

## IETA WHITE PAPER

# VALUING REDD+ ACTIVITIES: KEY DIFFERENCES BETWEEN MARKET-BASED CREDITS & RESULTS-BASED PAYMENTS

### BACKGROUND & MARKET CONTEXT

A number of countries have announced that they intend to generate units known as “REDD+ Results Units” (RRUs), issued by the REDD.plus platform created by the Coalition for Rainforest Nations (CfRN)<sup>1</sup>. RRUs reflect the results reported by these countries to the UNFCCC REDD+ Info Hub. IETA members have expressed concern that marketing these results-based payments as carbon credits for use by corporate buyers or as Article 6.2 Internationally Transferred Mitigation Outcomes (ITMOs) has created confusion and may negatively affect the reputation of carbon credits from projects in key tropical forest countries which are subject to rigorous validation and verification. It could also potentially mislead many corporates and expose them to reputational risks if they don’t understand that the **RRUs are not verified carbon credits that meet foundational thresholds that assure integrity and fungibility in markets** (e.g., independent validation and verification for conformance with a standard, measures to avoid double counting and issuance, use of social safeguards, etc.) as set out by globally-recognised carbon crediting standards, and therefore should not be used to make offsetting claims.

The intention of this white paper is to offer clarity on the different ways that REDD+ results can be financed, and the difference between a carbon credit used in a market-based system such as Article 6 of the Paris Agreement and the VCM versus REDD+ results created through Article 5 of the Paris Agreement, which was designed for results-based payments. **IETA’s current position is that results reported on the UNFCCC REDD+ Info Hub, including RRUs, are not market grade and should not be treated as fungible carbon credits in the market**, solely due to being generated in accordance with Article 5 criteria. In order to represent a market grade carbon credit, a mitigation activity must meet either:

- the criteria of UNFCCC mechanisms under Article 6;
- the quality criteria established by compliance systems like the International Civil Aviation Organization (ICAO) and the Carbon Offset and Reduction Scheme for International Aviation (CORSIA); or
- the quality standards established as best practice over decades in the VCM, which include essential crediting criteria and validation and verification procedures to provide independent assurance of quality as discussed herein.

Importantly, a new initiative is underway that will set integrity thresholds for the VCM. The Integrity Council for the Voluntary Carbon Market (ICVCM) will establish a framework for evaluating carbon credits and carbon crediting programmes in the VCM. This further assurance measure will provide a ready reference for market grade credits by providing a CCP label – indicating that they meet “core carbon principles” for quality.

IETA and the International Carbon Reduction and Offsetting Accreditation (ICROA) support and encourage international finance for forest protection including for countries that have preserved vast amounts of intact forest and historically kept low levels of deforestation. **We recognise that the results reported on the UNFCCC REDD+ Info Hub can represent real carbon reductions, and we believe that countries should be rewarded and compensated for their efforts to protect forests.** However, it is clear that the results reported on the hub are not verified carbon credits that can be transacted in global carbon markets. This is because there are key differences between verified carbon credits that are generated using recognised independent standards for carbon markets and mitigation results that are generated pursuant to the Warsaw Framework and reported on the UNFCCC REDD+ Info Hub. While they lay the groundwork for REDD+ programmes, neither the Warsaw Framework nor the Info Hub were set up to function as carbon crediting standards or mechanisms. ICAO, which has evaluated over two dozen applications and approved eight crediting programmes to supply units for use under CORSIA<sup>2</sup>, has drawn the same conclusion as IETA and did not approve<sup>3</sup> REDD.plus for offsetting use.

## ARTICLE 5 & WARSAW FRAMEWORK OVERVIEW

Further developments on Article 6 of the Paris Agreement were made at COP27, solidifying the role of carbon markets in meeting nationally determined contributions (NDCs). It now seems increasingly critical to outline the distinct pathways for countries to receive REDD+ finance, either through markets or results-based payments, to provide clarity for countries, corporates, and policy makers.

The UNFCCC Warsaw Framework for REDD+ and related references to it in Article 5 of the Paris Agreement provides a framework of guidance to support payment for results of REDD+ activities. Specifically, it encourages “...action to implement and support, including through results-based payments ... policy approaches and positive incentives for activities relating to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”.

