the way of life of Indigenous Peoples and local communities.

Forests worldwide store more than 100 million gigatons of carbon. The burning of tropical forests emits 6.3 gigatons of carbon dioxide per year, which is the same as the pollution of 900 million cars.

1 gigaton

=

1 billion metric tons

4.1 million hectares of tropical forest are burned annually.



Forests worldwide store more than 100 million gigatons of carbon.



4,060 millions of hectares of forests worldwide

100m Gigatons



The burning of tropical forests emits 6.3 gigatons of carbon dioxide per year, which is the same as the pollution of 900 million cars.

Annually, 20 million cars are produced



6.3 Gigatons



To prevent the destruction of forests globally, USD700 billion a year is needed,

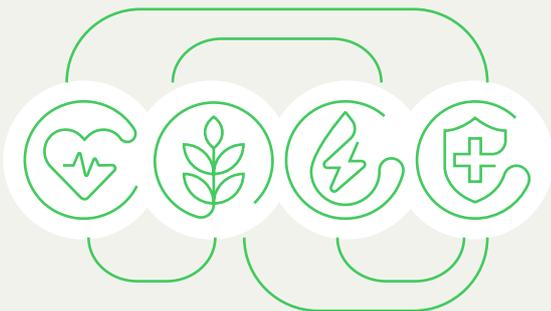
but despite the climate mitigation potential of forest conservation, very little funding is received:

8% of public climate finance and less than 1% for forests.



Although it may not seem so, many companies depend on forests: hydroelectric plants, agribusinesses, etc.

In addition, health and safety impacts should be taken into account as well.



The private sector must therefore lead the fight against deforestation.



Guide for companies to purchase high-quality tropical forest carbon credits

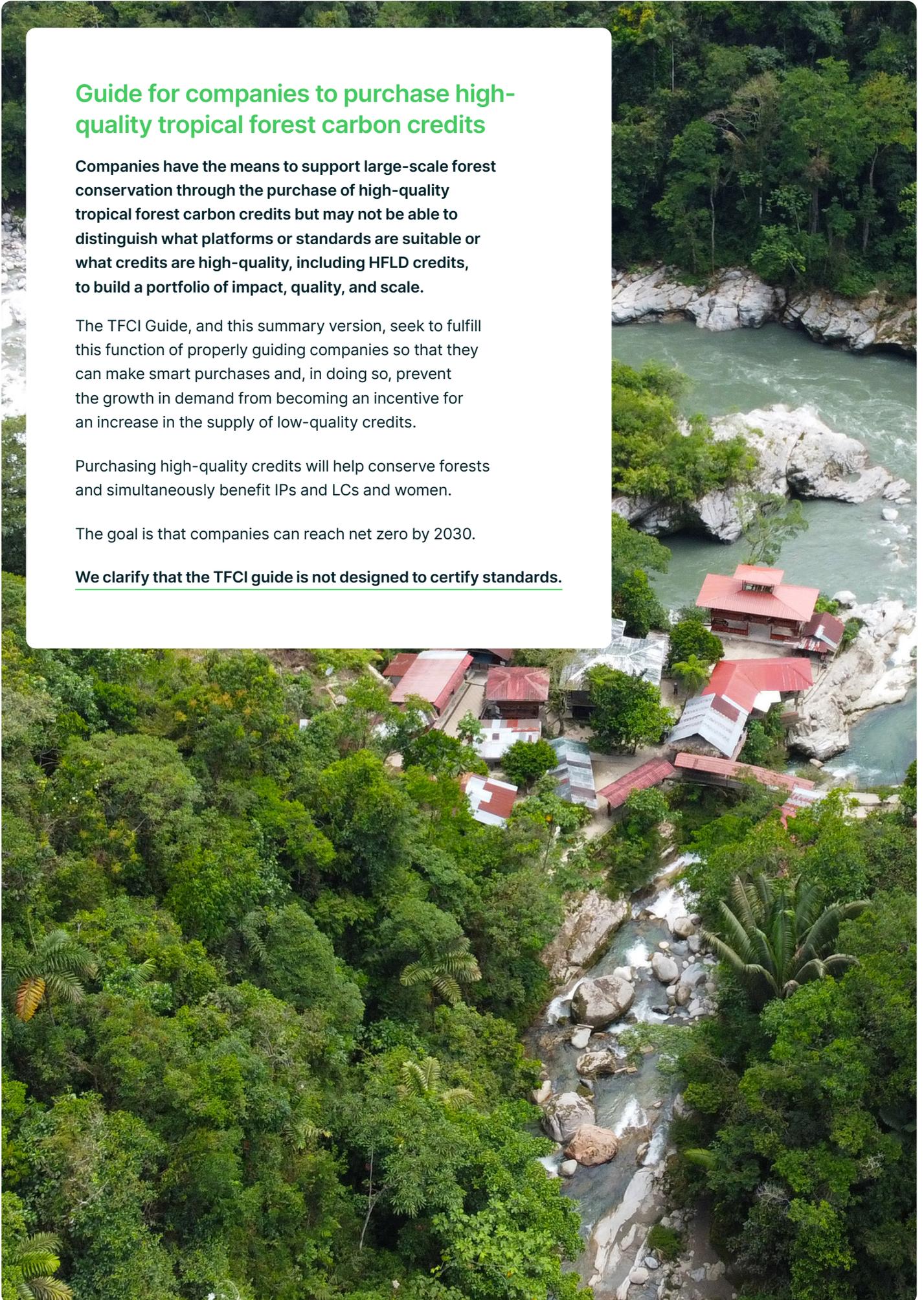
Companies have the means to support large-scale forest conservation through the purchase of high-quality tropical forest carbon credits but may not be able to distinguish what platforms or standards are suitable or what credits are high-quality, including HFLD credits, to build a portfolio of impact, quality, and scale.

