



REPUBLIC OF KENYA
MINISTRY OF ENVIRONMENT & FORESTRY



GNIplus



LESSONS LEARNED FROM REDD+ NESTING APPROACHES AND RECOMMENDATIONS TO KENYA

Prepared by Pollination (a member of GNIplus)
and Conservation International for the National
Expert Group on REDD+ Nesting in Kenya

JULY 2021

© 2021 Pollination Group



ACKNOWLEDGEMENTS

This report was produced by Pollination (a member of GNIplus) and Conservation International (CI). **Pollination key authors** are Sara Oishi, Patricia Federighi, Lauren Drake, Marisa Martin and Rick Saines. **CI key authors** are Christina Ender, Maggie Comstock, Mario Chacon, Fabiano Godoy, Ricardo Ulate, Claudio Schneider, Joanna Durbin (former employee), Srabani Roy and Jackson Frechette.

GNIplus is part of the International Climate Initiative (IKI) and brings together the combined expertise of Pollination, AECOM, and Climate Policy Initiative.

The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag. Additional contributions were provided by Wildlife Works to the Cambodia, the Democratic Republic of Congo, and Colombia chapters of this report.

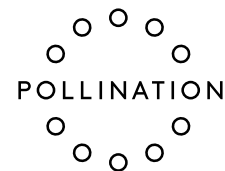
This report is targeted to the National Expert Group (NEG) on REDD+ Nesting in Kenya to support the development of REDD+ nesting arrangements as part of Kenya's REDD+ readiness work.

We are grateful for the funding provided by the IKI to this report. Special thanks also goes to Debra Jason and Nick Blackmore for their design work.



A decision adopted by the German Bundestag

All views contained herein remain those of the author alone, and do not necessarily represent the views of IKI or any other persons who contributed to this paper.



2	EXECUTIVE SUMMARY		
5	COUNTRY-SPECIFIC SUMMARY OF KEY POINTS PERU 7 CAMBODIA 8 DRC 9 COLOMBIA 10 GUATEMALA 11 AUSTRALIA 12		
11	RECOMMENDATIONS FOR KENYA		
13	BACKGROUND AND PURPOSE		
14	OVERVIEW OF REDD+ NESTING STRUCTURES AND PURPOSE		
16	PERU	17 LESSONS LEARNED 18 BACKGROUND ON REDD+ IN PERU 19 PROGRESS SO FAR	20 DESCRIPTION OF NATIONAL REDD+ POLICY 23 TECHNICAL NESTING ELEMENTS 26 LEGAL AND GOVERNANCE ELEMENTS
30	CAMBODIA	31 LESSONS LEARNED 32 BACKGROUND ON REDD+ IN CAMBODIA 32 PROGRESS SO FAR	33 DESCRIPTION OF NATIONAL REDD+ POLICY 35 TECHNICAL NESTING ELEMENTS 36 LEGAL AND GOVERNANCE ELEMENTS
37	DEMOCRATIC REPUBLIC OF CONGO	38 LESSONS LEARNED 39 BACKGROUND ON REDD+ IN DRC 40 PROGRESS SO FAR	41 DESCRIPTION OF NATIONAL REDD+ POLICY 42 TECHNICAL NESTING ELEMENTS 44 LEGAL AND GOVERNANCE ELEMENTS
46	COLOMBIA	47 LESSONS LEARNED 48 BACKGROUND ON REDD+ IN COLOMBIA 49 PROGRESS SO FAR	50 DESCRIPTION OF NATIONAL REDD+ POLICY 52 TECHNICAL NESTING ELEMENTS 54 LEGAL AND GOVERNANCE ELEMENTS
56	GUATEMALA	57 LESSONS LEARNED 58 BACKGROUND ON REDD+ IN GUATEMALA 58 PROGRESS SO FAR	59 DESCRIPTION OF NATIONAL REDD+ POLICY 61 TECHNICAL NESTING ELEMENTS 63 LEGAL AND GOVERNANCE ELEMENTS
65	AUSTRALIA	66 LESSONS LEARNED 67 BACKGROUND ON REDD+ IN AUSTRALIA 68 DESCRIPTION OF NATIONAL REDD+ POLICY	70 TECHNICAL NESTING ELEMENTS 72 LEGAL AND GOVERNANCE ELEMENTS
74	CONCLUSION		
75	GLOSSARY		



OVERALL LESSONS LEARNED

THIS BENCHMARKING REPORT ANALYSED REDD+ NESTING STRUCTURES IN PERU, GUATEMALA, THE DEMOCRATIC REPUBLIC OF CONGO (DRC), COLOMBIA, CAMBODIA AND AUSTRALIA.

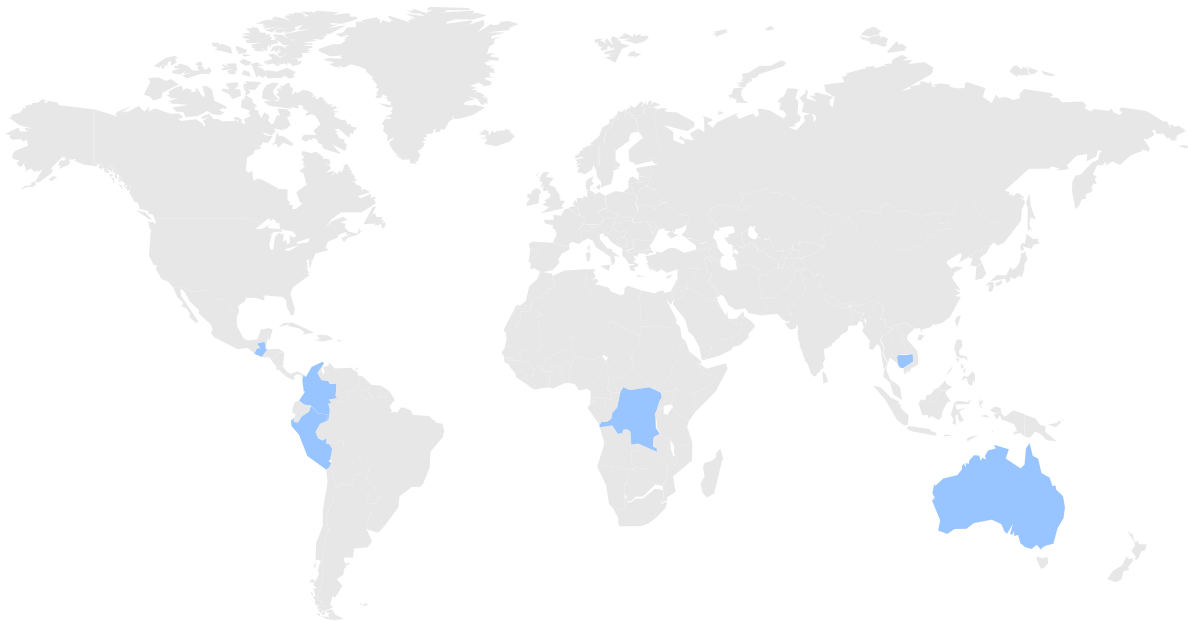
These countries are leaders among REDD+ countries in the development of REDD+ nesting structures, but none (other than Australia) have implemented a final approach. Our analysis is based on progress to date in the countries, which we recognize may change as the policies continue to develop.

As of now, our lessons learned are as follows:

1. **Clear rights to carbon underpinning REDD+ projects are important, particularly for securing investment in projects at scale.**
Countries with existing projects on protected lands may have an advantage to the extent carbon rights generated on those areas are often nationally owned and the ownership regime, including the means by which ownership is transferred to project developers, may be explicit. (Guatemala, Peru)
2. **Countries with existing REDD+ projects have recognized the important role that site scale activities play in reducing deforestation, achieving emissions reductions, and stimulating climate finance flows, amongst other co-benefits.**
Accordingly, Governments have worked to create national policies that encourage their continuation. (Colombia)
3. **Countries with domestic carbon schemes where projects have the right to sell carbon directly to domestic buyers have been successful in attracting private sector financing of REDD+ activities, due to the greater certainty provided by such regulated schemes.**
(Colombia, Australia)
4. **National involvement and communication between projects and national authority is critical to avoid double-counting under national obligations.**
Existing projects in areas that are state-owned or governed by a public authority, such as protected areas, are more likely to have this relationship due to the need for government involvement in the project and the government's interest in the project's success. (Peru, Guatemala, the DRC)
5. **Communicating a transition pathway by which existing projects are harmonized with a national REDD+ program is an important indicator of support for nesting.**
(Peru, Guatemala, Cambodia, the DRC)
6. **National coordination among relevant national level agencies with authority over REDD+ projects, and an integrated and cross-cutting approach to develop a REDD+ strategy with input from relevant stakeholders, is critical.**
This ensures buy-in from all parties that are essential for successful implementation of REDD+ nesting aligned with the United Nations Framework Convention on Climate Change (UNFCCC) rules (i.e., Article 5 and Article 6 of the Paris Agreement). (Guatemala, the DRC, Peru)
7. **Baselines that appropriately incentivise actions to reduce deforestation risk are important, and must be accompanied by appropriate measuring, reporting and verification (MRV) framework that ensures the integrity of abatement and alignment with UNFCCC requirements.**
(Guatemala, Australia)
8. **Support from the World Bank's Forest Carbon Partnership Facility (FCPF) has assisted countries in making progress in developing nesting programs, particularly in countries where projects may assist a country in delivering obligations under an Emissions Reduction Purchase Agreement (ERPA).**
(Guatemala, the DRC, Peru)
9. **Some countries have sought to adopt a centralised approach whereby carbon rights reside with the state and finance is intended to flow through a central government agency.**
However, the practical implementation of this approach has been limited as there is a high administrative burden to operationalise appropriate registries and other necessary institutional controls. (Peru, Guatemala)
10. **Some countries have adopted an approach whereby REDD+ projects that intend to receive payment for REDD+ greenhouse gas (GHG) performance or generate and issue REDD+ related GHG units shall submit requests for registration under national registries and obtain approvals.**
(Guatemala, Peru)

Country-specific Summary of Key Points

<u>GUATEMALA</u>	<u>9</u>	<u>COLOMBIA</u>	<u>8</u>	<u>PERU</u>	<u>5</u>
FRAMEWORK LAWS STILL REQUIRE OPERATIONALIZATION THROUGH THE IMPLEMENTATION OF REGULATIONS AND GUIDELINES. READ MORE >		NRS RECOGNIZES THE IMPORTANCE OF THE EXISTING SITE-SCALE REDD+ PROJECTS. READ MORE >		PERU HAS TAKEN A CENTRALISED APPROACH TO CARBON RIGHTS, WITH THE PAYMENT FOR ECOSYSTEM SERVICES LAW. READ MORE >	



<u>DRC</u>	<u>7</u>	<u>CAMBODIA</u>	<u>6</u>	<u>AUSTRALIA</u>	<u>10</u>
CARBON RIGHTS IN THE DRC ARE TREATED BY THE STATE AS CONSERVATION CONCESSIONS WITH SIMILAR LEGAL PROVISIONS TO THOSE USED FOR MANAGING FOREST CONCESSIONS. READ MORE >		THE DEVELOPMENT OF A NESTED SYSTEM FOR REDD+ REQUIRES NEW RULES TO SUPPORT THE IMPLEMENTATION. READ MORE >		LAND SECTOR MITIGATION ACTIVITIES CAN BE CONSISTENT WITH, AND REPRESENTED IN, THE NATIONAL ACCOUNTS. READ MORE >	



PHOTO BY WILLIAN JUSTEN DE VASCONCELLOS ON UNSPLASH



Peru

Peru has taken a centralised approach to carbon rights, with the Payment for Ecosystem Services Law, Law No. 30215 (PES Law) declaring that carbon sequestration and storage including from REDD+ activities is the ‘patrimony of the nation.’

But the PES Law allows entities that achieve these ecosystem services to receive compensation for doing so, provided they seek approval from the Government and the governance and financial arrangements are documented in a central registry. The “National Registry of Mitigation Measures” or *Registro Nacional de Medidas de Mitigación (RENAMI)*, launched in late 2020, allows the government to have oversight of the transaction of carbon credits issued by REDD+ initiatives and therefore manage issues of double counting and accounting for achievement of Nationally Determined Contributions (NDCs). This approach, combined with the centralised legal ownership of

carbon sequestration, establishes a framework for the Government to have broad oversight of the REDD+ initiatives and the associated emissions reductions occurring in Peru, including for such emissions reductions to be counted in Peru’s national greenhouse gas inventory.

Peru’s approach to nesting of REDD+ initiatives in its Natural Protected Areas (NPAs) is the most advanced application of the framework established by the PES Law and is widely considered to be a leading example both of the transition of projects into a nested approach (existing projects were given assurances from the Government regarding permitted baselines and the ability to sell emissions reductions), and

now of its post-2020 approach. The ‘National Service for Natural Areas Protected by the State’ or *Servicio Nacional de Áreas Naturales Protegidas por el Estado (SERNANP)* and the Peruvian ‘Ministry of the Environment’ or *Ministerio del Ambiente (MINAM)* have established a clear process for REDD+ projects to follow for the proposed sale of carbon and use of baselines, which gives investors confidence regarding the integrity of emissions reductions.

The Government of Peru has expressed its intentions to ensure that existing REDD+ projects are able to continue to operate once the nesting framework is in place. As such MINAM has provided assurance to existing REDD+ projects implemented in NPAs in Peru that they can continue using their own project baselines until December 2020. REDD+ projects in Peru have benefited from this policy signal and this has enabled investment certainty in these projects.



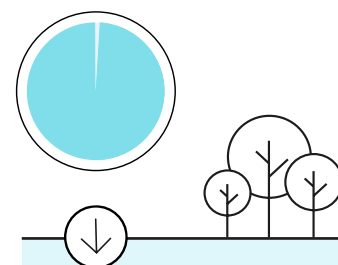
PHOTO BY BOUDEWIJN HUYSMANS ON UNSPLASH

Cambodia

Cambodia established its first REDD+ pilot project in 2008 and initiated its REDD+ readiness phase in 2012. Cambodia's National REDD+ Strategy (NRS) envisions the implementation of REDD+ at the national level while also enabling market-based REDD+ projects. In 2019, Cambodia decided to pursue a REDD+ “nested system” in different phases (‘pre-nesting’, ‘early nesting’ and ‘full nesting’) and in 2020 it started working on the development of the early nesting phase.

There are currently four active REDD+ projects in Cambodia, some of which have used their own data and established project baselines following protocols set up by international standards, such as the Verified Carbon Standard (VCS), while others have used the national baseline. Because the REDD+ projects participating in the nesting process in Cambodia need to align their commitments with the NRS, the REDD+ Taskforce Secretariat within the FCPF REDD+ Readiness Project has set methodological options to allocate the national Forest Reference Level at the project scale based on the construction of a deforestation risk map.

The development of a nested system for REDD+ requires new rules to support the implementation of REDD+ and the operationalization of the nested system. The Sub-decree and the Guidelines for REDD+ currently under discussion in Cambodia are expected to provide clear rules and guidelines for the operation of REDD+ projects (e.g., safeguards, benefit-sharing, MRV, and leakage approaches), dispute resolution in case of noncompliance by participants, as well as clarity on carbon rights.



1%

OF FOREST COVER LOST BETWEEN 2010 TO 2017, MAINLY A RESULT OF LARGE SCALE AGRO-INDUSTRIAL DEVELOPMENT

48%

OF TOTAL LAND AREA IS FOREST PRE 2016.



PHOTO BY CONSCIOUS DESIGN ON UNSPLASH



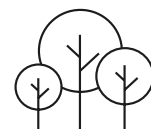
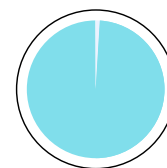
Democratic Republic of Congo

FCPF participation in the development of a nesting REDD+ architecture in the DRC has led to consideration of the role of REDD+ projects in the NRS. The DRC has also established a REDD+ National Fund to support the implementation of the NRS.

The DRC selected Mai Ndombe Province for development of its first large-scale Emission Reductions Program under the FCPF aiming to reduce carbon emissions from deforestation and forest degradation. This Program has developed relevant aspects of the REDD+ nesting architecture, such as the Program Management Unit (PMU), which is considered a key institution for nesting as it will provide technical assistance to subprojects (e.g., setting subprojects' reference levels) while supporting the subprojects in their day-to-day management (e.g., capacity building, assistance to the private sector and

communities, the sale of emission reductions and monitoring of safeguards). The PMU is expected to have independence vis-à-vis the government for the execution of its tasks and is expected to make reporting public.

At the project level, having existing REDD+ projects in the DRC with high levels of involvement with the national level authority has led to greater communication between projects and the national authority. Carbon rights in the DRC are treated by the state as conservation concessions with similar legal provisions to those used for managing forest concessions.



500,000 HA

ESTIMATED LOST EACH YEAR MOSTLY DUE TO SLASH-AND-BURN AGRICULTURE, FUELWOOD PRODUCTION, BUSH FIRES AND SMALL-SCALE AND INDUSTRIAL LOGGING

0.2% PER YEAR.



PHOTO BY REISEUHU ON UNSPLASH



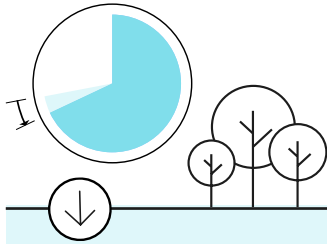
Colombia

Colombia’s NRS recognizes the importance of the existing site-scale REDD+ projects and the need to create a domestic demand for the credits they generate. The country has worked with several partners over the years to develop a REDD+ structure in compliance with the UNFCCC requirements.

Colombia made significant advances through the development of guidelines for climate change management as well as the regulation of the National MRV System and the ‘National Registry of Greenhouse Gas Emission Reductions’ or *Registro Nacional de Reducción de Emisiones de Gases Efecto Invernadero (RENARE)*, establishing methodologies, accounting rules and conditions for projects to align their baselines with the

Forest Reference Emission Levels (FRELs) submitted by Colombia to the UNFCCC. It also approved of a carbon tax that allows entities to completely offset their tax liability through the purchase of REDD+ credits.

The demand for domestic REDD+ credits will likely increase by the time the ‘National Program of Greenhouse Gas Tradable Emission Quota’ becomes operational.



68%

OF COLOMBIA’S TOTAL SURFACE AREA IS COVERED IN FORESTS, DOWN FROM

72% IN 2000.



PHOTO BY THEODORE MOORE ON UNSPLASH

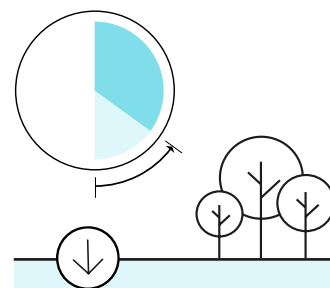


Guatemala

Guatemala has enacted a legal framework to support REDD+ projects with its national law clarifying the legal right to carbon, which supports the development of REDD+ projects by providing clear title and ownership rights.

It also requires all REDD+ projects to register with the to-be-developed national registry, which will enable Guatemala to avoid double counting with respect to its national commitments under the Paris Agreement. Guatemala also has a nesting strategy, prompted by its FCPF obligations, under which it intends to allocate baselines to REDD+ projects. Under the benefit sharing mechanism that is in the process of implementation for the

FCPF, the national government would receive revenue from the sale of REDD+ credits, including from REDD+ projects. The national government would then distribute the revenue to participating projects pursuant to a negotiated agreement transferring title to credits in exchange for payment. These framework laws still require operationalization through the implementation of regulations and guidelines.



35%

OF GUATEMALA'S TOTAL SURFACE AREA IS COVERED IN FORESTS, DOWN CONSIDERABLY FROM

50% IN 1950.



PHOTO BY JOSH WITHERS ON UNSPLASH



Australia

As a developed country, Australia is not eligible for domestic REDD+ activities, however it has been included in this report as a case study to exemplify the broader view of how land sector mitigation activities can be consistent with, and represented in, the national accounts.

Australia’s national system has a strong focus on land sector activities, including avoided deforestation, human-induced revegetation, reforestation, and soil carbon projects.

Australia’s approach to nesting demonstrates a balance between a centralized approach established through a domestic carbon offset scheme and national accounting framework, with project-level implementation, reporting and financing. This balance serves to create appropriate incentives in the measurement approach for reducing deforestation and degradation by project level participants, by reducing the cost of participation for projects by allowing them to use the national

greenhouse gas accounting system and their own data.

Australia’s carbon rights regime, which permits full financial benefits from Australian Carbon Credit Units (**ACCUs**) to flow to the project proponent, also encourages private sector participation in Australia’s domestic carbon offset project scheme. The certainty associated with the regulated process underpinning the scheme, and the ability to secure a government ACCU offtake contract also incentivizes private investment in Australian offset projects.

Australia’s experience designing and implementing its approach has highlighted the complexity

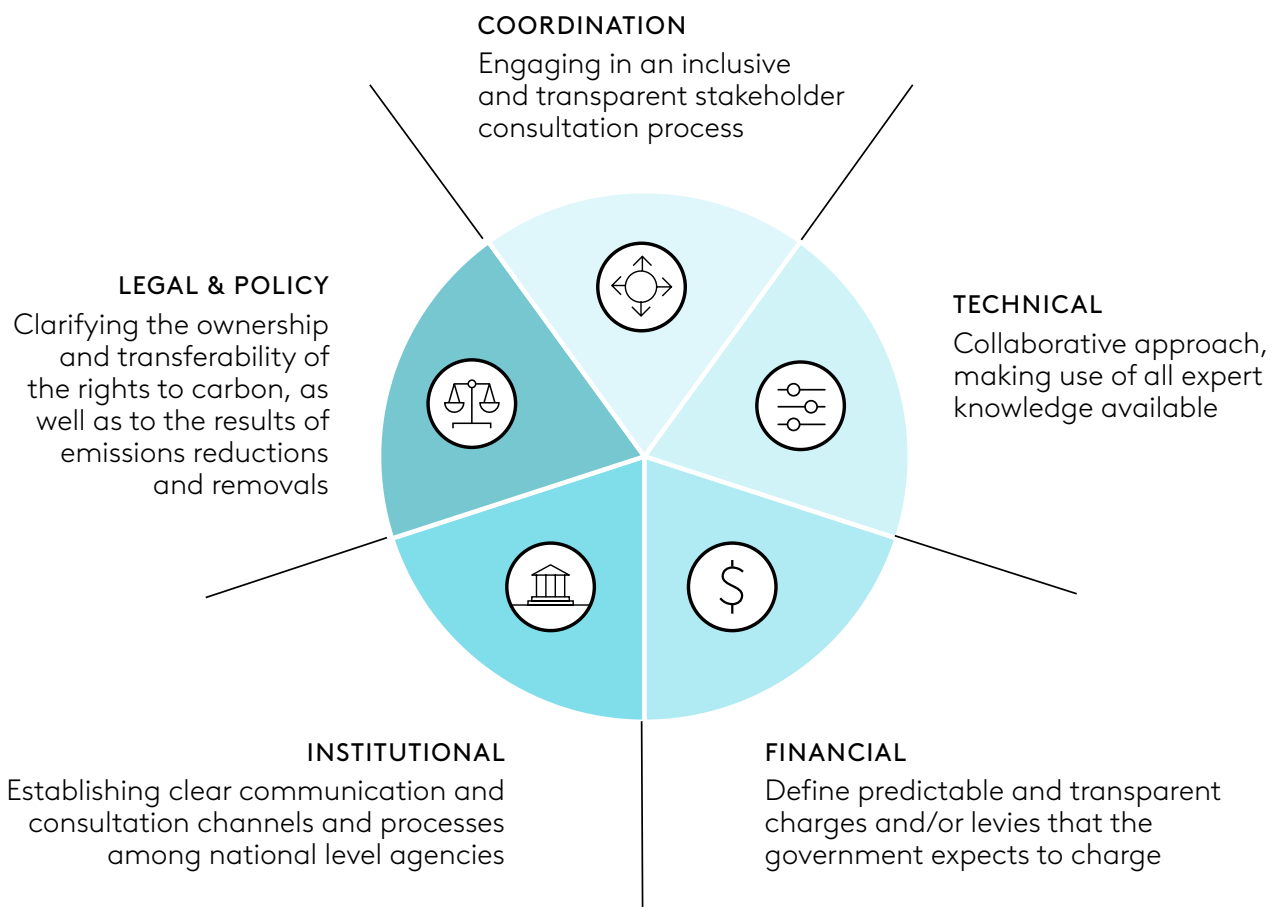
of setting baselines (which in Australia’s case were politically negotiated) and the challenges with measurement, particularly in a decentralized government system.¹ Regarding the technical design of the MRV system, Full-CAM, it has been remarked that many perceived the system to be overly sophisticated for its purpose at the time it was established, but that its benefits have been fully realized through the carbon offset project scheme. Notably, the design concept behind the Australian system was the template for the design and build of the modelling system (i.e., **FLINT**) that supports the System for Land-based Emissions Estimation in Kenya project.² Therefore the foundations of the FLINT approach could be applied in Kenya, with the appropriate capacity building for that system.

1 Macintosh, A. (2011). The Australia clause and REDD: a cautionary tale. *Climatic Change*, 112(2), 169-188.
2 GHD (2019). System for Land-based Emissions Estimation in Kenya (SLEEK): Mid Term Review Final Report. 6-12. Available at <https://www.dfat.gov.au/about-us/publications/Pages/kenya-system-land-based-emissions-estimation-mtr>.

Recommendations for Kenya

The benchmarking study described herein has revealed several recommended best practices that Kenya should consider when designing its own REDD+ nesting strategy. The best practices and associated initial recommendations to Kenya have been presented to National Experts Group (**NEG**) for consideration in support of Kenya's REDD+ readiness work. However, these recommendations are preliminary and dynamic; they may change based on further developments of the REDD+ nesting strategies in relevant countries, and / or based on ongoing discussions with the NEG.

