The Voluntary Carbon Market **Explained**

Chapter 13

Chapter 13: How does the voluntary carbon market incorporate REDD+?

The voluntary carbon market (VCM) incorporates Reducing Emissions from Deforestation and Degradation plus (REDD+) through the certification and trade of carbon credits that are generated by projects and programs that seek to reduce deforestation. Carbon standards have developed methodologies to certify certain types of REDD+ activities, including standards focused specifically on the certification of jurisdictional-scale REDD+.

What is REDD+?

REDD+ stands for the international framework of "Reducing Emissions from Deforestation and Degradation plus conservation, sustainable management, and enhancement of forest stocks." REDD + describes an incentive framework under the United Nations Framework Convention on Climate Change (UNFCCC) for developing countries to reduce forest emissions and increase the sequestration of carbon in forests. In 2013, the Conference of the Parties (COP) to the UNFCCC adopted the " Warsaw Framework for REDD+ (WFR)," a set of seven UNFCCC decisions, as the rules governing REDD+. The WFR provides criteria for developing countries to implement REDD+, measure results, implement safeguards, and access finance. Countries are encouraged to develop national or jurisdictional programs to guide implementation of REDD+. National REDD+ programs define measures to address deforestation, conserve and enhance forest carbon stocks, establish a forest reference emissions level, establish forest monitoring systems, and define **benefit sharing** and safeguards.

The WFR requires that countries develop national accounting frameworks for REDD+. Subnational accounting and implementation can serve as interim steps towards national implementation. Participating countries can decide on the REDD+ measures they will take to reduce deforestation and degradation, enhance forest carbon stocks, or sustainably manage forests. Participation in market-based approaches, including the VCM, is one way that countries can achieve REDD+ results. Figure 13.1 provides an overview of the development of REDD+.

Governments can support jurisdictional REDD+ programs under **carbon market standards** such as Verra's Jurisdictional and **Nested REDD+ Framework (JNR)** and the **Architecture for REDD+ Transactions' The REDD+ Environmental Excellence Standard (ART/TREES)**. Governments can also support project-level REDD+ activities on their territory as part of public measures to reduce deforestation and forest degradation or to encourage private project developers to develop and finance projects and programs that contribute to REDD+ outcomes.

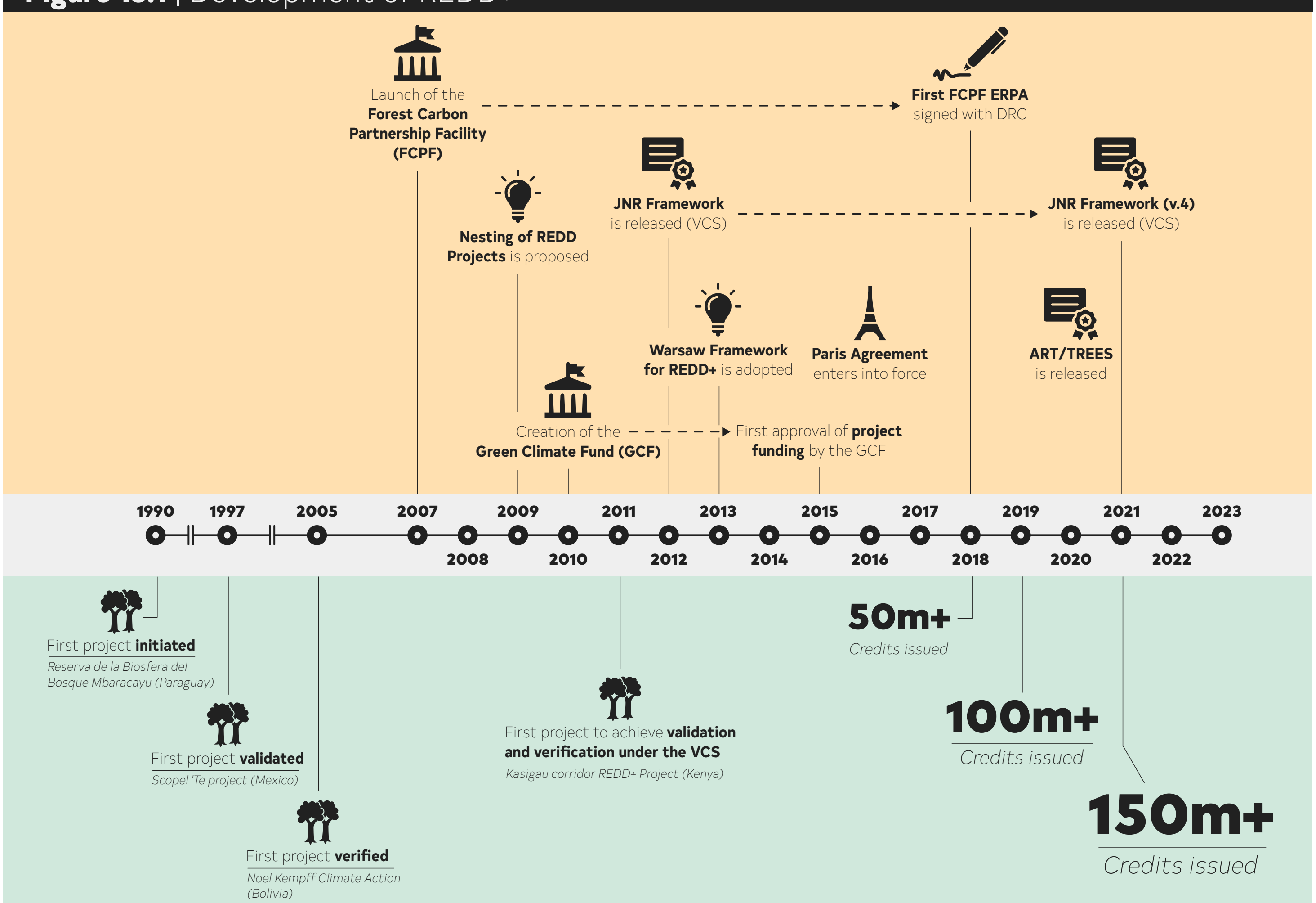
Governments can facilitate REDD+ investments in the context of jurisdictional programs or projects by clarifying and securing land, resource, and **carbon rights**. To encourage VCM investment, countries can develop regulatory environments that facilitate direct investment in REDD+ through the VCM. Government agencies may also be project developers or partners.