The TFCI Guide, and this summary version, seek to fulfill this function of properly guiding companies so that they can make smart purchases and, in doing so, prevent the growth in demand from becoming an incentive for an increase in the supply of low-quality credits.

Purchasing high-quality credits will help conserve forests and simultaneously benefit IPs and LCs and women.

The goal is that companies can reach net zero by 2030.

We clarify that the TFCI guide is not designed to certify standards.



Indigenous Peoples, local communities, women and other underserved communities

Half of all global land is community-based, although only 10 per cent is recognized and contains a significant share of forest carbon reserves.

In the Amazon, deforestation rates on these lands are 50% lower than in non-indigenous forests.

Direct market access and the full and effective participation of Indigenous Peoples should be essential for tropical forest crediting. The standards should move toward implementing these two elements and buyers can influence jurisdictions to meet these requirements.



The governance of voluntary carbon markets

Many initiatives exist seeking to improve the integrity of carbon markets such as:

- [Integrity Council for the Voluntary Carbon Market \(IC-VCM\)](#)
- [Natural Climate Solutions Alliance \(NCSA\)](#)
- [Science Based Targets Initiative \(SBTi\)](#)
- [Voluntary Carbon Markets Integrity initiative \(VCMI\)](#)
- [Carbon Credit Quality Initiative \(CCQI\)](#)



This TFCI Guide does not seek to be another such initiative, but rather to advocate for these initiatives to adopt the recommendations of the TFCI.

Section 3

Steps to apply the Guide



Recommendations for Companies



01 ▾

Purchase forest carbon credits as part of their strategies to reduce their emissions, increasing their climate ambition.



02 ▾

Ensure that carbon credits meet fundamental thresholds of social and environmental integrity.



03 ▾

Transparently report on carbon credit purchases.



04 ▾

Shift purchases to credits from jurisdictional-scale programs (including fully nested projects).



05 ▾

Prioritizing the purchase of credits from programs and projects that reduce deforestation.

01



Purchase forest carbon credits as part of their strategies to reduce their emissions, increasing their climate ambition.

- Publicly commit to a science-based, quantitative emission reduction target validated by a recognized system (e.g., the Science Based Targets initiative or equivalent). Also, companies with significant deforestation in their supply chains must also be actively implementing a zero-deforestation target.
- In the near-term, prioritize purchase of high-quality emissions reductions credits over removals credits until halting deforestation loss is achieved.
- Conduct thorough research to ensure that credits are purchased from crediting programs that recognize IPs and LCs rights, have adequate benefit sharing mechanisms in place, and ensure full and effective participation.

02



Ensure that carbon credits meet fundamental thresholds of social and environmental integrity.

- Indigenous Peoples and local communities are partners, not beneficiaries.
 - Their rights to free use and ownership of resources (including carbon) are respected.
 - They have free, prior and informed consent and equitable access to information, with an intercultural and gender-based approach and a vision of capacity building.
 - Traditional customs, representative organizations and methodological concerns of IPs and LCs are respected.
- Fair and transparent sharing of benefits
 - Benefit sharing mechanisms should be developed in consultation with relevant rights holders, respecting the right of IPs and LCs to choose their trading partners, promoting that IPs and LCs receive revenues directly and without costly intermediaries. If intermediaries are needed, they must make their costs transparent.
 - These funds should be used to finance IPs and LCs priorities and through their territorial management instruments.
- Conservative, independent and jurisdictional baselines.
- Conservative estimation of risks of leakage and non-permanence.
- Other criteria:
 - Data becomes increasingly specific and with less uncertainty.
 - No double counting.
 - Activities that promote sustainable development, improve resilience, adaptation, biodiversity and do not have adverse impacts on communities.
 - Alignment with the accounting of jurisdictional programs.