THE INITIAL RECOMMENDATIONS ARE DIVIDED INTO FIVE BROAD CATEGORIES, AS FOLLOWS:



Initial Recommendations

COORDINATION

In planning for a transition pathway to harmonize projects with the national REDD+ program, it will be important to engage in an inclusive and transparent stakeholder consultation process. In addition, the national government should provide formal confirmation to existing projects that they will continue their current operation during the transition pathway. It is also recommended that Kenya consider establishing a protocol for accounting emissions reductions and removals within a national GHG registry and under its **NDC**, including the registration of existing REDD+ projects and future site-scale activities.

TECHNICAL

With respect to the technical aspects of the national REDD+ nesting strategy, Kenya should take a collaborative approach, making use of all expert knowledge available, to design a spatially explicit risk-based allocation methodology for the **FREL** in order to appropriately incentivize action and reward results. This approach should be transparent regarding the data used to develop and allocate the baseline. The national government will also need to develop a clear, consistent, and accurate MRV framework, including guidance on activity data and emission factors monitoring, to ensure that site-scale monitoring is aligned with national accounting and reporting.

FINANCIAL

To reduce uncertainty during the transition pathway, it is recommended that Kenya seeks to define predictable and transparent charges and/or levies that the government expects to charge along the project cycle (project approval and/or per issuance/ transaction), i.e., in the form of a percentage quasi-tax per issuance with a cap or an absolute number. Early in the process, the national government should also define how benefits will be shared, i.e., percentage of revenues to go to local communities that do the work on the ground for site-scale activities. Finally, Kenya might also explore the possibility of a domestic carbon pricing scheme that would provide additional national demand to encourage private sector investment in REDD+ activities.

INSTITUTIONAL

Communication among relevant national-level agencies with authority over REDD+ projects is critical, so establishing clear communication and consultation channels and processes among national level agencies is an essential first step. It will also be important to establish a mechanism by which to incorporate input from relevant non-governmental stakeholders into an integrated and cross-cutting approach in the development of Kenya's REDD+ nesting strategy. This will ensure buy-in of all parties that are essential for successful implementation of REDD+ nesting aligned with the UNFCCC rules. Further, the national government should endorse and communicate with existing and prospective REDD+ project proponents to leverage lessons-learned from site-scale activities.

LEGAL & POLICY

Clear legal rights to carbon underpinning REDD+ projects are important, particularly for securing investment in projects at scale. Therefore, clarifying the ownership and transferability of the rights to carbon, as well as to the results of emissions reductions and removals, should be a priority. It will also be important to define and adopt specific rules to support the operationalization of the REDD+ nesting system, including transparent rules related to clear transferability of rights to results (i.e., emissions reductions and removals) and benefit-sharing arrangements among stakeholders (e.g., national government, county government, indigenous and other local communities, and landowners) to stimulate climate finance flows. As these policies are developed, it will be important for Kenya's national government to recognize the importance of site-scale REDD+ activities to demonstrate the viability of the REDD+ mechanism as well as to leverage finance and support the implementation of the national REDD+ strategy.

Background and Purpose

Kenya currently hosts several REDD+ projects, which have successfully raised finance for conservation activities on the ground by monetizing emission reductions in the voluntary carbon market. For instance, the Kasigau Corridor REDD+ project, which protects over 500,000 acres of forest in Taita Taveta, Kenya, has been generating emission reductions since 2011 and has sold carbon credits to corporate and other voluntary buyers.

REDD+ projects to date have existed in a context in which Kenya itself did not have an emission reduction target that it had to meet. Now, under the Paris Agreement, Kenya will need to meet national targets, which has prompted a discussion on how to nest REDD+ projects within its boundaries.

Under this scenario, this report has been prepared by Conservation International (CI) and Pollination to support the development of REDD+ nesting arrangements in Kenya by the NEG. The NEG has been formed by the Kenyan Ministry of Environment and Forestry to provide technical and policy guidance as Kenya embarks on nesting its existing REDD+ site-scale activities and projects into a national REDD+ program.

In December 2019, a workshop was conducted in Nairobi with the Kenyan Ministry of Environment and Forestry and CI, in addition to key actors engaged in advancing decisions regarding REDD+, technical experts, and project proponents of the existing REDD+ projects. The elements of nesting and their possible applications in Kenya were presented at that workshop. It was also highlighted that there are currently REDD+ projects being developed in the country with multiple methodologies for measuring emissions and performance. Finally, it was noted that the adoption of a jurisdictional approach towards REDD+, with existing initiatives nested within that approach, would address the risks of double counting and double payment, since the site-scale activities and projects would be aligned with a national REDD+ program with regards to measurement of GHG performance and policies

would be developed to avoid double counting or double payment of emission reductions.

Following previous discussions led by the NEG regarding the application of REDD+ nesting approaches in Kenya, and based on the country's REDD+ status, the purpose of this report is to:

①

Review nesting arrangements and lessons learnt from other countries, with a particular focus on:

- The status of current site-scale REDD+ Projects and integration into a nested approach;
- How carbon from site-scale REDD+ activities has been accounted for under the national greenhouse gas accounts;
- Operational elements including double counting, safeguards and benefits sharing; and
- Legal and governance aspects including governance institutions, carbon rights and project approval procedures.

②

Inform the NEG on nesting arrangements for Kenya based on findings from this benchmarking study.



Overview of REDD+ Nesting Structures and Purpose

REDD+ is a mechanism for creating financial value for the carbon stored in forests by offering incentives for developing countries to invest in low-carbon sustainable development pathways and reduce emissions from forests.

Nesting of site-scale REDD+ activities involve the integration of more site-specific or subnational-scale REDD+ activities into, and formally recognized under, national REDD+ programs, allowing for benefits to flow at all scales, whilst providing the option to Governments and other stakeholders to maximize access to private and public sector finance. Nesting catalyses local actions that can contribute to the national emission reduction targets and allows both local REDD+ activities and national REDD+ activities to continue to reduce emissions from forests.

The implementation of a REDD+ strategy should consider how best to catalyse investment into REDD+ activities. Finance for REDD+ can take the form of direct payments to the jurisdiction not connected to results (e.g., direct aid or grants), results-based payments (i.e., payments conditioned on achieving certain performance metrics) or revenues generated

by the sale of carbon credits generated by REDD+ activities. Sources of REDD+ finance at the national level to date have included primarily results-based payments by multi-lateral development banks and developed country assistance. Conversely, REDD+ projects¹ have more often attracted private sector buyers of carbon credits for voluntary offsetting purposes.

The REDD+ nesting architecture in each country will shape the official way in which REDD+ actions should be implemented, which climate finance sources are to be sought, and clarify which decisions should be made and by whom. A national REDD+ architecture, inclusive of a nesting system, will guide important features such as REDD+ finance, benefit sharing, carbon measurement, establishment of reference levels, accounting of carbon emissions credits, monitoring for compliance, and the design and implementation of social safeguards.²

1 Throughout this report, we use the term 'REDD+ project' to mean REDD+ site-scale activities (i.e., project-level activities that are not conducted on a national level).

2 Lee, D, et al. (2018). Approaches to REDD+ Nesting: Lessons Learned from Country Experiences. Available at <https://openknowledge.worldbank.org/handle/10986/29720>.

While there are different structures which may be adopted by countries to implement a REDD+ nesting system in order to catalyse actions at multiple levels and to achieve scale, we focus in this report on nesting structures where site-scale REDD+ projects are allowed to generate emission reductions and receive financing connected to emission reductions generation.³ Financing can take the form of an allocation of finance from a centralized entity that is then distributed to site-scale REDD+ activities that are performing (i.e., reducing emissions).

Alternatively, countries may allow REDD+ projects to receive financing directly in exchange for the sale of emission reductions. The benefit of this type of nesting structure is that the private sector responds well to performance metrics that can support a potential return on investment. Because a potential return on investment can engage private finance, this option may be useful for governments with insufficient resources or that do not have strong fiscal levers. However, in some cases, the allocation of finance or emission reductions will only be as high as the jurisdictional performance. In such cases, there are risks to either subnational units or the private sector and local actors who engage in programs or projects that are nested within the jurisdictional program—in particular, if a local project performs well, but the jurisdiction does not perform equally well, then, depending on the approach to nesting, the financial rewards are limited. The risk of non-performance will need to be borne by the jurisdiction or projects—and in the latter case, will dampen local investments.

Providing finance to local actors takes into account the local context and incentivizes subnational governments and projects to perform optimally. It also provides a direct reward for performance, encouraging private sector engagement in REDD+ in the country and achieving efficient and cost-effective emission reductions. However, allowing projects to generate their own emission reductions may require development of MRV rules and systems to minimize mismatch at different scales and for some entity to take on the liabilities for mismatches. Also, where projects are allowed to sell carbon units internationally, systems are needed to avoid counting the same emission reduction twice within the same context (e.g., Paris Agreement).



³ For further information on various nesting structures, please see: Gibbon, A. et al. (2014). USAID Lowering Emissions in Asia's Forests Planning Guide: Integrating REDD+ accounting within a nested approach. Part B.

Peru



Peru

LESSONS LEARNED

- From a legal perspective, Peru has taken a centralised approach to carbon rights, with the **PES** Law (i.e., Payment for Ecosystem Services Law, Law No. 30215) declaring that carbon sequestration and storage, including from REDD+ activities, is the ‘patrimony of the nation.’ Entities that achieve these ecosystem services are however entitled to receive compensation for doing so, provided they seek approval from the Government, and the governance and financial arrangements are documented in a central registry (i.e., **RENAMI**).
- The Government of Peru launched the RENAMI in September 2020, which allows the government to oversee the transaction of carbon credits issued by REDD+ initiatives and therefore manage issues of double counting and accounting for achievement of the NDC. This approach, combined with the centralised legal ownership of carbon sequestration, establishes a framework for the Government to have broad oversight of the REDD+ initiatives and the associated emissions reductions occurring in Peru, including for such emissions reductions to be counted in Peru’s national greenhouse gas inventory.
- Peru’s approach to nesting of REDD+ initiatives in its Natural Protected Areas (NPAs) and elsewhere is the most advanced application of the framework established by the PES Law and is widely considered to be a leading example both of the transition of projects into a nested approach (existing projects were given assurances from the Government regarding permitted baselines and the ability to sell emissions reductions), and also for its post-2020 approach. The **SERNANP** and **MINAM**—the authority for Project approvals/nesting—have established a clear process for REDD+ projects to follow for the proposed sale of carbon and use of baselines, which gives investors confidence regarding the integrity of emissions reductions.



PHOTO BY HANS LUIGGI ON UNSPLASH

- Peru has developed an approach for allocating the Amazon subnational FREL to site-scale projects that seems to be relatively simple, relying only on proximity to past deforestation calculated from the official deforestation map used for the FREL. This avoids using other spatial data such as roads and slope to model risk of future deforestation, which prioritizes ease of implementation over robust accuracy. This approach appears to provide the basis for an equitable approach for taking into account future risks of deforestation in Peru, but it may not be appropriate in other country contexts with different deforestation dynamics.
- The Government of Peru has expressed its intentions to ensure that existing REDD+ projects are able to continue to operate once the nesting framework is in place. As such, MINAM has provided assurance to existing REDD+ projects implemented in NPAs and elsewhere in Peru that they can continue using their own project baselines until December 2020. REDD+ projects in Peru have benefited from this policy signal and this has enabled investment certainty in these projects.



Background on REDD+ in Peru

The Peruvian Amazon is of critical importance for Peru's economy and for the global climate. With 69,380,729 hectares (**ha**) of mature forest in 2014, the Peruvian Amazon contains some 32,281,231,580 equivalent tons of carbon dioxide (**tCO₂e**) in its living trees alone (above- and belowground biomass).

Deforestation in the Amazon is responsible for almost all of Peru's deforestation and for 51% of the country's total GHG emissions.⁴ International incentives for reducing emissions from Land Use, Land-Use Change and Forestry (**LULUCF**) are thus of strategic importance for Peru's ability to implement low carbon emission development strategies in the Peruvian Amazon.

To date, more than 30 carbon projects (including 23 REDD+ projects) in Peru have been registered under forest carbon standards (e.g., the Clean Development Mechanism (**CDM**), **VCS**, or Gold Standard) and more than 36 million carbon credits have been issued, estimated to have generated more than 85 million United States' Dollars (**USD**) to support early action of REDD+ activities.⁵ In several cases, these projects support the management of national protected areas which have been prioritised for conservation by the Peruvian government and would otherwise lack adequate funding and protection.

The Peruvian government has developed NRS and is advanced in establishing the elements

required for REDD+ results-based payments under the UNFCCC Warsaw Framework. Peru has an agreement with the governments of Norway, United Kingdom and Germany for results-based payments for national REDD+ results and a contract with the Swiss government for the cooperative implementation of mitigation activities under Article 6 of the Paris Agreement (though it is unclear whether this will include GHG reductions via REDD+).

The Government of Peru has identified the need to establish nesting arrangements in order to reconcile and ensure no double counting occurs between the results paid for and transacted at national and subnational scales, including at the project level. Nesting is important to enable access to different sources of finance and to enable site-scale projects to continue to support conservation of priority forest areas. Nesting will also enable better coordination between relevant stakeholders that is cost-efficient, enhances synergies and attracts investment with confidence of the integrity of the emissions reductions.

4 Ministerio del Ambiente. (2016). El Perú y el Cambio Climático: Tercera Comunicación Nacional del Perú a la Convención Marco de las Naciones Unidas sobre el Cambio Climático, 21. Available at <https://sinia.minam.gob.pe/documentos/tercera-comunicacion-nacional-peru-convencion-marco-las-naciones>.

5 12 projects registered under VCS have issued 36,317,384 VCUs to date (<https://registry.verra.org/app/search/VCS>) which are conservatively estimated to have generated at least \$100 million using an average price of \$2.35/credit, as reported in Ecosystem Marketplace's The State of Voluntary Carbon Market 2019 (<https://www.ecosystemmarketplace.com/carbon-markets/>).

Progress so Far

Peru submitted a first subnational FREL covering the Amazon biome to the UNFCCC in 2016, which expired in 2020 and a second subnational FREL covering the Amazon biome was submitted in February 2021. They expect the UNFCCC expert review to be completed by December 2021.

- An important operational tool to support nesting arrangements and to avoid double counting is the national mitigation measures registry⁶ (i.e., RENAMI), which was launched in September 2020.⁷
- In 2020, MINAM finalized a draft of the guidelines that REDD+ projects (mitigation measures as called in the guidelines) must follow to be able to obtain government approval and to use the FREL.⁸ Two sets of guidelines have been drafted to guide the government approval and nesting process for project registration under RENAMI. During 2021, interested partners will be reviewing these guidelines and it is expected they will be approved before July and thereafter take effect as legal regulations.
- The Government of Peru finalized the development of its rules on nesting, including by convening a Nesting Technical Committee to develop nesting guidelines. Carbon Decisions International (funded by the World Bank) prepared a nesting options paper for the Nesting Technical Committee. The Government's Climate Change Directorate convened a Nesting Technical Committee, and it is intended that a nesting framework will be in place by the end of 2021. Representatives from REDD+ projects in Peru are a part of the Nesting Technical Committee. A public consultation process is proposed to follow the publication of the nesting rules.



PHOTO BY ROD LONG ON UNSPLASH

- The Government of Peru has expressed its intentions to ensure that existing REDD+ projects are able to continue to operate once the nesting framework is in place. As such, MINAM—the competent authority for Project approvals/ nesting—has provided assurance to existing REDD+ projects implemented in Peru that they can continue using their own project baselines until December 2020.
- Peru was part of the World Bank's FCPF, however negotiations on the ERPA stalled in 2020 and Peru officially cancelled its participation in the FCPF's Carbon Fund in February 2021.
- Currently, the country is considering applying to VERRA's Jurisdictional and Nested REDD+ (JNR)⁹ and to the REDD+ Environmental Excellence Standard (TREES) of the Architecture for REDD+ transaction (ART TREES)¹⁰.

6 Ministerio del Ambiente. Registro Nacional de Medidas de Mitigación de GEI. Available at <https://products.markit.com/br-reg/public/peru-public/#/home>.

7 Ministerio del Ambiente. (2020). Perú se pone a la vanguardia en la acción climática con su Registro Nacional de Medidas de Mitigación de gases de efecto invernadero. <https://www.gob.pe/en/institucion/minam/noticias/303816-peru-se-pone-a-la-vanguardia-en-la-accion-climatica-con-su-registro-nacional-de-medidas-de-mitigacion-de-gases-de-efecto-invernadero>.

8 To ensure transparency, MINAM has created a shared folder for stakeholder to access to relevant documentation on nesting. Information is available in Spanish in this link: <https://drive.google.com/drive/folders/1Cmrwvrm6pZmBPZxrc77b4cLNNkK59rcZ>

9 JNR Rules and requirements <https://verra.org/project/jurisdictional-and-nested-redd-framework/rules-requirements/>

10 <https://www.artredd.org/trees/>; <https://leafcoalition.org/>

Description of National REDD+ Policy

UNFCCC ELEMENTS

Peru has been very active in the REDD+ negotiations under the UNFCCC framework, and is one of the countries working on implementation to reach results-based payments under the Warsaw Framework for REDD+. Under this process, three of the four results-based payment criteria outlined in the Warsaw Framework have been completed, namely the NRS, the MRV system and Peru’s national FREL. The Safeguard Information System and the summary of information regarding how safeguards are being addressed and respected are currently being designed by MINAM with the support of stakeholders. These system(s) for measurement and monitoring of non-carbon benefits, impacts, safeguards and governance are still at an early stage of design.

In 2015, Peru submitted its first subnational FREL for reducing emissions from deforestation in the Peruvian Amazon to the UNFCCC. It was based on a linear projection of historical emissions (2001-2014) of GHG to estimate deforestation for the 2015-2020 period. This FREL starts at 77,570,486 tCO₂e- for 2015 and increases to 93,703,903 tCO₂e- for 2020. A second FREL for the Peruvian Amazon was presented in February 2021, with 2010-2019 as the reference period reporting emissions in an average of 75 774

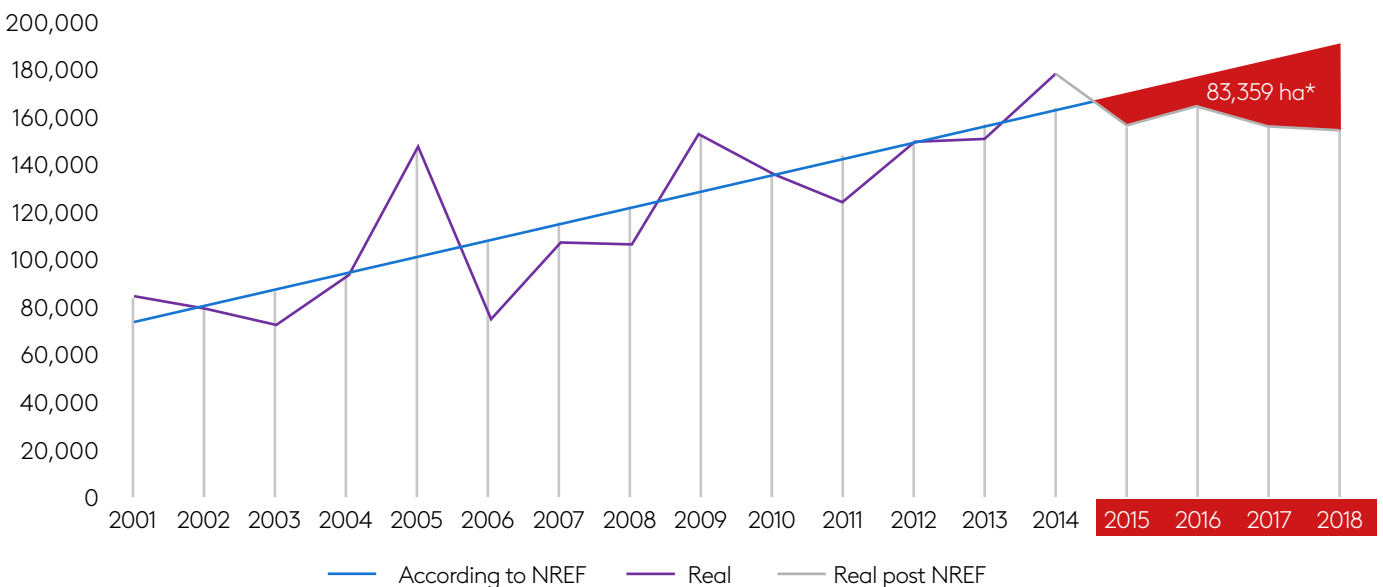
039,55 CO₂eq/yearly. This updated version of the FREL replaces the linear projection approach to historical emissions with the average of the historical emissions instead.

According to data from Carbon Decisions International, between 2015 and 2018 Peru avoided 83,359 ha of deforestation, equating to 38.5 million tCO₂e-.

To build on the coverage of the existing FREL, proxy type studies have been carried out on forest degradation in the Amazon and current funding from the UN-REDD Programme will be used to establish a forest degradation reference level for Peru. In addition, Peru is developing a reference level for coastal dry forests.

In comparison to the UNFCCC FREL, the reference level proposed for the FCPF emissions reduction programme (which Peru has now left) was estimated based on the deforestation from 2008 to 2017 in the regions proposed for the programme (San Martin and Ucayali). The FCPF reference level is fixed at 33,787,088 tCO₂e- per year from 2020 to 2024. Therefore, the nesting process in Peru will need to deal with the various reference levels in use, for which the country is developing an allocation tool (more details are provided below).

FIGURE 1: PERU’S ACTUAL DEFORESTATION (PURPLE AND GREY LINES) COMPARED WITH ITS REFERENCE LEVEL (BLUE LINE).



*Deforestation avoided in Peru: +/- 38.5 million tCO₂e

Source: Carbon Decisions International, February 2020.

NDC ALIGNMENT WITH REDD+

Peru submitted its first NDC with an unconditional target of 20% emissions reductions from the business-as-usual scenario in 2030, plus another 10% reduction that is conditional on international financing and the existence of favourable conditions. In December 2020 Peru updated its NDC¹¹ under which it increased its unconditional contribution to 30% reductions in 2030 compared to business as usual. As in its first NDC, Peru's revised NDC includes the LULUCF sector, and with respect to REDD+ it states, 'REDD+, as defined in the Warsaw framework and the related decisions, will be an important tool for the country to achieve its mitigation commitments, and there is the need to reinforce support for this mechanism under the new agreement.'¹²

Under the business-as-usual (BAU) scenario used for Peru's NDC, national as well as LULUCF sector emissions are estimated to increase by more than half between 2015 and 2030. At the same time, mitigation of 53.6 MtCO₂e/y of emissions from the LULUCF sector is expected to contribute to two-thirds of Peru's expected emission reduction goal of 30% in 2030, almost all of which will have to come from the Amazon.

Based on discussions between Pollination and SERNANP in November 2019 (prior to the NDC update), Peru intended to count 8 MtCO₂e abatement and sequestration from the forestry sector to its 2030 NDC target. This has not been announced as part of formal policy. Discussions with projects in Peru indicate that 1.5 MtCO₂e of that 8 million is intended to come from emissions reductions on NPAs, however this is yet to be confirmed.

STATUS OF REDD+ PROJECTS

Peru has various sub-national REDD+ projects, developed by NGOs and private companies in partnership with indigenous communities, forest concessions and protected areas, many of which began activities before MINAM established a FREL and MRV system for the Amazon biome. According to data from MINAM, there were an estimated 41 subnational REDD+ initiatives under development in Peru by 2012. There are currently more than 20 projects registered with various forest carbon standards. Twelve of the VCS projects have issued more than 36 million credits to date.

The activity data, emissions factors and baselines of the existing site-scale REDD+ projects differ from those of the subnational FREL, therefore a key aspect of nesting in Peru is aligning project carbon accounting with the data and methods used by the FREL to ensure the integrity of aggregate emissions reduction accounting in the Amazon.

Note that the FREL only includes reduced emissions from deforestation in the Amazon, so project emissions reductions and removals generated from other places in Peru and/or from other activities (reduced emissions from forest degradation and enhancement of forest carbon stocks) or from other carbon pools (e.g., soil organic carbon) do not need to be nested under the current FREL. The nesting requirement therefore principally affects nine existing REDD+ projects registered under VCS and would establish a framework to enable new projects to be developed. As noted above, representatives from REDD+ projects in Peru are a part of the Nesting Technical Committee.

11 Gobierno del Perú. (2020). Contribuciones Determinadas a Nivel Nacional del Perú: Reporte de Actualización Periodo 2021 – 2030. Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Peru%20First/Reporte%20de%20Actualizacio%CC%81n%20de%20las%20NDC%20del%20Peru%CC%81.pdf>.

12 Republic of Peru. (2015). Intended Nationally Determined Contribution (INDC) from The Republic of Peru. Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Peru%20First/iNDC%20Per%20C3%BA%20English.pdf>.

