Financing REDD+ under the Paris Agreement

An IETA briefing paper

To meet global climate and land degradation targets, it is imperative to bridge the significant financing gap for nature by 2050.[1] Market-based mechanisms are one of the most efficient ways to channel that finance – including leveraging private sector finance – and so it is essential that Article 6 can be fully utilised to support these climate and nature targets.

With COP29 underway, and important decisions still to be made on Article 6, it is increasingly critical to articulate how market-based and non-market-based forms of REDD+ have a place in the Paris Agreement. In particular, maintaining a role for market-based forms of REDD+ in the ongoing development and operationalisation of Article 6 is critical to provide clarity for countries, corporates, and policy makers to expand REDD+ activities and get the world on track to meet Paris Agreement goals and the Glasgow Leaders' Declaration on Forests and Land Use.

Currently, market-based REDD+ is positioned well within the parameters of both Articles 6.2 and 6.4. REDD+ activities are classified as emission reduction or removal activities under IPCC definitions, and as such, the recent SB60 decision to exclude emission avoidance as an additional activity type under Article 6 does not exclude REDD+.[2] Nonetheless, decisions made in the operationalisation of 6.2 and 6.4 will impact the scope and scale of inclusion of various REDD+ activities, influencing the ultimate utility of Article 6 as a tool for REDD+ financing.

Current State of Play

REDD+ activities can be included within the scope of both Articles 5 and 6 of the Paris Agreement.[3] While Article 6 does not explicitly mention any specific sector, it is broadly understood that REDD+ is either an emission reduction or removal and consequently is eligible under it. On the other hand, Article 5 explicitly recognises REDD+ in the text, but does not refer to market-based cooperative approaches or a carbon crediting mechanism; that is done by Article 6.2 and 6.4 respectively. Article 6.8 addresses non-market mechanisms, which could also be used to fund certain forms of REDD+. To date, Parties have not agreed that all Article 5 results should be eligible for market-based approaches – the eligibility of all REDD+ activities under Article 6 depends on their capacity to fulfil the Article 6.4 requirements or on the Parties involved in a cooperative approach under Article 6.2.[4]

Within UNFCCC negotiations on Article 6, references to emission avoidance were mostly related to a 2012 proposal from Ecuador on keeping oil reserves untapped, and more recently, to the approach proposed by the Philippines, which seeks the issuance of carbon credits for shelving plans to build new coal-fired power plants. On the contrary, REDD+ projects are broadly interpreted either as emission reduction or removal activities. Consequently, the SB60 decision to exclude emission

---

[1] CISL (2023). *Everything, everywhere, all at once: how can private finance be unlocked for nature and climate in the international financial architecture?*

[2] For more detail on IETA's position on avoidance, see IETA's Article 6 Policy Brief on Emissions Avoidance.

[3] Further discussion of REDD+ in Articles 5 and 6 can be found in The Nature Conservancy's "Article 6 Explainer – Updated with COP28 Decisions"

[4] Valuing REDD+ Activities: Key Differences Between Market-Based Credits & Results-Based Payments. IETA. https://ieta.b-cdn.net/wp-content/uploads/2023/09/IETA_WhitePaper_ValuingREDDActivities_April2023.pdf

avoidance as an additional activity type under Article 6[5] does not mean that forestry and land-based carbon projects, including those based on REDD+-related methodologies, are ineligible under Article 6. This decision has nonetheless led to some misunderstanding, primarily because an official definition of emission avoidance under the IPCC or the UNFCCC does not exist and has not been provided by Article 6 negotiators.

While REDD+ fits in theory within the scope of 6.2 and 6.4 in the current stage of negotiations, the practical details of this compatibility are still in development. For Article 6.2, ultimately countries will choose what activities they consider eligible for receiving authorisation and that can be transacted under their Article 6.2 cooperative approaches. For countries that seek to trade internationally transferrable mitigation outcomes (ITMOs) based on REDD+ activities, these countries must demonstrate how the REDD+ activities fulfil Article 6 requirements. Some countries, such as Guyana, have already done so and authorised REDD+ units under Article 6.2.

For Article 6.4, REDD+ eligibility will ultimately materialise through the development and inclusion of REDD+ methodologies within the 6.4 mechanism. Sector specific methodologies are still an outstanding piece of the ongoing process of operationalising 6.4. The contours of these methodologies will have big implications for how REDD+ activities can make use of Article 6.4. We urge the Supervisory Body and the COP to consider these implications and on the ground impacts as this important methodological work continues.

Article 5 & Article 6: Different Approaches to Financing REDD+

The UNFCCC Warsaw Framework for REDD+, and related references to it in Article 5 of the Paris Agreement, provides 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…".[6] 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.[7] Results-based approaches to REDD+ may then fit within Articles 6.2 and 6.4, contingent on these activities meeting the requirements of the market mechanisms defined in these articles.

Article 6 of the Paris Agreement allows countries to achieve their Nationally Determined Contributions (NDCs) cooperatively through market-based and non-market-based approaches.[8] Specifically, Articles 6.2 and 6.4 are the market-based approaches that can be used by countries to authorise emission reductions or removals to be used towards another NDC or to other international mitigation purposes (such as compliance with CORSIA), contingent on the application of corresponding

[5] Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement and referred to in decision 3/CMA.3. Subsidiary Body for Scientific and Technological Advice, UNFCCC. https://unfccc.int/sites/default/files/resource/sbsta2024_L07E.pdf
[6] Decision 14/CP.19. Modalities for measuring, reporting and verifying. UNFCCC. https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf
[7] *Ibid.*
[8] IETA Article 6 101. IETA. September 2023. https://ieta.b-cdn.net/wp-content/uploads/2023/09/IETA_101_Article6_Sept2023.pdf.

adjustments to avoid double counting. This allows countries to increase climate ambition collectively as it channels resources to where is more cost-effective to abate emissions, indirectly promoting further emission reductions and removals across borders, and ensuring the proper accountability of such transactions through a UNFCCC centralised accounting and reporting system. Effectively, market-based approaches to REDD+ can fit within Articles 6.2 and 6.4, as long as these activities meet the articles' requirements.

Implications & Importance of Market-Based Finance for REDD+

Expanding the ways the Paris Agreement can support driving finance to REDD+ requires governments and the private sector to share an understanding of how REDD+ activities can be recognised within Article 6. Parties to the UNFCCC can aid in this process by accelerating progress on operationalisation of Article 6.4, including methodologies that cover REDD+, and by engaging in Article 6.2 transactions with REDD+ ITMOs that meet all 6.2 requirements.

While some REDD+ methodologies are referred to as avoided deforestation, this encompasses multiple activities crucial to climate mitigation and adaptation, including reducing emissions from deforestation and degradation, conservation, sustainable management of forests, and enhancement of forest carbon stocks,.[9] Consequently, it is important for Article 6 to consider how to support all of these activities, not only selected elements of REDD+.

Meeting the Paris Agreement targets requires large, near-term investment in reducing emissions from deforestation and forest degradation[10]. This should be approached holistically, alongside complementary investments within government climate strategies. Financing these activities through the use of carbon markets should be scaled to all pathways that protect, restore, and enhance ecosystems that can improve nature's ability to remove and reduce GHGs from the atmosphere.

[9] REDD+ Infographic, UNFCCC.
[10] The Urgent Need to Finance Natural Climate Solutions. IETA. https://www.ieta.org/resources/reports/the-urgent-need-to-finance-natural-climate-solutions/