03



Transparently report on carbon credit purchases.

- Companies should transparently report on their purchases of forest carbon credits, including whether they will contribute to host country's NDC, to avoid any confusion about double counting.
- Companies should support jurisdictions to comply with the transparency and accounting requirements of the Paris Agreement.

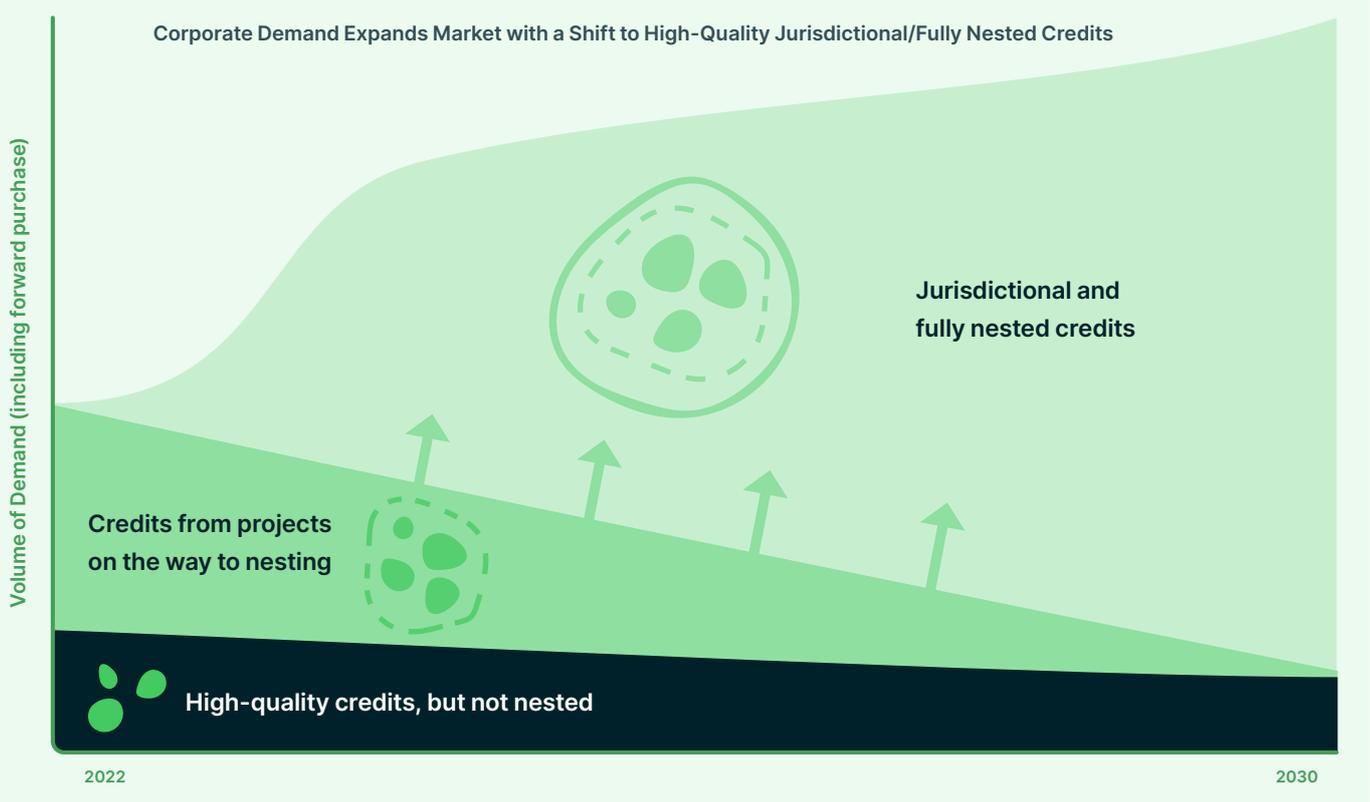
04

Shift purchases to credits from jurisdictional-scale programs (including fully nested projects).

- Companies must give clear signals that they prefer jurisdictional-scale credits through financial agreements or future purchase commitments or by purchasing credits (not only from the jurisdiction, but also from fully nested projects) from already established jurisdictional programs.
- Companies should encourage current project developers and existing carbon projects to promote the establishment of high-quality jurisdictional-scale crediting and nest into these programs.

Reasons for moving from a non-nested approach to a jurisdictional approach

- More efficient and effective reductions/removals are promoted.
 - Policy actions and changes are encouraged at scale.
 - This is consistent with the national approach of monitoring, baseline, strategies and safeguards.
 - This ensures environmental integrity in aspects such as leakage, permanence and additionality.
 - There could also be indigenous jurisdictions.
- However, in areas where jurisdictional-scale crediting is unlikely, selective near-term corporate purchases of high-quality project-scale credits may provide interim support for critical forest conservation needs and opportunities.