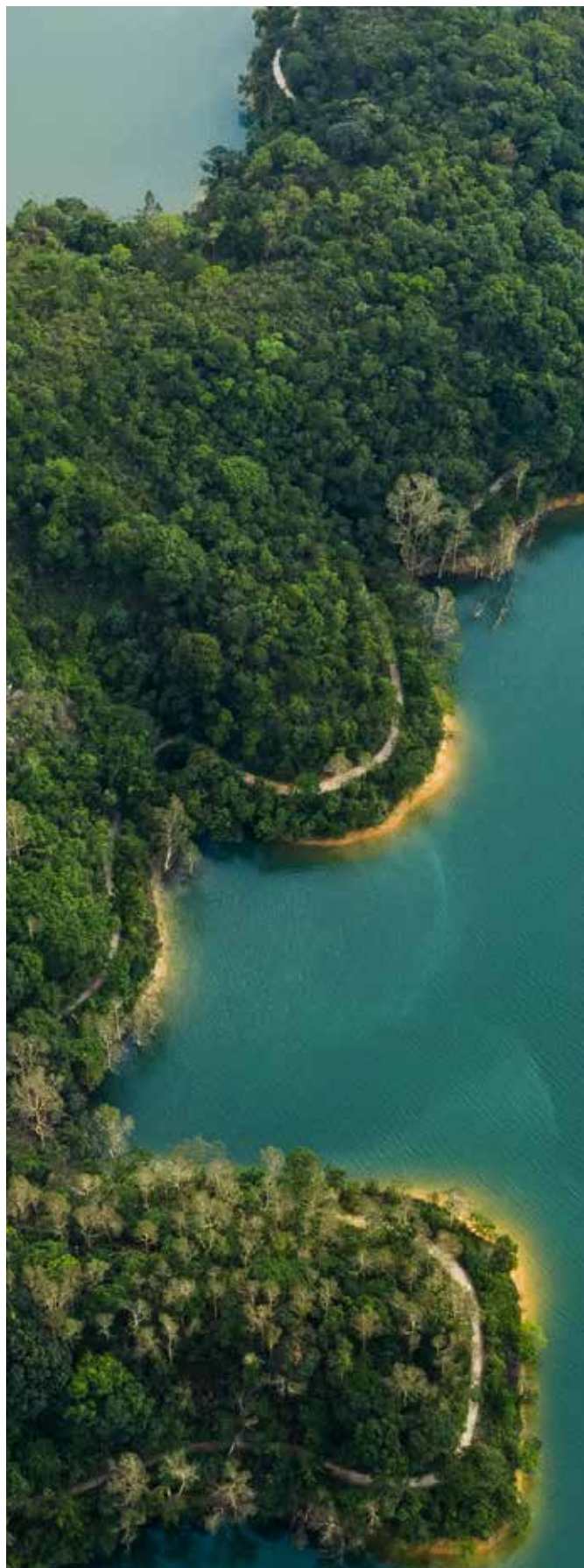
PERU

MINAM regulates the baselines that REDD+ projects on NPAs (i.e., publicly owned land that is declared to be a protected area) can use for the calculation of GHG emissions reductions. In 2019, all REDD+ projects implemented in NPAs in Peru received a letter from MINAM which allows REDD+ early initiatives that have already been validated by a recognised standard to continue to use their baseline until 31 December 2020. The new rules under this letter provide that:

- Project developers of existing REDD+ initiatives may continue to use the baselines approved under VCS standards for the calculation of their GHG emission reductions until the end of 2020;
- Project developers of existing REDD+ initiatives can verify, until the end of 2025, the reductions in GHG emissions generated according to their baselines until the end of 2020;
- Project developers of existing REDD+ initiatives may trade, until the end of 2025, the reductions in GHG emissions generated until the end of 2020; and
- If the new nesting rules are agreed before the end of 2020, the projects must apply the agreed FREL under those rules as soon as they become officially available.

These rules allow REDD+ projects to maintain their activities in the field and continue to generate emissions reductions against their existing VCS baselines until the end of 2020. However, the position for projects after 2020 is uncertain pending finalisation of the nesting approach.

For projects that are not in designated protected areas, such as on privately owned land, there is not the same regulatory oversight by the Government regarding the permitted baseline, sale of carbon, or approach to integration of the projects into the national accounting system. Privately run projects are required to register on a digital platform, RENAMI, that was established in 2020. Private landowners calculate their own reference levels in accordance with the requirements of the applicable voluntary carbon standard for REDD+ such as the VCS. Private landowners are not technically required to seek approval from MINAM to carry out REDD+ projects on their land or sell carbon, however in practice approvals are generally sought because a market standard has developed where buyers prefer to see approvals.



Technical Nesting Elements

ALIGNMENT OF CARBON ACCOUNTING

Currently, REDD+ projects in Peru use their own data and baselines because their baselines were established using the most relevant methodology and standard for their context and because they were established before a national FREL was developed. Existing projects have included different carbon pools (e.g., deadwood, litter and soil organic carbon not included from the FREL), activities (e.g., reducing emissions from forest degradation, improved forest management and enhancement of carbon stocks which are not included in the FREL), emissions factors (e.g., derived from local plots and inventories instead of national data), forest definitions, land cover change activity data and historical reference data and periods. In addition, the model used to develop the baseline projections may be very different. Several of the projects have projected future emissions based on an increasing historical trend, and the FREL uses a 2001-2014 historical trend, with adjustments estimated for the period 2015-2020 trend projection (i.e., linear extrapolation) of the historical emissions associated with gross deforestation.

This leads to a situation where the emissions reductions and removals calculated from each project are not directly comparable with each other or with the results calculated at the national level. This compromises the integrity of the carbon accounting because project and national results may be different.

The Government of Peru is preparing rules that will require all mitigation measures, including REDD+ projects to align their carbon accounting with the national FREL and MRV system. This will involve using national emissions factors, activity data and the project's portion of the FREL.

The consultant firm Carbon Decisions International was hired under the FCPF process to support MINAM and prepare options for approaches to allocation of the FREL. The simplest allocation of the FREL would be proportionally to the remaining forest area but this approach assumes that all remaining forest has the same risk of deforestation. In reality, an area with low future risk of deforestation should get a smaller relative proportion of the FREL than an area with higher future risk of deforestation.

To address this, Carbon Decisions International considered modelling risk of future deforestation based on factors such as distance to roads, distance to settlements and slope but it was unclear what data should be used since official maps of roads and settlements may be out of date and inaccurate. An alternative approach has been developed based on 'historical deforestation density'.¹³ This approach was used to generate 18 different models/risk maps all of which, when applied to existing project areas, led to lower baselines than those currently used by projects. These risk maps have been tested against past deforestation. Three that appeared to provide the best predictions have been submitted to the government which is expected to select one to apply to existing and new projects from early 2021.

In summary, the proposed approach for nesting presented by Carbon Decisions International in March 2020 was to:

- Assign volumes of emissions from the FREL to sub-national areas on the basis of the level of deforestation threat;
- Monitor the actual emissions across those areas and jurisdictions using the national MRV system; and
- Estimate the results of emissions reductions in each recognized area and jurisdiction.

¹³ This approach aims to be as simple as possible using only the official historical deforestation map used for the FREL. The approach involves selecting an appropriate 'window' area and calculating how many pixels in the window have been deforested. A deforestation percentage is then assigned to the central pixel.



PHOTO BY ADRIAN DASCAL ON UNSPLASH

As noted above, in 2020 MINAM finalized a draft of the guidelines that REDD+ projects must follow to be able to obtain government approval and on the use of the FREL by projects. The guidelines also require REDD+ initiatives to utilise a FREL quota allocation tool approved by MINAM. The FREL is allocated to the projects using a deforestation risk map and polygons of the areas of the National REDD + Initiatives. The intention is for MINAM to assign the FREL quotas proportionally to the risk of deforestation in the area of each REDD+ project. The draft guidelines provide that the quota assigned by MINAM will be valid for the entire FREL projection period, and it must be renewed every time the FREL is updated. MINAM intends to strictly oversee these allocations and updates, and only when compliance with RENAMI is verified (including regarding ownership of the GHG units) can projects access the 'authorisation stage' in the RENAMI.

The guidelines also provide that in order to guarantee the harmonization of the REDD+ projects with the FREL, as of January 1, 2021, the use of any baseline by a REDD+ project other than the one approved through the FREL Allocation Tool is prohibited. If a REDD+ project continues to use an existing baseline after January 1, 2021, it will be considered not nested and therefore, it will not be recognized by the Peruvian State.

OPERATIONAL PROCESSES

Peru has a National Forest Monitoring Cover System consisting of the following modules: 1) monitoring of deforestation, 2) monitoring of forest degradation, 3) monitoring of land use and changes in land use, 4) a deforestation early warning system, and 5) the monitoring of reference scenarios for emissions from deforestation and forest degradation. The National Forest Monitoring System is being implemented in stages and is intended to provide key information for the development of policies as well as emissions reports to the UNFCCC.¹⁴

According to Peru's Emission Reductions Program Document **ER-PD** submitted previously to the FCPF, the System has analysed deforestation in the Amazon biome and is broadening the analysis of deforestation to pilot areas of dry coastal forests in the Lambayeque region. MINAM has also reached agreement with indigenous organizations regarding a road map for incorporating indigenous concerns in forest monitoring, including the processes for participation, strengthening capacities, institutional coordination and financial sustainability.

As noted above, Peru has designed a National Registry of Mitigation Initiatives (i.e., RENAMI) in collaboration with IHS Markit. RENAMI is part of the national MRV system. MINAM will be responsible for the RENAMI (registry) and within MINAM the General Directorate for Climate Change and Desertification will validate the contents of the registry and will manage and make public information on the reductions of GHG emissions.

The Peruvian Government intends to ensure that all mitigation measures and initiatives, including REDD+ and other payment for ecosystem services (PES) schemes, are included in RENAMI. It is intended that the registration of a PES scheme in RENAMI will enable all transfers of GHG emission reductions to be recorded, which is an important step in preventing double counting.

¹⁴ The System is coordinated by the National Program for Forest Conservation and Climate Change Mitigation (PNCBMCC or PNCB) and SERFOR/ MINAGRI, with authority under the Forestry and Wildlife Law and its regulations, MINAM Ministry Resolution 324-2015, Legislative Decrees 1220 and 1319, and Executive Resolution 104-2017 of SERFOR.

For this purpose, the Peruvian Government requires that project developers disclose the scheme under which GHG emission reductions are generated and traded (i.e., CORSIA, Article 6 of the Paris Agreement). RENAMI is also intended to provide investors the guarantee that the Peruvian Government has confirmed the validity of the REDD+ credits.

DOUBLE COUNTING

MINAM intends to deal with double counting issues through RENAMI, since all projects or mitigation measures must be approved by MINAM and registered in RENAMI. MINAM has prepared a draft document with the activities and steps to be taken for the request, evaluation and registration of measures to reduce emissions and increase removal of GHG, such as REDD+ projects, onto the RENAMI.¹⁵ It is important to note that projects in NPAs, will require approval from SERNANP, while projects outside NPAs (usually on forest concessions) must be approved by the Servicio Nacional Forestal y de Fauna Silvestre (**SERFOR**) and then by MINAM.

SAFEGUARDS

A national Safeguards Information System (**SIS**) is not in place yet, however a national safeguards process for REDD+ is underway. A Safeguards Committee was established, and specific milestones were agreed, including the drafting of a Summary of Information (**SOI**) on how safeguards have been addressed and respected for submission to the UNFCCC. This multi-stakeholder committee includes subnational governments. The SOI has been finalized and was submitted to the UNFCCC Secretariat in 2020.¹⁶

One of the proposals from Carbon Decisions International is to establish a national buffer pool to safeguard against permanence risk. Beyond this suggestion, there has been no work completed yet on how nested REDD+ projects should address and respect safeguards in a manner consistent with the national interpretation of the UNFCCC Cancun Safeguards or on how they should provide information for the national SIS.

BENEFIT SHARING

Additionally, the Climate Change Law and its regulations mandated the Ministry of Environment to enact clear guidelines related to REDD+ in a timeframe of 180 days after the enactment of the Climate Change Regulations. One of these guidelines is related to the receipt, management, and distribution of benefits generated through results-based REDD+ payments. It appears such guidelines have not yet been developed. Although the arrangements have not yet been formalised, MINAM has indicated that under a national REDD+ approach, monetary benefits from result-based payments will flow from the national government to regional governments based on each region's contribution to deforestation and forest degradation reductions, and will also be used for maintenance of national carbon stocks. Regional governments would then disburse payments to sub-regional actors including indigenous communities, private landholders, concessionaires and government actors managing protected areas and uncategorized forests. Of these benefits, a certain percentage must be allocated to regional and local governments. If such an approach is adopted, the distribution of benefits will be allocated based on the principle that sub-national jurisdictions are accountable for and entitled to benefit from emission reductions generated on lands within them.

However, project level REDD+ initiatives will receive finance from voluntary markets directly, provided credits are validated and verified by an international standard, and approved by MINAM and registered in RENAMI.

¹⁵ Ministerio del Ambiente. (2020). Procedimiento del Registro Nacional de Medidas de Mitigación. Available at <https://docs.google.com/document/d/1g2-98DujYO9EzaloYCoMolEe2hSDJ2u5/edit>.

¹⁶ Ministerio del Ambiente. Primer Resumen de información sobre la forma en la que están siendo abordadas y respetadas las salvaguardas REDD+ en el Perú: Periodo del Reporte: 2012-2019. Available at https://redd.unfccc.int/files/resumen_de_informacion_salvaguardas__1_.pdf.

Legal and Governance Elements

LAW AND POLICY FRAMEWORKS

The Climate Change Law and the National REDD+ Strategy (National Strategy on Climate Change and Forests) establish Peru's approach to REDD+. There are also a number of laws in Peru relevant to REDD+, including the General Environmental Law (Law No. 28611), which provides a general framework that is related to the REDD+ process. Additionally, the Payment for Ecosystem Services Law (Law No. 30215) establishes the regime for the ownership of ecosystem services including carbon sequestration, and how revenues for carbon may be shared. The following regulations are also relevant to the implementation of REDD+ in Peru:

- Supreme Decree No. 009-2016-MINAM, which approves the Regulation of the Payment for Ecosystem Services Law.
- Resolution No. 187-2016-MINAM, which approves the Guidelines for the management and implementation of REDD+.
- Resolution No. 26-2014-SERNANP, which approves the Directive No. 001-2014- SERNANP on trading of carbon credits generated within natural protected areas.

Peru's Framework Law on Climate Change was approved in April 2018. The Law has resulted in the definition of roles for public institutions and coordination bodies regarding the issues of climate change and REDD+, and the Regulations of the Climate Change Law passed in early 2020 add more detail regarding implementation of mitigation and adaptation measures.

As discussed above, in 2020 MINAM finalized a draft of the guidelines that REDD+ projects must follow to be able to obtain government approval and on the use of the FREL by projects.¹⁷ Two sets of guidelines have been drafted to guide the nesting process and the government approval by the registration of a project under RENAMI. During 2021, interested partners will be reviewing these guidelines and it is expected they will be approved before July and thereafter take effect as legal regulations.

GOVERNANCE INSTITUTIONS

There are three key national institutions that have authority over REDD+ projects and activities:

1. MINAM (the Ministry of Environment) which has a clear mandate regarding the implementation of REDD+ issues in general and of the 2016 National Forests and Climate Change Strategy in particular, which has been reinforced with the approval of the Framework Law on Climate Change 2018. MINAM is the focal point of the UNFCCC and is responsible for global coordination of the REDD+ projects and their budgets and high-level agreements among actors.
2. SERNANP (National Natural Protected Areas Service) which sits within MINAM and is the governing authority entitled to administer all the benefits that could be generated by the implementation of a REDD+ project within a natural protected area;
3. Carbon sequestration projects within forest areas are overseen by the 'National Service of Forestry and Wildlife' or *Servicio Nacional Forestal y de Fauna Silvestre* (SERFOR).

In addition, a Multisector and Multilevel Committee on Forest and Climate Change Governance, led by MINAM and SERFOR has been established to address forest and climate change governance, including the generation of recommendations for the prioritization and implementation of strategic actions for the management of forests and climate change. Other ministries, regional and local governments, indigenous peoples, civil society, academia, and the private sector are also included.

Regional government authorities have some authority over forest and land use governance. The 2002 Organic Law of Regional Governments¹⁸ decentralizes fiscal planning from the central government to the 25 regional administrative governments and establishes specialized Co-ordinating Councils. This law establishes that responsibility for managing natural resources and the natural environment resides with the regional governments and delegates' authority to strategically plan environmental projects, implement federal legislation, enact regionally specific environmental legislation, and monitor and evaluate

¹⁷ To ensure transparency, MINAM has created a shared folder for stakeholder to access to relevant documentation on nesting. Information is available in Spanish in this link: <https://drive.google.com/drive/folders/1Cmrwvrm6pZmBPZxrc77b4cLNNkK59rcZ>.

¹⁸ Law No. 27867

both regionally and nationally enacted policy from the central government to the regional governments. However, legislation regarding climate change has been driven at the national level, and legal and managerial authority still largely rests with MINAM.

The General Law for the Environment,¹⁹ which acts as the foundation of environmental legislation, states that the role of the regional governments is to formulate policies and coordinate strategic programmes within the national framework. As such, regional governments must develop strategies for implementation of policy and project development, assisted by the National Strategic Planning Centre and additional corresponding national ministries and commissions.²⁰ Therefore, regional governments must formulate, coordinate, manage and supervise regional strategies to address climate change within the national framework.

Some regional governments have taken a lead on designing policy frameworks relevant to REDD+. For example, San Martín has a Regional Forestry Plan that establishes four components: productive forest management program, conservation and environmental services, reforestation and agroforestry, and transversal actions.²¹ Similarly, the regional government of Ucayali has also recently developed a regional strategy for low emissions economic development.

Six sub-national governments (including San Martín and Ucayali) have joined the Governors' Climate and Forests Task Force (**GCF**), an International network of sub-national governments from different parts of the world. The aim of the GCF is for regional governments to 'build strategic planning tools and develop skills that enable them to strengthen their leadership to manage their jurisdictions under a landscape approach, promote Low Emissions Rural Development with Reduced Deforestation, increase their production and competitiveness, and meet their national and international obligations to reduce GHG emissions associated with land-use change.'

In addition, there are a number of regional institutional coordination mechanisms with different degrees of activity, such as the Regional Environmental Committees, Municipal Environmental Committees, the Public-Private Coalition, Forest and Wildlife Management Committees, REDD+ roundtables and various thematic working groups.

The need for coherent reference scenarios for early action REDD+ initiatives led to coordinated efforts in some of the sub-national governments that contain Amazon forest (e.g., San Martín and Madre de Dios) to create subnational reference scenarios that have since been incorporated into project planning documents. The proliferation of these initiatives is a reflection of, and contributor to, strong civil society involvement in defining the scope and direction of REDD+ in Peru. Multi-stakeholder platforms arose to promote dialogue amongst different actors and provide mechanisms for civil society and the private sector to contribute to government-led strategy development. Currently, there is a national REDD+ roundtable (Grupo REDD+ Peru), subnational roundtables, and both national and subnational indigenous roundtables.

CARBON RIGHTS

Carbon sequestration is considered an ecosystem service under the PES Law, which aims to promote, regulate and supervise payment for ecosystem services schemes to ensure the generation of economic, social and environmental benefits provided by ecosystems.

As in the case of all natural resources in Peru, ecosystem services are considered 'Patrimony of the Nation' and as such, the Peruvian Government is responsible for their management and administration. According to the PES Law, ecosystem services are defined as the direct and indirect economic, social and environmental benefits that people obtain from the correct functioning of ecosystems and are defined to explicitly include carbon sequestration. The regulations to the PES Law²² also explicitly include carbon storage, regulation of air quality and climate regulation as ecosystem services. The PES Regulations also say that REDD+ activities are incorporated in national greenhouse gas inventory.

¹⁹ Law No 28611.

²⁰ Nachmany, N, et al. (2015). Climate Change Legislation in Peru: An Excerpt from the 2015 Global Climate Legislation Study "A Review of Climate Change Legislation in 99 Countries." Available at <http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2015/05/PERU.pdf>.

²¹ Regional Ordinance 008-2008-GRSM / CR.

²² Supreme Decree No. 009-2016-MINAM, which approves the Regulation of the Payment for Ecosystem Services Law

Trading of carbon generated in NPAs is regulated by Presidential Resolution No. 26-2014-SERNANP. According to this Directive, carbon rights and credits, including all carbon credits generated from emissions reductions in NPAs are owned by SERNANP. However, SERNANP can transfer the right to trade them to third parties with whom it has an executed Administration Contract, through the corresponding authorization.

The effect of the PES Law is that title to emissions reductions occurring on private land are also Patrimony of the Nation, however the PES Law aims to compensate those who contribute to preserve, recover and sustainably use ecosystem services, which may be private parties.

Such parties are free to agree on the mechanisms to be implemented and activities, social, environmental and economic benefits, the ways of compensation, and financing structures related to PES schemes. The PES Law does not strictly require private landowners to seek approval for a PES scheme including a REDD+ project, or the sale of carbon from it, however project proponents tend to seek approvals because a market standard has developed where buyers prefer to see such approvals. The PES Regulations refer to a National Guide to Economic Valuation of Natural Heritage, approved by MINAM, as a guide for estimating the economic value of ecosystem services and establishing a governance platform—which is comprised of both public and private entities—for the purpose of monitoring compliance with agreements and supervising transparency in remuneration under an agreed financing strategy.

PROJECT APPROVAL PROCESS

As noted above, according to the PES Law and PES Regulations, currently proponents of REDD+ projects on privately owned land are not required to seek approval from MINAM to establish a PES scheme, including a REDD+ project. However, there are currently draft guidelines from MINAM for site-scale REDD+ projects to follow to be able to obtain government approval and use the FREL.²³

It is anticipated that after the new regulation or guidelines currently under development are approved as law, all projects must request approval by MINAM.

To guide the nesting process, the draft guidelines state that projects must use the national FREL and be registered in the RENAMI. This provides them the endorsement of the Peruvian State regarding the integrity of the emission reductions units generated by the project. The guidelines stipulate that RENAMI registration will equate to the Peruvian State having verified that the commercialization of the emission reduction units is done under markets and carbon standards that guarantee additionality, environmental integrity, permanence, validation and verification and that provide co-benefits other than carbon.

Parallel to the process of allocating FREL quotas, projects need to register under RENAMI.²⁴ The registration of a project under RENAMI consists of seven proposed stages, according to the draft guidelines (which are subject to stakeholder feedback):

1. **Registration request:** the proponent entity presents a series of documents, such as description of the initiatives, carbon standard applied, project description documents, a copy of letter sent to MINAM requesting allocation quota from the FREL, etc.
2. **Publication period:** RENAMI's administrator will make public project design documents so relevant actors interested on the project can comment. Comments will be sent to the proponent entity and the entity will send back to RENAMI evidence of how comments were addressed.
3. **No Objection:** MINAM will convene an Ad-Hoc Committee (includes different government authorities) to evaluate the documentation sent by REDD+ projects and assess compliance with the criteria to assign the rights of the GHG emission reduction units and specific criteria for the transfer of GHG reduction units, in order to grant the No Objection. Some of these criteria involve evidence of additionality to the NDC and the avoidance of double counting between international climate finance and payment for the transfer of GHG emission reduction units.

²³ To ensure transparency, MINAM has created a shared folder for stakeholder to access to relevant documentation on nesting. Information is available in Spanish in this link: <https://drive.google.com/drive/folders/1Cmrwvrm6pZmBPZxrc77b4cLNNkK59rcZ>.

²⁴ Ministerio del Ambiente. (2020). Procedimiento del Registro Nacional de Medidas de Mitigación. Available at <https://docs.google.com/document/d/1g2->

4. **Authorization:** The project must be validated by a third party. Where the project is selling into the international market, this third party must meet the requirements of the relevant carbon standard. Where the carbon is being counted towards the NDC goals, national regulation may prescribe third party validation requirements. MINAM will evaluate validation reports and, if there are no issues to address, will authorize the registration of the mitigation measure in RENAMI and confirm with the project the quota of the FREL assigned by the MINAM. Then, the Administrator enters the Authorization Letter in RENAMI.
5. **Registry:** After the issuance of the authorization letter, the Administrator proceeds with the update in the RENAMI of the status of the mitigation measure indicating 'registered.' The Administrator notifies the proponent entity by email of the registration of the project.
6. **Issuance:** The REDD+ project proponent must prepare a monitoring report or the relevant documentation when the project is validated or verified by a third party following the procedures of the international carbon standard applied. The final verification report from a third party, the verified monitoring report, the ex-post calculation sheet of emission reduction and increase in GHG removal and the documentation of the retiring or cancellation of the respective emission reduction units in the registry system of the international carbon standard applied must all be provided to the RENAMI.
7. **Transferring:** When accessing carbon markets, if the proponent entity wishes to transfer emission reductions, the proponent must send a request by email to MINAM before retiring the units, and indicate the name of the Receiving Entity, to avoid double accounting.