Article 5 is currently the only article in the Paris Agreement that formally recognises REDD+<sup>4</sup>, but it **does not** create a carbon trading mechanism; that is done by Article 6. In fact, after significant debate between all Parties to the UNFCCC, the Parties **did not agree that Article 5 results should be eligible for market-based approaches**<sup>5</sup> and felt that further consideration of more specific verification modalities should be undertaken before allowing this.

The related UN decision says that moving towards a market-based – carbon trading – approach for the Warsaw Framework would require additional guidance from governments, particularly with regards to verification. “Results-based actions that may be eligible to appropriate market-based approaches that could be developed by the Conference of the Parties ... may be subject to any further specific modalities for verification,” states paragraph 15 of Warsaw decision 14<sup>6</sup>.

## CARBON CREDITS VS. REDD+ RESULTS

Results reported on the UNFCCC REDD+ Info Hub and marketed by the REDD.plus platform as RRUs do not have the elements in place to create carbon credits that can be used in markets<sup>7</sup>, including robust independent third-party validation and verification for compliance with a standard<sup>8</sup>, comprehensive and standardised accounting<sup>9</sup> (including baselines, leakage and uncertainty), avoidance of double counting, reversal risk mitigation<sup>10</sup>, and implementation of safeguards. This means that the integrity of UNFCCC REDD+ Info Hub results cannot be guaranteed to be comparable to each other or consistent. These results can be used to attract results-based finance under other initiatives and programmes and can contribute to the host countries' NDCs, but cannot be used as offsets.

The choice of the word *units* for the results reported by countries on the UNFCCC REDD+ Info Hub under the Warsaw Framework was deliberate because the results are not “verified”; they are merely “assessed”. The Warsaw Framework defines the “assessment” of reported results on the REDD+ Info Hub as a “*facilitative, non-intrusive, exchange of information*”. Further, **it is out of scope for the assessment reports to present a finding that the country's reported results or underlying systems are wrong or require changes, or to adjust the results in case of an overestimation.**<sup>11</sup> It is worth noting that it would not be possible to conduct an independent third-party verification for these results because, by definition, verification is performed against specific requirements in a standard or methodology. The Warsaw Framework is not a prescriptive standard or method and therefore it is not possible to verify the compliance of the results.

The REDD.plus platform issues an RRU based on the results reported on the UNFCCC REDD+ Info Hub, but REDD.plus is not a carbon crediting standard and does not address any of the above elements to create a verified carbon credit. Initiatives such as ICROA, the ICVCM and CORSIA are all contributing to the effort to create a universal definition of what constitutes a legitimate carbon crediting programme and, according to current understanding and definitions, REDD.plus does not have the elements that these initiatives call for. REDD.plus applied for assessment by the Technical Advisory Body (TAB) against the CORSIA Emissions Unit Criteria (EUC) in 2019 and again in 2021; in both instances, the TAB “was unable to assess REDD.plus against the EUC because key elements of an emissions unit programme, in line with the EUC and TAB’s interpretations, were not in place at the time of TAB’s assessment”<sup>12,13</sup>. Thus, the units reported on the UNFCCC REDD+ Info Hub and issued by REDD.plus are not credits as currently defined by international independent standards; they should not be used in the VCM by corporates to make claims against a climate target.

Instead, countries can access financing from carbon markets (voluntary or compliance) by demonstrating fulfilment of Article 6 rules and/or utilising recognised greenhouse gas standards and methodologies to generate third-party verified carbon credits.

## CONCLUSION

At a time of increased market scrutiny, and with efforts by the ICVCM, Voluntary Carbon Market Integrity Initiative, Science Based Targets initiative and others to define the parameters of rigorous corporate targets and claims, IETA and ICROA wish to express their deep concern about the use of any issued units that do not comply with a recognised standard designed for market purposes. The ICVCM

is currently working towards setting a minimum integrity threshold across these standards and on 30 March launched its CCPs and Program-level Assessment Framework<sup>14</sup>. These should create further clarity in the market on what constitutes a high-quality carbon credit.

IETA and ICROA commend the governments and people of forest countries and continue to support and celebrate their efforts to protect their forest resources. We encourage forest countries to pursue the pathway that is most advantageous to be compensated for their REDD+ results and other activities to sequester forest carbon, whether through markets (including voluntary, compliance, or Article 6) or non-market results-based payments but not to confuse the two. Finally, we emphasise that, for scaling investment through markets, it will be essential to comply with market grade standards.