05



Prioritizing the purchase of credits from programs and projects that reduce deforestation.

- Although both restoration and the fight against deforestation are necessary, deforestation must be addressed first because it accounts for 11% of global emissions.
- In addition, post-deforestation use includes high emission activities (such as livestock, for example).
- Business purchases should prioritize these emission reduction credits in the near-term, including those from HFLD jurisdictions (i.e., sites that keep most of their forests conserved and have little deforestation, but face growing future threats).

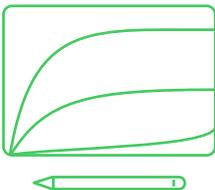
Guidelines for implementing the TFCI Guide:

Before using this guide, companies should publicly commit to a science-based emissions reduction target validated by the Science Based Targets initiative (SBTi) or equivalent, and for companies with significant deforestation in their supply chains, they must also be actively implementing a zero-deforestation target.

Also, it should be recognized that crediting processes need to be improved to ensure more equitable participation of IPs and LCs, including allowing them to directly access carbon markets.

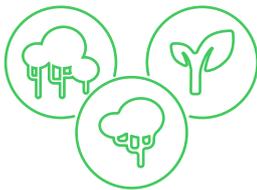
Companies should

STEP 01 ▾



Plan their tropical forest credit portfolio to align with global needs.

STEP 02 ▾



Build their portfolio with purchases that drive demand for high-quality jurisdictional-scale crediting.

STEP 03 ▾



Perform due diligence to ensure the high quality of credits.

STEP 04 ▾



Follow up with complementary actions and be attentive to new developments.

Plan tropical forest credit portfolios to align with global needs

A



Prioritizing purchases and/or advance financial agreements of jurisdictional REDD+ credits.

B



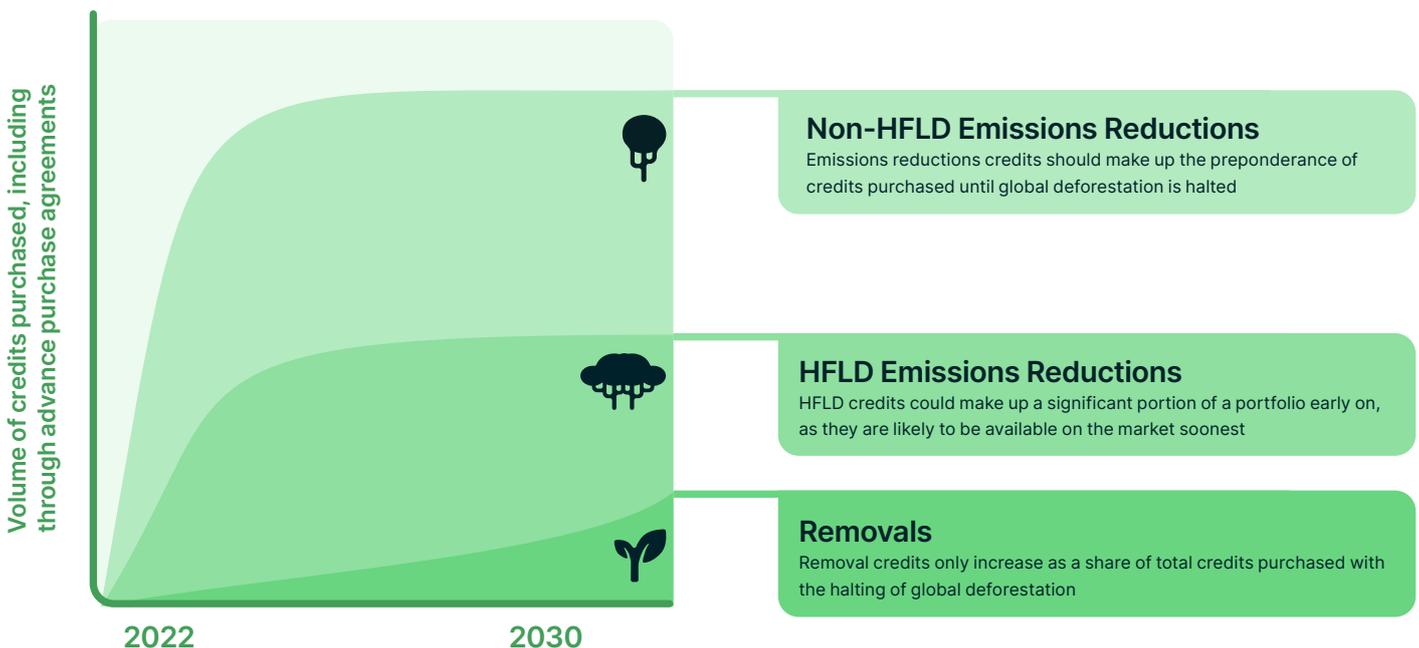
Including HFLD credits in carbon credit portfolios. In this regard, while some of the existing standards have conservative approaches to the baseline of HFLD jurisdictions, it is necessary for those standards to continue to improve such baselines so as not to underestimate the magnitude of future risk to such jurisdictions. If baselines continue to be based on the historical average, many important areas such as territories of IPs and LCs may be excluded from carbon markets.