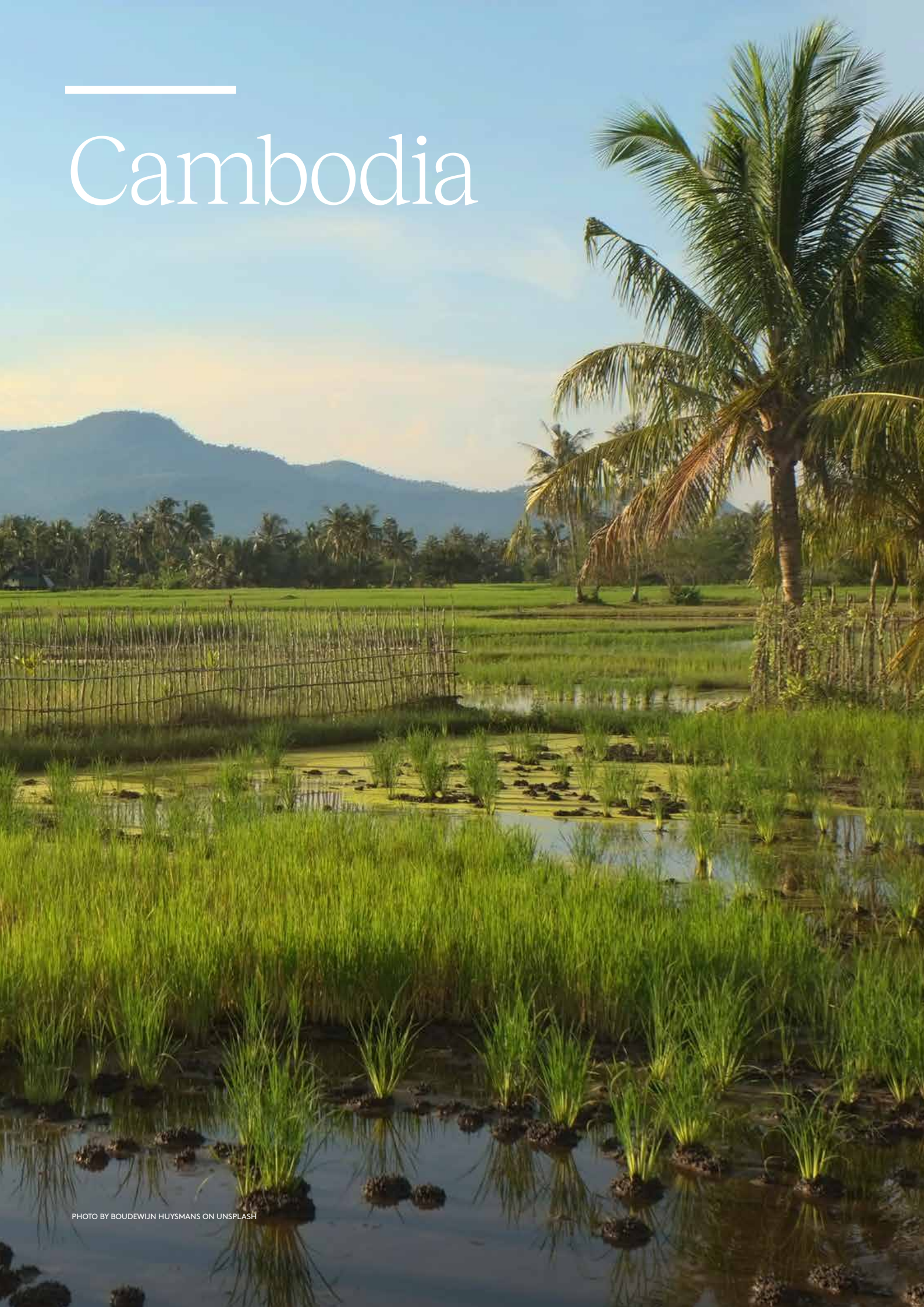
For international transfers, the receiving entity must notify MINAM of whether the transferred units have been registered in a database in the buyer's country of origin. If that is the case, then those international transfers (which would have been pre-authorized by the Letter of Authorization) are subject to the corresponding adjustments agreed to under the Paris Agreement if they are used for NDC purposes in the buyer's country.

In addition to the guidelines on the use of the FREL, there is a specific regulation related to the process to allow the transfer of carbon credits generated on NPAs by NGOs that have signed management contracts ('Administration Contracts').²⁵ This regulation provides that:

- SERNANP's approval is required for the registration, approval or validation of a REDD+ project and SERNANP (or project proponents authorized to carry out REDD+ projects on NPAs) are required to apply the new guidelines currently under development by MINAM (see details below);
- A third party duly authorized by SERNANP may trade the REDD+ certificates. The trade price must be indicated in the authorization from SERNANP. Prior to performing any carbon transaction, an entity authorised to make the trade is responsible for preparing the necessary documents to support the value of the REDD+ credits generated by the project, justifying the best alternative for the trading. It appears that the purpose of this is for SERNANP to determine that the price is reflective of the market, and shows they are also interested in who the purchaser is and what the purchaser's objective is;
- Once a sale of carbon credits has been authorized and commercially agreed, the project proponent transfers carbon to a buyer on behalf of SERNANP. SERNANP never actually transfers legal title to the carbon to the project proponent, rather it authorizes the proponent to market the carbon;
- Once the REDD+ credits leave the Peruvian territory (i.e., are sold out of the Project's Market registry account), their subsequent sales are no longer regulated by the Peruvian Government, and the transfer is registered in RENAMI accordingly;
- The monies generated by the sale of the REDD+ certificates shall be used to: (a) cover the expenses of the Annual Operative Plan of the Management Agreement; (b) cover the expenses of the five-year execution of the Management Agreement; (c) achieve the NPA sustainable financial management; and (d) contribute to the National System of Natural Protected Areas.

²⁵ Directive No. 001-2014- SERNANP

Cambodia



Cambodia

LESSONS LEARNED

- Cambodia has a robust background on REDD+, including initiatives undertaken at the project level and efforts to comply with the Warsaw Framework for REDD+ under the UNFCCC.
- These initiatives enabled the country to become one of the pioneers in designing a nested system for REDD+, which is comprised of three different phases ('pre-nesting', 'early nesting' and 'full nesting').
- The development of a nested system for REDD+ encompasses new rules to support the implementation of REDD+ and the operationalization of the nested system. The Sub-decree and the Guidelines for REDD+ currently under discussion in Cambodia are expected to provide clear rules and guidelines for the operation of REDD+ projects (e.g., safeguards, benefit-sharing, MRV, and leakage approaches), dispute resolution in case of noncompliance by participants and clarity on carbon rights.
- Cambodia has a high potential to generate important lessons for the global community on relevant matters connected to the implementation of a nested system for REDD+, such as alignment of REDD+ baselines and measurement as well as development of a legal framework on the matter.



Background on REDD+ in Cambodia

Cambodia has one of the highest levels of forest cover in Southeast Asia – covering 8,742,401 ha in 2016, which at that time was equivalent to 48.14% of its total land area.²⁶ However, the country had a net loss of its natural forest of 1.0% from 2010 to 2017.²⁷ The high deforestation in Cambodia is mainly a result of large scale agro-industrial development and a lack of effective implementation of laws and policies for forest land and forest resource management.²⁸

The measures adopted so far to prepare Cambodia to implement REDD+ according to the UNFCCC framework have been supported by the FCPF and the UN-REDD Programme, among others. With this support, Cambodia developed a national roadmap for REDD+ readiness in 2010 and released its NRS

in 2017 aimed at reducing annual deforestation by half by 2026 while contributing to poverty alleviation. The NRS envisions the implementation of REDD+ at the national level, while also enabling market-based REDD+ projects. In 2020, Cambodia submitted its first REDD+ technical annex, which supports Cambodia's first Biennial Update Report (**BUR**), where the country reported progress and results achieved due to the implementation of the NRS during the period of 2015 to 2018.²⁹

The first REDD+ pilot project in Cambodia was implemented in 2008. Currently there are four active REDD+ projects in the country, of which three are registered under the VCS and one is developed under the Japan's Joint Crediting Mechanism (**JCM**).³⁰

Progress so Far

In 2019, Cambodia initiated a three-phased nested system for REDD+ to move from REDD+ readiness to implementation, as follows: (i) a 'pre-nesting' phase; (ii) an 'early nesting' phase; and (iii) a final 'fully nested' phase.³¹

Work for the development of the early nesting phase started in early 2020 involving a consultation process with stakeholders.

Because the REDD+ projects participating in the nesting process in Cambodia need to align their commitments with the NRS, the REDD+ Taskforce Secretariat (**RTS**) within the FCPF REDD+ Readiness Project has set methodological options to allocate the national Forest Reference Level (**FRL**) at the project scale, based on the construction of a deforestation risk map.

By June 2020, project participants had received and commented on the design for the allocation of the national FRL.³²

26 The Ministry of Environment. (2018). Cambodia Forest Cover 2016. Available at https://redd.unfccc.int/uploads/54_3_cambodia_forest_cover_resource__2016_english.pdf.

27 According to the Global Forest Watch, Cambodia lost nearly 2.2 million ha of tree cover between 2001 and 2018. More information is available at: <http://www.fao.org/3/ca8642en/CA8642EN.pdf> and <https://blog.globalforestwatch.org/data-and-research/whats-happening-in-cambodias-forests>.

28 REDD+ Cambodia. (2018). About REDD+. Available at <http://www.cambodia-redd.org/about-redd.html>.

29 The Kingdom of Cambodia. (2020). First Biennial Update Report 2020 of The Kingdom of Cambodia: Technical Annex Pursuant to Decision 14/Cp.19. Available at https://unfccc.int/sites/default/files/resource/20201006_Cambodia_BUR_REDD_Technical_Annex.pdf.

30 Renard, Q. et al. (2020). Shades of REDD+ Cambodia: Building a Nested System to Protect Remaining Forests. Available at <https://www.ecosystemmarketplace.com/articles/cambodia-embarks-on-building-a-nested-system-to-protect-remaining-forests/>.

31 Forest Carbon Partnership Facility. (2020). Readiness Fund REDD+ Country Participants Progress Report Template. Available at https://www.forestcarbonpartnership.org/system/files/documents/FCPF%20RF%20REDD%2B%20Country%20Participants%20Progress%20Report%202020_Cambodia_Final%20Version%20%28002%29.pdf.

32 Ibid

Description of National REDD+ Policy

UNFCCC ELEMENTS

Cambodia has achieved key milestones regarding its compliance with the four pillars of the Warsaw Framework for REDD+ established under the UNFCCC, including the following:³³

- The NRS was developed and endorsed by the Royal Government of Cambodia in 2017. The NRS includes a broad definition of forests that encompasses the inclusion of mangroves in the current FRL.
- A second FRL was completed and submitted to the UNFCCC in 2021.³⁴ The updated elements of the FRL include: (i) the reference period, which is for 2010-2018; (ii) activity data (**AD**) approach using 'Stratify Area Estimator'; (iii) updated emission factors (**EFs**) calculation and protocols; and (iv) an uncertainty analysis.
- The design of a National Forest Monitoring System (**NFMS**) has been completed and further revisions to improve the designed NFMS are expected to occur until 2021 according to the NRS.³⁵
- The First SIS has been completed and submitted to the UNFCCC.³⁶

NDC ALIGNMENT WITH REDD+

In 2017, Cambodia submitted its first NDC to the UNFCCC³⁷ and in December 2020 the country submitted a revised NDC.³⁸ Cambodia commits to reduce GHG emissions by 41.7%, or 64.6 million tCO₂e/year by 2030, conditional on international support. Of this economy wide emission reduction, 59.1% will be from the forestry and other land use sector through its NRS, and the rest from the energy, waste, industry, transport, agriculture, and building sectors. To achieve this goal, Cambodia will improve management and monitoring of forest resources and forest land use; strengthen implementation of sustainable forest management; and undertake approaches to reduce deforestation, build capacity, and engage stakeholders.



PHOTO BY SLAVENA PENEVA ON UNSPLASH

33 The Kingdom of Cambodia. (2017). National REDD+ Strategy: 2017-2026. Available at <http://www.cambodia-redd.org/wp-content/uploads/2017/09/1.-NRS-Final-Eng.pdf>.

34 Penh, P. (2021). Second Forest Reference Level for Cambodia under the UNFCCC Framework. Available at https://redd.unfccc.int/files/cam_2nd_frl_jan_8_2021.pdf.

35 The Kingdom of Cambodia. (2017). National REDD+ Strategy: 2017-2026. Available at <http://www.cambodia-redd.org/wp-content/uploads/2017/09/1.-NRS-Final-Eng.pdf>.

36 The Kingdom of Cambodia. (2019). First Summary of Information on Safeguards. Available at https://redd.unfccc.int/files/6_cambodia_1st_summary_of_information_on_safeguards-final-oct-2019.pdf.

37 The Kingdom of Cambodia. (2015). Cambodia's Intended Nationally Determined Contribution. Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Cambodia%20First/Cambodia%27s%20INDC%20to%20the%20UNFCCC.pdf>.

38 The Kingdom of Cambodia. (2020). Cambodia's Updated Nationally Determined Contribution. Available at https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Cambodia%20First/20201231_NDC_Update_Cambodia.pdf.

STATUS OF REDD+ PROJECTS

The existing REDD+ projects in Cambodia have raised over \$11 million from contributions by companies from Europe, Japan and the United States.³⁹ In addition, Cambodia is one of the 17 countries to have signed the Japan's JCM partnership agreement, meaning it can benefit from technologies and services for low-carbon development and distribute the generated emission reductions among project members.⁴⁰

Below is a summary of the currently active REDD+ projects in Cambodia:

- The Keo Seima REDD+ Project covers an area of 166,983 ha of forest in the Seima Protection Forest. It started in 2010 and uses the VM0015 VCS Methodology and its estimated annual emission reductions are 1,426,648 tCO₂e.⁴¹ The validation has been approved to the Climate Community and Biodiversity Standard (CCBS) Third Edition, Biodiversity Gold Level. In 2016, it sold its first emission reductions to the Walt Disney Company.
- The Southern Cardamom REDD+ Project encompasses 445,339 ha covering parts of Southern Cardamom National Park, the Tatai Wildlife Sanctuary and the Cardamom Mountains Rainforest Ecoregion. It uses the VM0009 VCS Methodology and its estimated annual emission reductions are 3,867,568 tCO₂e. The Project has issued emission reductions and is undergoing its second verification.⁴²
- The Tumring REDD+ Project covers approximately 66,645 ha and is located adjacent to the Prey Long Wildlife Sanctuary. It uses the VM0009 VCS Methodology and its estimated annual emission reductions are 378,434 tCO₂e. The project has already completed its first verification.⁴³
- The Prey Lang Wildlife Sanctuary covers an area of 431,683 ha, stretching across four provinces including Stung Treng Province. Phase 1 of the Prey Lang REDD+ Project covers approximately ¼ of the total Sanctuary area (121,902 ha), which is aimed at reducing GHG emissions by protecting and conserving the Stung Treng part of Prey Lang forest through improving livelihoods and law enforcement practice. This REDD+ project will expand to include the entire Prey Lang Wildlife Sanctuary in phase 2, expected to start in early 2021. The project is a result of an agreement executed in 2018 under the JCM by the Cambodian Ministry of Environment, Mitsui & Co., Ltd. and CI utilizing the JCM REDD+ methodology.⁴⁴

39 Renard, Q. et al. (2020). Shades of REDD+ Cambodia: Building a Nested System to Protect Remaining Forests. Available at <https://www.ecosystemmarketplace.com/articles/cambodia-embarks-on-building-a-nested-system-to-protect-remaining-forests/>.

40 UN REDD+ Programme. (2019). Nesting: Reconciling REDD+ at Multiple Scales (An Asia-Pacific Perspective). Available at <https://www.unredd.net/documents/redd-papers-and-publications-90/un-redd-publications-1191/information-brief-series/17158-nesting-reconciling-redd-at-multiple-scales-an-asia-pacific-perspective.html>.

41 Verra. (2020). Reduced Emissions from Deforestation and Degradation in Keo Seima Wildlife Sanctuary. Available at <https://registry.verra.org/app/projectDetail/VCS/1650>.

42 Verra. (2021). Southern Cardamom REDD+ Project. Available at <https://registry.verra.org/app/projectDetail/VCS/1748>.

43 Verra. (2020). Tumring REDD+ Project. Available at <https://registry.verra.org/app/projectDetail/VCS/1689>.

44 REDD+ Cambodia. (2018). Prey Lang forest conservation initiative in Stung Treng. Available at <http://www.cambodia-redd.org/supporting-redd-framework/jcm.html#1543395809538-b5f95b0d-8d62>.

Technical Nesting Elements

ALIGNMENT OF CARBON ACCOUNTING

Similar to Peru, some REDD+ projects currently under implementation in Cambodia have used their own data and established project baselines following protocols set up by international standards such as VCS, while others have used the national baseline. This results in having emission reductions estimations that are not comparable among projects and with the national FRL, since each case used, among other variables, different EFs and/or different deforestation period to make their calculations. All REDD+ projects going forward will have to follow national nesting protocols.

To keep supporting REDD+ project implementation and to set up a better technical way to integrate REDD+ projects under Cambodia's NRS and FRL, the Guidelines for REDD+, currently under development, will provide guidance for projects requesting registration into a national REDD+ project database, including guidance on MRV issues and international standards approved and considerations to align project baselines with the national FRL on issues such as forest definition and forest stratification, EFs and AD, among others. The Guidelines for REDD+ will also address issues on safeguards and benefits sharing.

OPERATIONAL PROCESSES

The RTS and its operational units (policy, monitoring and evaluation, MRV, and safeguards), is the coordination entity that oversees the NRS and who will coordinate all issues related to the registration and monitoring of REDD+ projects seeking government approval and registration under the national REDD+ project database.

To support national REDD+ monitoring at the national level, in 2017 Cambodia established a NFMS which supported the establishment of the national FRL, and which is constantly being improved. For example, in 2018, land use change from the period 2016-2018 was developed and an online portal has

been published,⁴⁵ the country prepared its first REDD+ technical annex to the BUR in 2020 and updated its FRL which was submitted to the UNFCCC in January 2021.⁴⁶

DOUBLE COUNTING

The Guidelines for REDD+ propose establishing a national project database, for which the country is building the National Registry of GHG emission reductions and a National REDD+ Project Registry. According to the FCPF progress report of 2020, the country is planning the establishment of the online registry structure during 2021.⁴⁷

SAFEGUARDS

The SIS was submitted to the UNFCCC in 2019,⁴⁸ where the country reported how safeguards have been addressed and respected and described the legal and institutional framework that ensure REDD+ is implemented according to the UNFCCC safeguards framework. The report mentioned the establishment of an online SIS platform that will be available to the public.

BENEFIT SHARING

It is not clear how benefits sharing issues will be addressed under the NRS, but the Guidelines for REDD+ will provide a set of guidelines on how benefits sharing may be treated by REDD+ projects. The draft of the Guidelines for REDD+ suggests a set of principles and guidelines to align benefits sharing mechanism with the NRS. The principles to be applied regarding benefit sharing are participation, transparency, accountability, equity, effectiveness and efficiency.

45 Cambodian National Forest Monitoring System. Available at <http://cambodia-nfms.org/>.

46 Forest Carbon Partnership Facility. (2020). Readiness Fund REDD+ Country Participants Progress Report Template. Available at https://www.forestcarbonpartnership.org/system/files/documents/FCPF%20RF%20REDD%2B%20Country%20Participants%20Progress%20Report%202020_Cambodia_Final%20Version%20%28002%29.pdf; Penh, P. (2021). Second Forest Reference Level for Cambodia under the UNFCCC Framework. Available at https://redd.unfccc.int/files/cam_2nd_frl_jan_8_2021.pdf.

47 Forest Carbon Partnership Facility. (2020). Readiness Fund REDD+ Country Participants Progress Report Template. Available at https://www.forestcarbonpartnership.org/system/files/documents/FCPF%20RF%20REDD%2B%20Country%20Participants%20Progress%20Report%202020_Cambodia_Final%20Version%20%28002%29.pdf

48 The Kingdom of Cambodia. (2019). First Summary of Information on Safeguards. Available at https://redd.unfccc.int/files/6._cambodia_1st_summary_of_information_on_safeguards-final-oct-2019.pdf.

Legal and Governance Elements

LAW AND POLICY FRAMEWORKS

Under Cambodian law, sub-decrees are used to clarify provisions within existing laws, set out the functions and duties of government bodies or appoint government officials, in accordance with the Constitution and the laws to which they refer. On the other hand, 'Prakas' are used in Cambodia to implement and clarify specific provisions within higher-level norms (e.g., laws and sub-decrees) and must be in conformity with the laws and sub-decrees to which they refer.⁴⁹

A draft sub-decree on Rules and Procedures for Participation in GHG Emission Reduction Mechanisms (including REDD+) is under discussion in Cambodia to set forth rules and procedures for participation in all GHG emission reduction mechanisms. In addition, the first draft of the Guidelines for REDD+ have been developed and will come into force later through a Prakas.

The Sub-decree and the Guidelines for REDD+ are expected to provide clear rules and guidelines for the operation of REDD+ projects (e.g., safeguards, benefit-sharing, MRV and leakage approaches), dispute resolution in case of noncompliance by participants and clarity on carbon rights.

CARBON RIGHTS

There are several laws and sub-decrees in Cambodia that are associated with natural resources (e.g., environment, land, water and forestry).⁵⁰ Nevertheless, carbon is not yet explicitly defined in the Cambodian current legal framework and there is no domestic scheme for creating carbon units in the country.

The Constitution of Cambodia of 1993 includes land, forest and natural resources in the concept of 'State properties' and establishes that the control, use and management of State properties will be determined by law. Under the Constitution, both the Land Law of 2001 and the Forestry Law of 2002 govern tenure arrangements and together determine ownership and use rights for forest areas and resources. Private forests generally belong to the landholder, forest in the Permanent Forest Reserves belong to the State (with possible allocation of use rights) and communities can be granted limited communal use rights to forests (e.g., via community arrangements titling), but they do not own that land; actual ownership is retained by the State.⁵¹

Considering the lack of clarity on carbon rights in Cambodia, the draft Sub-decree on Rules and Procedures for Participation in GHG Emission Reduction Mechanisms is expected to establish rules regarding ownership and transfer of emission reductions units.

49 The Cambodian Law Library. About Cambodian Law. Available at <http://en.chbab.net/about-cambodian-law>.

50 The Learning Institute. (2017). Laws and Legislations in Cambodia. Available at <https://www.learninginstitute.org/cambodian-laws-legislations>.

51 Yeang, D. et al. (2014). REDD+ Asia-Pacific Community Carbon Pools Programme. Carbon Rights and Benefit Sharing in Cambodia. Version 2.0.

Democratic Republic of Congo

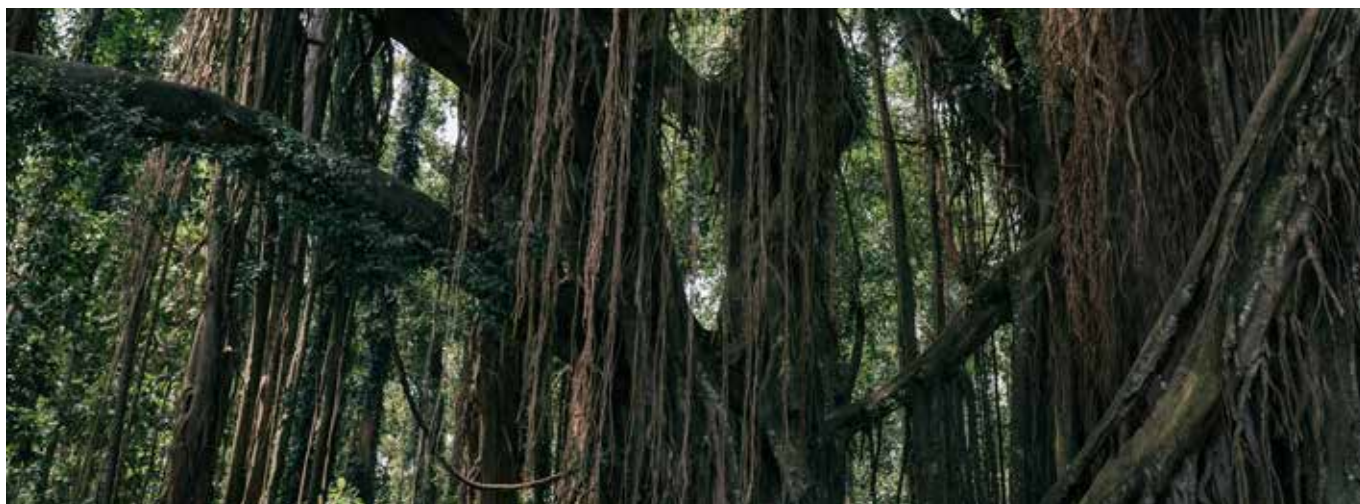
PHOTO BY MAURADI ON UNSPLASH

Democratic Republic of Congo

LESSONS LEARNED

- Early participation in the FCPF has resulted in the DRC making progress to developing its REDD+ nesting system. Notably, the process to develop a REDD+ nesting architecture in the DRC started when the FCPF began to support the country to design a jurisdictional REDD+ program and initiated the work on the Mai-Ndombe Emission Reductions Program, which was co-led by Wildlife Works Carbon (WWC).
- At this point, the major influence of the jurisdictional Mai-Ndombe Emission Reductions Program had been to raise funding and awareness in provincial government for REDD+ and to attract other REDD+ funding from the World Bank under the Forest Investment Program. Under this Program, WWC technical experts provided capacity building on remote sensing, therefore supporting the implementation of the National REDD+ Program.
- Subnational jurisdictions like that in Mai Ndombe have the potential for testing institutional (e.g., through the implementation of the Program Management Unit) and technical structures that can inform the national level.
- The DRC established a REDD+ National Fund to support the implementation of the NRS by providing the structure needed for climate finance to flow while ensuring compliance with social and environmental safeguards. Overall, the existence of REDD+ projects in the DRC in close communication and participation with the national authority's REDD+ Strategy resulted in a recognition of the role of REDD+ projects in generating emission reductions.
- The DRC also has rules on the approval procedures and requirements applied to REDD+ projects vis-à-vis the National REDD+ Registry. The National REDD+ Registry was incorporated in the NFMS to allow the registration of all REDD+ projects and ultimately to help better coordinate the activities at the national level.

PHOTO YAN KRUKOV CLIX FROM PEXELS



Background on REDD+ in the DRC

The DRC is home to the second largest tropical forest in the world, with approximately 152 million ha of forested land. In addition, new discoveries show that the Central Congo Basin Peatlands form the largest tropical peatland area in the world.⁵² However, it is estimated that almost half a million hectares of forests are lost each year in the DRC (mostly due to slash-and-burn agriculture, fuelwood production, bush fires and small-scale and industrial logging), accounting for an average annual deforestation rate of 0.2% from 2000 until 2015.⁵³

The REDD+ process in the DRC was initiated in 2009 under the leadership of the Ministry of Environment and Sustainable Development (**MESD**), with the support of the UN-REDD Programme and the FCPF, in consultation with Congolese civil society and local indigenous people. In 2012, the DRC adopted its NRS and later it adopted the 2015-2020 DRC REDD+ Investment Plan to raise the funds required for the implementation of the NRS.