Government agencies can partner with local landowners, civil society organizations, or communities to develop REDD+ projects and sell credits.

The WFR creates the necessary architecture to reward developing countries through results-based payments for REDD+ benefits. The WFR also recognizes that market-based finance such as the VCM may require additional criteria to receive payments, such as independent verification of results. The Paris Agreement opens the possibility for forest carbon and REDD+ credits to be transacted under the modalities that govern **cooperative approaches under Article 6** of the Agreement.

Countries can develop cooperative REDD+ programs under Article 6.2 of the Paris Agreement, and REDD+ projects may be accredited under Article 6.4 of the Paris Agreement, provided they meet the mechanism's requirements and are approved by governments. Private actors can seek authorization to participate in such programs and projects under both Article 6.2 and 6.4. While REDD+ programs can also continue under the VCM, **authorization under Article 6** is necessary if participants want to ensure that greenhouse gas (GHG) reductions are backed by "**corresponding adjustments**" and do not count against the host country's nationally determined contributions.

Figure 13.1 | Development of REDD+



How is REDD+ integrated in the VCM?

REDD+ is one category of **nature-based solution (NbS)** carbon projects or programs. REDD+ can include avoided deforestation (AD), integrated forest management (IFM), and afforestation, reforestation and regeneration (ARR) project types. REDD+ can be developed at a project level or a jurisdictional or program level. As of September 2021, there were 356 VCM REDD+ projects (AD, IFM and ARR) in 51 countries. Verra's Verified Carbon Standard (VCS) has **eight methodologies** that support REDD+. REDD+ has become more popular among voluntary buyers in recent years, with a huge jump in credit issues in the last five years (**2017-2021**) compared to all the preceding years. The annual credit issuance for REDD+ **grew by 40 times** between 2016, when 5.4 million credits were issued, and the first 10 months of 2021, which saw the issuance of 83.5 million REDD+ credits, exceeding all previous years.

Jurisdictional and Nested REDD+ Framework (**JNR**) and Architecture for REDD+ Transactions' The REDD+ Environmental Excellence Standard (**ART/TREES**) provide methodologies to certify jurisdictional-scale REDD+ credits that can be traded in the VCM. JNR is offered and managed by Verra. ART/TREES is a new independent standard. The first Letters of Intent for transactions involving jurisdictional credits certified under ART/TREES were signed in November 2021 at the UNFCCC 26th Conference of the Parties (COP26). So far, no credits have been issued under JNR or ART/TREES.

Purchase programs for national REDD+ credits often define their own program rules. The World Bank's Forestry Carbon Partnership Facility (**FCPF**) has two trust funds—the Readiness Fund and the Carbon Fund—that provide finance for national REDD+ strategies and large-scale REDD+ programs, respectively. Like private standards, the FCPF has defined rules, in the form of a methodological framework, to certify emission reductions from REDD+ programs. As of December 2021, the FCPF Carbon Fund had signed Emission Reduction Payment Agreements (ERPAs) with **15 countries**. Similarly, the Green Climate Fund allocates funds with respect to the three REDD+ phases of readiness, implementation, and results-based payments (RBP), with its own "Performance measurement framework for REDD+." As of December 2021, the Green Climate Fund had supported the REDD+ efforts of **8 countries**.

Is government implementation of the WFR and REDD+ compatible with engagement in the VCM?

REDD+, as defined by the WFR, is a results-based payment mechanism, like the VCM. However, reporting requirements under the WFR are insufficient to generate high-quality tradable GHG emission reduction and removal credits. For credits from REDD+ to be traded on the VCM, results must meet the monitoring, validation and verification requirements from **VCM standard-setting bodies**.

In the past, there has been more demand for project-level credits than for jurisdictional credits. Jurisdictional-level REDD+ received RBP from bilateral or multilateral agencies, and eligible individual REDD+ projects received payment through the VCM or compliance markets. Recently, credits from jurisdictional REDD+ are becoming more popular in the VCM.

Some private programs, such as the International Civil Aviation Organization's "Carbon Offsetting and Reduction Scheme for International Aviation" (**ICAO CORSIA**), have exclusively authorized jurisdictional-scale REDD+ credits. In 2021, the Lowering Emissions by Accelerating Forest finance (**LEAF**) Coalition, a coalition of public and private buyers, mobilized USD1 billion for jurisdictional REDD+ credits. Other buyers continue to prefer project-based REDD+ projects, which are faster to implement and for which risks are easier to control.

REDD+ programs and projects come with significant environmental and social benefits. However, they are not without risks. REDD+ projects have had inflated baselines and credit expectations, and jurisdictional programs face the risk of policy reversal that undermines forest activities. Projects and programs have been criticized for failure to involve local populations in the project or program design and benefit sharing or where emissions have been displaced rather than reduced. Despite risks, well-designed REDD+ programs have an important role to play in countries' efforts to meet their Nationally Determined Contributions (NDCs) under the Paris Agreement. Jurisdictional-level REDD+ builds on governments' ability to influence land use and land use change through policies. VCM projects can complement these efforts by attracting finance quickly to areas where forest is lost, and where the reach of public policies limited.

Further Reading

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