C



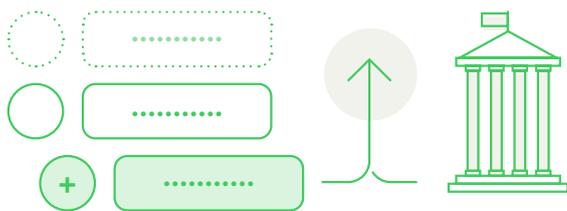
Progressively increasing the purchase of credits from reforestation, restoration and agroforestry systems in the medium-term as we approach 2040-2050 and net zero emissions, with the aim of neutralizing residual emissions. These should be prioritized in regions that have already reduced their deforestation levels, their restoration is part of a comprehensive strategy and the projects are certified under recognized standards.

Example of a tropical forest carbon credit portfolio: evolution over time



Prioritize purchases of high-quality credits at a jurisdictional scale

High-quality credits at the jurisdictional scale refer not only to credits from jurisdictional-scale programs, but also from projects nested in those jurisdictional programs, including Indigenous jurisdictions.



Companies can boost these jurisdictional programs by announcing their purchase preference for credits from jurisdictional programs, including advance purchase and forward finance agreements and encouraging projects they purchase from to prompt their jurisdictions to develop jurisdictional programs.

There are 3 levels of carbon credits, differentiated by progression toward a high-quality jurisdictional program or becoming fully nested within one. Regardless of the level at which companies wish to purchase credits, it is recommended that they prioritize credits that have a high positive impact on IPs and LCs. Companies should follow this recommended order of preferred credits when purchasing tropical forest carbon credits—assuming all other TFCI criteria are met.

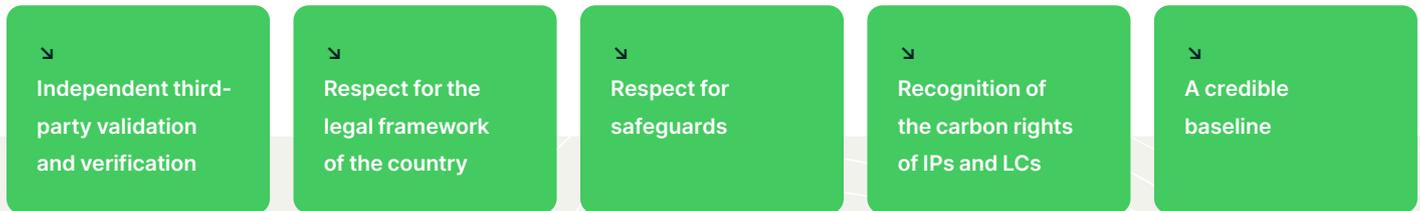
Level	Type	Standards that qualify
1	<p>Fully operational jurisdictional programs</p> <p>Projects fully nested in a jurisdictional program</p>	<p>Jurisdictional programs: ART TREES; VERRA JNR (Scenarios 2a or 3); FCPF Carbon Fund (CF)</p> <p>Projects must be fully nested in conformance with ART TREES (Scenarios 1 or 2), VERRA JNR (Scenarios 2a or 3), or FCPF CF.</p>
2	<p>Nesting-ready projects in jurisdictional making strong progress toward fully operational jurisdictional programs.</p>	<p>Jurisdictional program scenarios must be seeking to meet standards such as ART TREES , VERRA JNR (Scenarios 2a or 3), or 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>
3	<p>Projects nested in a jurisdictional program that do not intend do issue credits.</p>	<p>Projects must conform to Verra JNR Scenario 2b as well as be certified to an internationally recognized standard.</p>

In places where no jurisdictional program exists or is envisaged in the near to medium term, companies should limit their purchase of credits from those high-quality emission reduction projects that respect safeguards or provide benefits to vulnerable populations, are ready to be nested on a jurisdictional baseline, and that meet relevant TFCI nesting-ready criteria, including adoption of a jurisdictionally allocated baseline.

Conduct due diligence to ensure high-quality credits are purchased

Companies should go beyond exclusive reliance on standards and conduct additional due diligence (i.e., conduct thorough research) to ensure that carbon credits they purchase meet the highest social and environmental standards.