The DRC's NRS aims to stabilize forest cover to 63.5% from 2030 and maintain it thereafter. This Strategy was later approved by the UN-REDD Programme and became a full National Programme.⁵⁴ In addition, in 2012 the DRC established a REDD+ National Fund to support the implementation of the NRS by providing the structure needed for climate finance to flow while ensuring compliance with social and environmental safeguards.⁵⁵ By the end of 2019, the Steering Committee of the National REDD+ Fund had approved sixteen programs, together totalling over US\$ 140 million in approved funding.⁵⁶

In 2011, the DRC launched its NFMS, comprising the following distinct pillars: (i) the Satellite Land Monitoring System; (ii) the National Forest Inventory; and (iii) the Greenhouse Gas Inventory.⁵⁷ The three-year action plan (2015-2018) for the implementation of the National MRV System was validated in 2014 and is still under development in the DRC.⁵⁸

Also in 2011, the DRC selected Mai Ndombe Province for development of its first large-scale Emission Reductions Program (ERP) aiming to reduce carbon emissions from deforestation and forest degradation by 29 MtCO₂ by 2022 while providing benefits for the 1.5 million inhabitants of the province.⁵⁹

The REDD+ investments supporting the Mai-Ndombe ERP combine various sources of funding, such as funding from the Forest Investment Program, the Central African Forest Initiative (**CAFI**) and the Global Environment Facility. In September 2018, the World Bank (acting as trustee of the FCPF Carbon Fund) signed an ERPA with the DRC for the sale, transfer of and payment for emission reductions generated by the Mai Ndombe ERP, however at present the ERPA had conditions of effectiveness that the World Bank did not yet remove, so as of today the ERPA is not in effect.⁶⁰

At the project level, there are currently two REDD+ projects developed according to VCS methodologies in the DRC (i.e., the Mai Ndombe REDD+ Project and the Isangi REDD+ Project).

52 Miles, L. et al. (2017). Carbon, biodiversity and land-use in the Central Congo Basin Peatlands. Available at https://wedocs.unep.org/bitstream/handle/20.500.11822/22918/Congo_Peatland_EN.pdf?sequence=1&isAllowed=y.

53 Forest Carbon Partnership Facility. (2018). Congo (Democratic Republic of). Available at <https://www.forestcarbonpartnership.org/country/congo-democratic-republic>.

54 UN REDD+ Programme. (2021). Democratic Republic of The Congo (The). Available at <https://www.unredd.net/regions-and-countries/africa/democratic-republic-of-the-congo-the.html>.

55 Democratic Republic of Congo. (2015). REDD+ Investment Plan (2015-2020). Available at https://redd.unfccc.int/uploads/3262_4_redd_investment_plan_eng.pdf.

56 Central African Forest Initiative. (2019). Programmes approved by the National REDD+ Fund. Available at <https://www.cafi.org/content/cafi/en/home/partner-countries/democratic-republic-of-the-congo/drc-fonaredd-programmes.html>

57 Coordination Nationale REDD République Démocratique du Congo. (2015). Participatory Self-Assessment of the REDD+ Readiness Package in the Democratic Republic of the Congo: Final Report National REDD+ Coordination. Available at <https://www.forestcarbonpartnership.org/system/files/documents/DRC%20R-Package%20English.pdf>.

58 Global Observation for Forest Cover and Land Dynamics. (2019). MRV REDD+ Perspectives from some Congo basin countries. Available at http://www.gofcgold.wur.nl/documents/CopernicusREDD/5_CongoBasin.pdf

59 Lee, D, et al. (2018). Approaches to REDD+ Nesting: Lessons Learned from Country Experiences. Available at <https://openknowledge.worldbank.org/handle/10986/29720>.

60 Forest Carbon Partnership Facility. (2019). Annual Report. Available at https://www.forestcarbonpartnership.org/system/files/documents/FCPF_Annual%20Report_2019.pdf.

Progress so Far

The process to develop a nesting REDD+ architecture in the DRC started when the FCPF began to support the country to design a jurisdictional REDD+ program, initiated the work on the Mai Ndombe ERP and subsequently negotiated the ERPA with the FCPF Carbon Fund.

Examples of the progress achieved by the DRC include the enactment of a Ministerial Decree regarding the approval procedures and requirements applied to REDD+ projects vis-à-vis the National

REDD+ Registry⁶¹ (including a procedural manual which is the Annex 1 of the Decree on the approval process of REDD+ projects developed in the DRC),⁶² the dispositions of the new version of the Homologation Decree for REDD+ project nesting and a Ministerial decree fixing the attribution procedure for conservation concessions. The National REDD+ Registry was incorporated in the NFMS to allow the registration of all REDD+ projects and ultimately to help better coordinate the activities at the national level.

PHOTO DIGITAL SENNIN FROM UNSPLASH



61 Ministère de l'Environnement. (2012). Arrêté Ministériel No. 004/CAB/MIN/ECN-T/012 du 15 Feb 2012 Fixant la Procédure D'Homologation des Projets REDD+. Available at <http://www.forestpeoples.org/sites/fpp/files/publication/2013/05/arrete-n004-fixant-la-procedure-d-homologationv2.pdf>.

62 Ministère de l'Environnement. (2012). Direction du Développement Durable Coordination Nationale REDD: Manuel de Procédure pour l'Homologation Nationale Obligatoire des Projets REDD+. Available at <http://www.forestpeoples.org/sites/fpp/files/publication/2013/05/annex1manuelprocedurehomologationnationale-obligatoire-des-initiative-redd-en-rdc.pdf>.

Description of National REDD+ Policy

UNFCCC ELEMENTS

The DRC has accomplished the following development milestones regarding the UNFCCC Warsaw Framework:

- The NRS was adopted in 2012;
- The NFMS was launched in 2011 in collaboration with **FAO** and the Brazilian National Institute for Space Research, with financial support from the UN-REDD Programme, CAFI, and Directorate of Forest Inventory and Management (**DIAF**) (which is the responsible department within the Ministry of Environment);
- The FREL was submitted to the UNFCCC in 2018, led by DIAF and supported by the University of Maryland and FAO; and
- The SIS was developed with the support of the UN-REDD Programme.⁶³

NDC ALIGNMENT WITH REDD+

In 2017, the DRC submitted its NDC to the UNFCCC. The forestry, agricultural and energy sectors are key sectors in the DRC's NDC. The reference year adopted in the DRC's NDC is 2000 and the reduction level considered is 17% from a global BAU projection. The following investment amounts are expected to be needed for its achievement: 21,622 million USD (donation), being 9,082 million USD for adaptation and 12,540 million USD for mitigation.⁶⁴

STATUS OF REDD+ PROJECTS

The Mai Ndombe REDD+ Project developed by WWC under the VCS has been operating since 2011, and was the first project in the Congo Basin to be validated and verified in 2012.⁶⁵ According to the 'Q1 2020 Mai Ndombe REDD+ Project Impact Report', the project protected 300,000 ha of Congo Basin rainforest so far and avoided the emissions of 13,322,276 tCO₂e to date, in addition to creating biodiversity, health, agriculture, fisheries and education co-benefits.⁶⁶ The Mai Ndombe REDD+ Project was successfully verified for the second monitoring period of 2015/16 in 2017.

In addition, the Isangi REDD+ Project comprises an area of 187,571 ha and it was verified and validated in 2014. Both Mai Ndombe REDD+ Project and the Isangi REDD+ Project achieved a Gold rating by the VCS and Climate, Community and Biodiversity Alliance (**CCBA**) for exceptional climate change adaptation and biodiversity benefits.⁶⁷ The Mai Ndombe REDD+ Project developed by WWC is expected to be fully nested within the jurisdictional Mai Ndombe ERP.

63 Pelletier J. et al. (2018). Anticipating social equity impacts in REDD+ policy design: An example from the Democratic Republic of Congo. Elsevier.

64 République Démocratique Du Congo. Soumission de la Contribution Nationale Prevue Determinee Au Niveau National Au Titre de la Convention des Nations Unies Sur les Changements Climatiques. Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Democratic%20Republic%20of%20the%20Congo%20First/CPDN%20-%20R%C3%A9p%20D%C3%A9m%20du%20Congo.pdf>.

65 Verra. (2017). The Mai Ndombe REDD+ Project. Available at <https://registry.verra.org/app/projectDetail/VCS/934>.

66 Everland & Wildlife Works. (2020). Mai Ndombe REDD+ Project: Impact Report. Available at https://68c776dd-3003-4506-aadd-5efdf1459bba.filesusr.com/ugd/186fa5_1d9d1ee35140465eacc01afd3652e47a.pdf.

67 Verra. (2020). Isangi REDD+ Project. Available at <https://registry.verra.org/app/projectDetail/VCS/1359>.

Technical Nesting Elements

ALIGNMENT OF CARBON ACCOUNTING

The DRC adopted a ‘flexible national approach’ for its nested REDD+ system, meaning that the REDD+ subnational programs and projects should typically use nationally generated data but may substitute their own data subject to certain conditions.

Additionally, all nested projects (including the Mai Ndombe ERP) must use the methodological approaches applied to the National Forest Inventory.

Below is a summary of major developments with respect to the alignment of carbon accounting of the Mai Ndombe REDD+ Project:

- The Mai Ndombe REDD+ Project was validated and verified in 2012 in Mai N’Dombe province before the Mai Ndombe ERP began.
- The DRC government decided to develop the Mai Ndombe ERP and to nest projects into the sub-national program. WWC and World Wildlife Fund (WWF) co-authored the Mai Ndombe ERP design which was approved by the FCPF Carbon Fund in 2016.
- A FREL was developed for the Mai Ndombe ERP based on the WWC and WWF methodological framework. The Mai Ndombe REDD+ Project was initially in agreement with aligning with that process and, in fact, WWC managed the effort in partnership with DIAF to develop the FREL for the program initially.
- An ERPA was signed in September 2018 subject to six conditions of effectiveness, including a requirement by the FCPF that the FREL be recalculated.
- The Mai Ndombe REDD+ Project will conduct its own monitoring for 2017 and 2018 at least through the ERPA’s signing date.
- The DRC submitted an updated national FREL to the UNFCCC in 2019.

- In November 2020, the FCPF hired experts to recalculate the FREL for the Mai Ndombe ERP, and the advice received suggests that the methodology of the FREL needs to be updated so that a trend-based baseline—which reflects DRC’s national circumstances and the scientific data with higher accuracy—can be used by the Mai Ndombe ERP. This however requires a change to the Methodological Framework (MF) or at least an exception from the MF rules, as they do not allow BAU based baselines, only straight historical average.
- In order for the Mai Ndombe REDD+ Project to agree to nest into the Mai Ndombe ERP, three issues will have to be addressed:
 - that the project performance would be monitored against the agreed allocated jurisdictional baseline;
 - that the project would ‘own’ its performance, at least for the voluntary market, even if there were no aggregate performance under the Mai Ndombe ERP at provincial level; and
 - that the Mai Ndombe ERP would pay for what it takes from the project to fulfil the ERPA.
- If these issues cannot be resolved under the Mai Ndombe ERP, then the project at this point would prefer to nest into the national FREL, as the future of the Mai Ndombe ERP would remain uncertain. A firm decision on this nesting approach into the national FREL would allow other projects to begin and significantly more investment to be attracted to the DRC. This approach of projects nested in the national REDD+ program also allows government to incentivise projects in other provinces while ensuring alignment of carbon accounting.

OPERATIONAL PROCESSES

Due to delays in the implementation of Mai-Ndombe ERP, the only operational processes are at the national level, e.g., homologation of projects into the national REDD+ Registry. Monitoring for the first Mai-Ndombe ERP period (which corresponds to September 2018 until December 2019) was completed at the end of 2020, but those results are being held pending a final decision on whether or not the Mai-Ndombe ERP under the FCPF Carbon Fund is moving ahead.

DOUBLE COUNTING

The DRC REDD+ Program as represented in the Mai Ndombe ERP has made a commitment that any emission reductions will only be sold once, and that all project level activity is required to be submitted to the national REDD+ Registry and will eventually nest into the national REDD+ Program to ensure consistency of baselines and performance monitoring between project and national scales and to avoid double counting in the domestic environment.

SAFEGUARDS

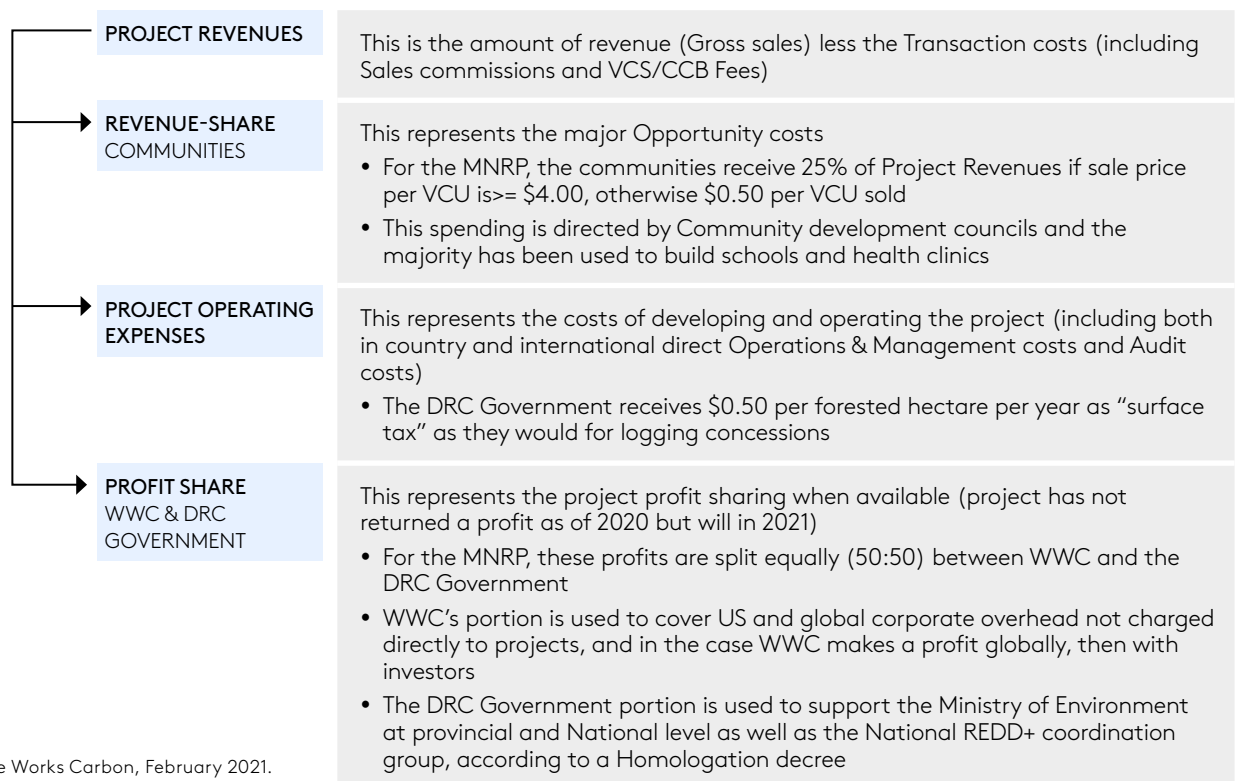
There are minimum requirements for safeguards under the national REDD+ Program with which all projects are required to conform, but some of those elements are not yet in place. In the meantime, both projects have been following CCBA good practice for community engagement, including the principle of free, prior and informed consent (FPIC) and grievance processes. The Mai Ndombe REDD+ Project served as a test case for the Mai Ndombe ERP civil society monitoring established by the organization 'Moabi.'

BENEFIT SHARING

The details of the FCPF Carbon Fund benefit sharing plan have not been finalized yet due to lack of certainty about the Mai Ndombe ERP moving forward. There are ongoing discussions between the FCPF Carbon Fund and WWC with respect to the cap on private sector participation vis-à-vis the ERPA contract value for any single project participant and the percentage of the total performance of the Mai Ndombe ERP which would be given to the FCPF Carbon Fund.

The proposed Mai Ndombe REDD+ Project has a benefit sharing plan that goes well beyond the benefit sharing of the Mai Ndombe ERP in terms of community share, as follows:

FIGURE 2: MAI NDOMBE REDD+ PROJECT'S BENEFIT SHARING PLAN WATERFALL.



Source: Wildlife Works Carbon, February 2021.

Legal and Governance Elements

LAW AND POLICY FRAMEWORKS

In the DRC, the governance structure of the REDD+ process was established by Prime Minister's Decree No. 09140/2009 and comprises a National REDD+ Committee, an Inter-ministerial REDD+ Committee and a National REDD+ Coordination unit within MESD.⁶⁸

GOVERNANCE INSTITUTIONS

The main bodies created by Minister's Decree No. 09140/2009 and their respective functions are summarized below, as follows:

- **National REDD+ Committee:** decision-making body for issues related to REDD+ and comprised of various Ministries, civil society and private sector representatives;
- **Inter-ministerial REDD+ Committee:** planning entity for REDD+ activities responsible for ensuring that the cross-sectoral elements of REDD+ are taken into consideration in the decision-making process; and
- **National REDD+ Coordination:** attached to the MESD and responsible for the implementation of the day-to-day decisions, it also contributed to the finalization of the REDD+ Readiness phase, steered the establishment of the NRS and facilitated development of the Mai Ndombe Province ERP.

In addition to the abovementioned structure, the Mai Ndombe ERP counts with a **PMU** to assist the provincial government in managing the Emission Reduction. The PMU is considered a key institution for nesting as it will provide technical assistance to subprojects (e.g., setting subprojects reference levels) while supporting the subprojects in their day-to-day management (including capacity building, assistance to the private sector and communities, the sale of emission reductions and monitoring of safeguards). The PMU is expected to have independence vis-à-vis the government for the execution of its tasks and make reporting public.⁶⁹

CARBON RIGHTS

The DRC's Constitution confers ownership of all natural resources above and below ground on the state. In addition, Law No. 73-021/1973 on land matters stresses that all property of the state is exclusive, inalienable and imprescriptible. As a result, the state has a broad power related to the allocation of natural resources on the individual, collective, commercial and non-commercial levels. Under this context, carbon rights in the DRC are treated by the state as conservation concessions—with the maintenance of carbon stocks as the goal—using similar legal provisions to those used for managing forest concessions.

⁶⁸ République Démocratique Du Congo. (2015). Discret No. 09140 du 26 | M | 2009 Portant Creation, Composition et Organisation de la Structure de Mise en Œuvre du Processus de Reduction des Emissions Issues de la Deforestation et de la Degradation des Forests, <<REDD>> en sigle. Available at <https://forestcarbonpartnership.org/sites/fcp/files/fcp-docs/2015/March/D%C3%A9cret%20creation%20processus%20REDD%2B%20de%20la%20RDC%20%281%29.pdf>.

⁶⁹ Environment and Natural Resources Global Practice Africa Region. (2018). International Bank for Reconstruction and Development Project Appraisal Document on a Proposed Carbon Finance Transaction in the Amount of US\$ 55 Million to the Democratic Republic of Congo for the Mai-Ndombe Emission Reductions Program (P160320). <http://pubdocs.worldbank.org/en/724541540553482191/pdf/P160320-PAD-14-september-2018.pdf>.

Local customary rules are recognized by the DRC’s legal framework, provided that they do not contradict statutory law and conform with public order, right and equity. In practice, even though the state claims ownership of all forestland, in some areas the customary institutions are the ones which govern forest and land resources.⁷⁰ Due to the lack of coordination and harmonization between the customary and statutory institutional structures of forest governance, which is present in some areas of the DRC territory, some REDD+ projects are reinvigorating a village organization known as ‘Local Development Committee’ (LDC). The LDC aims at facilitating REDD+ implementation by building local trust and legitimacy with customary institutions.⁷¹

PROJECT APPROVAL PROCESS

Ministerial Decree No. 004/2012 establishes that all REDD+ projects and programs (including the Mai Ndombe ERP) must be registered in the national REDD+ Registry, respect the REDD+ Social and Environmental Standards, apply safeguards instruments and develop benefit-sharing plans. This Decree also clarifies that feedback and grievance redress mechanisms need to be in place as well as mechanisms to transfer title to emission reductions from the jurisdiction to projects.

The procedural manual which is Annex 1 of the abovementioned Decree establishes the administrative process and the requirements to be met by the REDD+ project developers (e.g., private firms, NGOs, local communities and government agencies) in order to be approved by the National REDD+ Committee. This process helps to promote legitimacy and integrity of REDD+ projects as well as to ensures that ‘double counting’ is avoided. The REDD+ projects must report periodically on verified results, carbon transactions and lessons learned, thus contributing to the national strategy development process through a better understanding of the feasibility of REDD+ under different project business models and the challenges of implementing REDD+ on the ground. All the information is directly integrated into the NFMS to promote full transparency.

Below is a summary of the accreditation procedure for REDD+ projects in the DRC:⁷²

MODALITIES



FIGURE 3: HOMOLOGATION PROCEDURE FOR REDD+ PROJECTS IN THE DRC.

Source: REDD+ in The Democratic Republic of Congo: Institutional Framework and Associated Instruments to Steer Country Readiness, May 2012.

70 Ibid.

71 Achu Samndong, R. & Arild Vatn, A. (2018). Competing Tenures: Implications for REDD+ in the Democratic Republic of Congo. Forests – MDPI.

72 Guay, B. & Bakanseka, J. (2012). REDD+ in The Democratic Republic of Congo: Institutional Framework and Associated Instruments to Steer Country Readiness. Available at https://www.forestcarbonpartnership.org/system/files/documents/rdc_-_redd_plus_drc_institutional_framework_maputo_may012_jmbakanseka_v2.pdf.

Colombia

PHOTO BY KATIE RODRIGUEZ ON UNSPLASH

Colombia

LESSONS LEARNED

- Colombia has worked with several partners over the years to develop a REDD+ structure in compliance with the UNFCCC requirements. The recognized importance of the existing REDD+ projects by the NRS and the approval of a carbon tax that allows entities to offset their tax liability through the purchase of REDD+ credits has created demand for domestic REDD+ credits. The demand for domestic REDD+ credits is expected to increase by the time the 'National Program of Greenhouse Gas Tradable Emission Quota' becomes operational.
- With respect to the REDD+ nesting process, in 2018 Colombia made significant advances in the development of guidelines for climate change management as well as in the regulation of the National MRV System and the National Registry of Greenhouse Gas Emission Reductions, and in establishing methodologies, accounting rules and conditions for projects to align their baselines with the FREL submitted by Colombia to the UNFCCC.
- The impacts of the REDD+ regulation in the country (including on the existing REDD+ projects) are still uncertain, since not all the elements are in place yet.

PHOTO MICHAEL LECHNER FROM UNSPLASH





PHOTO BY OMRI D COHEN ON UNSPLASH

Background on REDD+ in Colombia

In 2000, 72% of Colombia's territory was covered by natural forest. However, from 2001 to 2019 the country lost 4.34M ha of tree cover, equivalent to a 5.3% decrease in tree cover since 2000 and 1.70Gt of CO₂ emissions.⁷³

Enduring deforestation rates in Colombia (which accounted for an average of 0.4% annually from 2000-2015) are mainly attributed to the extension of the country's agricultural and livestock frontier, illicit crops, population displacement, infrastructure development, mining and wildfires.⁷⁴

As part of the efforts to address the issues of deforestation and forest degradation, in 2011

Colombia started developing a REDD+ National Strategy backed by the UN-REDD Programme, the FCPF and the Germany Cooperation Agency. Colombia also signed a Joint Declaration of Intent with Norway, the UK and Germany to develop REDD+ in the country and to take a jurisdictional approach as and when appropriate.⁷⁵ In 2016, Colombia launched the Amazon Vision Program (AVP) to promote sustainable development in the region and in 2020, Colombia's REDD+ results for 2015-2016 were approved for results-based payment by the Green Climate Fund.⁷⁶

There is also a significant volume of REDD+ projects being developed in Colombia at the site-scale, especially in the Pacific region under the BioREDD+ Program.⁷⁷ In the Amazon new projects are under development and are close to being validated under international standards.⁷⁸ Further, the existing carbon tax, which allows eligible offsets in lieu of paying the tax, generates domestic demand for REDD+ credits.

73 Global Forest Watch. Forest Monitoring Designed for Action. Available at <https://www.globalforestwatch.org/>.

74 Forest Carbon Partnership Facility. (2018). Colombia. Available at <https://www.forestcarbonpartnership.org/country/colombia>

75 Joint Declaration of Intent (JDI) between the Governments of the Republic of Colombia, the Kingdom of Norway, the Federal Republic of Germany and the United Kingdom of Great Britain and Northern Ireland on the Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation (REDD+) and on promoting sustainable development in Colombia. (2019). Available at <https://www.regjeringen.no/contentassets/c8ce0675a70744a2a96314adbea0a971/joint-ceclaration-of-intent-colombia-gnu-2019.pdf>.

76 GCF. (2020). Colombia REDD+ Results-based Payments for results period 2015-2016. Available at <https://www.greenclimate.fund/project/fp134>.

77 ClimateLinks. BIOREDD+ portfolio. Available at <https://www.climatelinks.org/content/bioredd>.

78 Check Verra Registry to explore more about projects issuing credits around the world: <https://registry.verra.org/>.

Progress so Far

Colombia's 'National REDD+ Strategy,' or *Bosques, Territorios de Vida (NRS)*, highlights that the programs to be developed in Colombia will promote the nesting of REDD+ projects based on consistent and transparent accounting rules and in compliance with the requirements of the UNFCCC.

The NRS also recognizes the importance of the existing REDD+ projects and the need to create a domestic demand for the credits they generate through, for instance, Colombia's carbon tax (created by Law No. 1819/2016 and implemented by Decree No. 926/2017).⁷⁹

The government is working on a methodology for risk-based allocation, which contemplates REDD+ projects nesting into a national and biome-level FREL (which is yet to be set). It is still unclear how projects can be incentivized and protected against lack of performance at higher level.

In 2018, Colombia achieved further development towards REDD+ nesting by establishing guidelines for climate change management in the country through Law No. 1931.⁸⁰ Also, Decree No. 926/2017 and Resolution No. 1447/2018⁸¹ enacted by the 'Environmental and Sustainable Development Ministry' or *Ministerio de Ambiente y Desarrollo Sostenible (MADS)* established rules concerning the projects and transactions aligned to the carbon tax.