## SOURCES

<sup>1</sup> REDD.plus. <https://www.redd.plus/>

<sup>2</sup> ICAO. *CORSIA Eligible Emissions Units*. <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Emissions-Units.aspx>

<sup>3</sup> ICAO. *TAB Recommendations on CORSIA Eligible Emissions Units*. 2021. [https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202021/Section%204%20of%20the%20TAB%20Report\\_Sep2021.EN.pdf](https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202021/Section%204%20of%20the%20TAB%20Report_Sep2021.EN.pdf)

<sup>4</sup> UNFCCC. *What is REDD+?*. <https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd>

<sup>5</sup> UNFCCC. *Decision booklet REDD+, Modalities for measuring, reporting and verifying (Decision 14/CP.19)*. 2013. <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf>

<sup>6</sup> *Ibid.*

<sup>7</sup> Extent confirmed by CORSIA Technical Advisory Body (TAB). 2020. *Recommendations on CORSIA eligible emissions units*. ICAO. Page 16. [https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/TAB\\_JANUARY\\_2020\\_REPORT\\_EXCERPT\\_SECTION\\_4.EN.pdf#page=16](https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/TAB_JANUARY_2020_REPORT_EXCERPT_SECTION_4.EN.pdf#page=16)

<sup>8</sup> Till Neeff and Donna Lee. 2018. *Lessons learned for REDD+ from evaluations of GHG statements*. Global Forest Observations Initiative. Page 36. [https://www.forestcarbonpartnership.org/system/files/documents/CF17%204i.%20Lessonsfrom%20REDD%2B%20evaluations%20Jan%202018\\_final\\_0.pdf#page=36](https://www.forestcarbonpartnership.org/system/files/documents/CF17%204i.%20Lessonsfrom%20REDD%2B%20evaluations%20Jan%202018_final_0.pdf#page=36)

<sup>9</sup> UNFCCC. 2014. *Key decisions relevant for reducing emissions from deforestation and forest degradation in developing countries (REDD+)*. Page 7. [https://unfccc.int/files/land\\_use\\_and\\_climate\\_change/redd/application/pdf/compilation\\_redd\\_decision\\_booklet\\_v1.1.pdf#page=7](https://unfccc.int/files/land_use_and_climate_change/redd/application/pdf/compilation_redd_decision_booklet_v1.1.pdf#page=7)

<sup>10</sup> Beatriz Granziera, Kelley Hamrick, and Maggie Comstock. 2021. *Eligibility Requirements for REDD+ Standards and Financing*. Page 23. [https://www.nature.org/content/dam/tnc/nature/en/documents/EligibilityRequirementsforREDDPlus\\_Financing\\_2021.pdf#page=23](https://www.nature.org/content/dam/tnc/nature/en/documents/EligibilityRequirementsforREDDPlus_Financing_2021.pdf#page=23)

<sup>11</sup> UNFCCC. *Decision booklet REDD+, Guidelines and procedures for the technical assessment of submissions from Parties on proposed forest reference emission levels and/or forest reference levels (Decision 13/CP.19)*. 2013. Page 36. <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=34>

<sup>12</sup> ICAO. *TAB Recommendations on CORSIA Eligible Emissions Units*. 2020. [https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/TAB\\_JANUARY\\_2020\\_REPORT\\_EXCERPT\\_SECTION\\_4.EN.pdf](https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/TAB_JANUARY_2020_REPORT_EXCERPT_SECTION_4.EN.pdf)

<sup>13</sup> ICAO. *TAB Recommendations on CORSIA Eligible Emissions Units*. 2021. [https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202021/Section%204%20of%20the%20TAB%20Report\\_Sep2021.EN.pdf](https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202021/Section%204%20of%20the%20TAB%20Report_Sep2021.EN.pdf)

<sup>14</sup> ICVCM. *Integrity Council launches global benchmark for high-integrity carbon credits*. 2023. <https://icvcm.org/integrity-council-launches-global-benchmark-for-high-integrity-carbon-credits/>

## OTHER RESOURCES

[The Tropical Forest Integrity Guide \(TFI\) for Companies, Version 2: Differentiating Tropical Forest Carbon Credits by Impact, Quality, and Scale.](#)

Carmen Alvarez Campo and Ben Rattenbury, 2022. *REDD.plus – the good, the bad, and the confusing*. Sylvera. <https://www.sylvera.com/blog/analysis-on-redd-plus>

Trove Research, 2022. *REDD.plus – a green idea, but too many red flags*. <https://trove-research.com/commentary/redd-plus/>