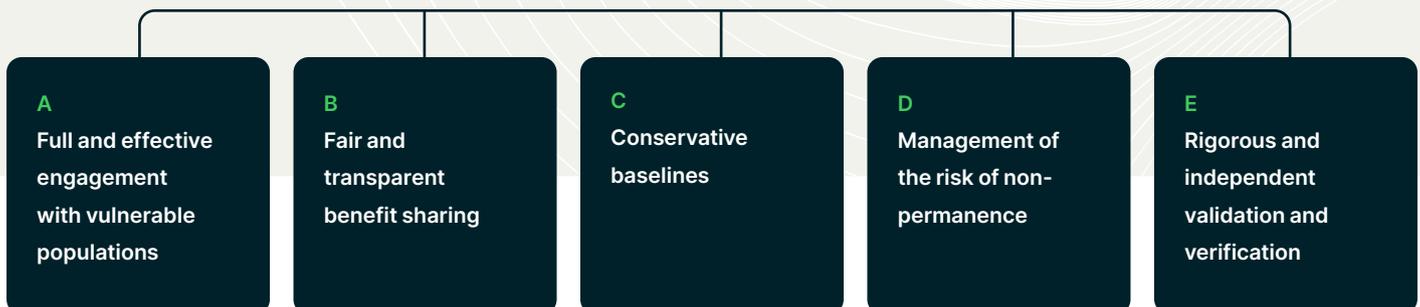
Companies should recognize that there are well-developed, widely recognized standards and that they need to be differentiated from other efforts that do not meet the definition of a standard. Rigorous standards should include, among other aspects:



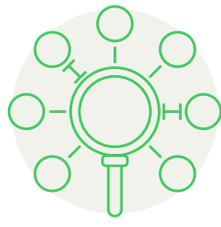
Although there are rigorous standards, it is worth mentioning that there is always room for continuous improvement. Companies are encouraged to advocate that the standard-setting organizations develop and improve standards that achieve high social and environmental integrity, consistent with the latest

and best-available science and best practices to ensure full climate benefit. This TFCI Guide has not analyzed the standards at the project level. The only jurisdictional and nesting standards that the TFCI current recognizes are [ART TREES](#), [JNR VERRA](#) and [FCPF FC](#).

Research (or due diligence) should focus on 5 areas:



Below is background on each key area for due diligence:



A

Full and effective engagement with vulnerable populations, including Indigenous Peoples, local communities, women, and other unserved communities.



These stakeholders must be guaranteed full and effective participation in decision-making processes with free, prior, and informed consent from the very stage of planning the program or project.

This participation must be accompanied by technical and legal advisers from Indigenous organizations, who must be consulted by companies, considering the differences specific to each country.

The assessment of compliance with safeguards and effective participation should be carried out by independent experts and its results should be accessible to all.

This support can generate the enabling conditions for the implementation of initiatives led by IPs and LCs, such as RIA and other indigenous funds², which allow for direct funding, self-governance, rights-based benefits, and cultural and ecological integrity.

Where available, companies should prioritize credits from fully nested indigenous initiatives that come from jurisdictions that respect the rights of forest users. To do this, they should ask carbon vendors to demonstrate the involvement of IPs and LCs in the design and implementation stages of activities, carbon accounting, and the technical and financial support provided to IPs and LCs so that they can participate adequately. Ideally, they should seek to contact IPs and LCs directly for their opinion on the programs and projects that take place in their area.

B

Fairness and transparency in the sharing of benefits



Companies should try to understand and review benefit-sharing plans, ensuring the participation of the most vulnerable populations and seeking to ensure that these populations receive the highest percentages of revenues, avoiding, if possible, intermediaries who charge high administrative costs.

If intermediaries are to be used, they must make their administration costs transparent.

Revenues should be invested in accordance with the proposals of the IPs themselves and through their own instruments of territorial management, forest monitoring, indigenous economy, governance and ancestral knowledge recovery.

Companies must ensure that profits are effectively delivered to the population, and this could include indigenous organizations themselves independently confirming satisfaction with the agreements.

² <https://fundopodaali.org.br/>

C



Conservative baselines

The baseline is the projection of emissions that will be generated in each jurisdiction, and against which the number of credits of a program or project is calculated.

Methodologies often use the historical average of the entire jurisdiction (for programs) or of a similar area also called a “reference region” (for projects). This can be complemented by modeling the risk of deforestation. All this must be based on the best available scientific data seeking to minimize uncertainty.

In the past, some baselines have been overestimated, a problem that is being solved by standards by using the historical average of a reference zone approach.

In certain cases (e.g., HFLD), it may be appropriate to do a trend analysis. Methodologies need to be further improved. However, aligning baselines between projects and programs is key to ensuring environmental integrity. Nesting-ready projects should start the process to adopt an independently certified, jurisdictionally allocated baseline as soon as one is developed.

Companies must confirm that the best available data, scientific modeling techniques and conservative estimates have been used.

D



Management of the risk of non-permanence

“Permanence” means that a carbon storage or removal 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.