Additionally, Resolution No. 1447/2018 implemented the National MRV System, the National Accounting System of Greenhouse Gas Reductions ('**National Accounting System**') and the National Registry of Greenhouse Gas Emission Reductions -(i.e., **RENARE**), which was launched in September 2020 and is in its piloting phase.⁸² This regulation must be followed by all public and private parties that aim to register their GHGs emission reductions for the purpose of payment for results or other similar compensation initiatives, as well as for demonstrating mitigation results in compliance with the NDC targets under the Paris Agreement.⁸³

79 El Congreso de Colombia. (2016). Ley No. 1819 29 Dic 2016 Por Medio de la Cual Se Adopta una Reforma Tributaria Estructural, Se Fortalecen los Mecanismos para la Lucha Contra la Evasión y la Elusión Fiscal, y Se Dictan Otras Disposiciones. Available at <http://es.presidencia.gov.co/normativa/normativa/LEY%201819%20DEL%2029%20DE%20DICIEMBRE%20DE%202016.pdf>.

80 El Congreso de Colombia. (2018). Ley No. 1931 27 Jul 2018 Por la Cual Se Establecen Directrices Para la Gestión del Cambio Climático. Available at <http://es.presidencia.gov.co/normativa/normativa/LEY%201931%20DEL%2027%20DE%20JULIO%20DE%202018.pdf>.

81 Minambiente. (2021). Resolución No. 1447 de 2018. Available at <https://www.minambiente.gov.co/index.php/normativa/resoluciones>

82 Official communication from the Ministry of environment: <https://www.minambiente.gov.co/index.php/noticias/4804-en-marcha-renare-plataforma-para-registrar-iniciativas-de-mitigacion-de-gases-efecto-invernadero-en-colombia#:~:text=RENARE%20es%20el%20Registro%20Nacional,la%20Resoluci%C3%B3n%201447%20de%202018>. Access to the RENARE platform: <http://renare.siac.gov.co/GPY-web/#/ingresar>.

83 Ministerio de Ambiente y Desarrollo Sostenible. (2018). Resolución No. 1447 Por la cual se reglamenta el Sistema de monitoreo, reporte y verificación de las acciones de mitigación a nivel nacional de que trata el artículo 175 de la Ley 1753 de 2015, y se dictan otras disposiciones. Available at <http://www.minambiente.gov.co/images/normativa/app/resoluciones/98-RES%201447%20DE%202018.pdf>.

Description of National REDD+ Policy

UNFCCC ELEMENTS

Colombia's progress against the Warsaw Framework is summarized below:⁸⁴

- The NRS was published in 2018⁸⁵ and submitted to the UNFCCC.⁸⁶
- The Forest and Carbon Monitoring System (**National Monitoring System**) was created in 2012. The National Monitoring System is part of the National MRV System, along with the National Accounting System, the RENARE and the National Inventory System.⁸⁷ In 2018, Colombia submitted its second Biennial Update Report to UNFCCC, including a technical annex for assessing the 2015–2016 REDD+ results.⁸⁸
- A first subnational FREL for the Amazon biome was submitted in 2015 to the UNFCCC and has already been assessed. Early in 2020, Colombia presented a national FREL which is currently under assessment by the UNFCCC.⁸⁹
- Colombia's SIS is still under development and the proposal of technical specifications for the SIS are being prepared.⁹⁰ In 2020, the country submitted to the UNFCCC its fourth REDD+ safeguards summary report (period August 2018 – September 2019), outlining how safeguards are being addressed and respected.

NDC ALIGNMENT WITH REDD+

Colombia presented a first NDC in 2018⁹¹ and prepared an updated NDC in 2020⁹² for the period 2020–2030, where more attention was given to adaptation. The updated NDC commits to emit no more than 169.44 million tCO₂e in 2030, which is equivalent to a 51% reduction in emissions compared to the projection of emissions in 2030 in the reference scenario. This target is economy-wide and covers all Intergovernmental Panel on Climate Change sectors, including the Agriculture, Forestry and Land Use sector.

Colombia's NDC includes the NRS and the AVP as sectoral strategic lines to mitigate GHG emissions. The country also plans to make use of cooperative and market approaches,

including those of Article 6.2 of the Paris Agreement (i.e., those that imply the use of internationally transferred mitigation results for the fulfillment of the complementary goal of the NDC), with respect to reducing net natural forest deforestation to 0 hectares / year by 2030.

84 UN REDD+ Programme. (2021). Colombia. Available at <https://www.unredd.net/regions-and-countries/latin-america-and-the-caribbean/colombia.html>.

85 UN REDD+ Programme. (2018). Bosques Territorios de Vida- Estrategia Integral de control a la deforestación y Gestión de los Bosques. Available at <https://www.unredd.net/documents/un-redd-partner-countries-181/latin-america-the-caribbean-334/colombia-706/16790-bosques-territorios-de-vida-estrategia-integral-de-control-a-la-deforestacion-y-gestion-de-los-bosques.html>.

86 Gobierno de Colombia. (2017). Bosques Territorios de Vida: Estrategia Integral de Control a la Deforestación y Gestión de los Bosques. Available at https://redd.unfccc.int/files/eicdgb_bosques_territorios_de_vida_web.pdf.

87 Sistema de Información Ambiental de Colombia. Sistema de Monitoreo de Bosques y Carbono SMByC. Available at <http://www.siac.gov.co/smbyc-cifras>.

88 Gobierno de Colombia. (2018). Second biennial update report of Colombia. Available at http://unfccc.int/national_reports/non-annex_i_natcom/reporting_on_climate_change/items/8722.php; Gobierno de Colombia. (2018). Technical report on the technical analysis of the technical annex to the second biennial update report of Colombia submitted in accordance with decision 14/CP.19, paragraph 7. Available at https://unfccc.int/sites/default/files/resource/tatr2019_COL.pdf.

89 UNFCCC. (2021). Colombia's submission of its national FREL to the UNFCCC. <https://redd.unfccc.int/submissions.html?country=col>

90 UN-REDD Programme Collaborative Online Workspace. (2020) Colombia. Available at <https://www.unredd.net/support/support-mechanisms/national-programmes/colombia.html>.

91 Gobierno de Colombia. (2018). Contribución Determinada a Nivel Nacional de Colombia (NDC). Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Colombia%20First/Colombia%20iNDC%20Unofficial%20translation%20Eng.pdf>.

92 Gobierno de Colombia. (2020). Actualización de la Contribución Determinada a Nivel Nacional de Colombia (NDC). Available at <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Colombia%20First/NDC%20actualizada%20de%20Colombia.pdf>.

STATUS OF REDD+ PROJECTS

There are currently two REDD+ projects and thirty reforestation projects registered within Ecoregistry—an independent platform being used by projects in Colombia—which are applying for the carbon offsetting scheme under the carbon tax. Ecoregistry will complement project information to be registered in RENARE.⁹³ In addition, there are twenty-nine (29) projects in Colombia registered by the VCS, of which seventeen (17) are REDD+ projects, ten (10) are reforestation projects, one (1) is a blue carbon project and one (1) is a coffee agroforestry project.⁹⁴ There are also four projects validated under the CCBS. Many of the projects certified to participate under the carbon tax or verified under international standards are already selling credits nationally and internationally.

Below is a description of Colombia’s REDD+ results delivered to date on a national level, as reported in the Lima REDD+ Information Hub.⁹⁵ In August 2020, the Green Climate Fund approved USD 28,208,123 for results-based payments for 3,174,672.3 tCO₂e of results generated between 2013-2017. As these results-based payments have not been posted in the Lima REDD+ Information Hub (as of 26 May 2021), these are not yet reflected in the table below.



PHOTO JOEL BOHORQUEZ FROM UNSPLASH

COLOMBIA’S REDD+ RESULTS DELIVERED TO DATE⁹⁶

Year	Results (tCO ₂ e/year)	Assessed forest reference level (tCO ₂ e/year)	Quantities for which payments were received (tCO ₂ e/year)	Entity paying for results
2013	13,544,112.3	51,599,618.7	8,540,822	Programa REM Colombia – Visión Amazonía
2014	15,439,415.1	51,599,618.7	10,318,472	Programa REM Colombia – Visión Amazonía
2015	19,365,884.7	51,599,618.7	8,882,898	Programa REM Colombia – Visión Amazonía
2016	12,109,048.8	51,599,618.7	6,830,439	Programa REM Colombia – Visión Amazonía
Total	60,458,460.9		34,572,631	

FIGURE 4: REDD+ RESULTS DELIVERED BY COLOMBIA.

Source: Lima REDD+ Information Hub, April 2021.

93 Ecoregistry: This platform facilitates the registration of projects and the issuance of certified greenhouse gas removal or reduction credits, providing reliability, simplicity, transparency and guaranteeing the traceability of information in the carbon market. <https://www.ecoregistry.io/projects>

94 Verra. (2021). Verified Carbon Standard. Available at <https://registry.verra.org/app/search/VCS>.

95 UNFCCC REDD+ Web Platform. (2020). Lima REDD+ Information Hub. Available at <https://redd.unfccc.int/info-hub.html>. (Lima REDD+ Information Hub).

96 UNFCCC REDD+ Web Platform. (2020). Lima REDD+ Information Hub. Available at <https://redd.unfccc.int/info-hub.html> (Programa REM Colombia indicates the Colombia REDD Early Movers Program).

Technical Nesting Elements

ALIGNMENT OF CARBON ACCOUNTING

In Colombia, most of the current REDD+ projects being implemented have applied and have been registered under international standards for forest carbon projects, such as VCS and CCBS, and have not considered yet the new national regulation (i.e., Decree No. 926/2017), which implemented the carbon tax created by Law No. 1819/2016, and Resolution No. 1447/2018, which set up the foundation for REDD+ projects to be integrated or nested under the national REDD+ program.

Resolution No. 1447/2018 provides the regulations for the MRV of national mitigation actions (including REDD+) which must be registered in the National Accounting System. REDD+ programs and projects must apply and be aligned with the national FREL and must be registered in the National Registry of REDD+ Programs and Projects. The resolution specifically allows for the co-existence of projects and programs. This applies to any entity interested in registering a mitigation initiative seeking for results-based payment.

OPERATIONAL PROCESSES

The National MRV System is administrated by the 'Hydrology, Meteorology and Environmental Studies Institute' or *Instituto de Hidrología, Meteorología y Estudios Ambientales (IDEAM)*, with guidance from the Climate Change Directorate of the MADS.

Regarding the integration of nesting of REDD+ programs and projects, all programs and projects should monitor mitigation activities according to the MRV principles described in Resolution No. 1447/2018. In addition, REDD+ programs must (i) follow UNFCCC requirements, create a leakage management and non-permanence risks mechanism, and a mechanism to manage uncertainties for the estimation of the baseline and mitigation results; (ii) establish their baselines using the latest country FREL, by reconstructing the methodology applied to develop such FREL; (iii) quantify emissions reductions and removals, under the most recent FREL, to estimate mitigation results generated in January 2018 and beyond; (iv) establish mitigation goals to support the National REDD+ strategy, and demonstrate additionality; and (v) be verified by a third party and be registered under RENARE.

Project proponents must use methodologies that follow UNFCCC requirements, and provide mechanisms to manage leakage, non-permanence risks and the uncertainties of the emission reductions estimations. On the other hand, MADS and IDEAM, through RENARE, will establish the maximum mitigation potential of GHG, for the results generated between January 2016 and December 2019, by using the methods applied in the most recent FREL (valid for projects that validated baselines prior the publication of the Resolution No. 1447/2018). To establish baselines, projects must reconstruct the methodology applied by the country to establish the most recent FREL (including forest definition, emissions factors for each forest class, historic deforestation data, and methods to estimate emissions and future projections) to estimate emissions and the project area. Baselines validated prior to the publication of this resolution must adhere to the provisions on the maximum mitigation potential estimated by RENARE. Also, to verify emissions reductions after January 2020 and beyond, projects must adjust and validate the baseline using the most recent FREL by reconstructing the methods applied by the FREL in the geographic area of the project. Moreover, projects must demonstrate additionality and be verified according to UNFCCC regulations applicable to Colombia and or the ISO Norm 14064-3:2006 (now revised and replaced by ISO 14064-3:2019) and be registered in RENARE and report how social and environmental safeguards have been addressed.

With respect to leakage, non-permanence and uncertainties, Resolution No. 1447/2018 requires REDD+ projects and programs to use methodologies that comply with UNFCCC guidance, that have leakage and non-permanence management mechanisms, and a mechanism to manage uncertainties during baseline development and measurement of GHG emissions reduction results. However, it is not clear how the country addresses leakage and non-permanence, which may lead to no performance at project and program level, an issue that country has not yet decided upon.

DOUBLE COUNTING

RENARE will include the National Registry of Programs and REDD+ Projects and the National Accounting System and will serve as a tool to avoid double counting.

REDD+ mitigation initiatives and the Resolution No. 1447/2018 established that it is mandatory for projects seeking to qualify for result based payments or similar compensation nationally or internationally to be registered under RENARE. The latest national FREL presented to and assessed by the UNFCCC will be used to track emissions reductions from REDD+ programs and projects, if a project does not apply these regulations, emission reductions or removals will not be eligible to be counted for or to received results-based payments.

SAFEGUARDS

As mentioned previously, the country is working on the establishment of a National SIS. In accordance with the provisions of Resolution 1447/2018, REDD+ projects and programs must use methodologies that follow UNFCCC guidance, which may imply informing how safeguards are addressed.

BENEFIT SHARING

At the program level, the AVP created a benefit sharing mechanism, which is a fund managed by the government that will distribute resources to support local initiatives on agri-environmental development and forest governance (60%), support indigenous peoples governance (22%), and to ensure enabling conditions such as the management of the forest monitoring and National MRV System and the operation of the program (18%).⁹⁷



PHOTO BEREND LEUPEN FROM UNSPLASH

⁹⁷ More information at: <https://visionamazonia.minambiente.gov.co/en/resources-to-make-it-possible/>

Legal and Governance Elements

LAW AND POLICY FRAMEWORKS

Colombia established guidelines for climate change management through Law No. 1931/2018, which aim to address the design, implementation and assessment of GHG emission reductions and climate change adaptation activities. The Law highlights that climate change mitigation includes the policies, programs, projects and incentives related to Colombia's Low Carbon Development and National REDD+ Strategies with the objective of achieving the NDC's targets under the Paris Agreement.

GOVERNANCE INSTITUTIONS

The governance structure developed by Law No. 1931/2018 has implications on the ongoing REDD+ nesting process in Colombia and may be summarized as follows:

- **National Climate Change System (SISCLIMA):** previously created by Decree No. 298/2016 and managed by the 'Climate Change Intersectoral Commission' or *Comisión Intersectorial de Cambio Climático (CICC)*⁹⁸ together with other regional and local authorities. SISCLIMA is comprised of Ministries responsible for the development and implementation of sectoral plans for climate change management as well as for working with IDEAM to update the GHG inventories and any other report based on the UNFCCC requirements;
- **National Climate Change Council:** permanent advisory body created to assist the CICC in the suggestion of guidelines and criteria related to the coordination of activities developed at the national and regional levels. It is comprised of governmental authorities, academia, international development organizations, among others;
- **National Climate Change Policy:** this Policy is coordinated by CICC and includes both territorial and sectoral strategies to address climate change mitigation and adaptation as well as guidelines for their articulation; and
- **National Climate Change Information System (NCCIS):** this System comprises the RENARE as one of the instruments needed for the management of information related to GHG mitigation initiatives. In addition, the NCCIS relies on the National Inventory System, the National Monitoring System and the National Forest Information System, which are all coordinated by IDEAM based on the MADS rules and guidelines. More specifically, IDEAM is responsible for generating official information with regards to compliance with the NDC's targets under the Paris Agreement as well for the elaboration of the FREL which will guide the implementation of REDD+ initiatives in Colombia.

CARBON RIGHTS

The Colombian Constitution of 1991 includes the principle of social rule with regards to the protection of collective land tenure in the country. Areas recognized as national natural parks are public goods and ownership of vacant lands is forbidden in these areas. Land use governance has improved over the last three decades, with free prior informed consent of forest communities prior to natural resource exploitation, and the development of entrepreneurial development zones to attract and protect private investment in the Colombian rural areas, among others.

Colombia is one of the few countries which implemented a carbon offsetting scheme to allow high-quality carbon credits (including REDD+ credits) to be used against the new carbon tax, allowing entities to offset their tax liability by submitting eligible carbon offsets.

According to Decree No. 926/2017, the owner of a GHG mitigation initiative is the person or entity, public or private, responsible for the development and implementation of a GHG emission reductions or removals initiative. The same definition of an owner of a GHG mitigation initiative is established by Resolution No. 1447/2018 and therefore applies to

⁹⁸ The CICC also coordinates the National Climate Change Policy, which includes both territorial and sectoral strategies to address climate change mitigation and adaptation as well as guidelines for their articulation.

all owners of REDD+ initiatives which intend to opt for payment for results and similar compensation activities, or to demonstrate compliance with the NDC's targets under the Paris Agreement.

In order to complement the carbon offsetting scheme and increase the demand for domestic REDD+ credits, Law No. 1931/2018 established the 'National Program of Greenhouse Gas Tradable Emission Quota'.⁹⁹ This program will help avoid double counting by verifying and certifying GHG emission reductions from public or private voluntary initiatives registered within the RENARE. When regulating this program (which must occur within three years as of the enactment of the Law No. 1931/2018), the national government may count the tCO₂e that have been used to negate entities' tax liability under the carbon tax toward the quotas to be acquired by entities through actions.

PROJECT APPROVAL PROCESS

In Colombia, all owners of REDD+ initiatives which intend to opt for payment for results and similar compensation activities, or to demonstrate compliance with the NDC targets under the Paris Agreement, must develop the initiatives according to the requirements of the National MRV System and be registered under RENARE.

Resolution No. 1447/2018 sets forth that both REDD+ programs and REDD+ projects must use methodologies which adopt the REDD+ guidance of the UNFCCC, address the risks of leakage and permanence and include a mechanism to manage potential uncertainties regarding the baseline quantification and mitigation results. In addition, the owner of the REDD+ initiative must establish GHG mitigation targets for the purpose of compliance with the NDC targets under the Paris Agreement and Colombia's National Deforestation Control and Forest Management Strategy.

Additionally, Resolution No. 1447/2018 regulates the conditions for the transition process applicable to projects which, by the time the Resolution was published, had already validated their baseline. The projects which generate their GHG mitigation results from January 2020 onwards must adjust their baselines according to the latest FREL submitted to the UNFCCC. On the other hand, the projects which generated GHG mitigation results between January 2016 and December 2019 must consider the maximum potential of GHG mitigation for REDD+ activities for this period. This mitigation potential is estimated by reconstructing the methods of the last FREL submitted and assessed by the UNFCCC.

GHG mitigation results which do not comply with these requirements were allowed to be included in the National Accounting System and opt for payment for results or other similar compensation mechanisms up until one year after the enactment of Resolution No. 1447/2018, provided that the baselines had been validated prior to the enactment of Resolution No. 1447/2018 and that the accounting requirements were met. After this deadline, all REDD+ projects were required to adopt methodologies which complied with the abovementioned requirements.

⁹⁹ El Congreso de Colombia. (2018). Ley No. 1931 27 Jul 2018 Por la Cual Se Establecen Directrices Para la Gestión del Cambio Climático. Available at <http://es.presidencia.gov.co/normativa/normativa/LEY%201931%20DEL%2027%20DE%20JULIO%20DE%202018.pdf>.

Guatemala

PHOTO THEODORE MOORE FROM UNSPLASH

Guatemala

LESSONS LEARNED

- Guatemala has enacted a legal framework to support REDD+ projects with its national law clarifying the legal right to carbon, which supports the development of REDD+ projects by providing clear title and ownership rights. It also requires all REDD+ projects to register with the national registry which will enable Guatemala to avoid double counting with its national commitments under the Paris Agreement.
- Guatemala also has a nesting strategy as part of its FCPF obligations where it intends to allocate baselines to REDD+ projects. Several existing REDD+ projects will contribute credits to the national FCPF obligation.
- While its framework laws still require operationalization through the implementation of regulations and guidelines, Guatemala has made progress toward establishing a system for REDD+ nesting.

PHOTO GERSON CIFUENTES FROM UNSPLASH





PHOTO ALEXANDER CIFUENTES FROM UNSPLASH

Background on REDD+ in Guatemala

About 35% of Guatemala's total surface area is covered in forests, down considerably from 50% in 1950. Drivers of deforestation in Guatemala include agriculture and livestock pressures, drug trafficking, establishment of human settlements, forest fires, and illegal wood harvesting. Several existing REDD+ projects in

Guatemala have demonstrated success in reducing drivers of deforestation with strong community and government involvement. The government appears to be supportive of continuing REDD+ projects going forward and is currently working out how to nest projects.

Progress so Far

- Guatemala has advanced its national REDD+ strategy primarily through its participation in the FCPF, to which it has submitted its ERP, which is subnational.
- Guatemala hosts several REDD+ projects on nationally owned land that were validated under the VCS nearly ten years ago. This has assisted in its familiarity with REDD+ and nesting of REDD+ projects.
- The government has recognized the role of REDD+ projects in reducing national GHG emissions and appears supportive of REDD+ projects. REDD+ projects may opt to participate in the ERP under the FCPF and would be required to harmonize baselines with the FCPF process.

Description of National REDD+ Policy

UNFCCC ELEMENTS

Although Guatemala has not submitted any Warsaw REDD+ elements to the UNFCCC yet, the national policy framework of Guatemala is generally supportive of REDD+ and progress has been made toward completing national-level REDD+ requirements. In 2017, Guatemala developed its national FRL. These levels were calculated as the aggregation of the FREL/FRLs of each of the five subnational jurisdictions included in its NRS. In January 2018, Guatemala delivered its Readiness Package to the FCPF, including the first version of three baselines: (a) deforestation, (b) degradation, and (c) carbon stock enhancement.

Guatemala has also developed the 'National Approach on REDD+ Safeguards' or *Enfoque Nacional de Salvaguardas para REDD+* (**ENS REDD+**) to set forth requirements in line with the UNFCCC REDD+ safeguards. This effort has been built in a participatory manner since 2014 and composed of the following stages: 1) Constitute a Technical Committee on Safeguards; 2) Determine objectives and scope of the ENS REDD+; 3) Identify and analyse the legal, institutional and compliance framework relevant to safeguards; 4) Define the architecture and operation of the ENS REDD+; and 5) Launch the SIS.

NDC ALIGNMENT WITH REDD+

In its NDC submitted under the Paris Agreement, Guatemala states its plan to achieve a reduction of 11.2% of its total GHG emissions from the 2005 base year by the year 2030. This target would reduce BAU emissions from 53.85 million tons of CO₂ equivalent in 2030 to 41.66 million tons of CO₂ equivalent. Guatemala notes that the forest sector, along with transport and agriculture sectors, will be the primary sectors for emission reductions. The NDC specifically notes REDD+ as an area of relevant policy and states that it is developing a 'National Emissions Reduction Program for REDD+' that will have a financial mechanism at the national level, for the payment of results for reduction of emissions in forests. The NDC further notes the need for international support for Guatemala to be able to meet the emission targets.

STATUS OF REDD+ PROJECTS

Guatemala hosts three REDD+ projects: the Guatecarbon project and the Lacandon Forests for Life project located in the Peten department (i.e., subnational jurisdiction) and the Conservation Coast project located in the Guatemalan Caribbean Coast.

REDD+ projects are supported by Guatemala's emerging national REDD+ approach. Throughout its REDD+ readiness documentation, the government cites the various REDD+ projects in the country favourably and, in its FCPF 2019 Progress Report, states an intention to align the national approach with the projects.

Because several projects are located on state-owned protected land, the government has been involved from the inception of these projects and is generally supportive of REDD+ project as a mechanism to strengthen forest governance in the protected areas where they are located.

The 2019 FCPF Progress Report noted that the alignment of REDD+ projects with national REDD+ strategy will be strengthened in 2020. As part of its readiness activities, Guatemala prepared a 'National Strategy for Deforestation and Forest Degradation in Guatemala' or *Estrategia Nacional para el abordaje de la Deforestación y la Degradación de los Bosques de Guatemala* (**ENDDBG**), dated January 2018. The ENDDBG was prepared by multiple parties, both government entities and non-government participants and was supported by the FCPF and Inter-American Development Bank. The ENDDBG states that REDD+ is one of the main policy instruments for mitigating climate change in the forestry and land use sector.

The ENDDBG has also noted that the existing REDD+ projects are generally viewed as contributing to the national learning process on REDD+ because they are located in different areas (i.e., protected and private lands), they have implemented different institutional and governance arrangements, and have diverse local environmental and social conditions (e.g., drivers of deforestation and community needs).



PHOTO JEISON HIGUITA FROM UNSPLASH

The ENDDBG noted that the REDD+ projects have made various advances in consultation, safeguards and the development of baselines and states that it is expected that new REDD+ projects and initiatives will be aligned with the national framework.

Guatemala has received funding from the FCPF to prepare for jurisdictional REDD+ and is in the process of entering into an ERPA with the World Bank as part of the FCPF program.

Under the ERPA, Guatemala would commit to transfer 10.5 million REDD+ credits generated from the ERP to the World Bank as trustee of the FCPF in exchange for additional funding. According to the FCPF 2019 ER-PD,¹⁰⁰ the Guatemala ERP covers 31% of the national territory and 92% of forest lands. To be part of the Guatemalan ERP, REDD+ projects that are within the ERP boundary that voluntarily decide to participate in it must be methodologically

harmonized with the ERP in order to prevent double counting.

It is unclear whether there are projects that exist within the ERP boundaries that are not participating in the ERP. To the extent the government is a project proponent for an existing project (e.g., Guatecarbon), participation in the ERP is more likely.

The FCPF update further states that Guatemala has prepared a nesting strategy to integrate REDD+ projects, which consists of distributing the National Reference Level of Emissions and Removals in quotas, according to criteria defined by Guatemala.

It appears this nesting strategy is still under development and final agreement on harmonizing the baselines has not yet occurred.