For example, a REDD+ project that has issued carbon credits suffers a forest fire inside its forest, losing many hectares. Reversals can happen due to a natural disaster, project mismanagement or political changes.

To prevent this, the standards require keeping a portion of the credits in a “reserve” to address these risks. Jurisdictional programs are expected to have less risk of non-permanence than projects. To avoid reversals and leaks in a jurisdiction, legal, accounting and monitoring frameworks must be provided to resist potential political changes. Other actions include: increased spatial scale, access to financial resources, jurisdictional emissions reporting, monitoring, interventions to address deforestation and conservative baselines.

Companies should also familiarize themselves with what methodologies and measures carbon crediting programs have in place to manage for non-permanence.

E



Rigorous and independent validation and verification

Auditors are accredited and independent third-party institutions that certify whether a project or program meets the requirements of the standard.

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, but concerns have emerged about their transparency and consistency.



Step 4

Follow up with complementary actions and be attentive to news

In addition to the above, it is necessary for companies to take additional actions to encourage the development and positive performance of a high-quality jurisdictional program, avoiding conflicts of interest or perverse incentives.

Some suggestions are:



A

Investing more in products that come from sustainable supply chains, which can spur further progress in jurisdictional programs while reducing company's exposure to risks of sourcing products that are associated with deforestation or that have been produced in violation of human rights, for example.



B

Supporting the involvement of vulnerable populations at all stages of project and program development and implementation.



C

Engaging in constant communication with credit suppliers to encourage the application of best practices.



D

Financing the implementation of activities that improve land use, address the causes of deforestation and degradation and explicitly support comprehensive strategies.



E

Promoting public-private partnerships, hand in hand with NGOs and multilateral organizations for training and equipment in MRV, benefit sharing, etc.



F

Requesting transparency from programs and projects on the use of revenue, especially those reaching IPs.



G

Continuing to drive standards to improve governance and strengthen requirements.



H

Being attentive to innovations that improve the quality of credits, including new methods for crediting HFLD zones, new direct crediting mechanisms for IPs and LCs, permanence and additionality, greater social and environmental valuation of the market, etc.

Section 4

Annexes



Annexes

Annex to Recommendation IV: The Road to Jurisdictional Forest Carbon Crediting

Moving to action at a larger scale

Scale is important. It can reduce the risks of leakage, non-permanence, and non-additionality, compared to individual projects that are not nested.

Aligning with the country's forest strategies

Jurisdictional-scale crediting is consistent with the Warsaw Framework for REDD+, although it is not in itself sufficient to be a crediting system and the UNFCCC does not have jurisdiction over voluntary markets. The Warsaw Framework does provide a basis for REDD+ elements:

- (a) results-based finance;
- (b) quantification of impacts at the national and/or subnational levels;
- (c) participation of vulnerable populations; and
- (d) social and environmental safeguards.

JURISDICTIONAL PROGRAMS with high political will can have great results. For example, Brazil reduced its deforestation levels by 80% between 2004 and 2014.

Challenges for implementation

For well-governed jurisdictional-scale crediting to become a reality, several challenges must be overcome, including complexity, cost, negotiations, commitments, compensation, political uncertainty, limited institutional capacity, and governance. Successful jurisdictional-scale crediting depends on the establishment of robust policy, monitoring, and enforcement frameworks; the full and effective participation of local actors (including IPs, LCs, women, and underserved communities) in formal administrative and legal processes; and equitable benefit sharing,

Like project-based crediting, jurisdictional-scale crediting must be designed to avoid problems associated with inflated baselines, leakage, and non-permanence, through transparent methods. Despite these challenges, there are already several jurisdictions at various stages of developing jurisdictional programs.

REDD+ at the project level

It is important to recognize that many projects have contributed to important outcomes for climate, biodiversity, and local communities. Considering that projects will continue to exist, companies are encouraged to purchase credits from high-quality project-scale credits in alignment with TFCl criteria and recommendations.

Annex to Step 1. High Forest, Low Deforestation (HFLD) Credits

HFLD is a jurisdiction that still has 50% of the original forest cover and a rate of deforestation below the global average. Therefore, it does not mean that a territory is HFLD forever, but only temporarily. Due to their good conservation status, HFLD forests have important ecological values in addition to the climate.

Using the historical average when they are regions with very low historical deforestation is a perverse incentive. For that reason, companies should consider purchasing HFLD credits, for the following reasons:

- There is a reasonable presumption of threat for HFLD jurisdictions. For example, 6 countries ceased to be HFLD in the past decade, with deforestation growing.
- Maintaining HFLDs requires active and ongoing interventions. Note that the activities may be the same as in other REDD+ jurisdictions.
- Crediting HFLDs can support IPs and LCs. Most of the indigenous territories are HFLD.
- HFLD crediting reduces the risks of international leakage and perverse incentives coming from neighboring non-HFLD jurisdictions that do have access to carbon markets.
- HFLD areas provide ecosystem services in addition to carbon. Such as rainfall, moderation of temperatures, biodiversity of ecosystems and the consequent positive impacts of these on health, food, etc.