¹⁰⁰Forest Carbon Partnership Facility Carbon Fund. (2019). Emission Reductions Program Document (ER-PD) Guatemala National Program for the Reduction and Removal of Emissions Date of Submission for Review. Available at https://www.forestcarbonpartnership.org/system/files/documents/Guatemala_ERPD_11_05_2019.pdf

Technical Nesting Elements

As part of the ER-PD, Guatemala developed a set of approaches and principles of nesting REDD+ initiatives.

The nesting methodological approach is a simple and transparent approach that has as its primary objective the avoidance of double counting and that consists of the distribution of the FRL (or in its place, until it is officially approved, the Reference Level of Emissions and Removals) in portions ('quotas') according to a criteria that reflect the efforts made by the various REDD+ initiatives (early REDD+ initiatives, Forest Investment Program, the remaining of the program area, and the remaining of the national area).

The results will be measured using the national MRV system that is enabled to estimate emission reductions and removals for the reporting period in the various areas of interest.¹⁰¹

The government of Guatemala will use the combination of the following two variables in the allocation of the FRL quotas:¹⁰²

- The current forest area within the initiative area (from the previous year of quota allocation), based on official information; and
- The current deforestation/degradation rates (in hectares), within the initiative area (activity data from the two years prior to the quota allocation year).

Four additional criteria will be considered to estimate the percentage of the quota allocation to the initiative areas, as follows:¹⁰³

1. They are included in the Guatemalan System of Protected Areas of the 'National Council of Protected Areas' or *Consejo Nacional de Áreas Protegidas* (CONAP);
2. They are inside water recharge areas or strategic

ecosystems that have been prioritized by the 'National Forest Institute' or *Instituto Nacional de Bosques* (INAB);

3. They constitute Potential Areas for Forest Landscape Restoration in the Republic of Guatemala; and
4. They are part of REDD+ subregions as defined in the REDD+ subnational zoning strategy in Guatemala.

The information used will be official national information prepared by the 'Multiple Institutional Forest Monitoring and Land Use Group' or *Grupo interinstitucional de monitoreo de bosques y uso de la tierra* (GIMBUT). An Excel quota allocation tool was developed.

The nesting approaches also include criteria and procedures for the registration of REDD+ initiatives under a national project registry system linked to the national FREL (details below). In order for the initiative to be eligible, it should meet the following criteria: contribution to sustainable development; compliance with the social and environmental safeguards of the jurisdictional initiative in which it is nested; being able to demonstrate the ownership/possession of carbon rights and the absence of land conflicts; potential to reduce emissions in the territories where the mitigation actions will be developed; and establishment of a benefit sharing plan signed by the participants in the REDD+ initiative.

OPERATIONAL PROCESSES

Guatemala has been building a national forest monitoring system since 2001, which serves as the foundation for the design of the MRV system required for the REDD+ architecture. The construction of the monitoring and MRV systems is coordinated and implemented through a dual process of technical and political governance. GIMBUT brings together the most relevant actors for strengthening forest monitoring in the country, such as government Ministries of Environment and Natural Resources—or *Ministerio de Ambiente y Recursos Naturales*—(MARN), and Agriculture, Livestock, and Food Supply—or *Ministerio de Agricultura Ganadería y Alimentación*—(MAGA), the INAB, and the CONAP, as well as national universities, among others.

101 Gobierno de Guatemala. (2020). Annex XI: Approach and Principles of Nesting REDD+ Guatemala. Available at <http://www.portal.inab.gob.gt/images/pif/pre/beneficios/Annex%20XI-%20Approach%20and%20Principles%20of%20Nesting%20REDD+%20Guatemala%2009Oct2020%20Clean.pdf>.

102 Ibid.

103 Ibid.

GUATEMALA

Most of the responsibilities are carried out by the INAB, which is leading the design of the national forest monitoring system. INAB also runs a series of forestry monitoring and information systems that provide forest statistics and include the national forest registry and the national forest management system, among others. INAB will be responsible of monitoring REDD+ activities under the ER-PD that Guatemala proposed to the FCPF. Additionally, the national forest monitoring systems will include local experiences on community forest monitoring developed by the local organizations and NGOs implementing conservation and forest management activities in the Maya's Biosphere Reserve.¹⁰⁴

Guatemala is planning to build an integrated system to monitor REDD+ activities and impacts under the platform 'Information System for GHG Emissions, Multiple Benefits, Other Impacts and Management and Safeguards' or *Sistema nacional de información de emisiones GEI, múltiples beneficios, otros impactos, gestión y salvaguardas REDD+ (SIREDD+)*. SIREDD+ is currently under construction with support from the FCPF.

DOUBLE COUNTING

To avoid double counting, the government of Guatemala created under the Regulation of Vulnerability Reduction, Compulsory Adaptation to Climate Change Impacts and Mitigation of Greenhouse Gases (Decree 07- 2013), a national emissions reductions and projects registry system.

In August 2020, the Ministry of Environment and Natural Resources released the ministerial agreement 284-2020¹⁰⁵ which legally created the Registry of Emissions and Removals of Green House Gases and registry procedures, which will be hosted by the 'National Climate Change Information System' or *Sistema Nacional de Información del Cambio Climático (SNICC)*.¹⁰⁶ The MARN should be responsible for the creation of an information system to manage the registry and should provide the necessary personnel.

SAFEGUARDS

Under the REDD+ readiness process supported by the FCPF, Guatemala has made considerable progress towards the establishment of several safeguard instruments such as an Indigenous People's Planning Framework, the REDD+ Environmental and Social Framework, and the national Information System on Safeguards, which will be integrated with the SNICC.

BENEFIT SHARING

Under the implementation of the national REDD+ strategy,¹⁰⁷ a team is facilitating the development of a benefit sharing mechanism which will be built upon the experiences generated by the country during the implementation of finance forestry incentives. Some of this forestry incentives have been carried out by the National Forest Fund. According to the FCPF progress report of July 2020, the country already

designed a REDD+ benefit distribution system.¹⁰⁸

104 IDB. (2019). Experiencias de monitoreo forestal en Guatemala. Nota técnica del BID ; 1695. Available at <https://publications.iadb.org/es/experiencias-de-monitoreo-forestal-en-guatemala>.

105 MARN. 2020. Acuerdo Ministerial 284-2020.

106 Sistema Nacional de Monitoreo, Reporte y Verificación (MRV). Available at <https://snicc.azurewebsites.net/Home/MRV>.

107 National REDD+ Strategy of Guatemala. Available at <https://www.marn.gob.gt/Multimedios/10061.pdf>.

108 Forest Carbon Partnership Facility. (2020). Readiness Fund REDD+ Country Participants Progress Report Template. Available at https://forestcarbonpartnership.org/system/files/documents/IDB%20Guatemala%20FCPF%20RF%20REDD%2B%20Country%20Participants%20Progress%20Report_July%202020.pdf.

Legal and Governance Elements

GOVERNANCE INSTITUTIONS

From an institutional perspective, the national REDD+ strategy will be implemented by the Interinstitutional Coordination Group (ICG), composed of four institutions in charge of forests and natural resources: MARN (acting as the main focal point for REDD+), the MAGA, the INAB and the CONAP.

The ICG has been working since 2009 on Guatemala's REDD+ Readiness as the high-level political platform for the coordination and government approval of the activities carried out under Guatemala's REDD+ Readiness Process. The ICG facilitates dialogue between the different institutions involved in governing REDD+ in Guatemala, manages the technical and administrative processes necessary for developing key actions for the REDD+ Readiness Process, and monitors and reports progress. The 'Ministry of Finance' or *Ministerio de Finanzas Públicas* (MINFIN), as the counterparty to the Letter of Intent under the FCPF with the World Bank, will also have a role in facilitating the finance flow and benefits sharing related to REDD+.

CONAP has also been actively involved in the development of REDD+ projects located in protected areas in Guatemala and is the project proponent of the Guatecarbon project in the Mayan Biosphere. Considering that the majority of Guatemala's forests are located on protected lands, CONAP will play an important part in developing Guatemala's REDD+ nesting policy. Also, MARN is developing the national registry in which all REDD+ projects will be required to participate.

CARBON RIGHTS

Guatemala is one of the few REDD+ countries with legislation clarifying the legal right to carbon emission reductions.

Carbon rights and the ability for projects to participate in carbon markets are explicitly addressed in the Framework Law for Regulating the Reduction of Vulnerability, the Compulsory Adaptation before the Effects of Climate Change and the Mitigation of Greenhouse Gases, Decree 7-2013, Congress of the Republic of Guatemala (**Framework Law**), which

was issued pursuant to article 97 of the Political Constitution of the Republic of Guatemala. The purpose of the Framework Law is to establish the necessary regulations to 'prevent, plan, and respond, in an urgent, appropriate coordinated and sustained manner, to the impacts of climate change.' Article 1, Framework Law. Article 20 of the Framework Law states that CONAP, along with several other agencies, 'will adjust and design, in accordance with the objectives and principles of this law, the policies, strategies, programs and projects for the sustainable development and sustainable use and the management of forest resources, including the promotion of environmental services which reduce the greenhouse gas emissions and the preservation of the forest ecosystems.'

According to Article 22 of the Framework Law, carbon market projects 'may have access to the voluntary and regulated carbon markets, as well as to other bilateral and multilateral mechanisms of compensation and payment for environmental services' and 'the rights, possession, and negotiation of units for the reduction of emissions of carbon or other greenhouse gasses, as well as the certificates, will belong to the owners of the generator projects.' The Framework Law further states that 'the individuals or legal entities and the State who own or are legal holders of the lands or assets where the projects are developed may be the owners of the projects.'

The Framework Law requires projects to join a registry created by MARN, which establishes the enabling environment to avoid double counting. According to the FCPF report, MINFIN would register any REDD+ project participating in the FCPF ERP. The requirement to join the national registry implies that credits sold outside of the country would be accounted for domestically and not used for NDC compliance purposes, but this is not stated explicitly. Further regulations are required to detail the requirements of Article 22 of the Framework Law, including the operationalization of the registry and the interaction between Guatemala's NDC compliance and the export of voluntary carbon credits.

PROJECT APPROVAL PROCEDURES

According to the Framework Law, REDD+ projects will be required to join a registry operated by MARN, which will provide the government with visibility on all REDD+ projects within the country whether or not they are participating in the FCPF ERP. In 2020, Ministerial Agreement No. 284-2020 created the Registry of Projects for the Removal or Reduction of Greenhouse Gas Emissions as part of SNICC to act as a database of emission removals and reductions projects, as well as to facilitate international reporting and prevent double counting. The Ministerial Agreement directs project proponents that wish to enroll in the Registry to provide contact information and relevant documentation with project description and design, methodologies and standards applied, and validation and verification reports for approval by MARN and provides other guidance on participation in the Registry. It also identifies a series of international standards—such as CDM, CCBS, VCS and Pan Vivo, among others—that MARN recognizes for the purpose of certifying emissions removals and reductions contained in the Registry. However, projects currently registered under any of those standards will still have to separately enroll in the Registry. MARN will subsequently be elaborating on the procedures identified in the Ministerial Agreement in a Process Manual and Administrative Manual.

In addition, for REDD+ projects that decide to participate in the FCPF ERP, MINFIN will enter into an agreement with each project in order to transfer emission reductions to fulfill the FCPF ERPA delivery obligations and set forth the relevant benefit sharing arrangements. These projects would be required not to request issuance of any carbon credits by the VCS during the time it was participating in the FCPF program.

INTEGRATION OF EXISTING PROJECTS

The Government of Guatemala has initially established a stepwise process to be completed by December 2015 for the nesting of the existing REDD+ into its Emission Reduction Program:¹⁰⁹

Step 1: review of the three VCS Jurisdictional and Nested REDD+ scenarios and discussion of the implications for each of the existing VCS projects;

Step 2: discussion of the nesting implications with regards to technical matters, safeguard requirements, benefit-sharing, and compensation mechanisms;

Step 3: select a nesting method and describe it in the ERP;

Step 4: negotiate the nesting approach in the ERPA with the World Bank;

Step 5: period for the adaptation of the projects with the requirements established by the ERP.

In addition, according to Annex XI of the ER-PD, the Government of Guatemala decided to establish a period of pre-nesting or adaptation until December 31st, 2020 for those REDD+ projects that operated and overlapped (total or partially) in the area of the ERP.

Until December 31, 2020, REDD+ projects could use the baselines of their projects (e.g., Verra) not based on the FRL of the ERP.

The emission reductions corresponding to the period from the ERPA signature until December 31st, 2020, verified under Verra standard and sold through the voluntary market, will be fully deducted from the emission reductions available in the ERP from the same period. The pre-nesting arrangements only apply to existing REDD+ projects.

Existing REDD+ projects that opt to participate in the FCPF ERP must complete an agreement with MINFIN. These agreements appear to be in process or will be in the near term.

As of January 1st, 2021, all existing REDD+ projects that partially or totally overlap the FCPF ERP area must adopt the quota system and no longer use the baselines approved under the Verra standard. No REDD+ project that partially or totally overlaps with the ERP area, may use a baseline other than the FRL of the FCPF ERP beyond that indicated for the pre-nesting period and during the ERPA period. Nested REDD+ projects can only verify and market credits under other standards once the contract volume of carbon credits committed to the FCPF is satisfied.

¹⁰⁹Fondo Cooperativo para el Carbono de los Bosques (FCPF – por sus siglas en inglés) Nota de Idea del Programa de Reducción de Emisiones (ER – PIN – por sus siglas e inglés) País: GUATEMALA Nombre del programa de RE: PROGRAMA NACIONAL DE REDUCCIÓN DE EMISIONES DE GUATEMALA: ATRAVÉS DEL FORTALECIMIENTO DE LA GOBERNANZA DE LOS BOSQUES EM COMUNIDADES VULNERABLES. Fecha de presentacin o revisión: 12 de septiembre de 2014.

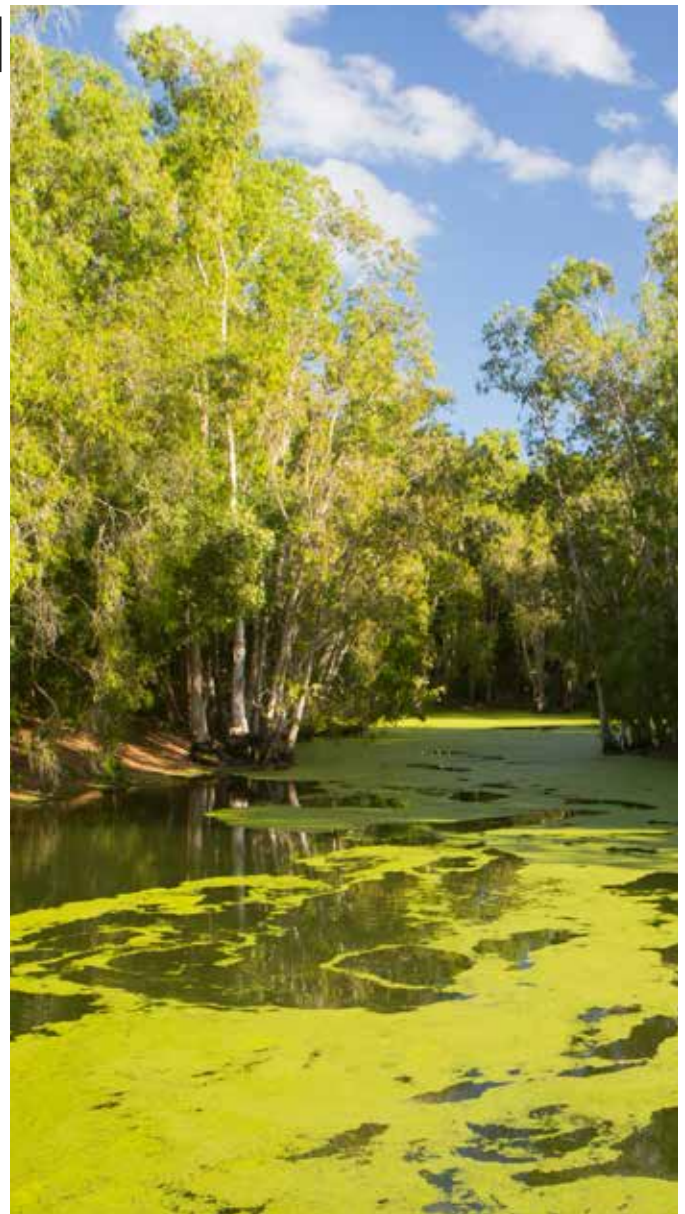
Australia

PHOTO JOSH WITHERS FROM UNSPLASH

Australia

LESSONS LEARNED

- Australia’s approach to nesting demonstrates a balance between a centralized approach established through a domestic carbon offset scheme and national accounting framework, with project-level implementation, reporting and financing. This balance seeks to reduce the cost of participation by projects by allowing them to use the national modelling systems (i.e., **FullCAM**) and data but also supplement these with their own data and benefit from windfalls they may receive if their abatement estimates are greater than that captured by the national inventory (noting that most projects use the national data because it is much more cost effective to do so). The availability of national level data has significantly reduced the cost for projects and enhanced the consistency of mitigation results.
- Private sector participation in the Emissions Reduction Fund (**ERF**) scheme has also been encouraged by the carbon rights regime permitting full financial benefits from ACCUs to flow to the project proponent. The certainty associated with the regulated process underpinning the scheme, and the ability to secure a government ACCU offtake contract also incentivizes private investment in Australian offset projects.
- Australia’s experience of designing and implementing its approach has highlighted the complexity of setting baselines (which in Australia’s case were politically negotiated) and the challenges with measurement particularly in a decentralized government system.¹¹⁰ Regarding the technical design of the MRV system, FullCAM, it has been remarked that many perceived the system to be overly sophisticated for its purpose at the time it was established in the early 2000s, but that its benefits have been fully realized through the ERF scheme.



WANGETTI IN FAR NORTH QUEENSLAND

110 Macintosh, A. (2011). The Australia clause and REDD: a cautionary tale. *Climatic Change*, 112(2), 169-188.

Background on REDD+ in Australia

The case study of Australia has been selected to exemplify the broader view of how land sector mitigation activities can be consistent with, and represented in, the national accounts. As a developed country, Australia is not eligible for domestic REDD+ activities, however between 1990 and 2009 Australia had the highest rate of deforestation in the developed world.¹¹¹ Australia was the only developed country that relied on reduced deforestation emissions as the primary way of meeting its quantified emissions target under the Kyoto Protocol (which allowed an 8% increase in emissions from 1990 levels by 2012). Australia's approach to reducing deforestation and accounting for emissions from reduced deforestation therefore provides valuable insights into the difficulties an international REDD+ scheme might encounter.

PROGRESS SO FAR

After signing the Kyoto Protocol in the late 1990's, Australia began the design and implementation of its national system estimating emissions and removals from the land sector. Unlike most other countries under the Kyoto Protocol, Australia's national data systems were more similar to those of REDD+ countries. Australia lacked a consistent mapping program, had no long-term nationally consistent national forest inventory (and still does not) and no centralized processes for data collection. Given this, Australia designed and implemented a Tier 3 model-based¹¹² system underpinned by a large scientific program of calibration and validation and driven by wall-to-wall mapping of forests from 1972 using

Landsat satellite imagery. Core to this system was developing a single, consistent model framework called 'FullCAM', that could be applied at any scale, from project-level to national, with the specific aim of allowing for project nesting in the future. The system first ran in 2001 (after only 2.5 years of development) and has been continuously improved every year since then.

This national system is now a key component of land-based emissions reduction projects under Australia's domestic carbon project scheme, under which avoided deforestation, reforestation, and improved forest management activities are eligible provided they meet the requirements of an approved methodology.

The Australian carbon project scheme involves a baseline and credit framework although there is a weak liability for emitters to procure offsets under the scheme (called the Safeguard Mechanism). The most significant policy measure driving demand is government contracts that are awarded through a government-run reverse auction called the ERF. Carbon projects in Australia are therefore commonly referred to as 'ERF Projects' or projects under the 'ERF Scheme.'

111 Between 1990 and 2009, approximately 416,000 ha of forests were cleared annually, resulting in emissions of approximately 80 MtCO₂-e per year. (Macintosh, A. (2011). The Australia clause and REDD: a cautionary tale. *Climatic Change* 112.2. 169-188.)

112 Tier 3 models represent more complex models for estimating greenhouse gas emissions, they differ from Tier 1 and 2 methods which are simple emission factors. See 2006 IPCC Guidelines for National Greenhouse Gas Inventories for full details.

Description of National REDD+ Policy

UNFCCC ELEMENTS

As a developed country, Australia does not have a REDD+ policy, however it has embedded many elements of the UNFCCC REDD+ requirements into the methodologies that projects must comply with to generate Australian Carbon Credit Units (i.e., ACCUs), including additionality, measurement, leakage and permanence. ACCUs are widely regarded as having been generated through 'real, permanent and additional' emissions reductions. Further, accounting and trading through the Australian National Registry of Emissions Units (ANREU) is also known as a robust process, and the accounting systems have been designed to allow for potential trade in carbon credits and emissions reduction units.

The Australian carbon market scheme has three components whereby the government credits, purchases and safeguards emissions reductions. Currently, the Government's Emissions Reduction Fund is the primary source of demand for ACCUs from projects that reduce emissions or enhance carbon storage on the land.

The concept of FRELs was not included in the first commitment period of the Kyoto protocol. Instead, a variety of complex and challenging accounting rules were applied to different land sector activities, including net-net and gross-net accounting, forest management caps and rules to address short-rotation forestry. While these were relatively easy to apply at the national scale, for individual land holders they proved challenging and confusing. The Government of Canada, recognizing the significant issues, progressed the concept of a 'forward looking baseline.' This eventually led to the inclusion of the option to use projected reference levels (while retaining some of the older rules for other countries) in the second commitment period of the Kyoto Protocol. Other methods for calculating baselines were retained, including base year accounting, to allow some countries to continue to use the methods applied in the first commitment period. Other accounting rules were needed to address this, including the ongoing use of a cap on Forest Management units. This applied to all methods and in many cases led to perverse policy outcomes by restricting unit availability for legitimate policy actions.

Australia was one of the many countries that decided to use a projected FREL for forest management. The main reason Australia followed this approach is the uneven age-class distribution of the managed forest estate due to past natural (e.g., fire) and human management interventions (e.g., harvesting and establishment of plantations) pre-1990.

These factors significantly influenced future emissions and removals and using a straight average of past emissions and removals would have produced a biased result. Australia also took advantage of the new 'natural disturbance' provisions to limit the risk of missing targets due to events such as large bushfires. Australia submitted a Forest Management reference level to the UNFCCC Secretariat in February 2011. A Technical Assessment of the reference level was completed by the UNFCCC in September 2011, which confirmed that the reference level was produced in accordance with the principles outlined in Decision 2/CMP.6 of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. Australia has used a reference level for forest management since this time.

NDC ALIGNMENT WITH REDD+

LULUCF activities are included in Australia's NDC, which commits a 26-28% reduction of Australia's 2005 emission levels by 2030. One of Australia's key climate policies to achieve the NDC is the ERF, whereby the government credits and purchases emissions reductions in the form of ACCUs which are then traded, surrendered or cancelled through the registry, and counted towards Australia's NDC.

STATUS OF REDD+ PROJECTS

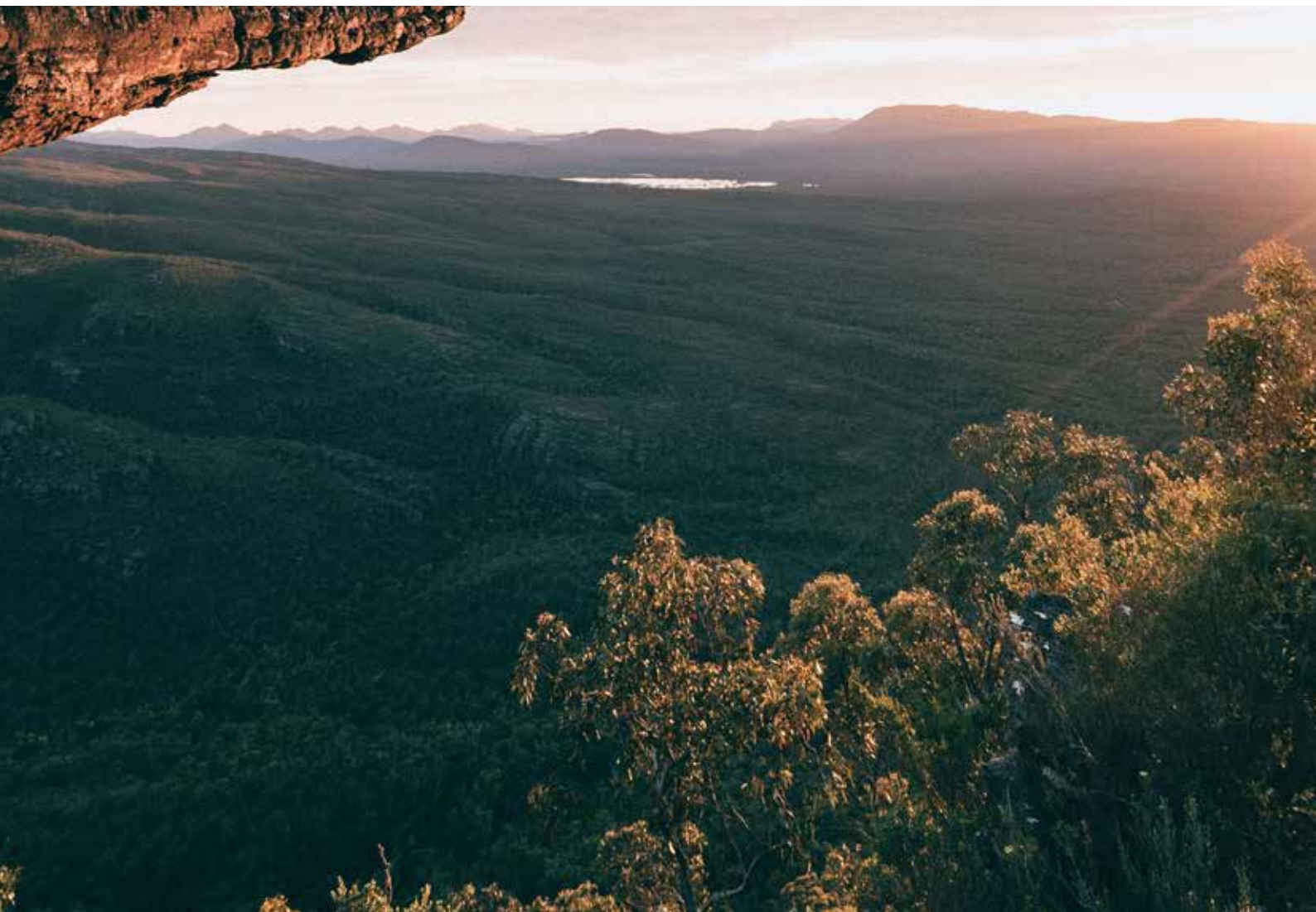
The Australian Government has established the ERF, a fund that purchases least cost emission reductions and abatement through a Commonwealth government procurement process, which includes reverse auctions. Projects that meet the legislative requirements to become registered under the ERF scheme must also utilize specific methodologies in order to generate ACCUs.

The Australian federal government makes these methodology determinations as legislative instruments which set out: (i) the requirements that must be met in order for a project to be an eligible offsets project under that method and (ii) the basis upon which the net abatement amount of carbon dioxide equivalent for the project is to be ascertained for that project type. The methods used at the project level aim to only quantify abatement that would be detected by Australia's national greenhouse gas inventory. Offsets projects that are undertaken in accordance with the methodology determination and approved by the Clean Energy Regulator (**CER**) can generate ACCUs representing emissions reductions from the project. One type of approved methodology is 'avoided deforestation' for native

forests, of which there are approximately 60 projects currently registered under the ERF scheme.

Australia did have improved forest management projects registered and operating under Verra's VCS; however, when Australia started reporting on forest management under the second commitment period of the Kyoto Protocol, the VCS suspended crediting of those projects to ensure the avoidance of double counting, and those projects were transitioned through a specific method under the ERF scheme. In response to these projects being stranded without a scheme, a specific methodology was developed by the Australian Government to grandfather the projects into the ERF. Notably, the Australian Government did not simply take the existing VCS method and allow this under the ERF. Rather, the method was translated and modified into an ERF methodology to meet the scheme requirements. Through grandfathering the projects in the ERF, the pre-existing projects were able to continue to operate and receive credits.

PHOTO BY MANUEL MEURISSE ON UNSPLASH



Technical Nesting Elements

ALIGNMENT OF CARBON ACCOUNTING

Australia has adopted a parallel reporting approach for ERF projects whereby project-level estimates are used for quantifying the baseline scenario and determining tonnes of abatement (thereby reducing the cost of participation), while the national inventory system is used for tracking against Australia's international obligations, as reported through the national greenhouse gas inventory (NGGI). ERF methodologies are important instruments for aligning the project-level estimates with the NGGI.

First, the methodologies used at the project level aim to only quantify abatement that would be detected by Australia's NGGI. That is, if there is an activity that generates abatement, but that abatement would not appear within the NGGI, then the activity would not be permitted under the ERF scheme.

Second, methodologies have strict protocols on how to quantify the abatement from an approved activity. Methodologies are designed to use a combination of project-level and national inventory data or purely project-level data to estimate abatement. An example of national inventory data is the use of FullCAM to estimate the abatement from a reforestation project, where the planting date and planting configuration is provided by the project proponent. When national inventory data (i.e., FullCAM) is used for a project, project proponents benefit from substantially lower costs of estimating abatement, although they forgo some precision of the estimate. Similarly, the Australian Government benefits from more projects. However, there is a risk of misalignment with the NGGI by allowing project-level data.

While using national inventory data reduces the risk of misalignment between projects and the NGGI, it does not remove it completely. There are various approaches adopted to manage the remaining risk of differences between project-level estimates and the NGGI. One key element is the continuous improvement of the national inventory system using project-level data. For example, using project-level measurements to improve FullCAM.

The accuracy of alignment between projects and the NGGI is considered at the scheme level, not at the project level. This means that an individual project may report more or less abatement than would be detected by the NGGI, but as a whole it is expected that the aggregate estimate of projects' performance would be comparable to the estimate of abatement at the national level. Consideration of misalignment is necessary as the federal Government bears the risk for ensuring that all ACCUs that are issued can be reconciled with the data in the national inventory. If issued ACCUs cannot be reconciled with the national inventory, then that volume of abatement essentially becomes an additional liability to the federal Government.

OPERATIONAL PROCESSES

ACCUs are a tradeable financial instrument registered and transferred via the ANREU. Therefore, reported abatement is formally recognised and managed under the ANREU, including being traded, surrendered or cancelled. In parallel to this is the NGGI, into which the ACCU reports feed.

To maintain consistency with Australia's international obligations, the ERF project proponents are issued ACCUs, which are managed through the centralized ANREU registry. These credit units are directly exchangeable for Kyoto units, which can then be traded, surrendered, or canceled through the registry. Thus, if a project is issued a credit that cannot be reconciled through the national inventory system, the Australian government has this as a liability. The methodologies, therefore, aim only to recognize abatement that can be identified through the national inventory system.

Australia is still reporting in the second Kyoto Protocol period and it is not clear how abatement generated after this period will be treated.

DOUBLE COUNTING

In Australia, the risk of double counting across different schemes is managed through the legislative restrictions on projects that participate within the domestic scheme. The scheme does not permit projects that are part of other offset schemes, including the VCS, to participate.

AUSTRALIA

In addition, the parallel approach of reporting, whereby Australia’s NGGI does not directly incorporate project-level reporting (but rather relies only on the national inventory system for emissions information) means there is no risk of double counting abatement from project areas or activities within the NGGI. The use of parallel systems at the project and national level avoids double counting because if a project is issued an ACCU for abatement that cannot be reconciled through the NGGI, then the Australian government has this as a financial liability (e.g., the Australian government will have overpaid for abatement). This is because the Australian government cancels one ACCU for every ACCU that is issued to a project proponent, as a way to guarantee them. If Australia directly incorporated the project-level estimates into the NGGI, then the national inventory system would have to include processes for excluding project areas and activities to avoid double counting. Notably, when considering nesting of projects, it is important to monitor parcels of land, not just units. Where land parcels are not considered in a spatially explicit manner, it is possible for land to be double counted within the national accounts. For example, 100 hectares of land reforested under a project adding 100 hectares of reforestation within the national accounts. If this land is subsequently deforested, this will add 100 hectares into the national accounts. If the land is not monitored in a spatially explicit manner, the 100 hectares of reforestation and 100 hectares of deforestation may appear within the national accounts, resulting in 200 hectares of land represented in the national accounts, double counting the same parcel of land. Thus, it is important to have mechanisms in place to ensure this is appropriately accounted for.

SAFEGUARDS

The ERF scheme includes measures accounting for non-permanence, including civil penalties if a project proponent deliberately reverses abatement, and a risk of reversal buffer.

BENEFIT SHARING

There are no legal benefit sharing requirements in relation to the implementation of ERF projects. However, the Carbon Industry Code of Conduct (June 2018) (the **Code**), which is a voluntary, market-led initiative, provides guidance on appropriate interaction with project stakeholders, including Native Title Holders, representative bodies, land managers and project owners. Signatories to the Code agree to meet the minimum requirements for operating in the carbon industry including during pre-project activities, ongoing project management, documentation and general business practices. Relevantly, the Code sets out minimum standards for appropriate consultation with project stakeholders, including Native Title Holders, native title representative bodies, land councils and natural resource management bodies, and requires compliance with international norms and best practice standards to obtain the FPIC of indigenous parties.

As part of that process, where a project is undertaken on native title land, project proponents must ensure that Native Title Holders with a claim are consulted and provided with guidance about the project and that they have agreed to the project being registered. Accordingly, in practice, negotiated Indigenous land use agreements are the primary way in which benefit sharing is documented. An Indigenous land use agreement is a voluntary agreement between native title groups and others about the use of land or waters. They can exist regardless of whether or not there is a registered native title claim over the area or native title has been determined to exist.

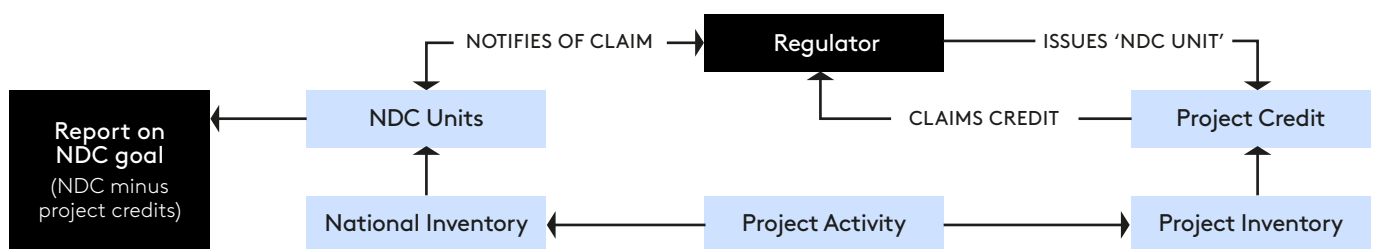


FIGURE 5: SCHEMATIC OF A PARALLEL EMISSIONS REDUCTION REPORTING APPROACH.

Source: Mullion Group, 2020.

Legal and Governance Elements

LAW AND POLICY FRAMEWORKS

The Australia carbon market is considered internationally to be a relatively mature, well-designed regulatory approach to carbon credit creation and verification, low sovereign risk, defined land tenure and ownership arrangements and processes, scientific expertise, and biophysical capacity.

The ERF scheme originally commenced operation in Australia on 8 December 2011 and is a Federal Government carbon offset scheme established by the Carbon Credits (Carbon Farming Initiative) Regulations 2011 (**CFI Act**). The policy settings surrounding the scheme were significantly amended with a change of government in 2014 however the framework for carbon projects remained in place.

The CFI Act creates a legislative framework for the development of offset projects and the creation of ACCUs, from both land sector activities (including avoided deforestation) and a wider range of projects related to energy, transport and industry. The Federal Government is the main purchaser of ACCUs through a reverse-auction process carried out twice per year, however a market also exists for purchasing ACCUs under both a voluntary and small compliance market in Australia.

There is currently no mechanism for trading ACCUs internationally; while international entities may purchase ACCUs they can only be cancelled in an ANREU account.

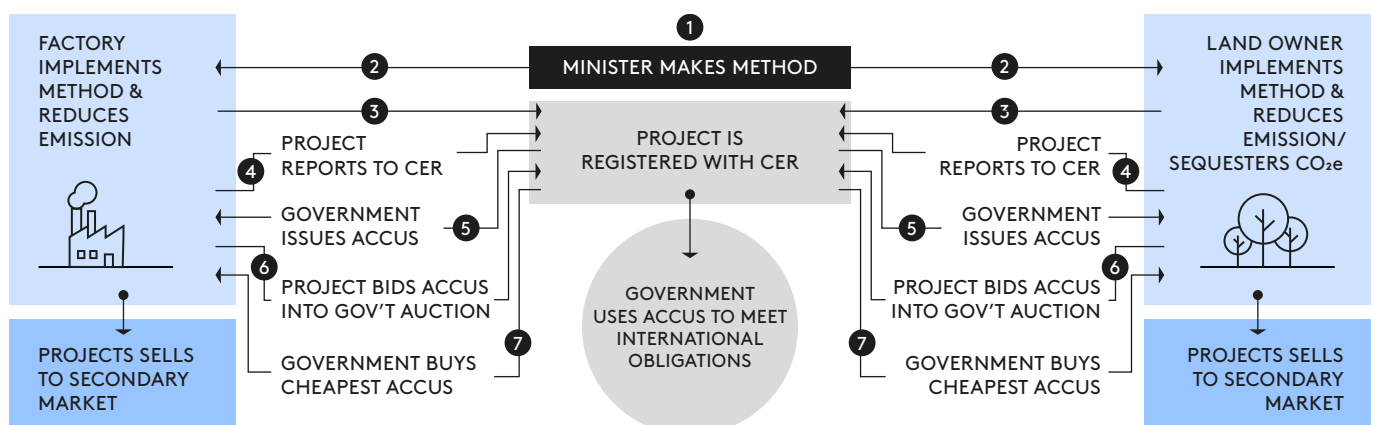
Regarding financial flows of ACCU revenue, project proponents are entitled to receive the full ACCU price for their projects; the Government does not have oversight over ACCU transactions unless it is the purchaser of the ACCUs through the ERF.

The accounting of ACCUs and the ability to count the emissions reductions they represent is underpinned by Australia's national system for reporting GHG emissions, energy production and consumption. Sitting beneath this architecture is the policy rationale for establishing the scheme, which is essentially a baseline and credit carbon trading scheme: corporations that have operational control of facilities that emit more than a specified amount must report on the source of their emissions, and failure to comply with these reporting obligations is a breach of the legislation and can result in the imposition of penalties.

Australia is a federation comprised of six states, two mainland territories and a collection of external territories. Traditionally, environmental and land use matters have been the domain of the states and territories, whereas the Federal Government has jurisdiction over matters of climate change mitigation.

ACCU generation, issuance, trading, retirement and relinquishment is regulated by a Federal Government agency, the CER, which administers the scheme as well as the renewable energy target and national greenhouse and energy reporting. Australia's National Greenhouse Accounts are managed by the Department of Industry, Science, Energy and Resources. Various state governments and agencies often have jurisdiction over project approvals, particularly related to land and carbon sequestration rights.

FIGURE 6: FOREST & WOOD PRODUCTS AUSTRALIA, 2020



AUSTRALIA

GOVERNANCE INSTITUTIONS

Real property rights in Australia are generally governed by state law.

Rights to emissions abated or sequestered are generally held by a landowner, unless that right has been sold or transferred to someone else and registered on the land title under the laws of the relevant state.

For example, a number of states have created 'carbon sequestration rights' that contain different rights depending on which state the project is carried out in. These rights are separate to ownership of land and so it is possible for one person to own the land and a different person to hold the carbon sequestration right.

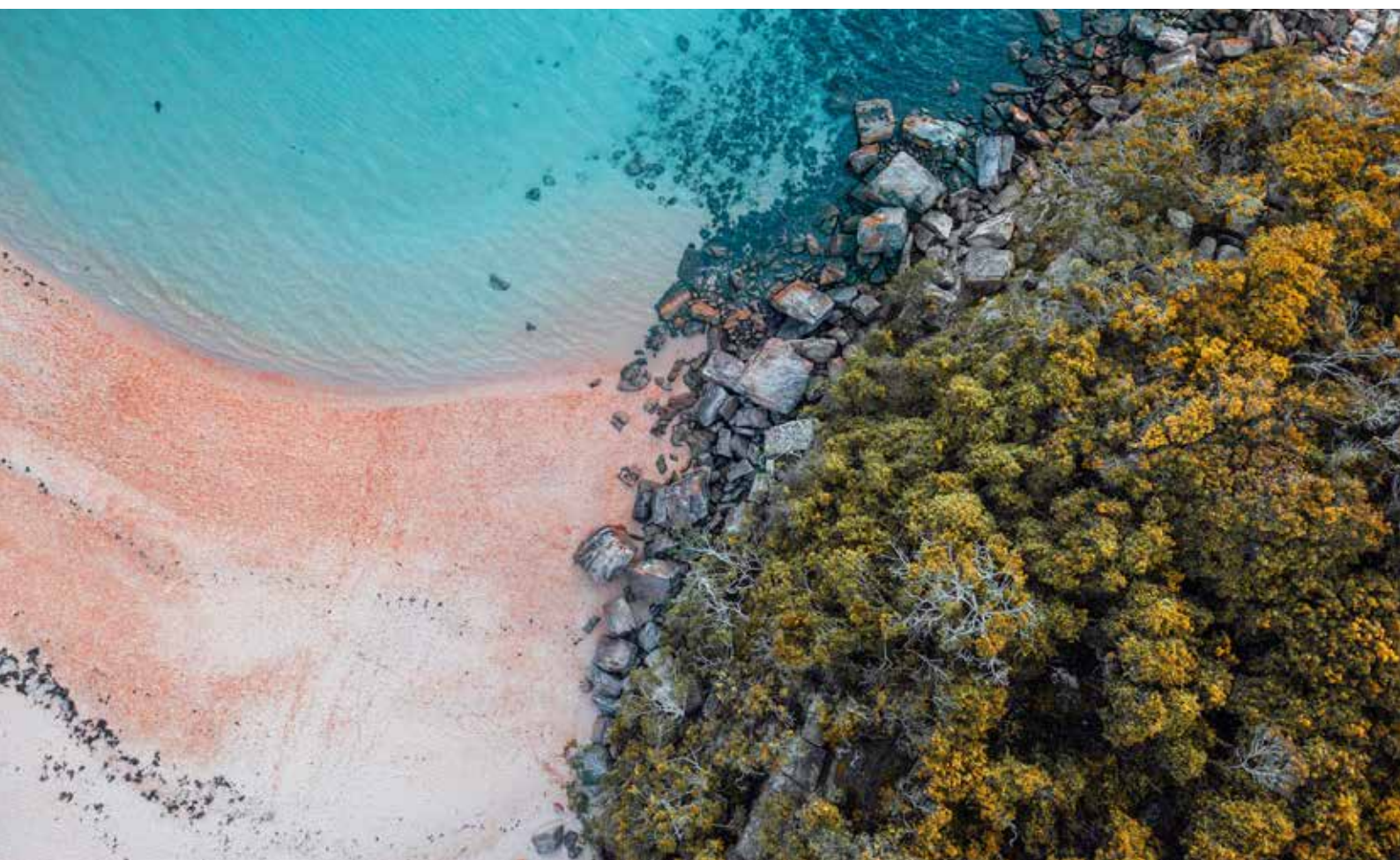
If the registered owner of land is a private individual, that person will generally hold the carbon sequestration right in connection with that land, unless it has been transferred to someone else. If the land is owned by the state, then the state or the government agency representing the state will hold the carbon sequestration right, unless it has granted an interest over that land to another person, and such interest includes a right to the carbon sequestered.

CARBON RIGHTS

In order to be declared as a registered project under the CFI Act, a project proponent must complete a formal application process and meet all eligibility requirements – including additionality, third party consents, a legal right to the ACCUs generated etc. The CFI Act proponent first applies to the CER for declaration of its project as an 'eligible offsets project.' Only eligible offsets projects may generate ACCUs under the CFI Act.

State-based regulatory regimes interact with these project eligibility requirements in numerous ways, including real property regimes (e.g., rights to register carbon sequestration rights on land titles varies in each state), third party consents (e.g., consent of the relevant Minister for state-owned land), and regulatory additionality requirements (e.g., some states have other environmental offsetting schemes such as biodiversity offsets).

PHOTO BY WILL TURNER ON UNSPLASH



Conclusion

This report was prepared to support the development of REDD+ nesting arrangements in Kenya by the NEG. A strategic national REDD+ architecture, inclusive of a nesting system, will guide and enable important REDD+ features such as REDD+ finance, establishment of reference levels, alignment of carbon accounting, as well as the design and implementation of benefit sharing arrangements and social safeguards.

The adoption of a jurisdictional approach towards REDD+, with existing site-scale initiatives nested within that approach, would also address the risks of double counting and double payment, since the site-scale initiatives would be aligned with a national REDD+ program with regards to accounting and reporting of GHG emissions reductions and removals.

This report reviews and analyses nesting arrangements from leading REDD+ countries, providing an overview of national REDD+ policies, as well as of the technical, legal and governance nesting elements implemented in each country. Specifically, the lessons learnt from these REDD+ countries seek

to inform the NEG on possible nesting arrangements for Kenya based on findings from this benchmarking study. This report makes initial recommendations related to the coordination of processes among relevant stakeholders, use of technical knowledge, financial considerations, institutional structure, as well as legal and policy frameworks. However, these recommendations are preliminary and dynamic; they may change based on further developments of the REDD+ nesting strategies in relevant countries, and / or based on ongoing discussions with the NEG. Despite the evolving nature of REDD+ nesting considerations and recommendations, this report aims to provide a useful resource to further the discussion of REDD+ nesting in Kenya.

Definitions

ACCU means Australian Carbon Credit Unit	10	JCM means the Joint Crediting Mechanism	32
AD means Activity Data	33	LDC means the DRC's Local Development Committee	45
ANREU means Australian National Registry of Emissions Units	68	LULUCF means Land Use, Land-Use Change and Forestry	18
AVP means Amazon Vision Program	48	MADS means Colombia's Environmental and Sustainable Development Ministry	49
BAU means business as usual	21	MAGA means Guatemala's Ministry of Agriculture, Livestock and Food Supply	61
BUR means Biennial Update Report	32	MARN means Guatemala's Ministry of Environment and Natural Resources	61
CAFI means Central African Forest Initiative	41	MESD means the DRC's Ministry of Environment and Sustainable Development	39
CCBA means Climate, Community and Biodiversity Alliance	43	MF means Methodological Framework	42
CCBS means Climate, Community and Biodiversity Standard	34	MINAM means Peru's Ministry of Environment	17
CDM means Clean Development Mechanism	18	MINFIN means Guatemala's Ministry of Finance	63
CER means Clean Energy Regulator	69	MRV means measurement, reporting and verification	3
CI means Conservation International	13	NCCIS means Colombia's National Climate Change Information System	54
CICC means Colombia's Climate Change Intersectoral Commission	54	NDC means Nationally Determined Contribution	12
CONAP means Guatemala's System of Protected Areas of the National Council of Protected Areas	61	NEG means Kenya's National Experts Group	11
DIAF means the DRC's Directorate of Forest Inventory and Management	41	NFMS means National Forest Monitoring System	33
DRC means the Democratic Republic of Congo	1	NGGI means Australia's National Greenhouse Gas Inventory	70
EF means emission factor	33	NPA means Peru's Natural Protected Area	29
ENDDBG means the National Strategy for Deforestation and Forest Degradation in Guatemala	59	NRS means National REDD+ Registry	4
ENS REDD+ means Guatemala's National Approach on REDD+ Safeguards	59	PES means payment for ecosystem services	17
ERF means Australia's Emissions Reduction Fund	66	PMU means Project Management Unit	44
ERP means Emission Reduction Program	3	REDD+ means reducing emissions from deforestation and forest degradation	1
ERPA means Emission Reduction Purchase Agreement	3	RENAMI means Peru's National Mitigation Measures Registry	17
ER-PD means Emission Reduction Program Documents	24	RENARE means Colombia's National Registry of GHG Emission Reductions	49
FAO means the Food and Agriculture Organization of the United Nations	41	RTS means Cambodia's REDD+ Taskforce Secretariat	32
FCPF means the World Bank's Forest Carbon Partnership Facility	3	SERFOR means Peru's National Service of Forestry and Wildlife	25
FLINT means Kenya's Full Land Integration Tool	10	SERNANP means Peru's National Service for Natural Areas Protected by the State	17
FPIC means Free, Prior Informed Consent	43	SIREDD+ means Guatemala's Information System for GHG Emissions, Multiple Benefits, other Impacts and Management and Safeguards	62
FREL means Forest Reference Emission Level	12	SIS means Safeguards Information System	25
FRL means Forest Reference Level	32	SISCLIMA means Colombia's National Climate Change System	54
FullCAM means Australia's Full-Carbon Accounting Model	66	SNICC means Guatemala's Climate Change Information System	62
GCF means Australia's Governors' Climate and Forests Task Force	27	SOI means Summary of Information	25
GHG means greenhouse gas	3	tCO₂e means tonnes of carbon dioxide equivalent	18
GIMBUT means Guatemala's Multiple Institutional Forest Monitoring and Land Use Group	61	UNFCCC means the United Nations Framework Convention on Climate Change	3
ha means hectare	18	USD means United States' dollars	18
ICG means Guatemala's Interinstitutional Coordination Group	63	VCS means Verified Carbon Standard	18
IDEAM means Colombia's Hydrology, Meteorology and Environmental Studies Institute	52	WWC means Wildlife Works Carbon	38
INAB means Guatemala's National Forest Institute	61	WWF means World Wildlife Fund for Nature	42



For further information about this report,
please contact:

Rick Saines

Partner

richard.saines@pollinationgroup.com

pollinationgroup.com

Christina Ender

Regional Climate Change Director (Africa)

Conservation International

Africa Field Division, Nairobi, Kenya

cender@conservation.org

conservation.org

DISCLAIMER

This Report (the "Report") has been prepared by Pollination Capital Partners Limited ("Pollination"). Pollination is a limited liability company registered in England and Wales under number 11892886 with registered office at 110 Fetter Lane, London, United Kingdom EC4A 1AY. Pollination is not currently authorised or regulated by the Financial Conduct Authority (the "FCA"). For the avoidance of doubt, any services described in this Report and for which Pollination do not yet have the relevant FCA permission will not be offered until such time as the requisite licence has been granted by the FCA. Pollination does not have an Australian Financial Services License. For queries email: contact@pollinationgroup.com.

The Report is proprietary to Pollination. The recipient of this Report agrees not to reproduce or distribute this Report in whole or in part and not to disclose any of its contents to any other person. This Report is not making any offer, inducement, solicitation or invitation of any kind and under no circumstances is it to be construed as, a prospectus or an advertisement. The information contained within this Report is believed by Pollination to be fair and accurate but Pollination accepts no responsibility for such fairness or accuracy. This Report has not been formally verified. No reliance may, nor should, be placed upon the Report by any person for any purposes whatsoever. This Report and the rights and obligations of the recipients arising out of or in connection with it, whether contractual, non-contractual, pre-contractual or otherwise, are governed by the laws of England and Wales.