The basic eligibility criteria are:

- Issued by a Jurisdictional Program
- High forest cover (+ 50% of the territory)
- Low rate of deforestation (less than the global annual average)

Annex to Step 2. Selection Of Credits For Purchase

Level 1

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

For programs:

- Aligned and contributing to the country strategy
- Project accounting aligned to the jurisdictional program
- Periodic and independent verification and validation under a recognized standard that includes safeguards

In addition, for nested projects:

- Agreement with between project and jurisdiction on e.g., nesting approach, authorization to participate in another program
- Baseline is measured at the jurisdictional scale and independently certified
- The benefits reach rights holders fairly and transparently

Purchasing Guide

Purchase available high-quality credits or enter into advance financial agreements.

- ART TREES 1-5
- VERRA JNR 2a, 3
- FCPF FC

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

- ART TREES 1-2
- VERRA JNR 2a, 3
- FCPF FC

Level 2

Credits from nesting-ready projects in jurisdictions progressing to fully operational jurisdictional programs in the medium term (within five years)

TFCI Criteria

Indicators of progress of the jurisdictional program:

- A forest reference emission level, a monitoring system, a benefit sharing plan, and project-scale credits are being offered under an internationally recognized standard
- Registry has been developed
- Political will for REDD+ program (demonstrated through laws, policies, agreements with donors)
- Safeguards or good practices are being met
- Designated REDD authorities
- Legal and commercial capabilities
- Contractual agreements with local stakeholders
- Nesting with a participatory approach

Nesting-ready projects must have in place:

- Engagement with government and civil society on issues such as jurisdictional strategy, participation in REDD+ working groups
- Adoption of jurisdictionally allocated baselines
- Safeguards system
- Support for development of jurisdictional REDD+ system and commitment to update and align with jurisdictional program

Purchasing Guide

Purchase nesting-ready project-scale emissions reductions credits, validation and verification by international standards and that adhere to TFCI quality criteria

Projects must adhere to one of the following internationally recognized standards:

- ART TREES 1-2
- VERRA JNR 2a, 3
- FCPF FC

Level 3

Credits from projects nested in a jurisdictional program that does not intend to issue credits

TFCI Criteria

The project must have:

- Reached an agreement with the jurisdiction on the nesting approach
- Demonstrated it is nesting-ready
- Has achieved alignment with the jurisdictional forest reference emission level

Purchasing Guide

Purchase credits originating from high-quality reductions projects that meet TFCI nesting-ready criteria:

- Jurisdictional program must be certified to Verra JNR 2b
- Projects must conform to Verra JNR Scenario 2b and be certified to an internationally recognized project-based standard

Standard-Based Nesting Approaches

Standard

Nesting Approach

ART TREES

[5 nesting scenarios](#)

FCPF Carbon Fund

The FCPF CF does not address nesting. Nesting is up to REDD+ countries and is considered part of the benefit-sharing arrangements. If a REDD+ project is nested, REDD+ countries must sign sub-agreements with REDD+ project proponents. If no agreement is reached, credits issued by the project that overlap in spatial, temporal and accounting scope must be discounted.

VERRA JNR

[3 nesting scenarios](#)

	TREES					JNR				FCPF FC
	1	2	3	4	5	1	2a	2b	3	
1. The jurisdictional program is consistent and collaborates with the national REDD+ strategy and priorities.	✓	✓	✓	✓	✓		✓	(✓)	✓	✓
2. Project-scale emission reductions and removals that are consistent with the jurisdictional program strategy should be justified as part of the jurisdictional accounting and reporting.	✓	✓	✓	✓		(✓)	✓	✓	✓	✓
3. The jurisdictional program has been independently verified and validated at regular intervals and in accordance with an internationally recognized standard, such as monitoring and reporting systems and safeguards compliance.	✓	✓	✓	✓	✓	(✓)	✓	✓	✓	✓
4. The jurisdiction has reached an agreement with the project regarding the nesting approach (e.g., authorized by the jurisdiction to participate in another GHG program).	✓	✓	✓			(✓)	✓	✓	✓	✓
5. The baseline project is measured at the jurisdictional level under an independently verified crediting level.	✓	✓				✓	✓	✓	✓	✓
6. Benefits from project crediting or credits themselves allocated to stakeholders and rightsholders in a fair and transparent manner.	✓	✓	✓			✓	✓	✓	✓	✓

Complementary Resource to:

TFCI

TROPICAL FOREST CREDIT
INTEGRITY GUIDE