Verra Forest Carbon Innovations Working Group (WG) Terms of Reference

Driving Finance to Scale Forest Carbon Activities

1   Background

Verra develops and manages standards that help countries, the private sector and civil society achieve their sustainable development and climate goals. Verra's flagship program - the Verified Carbon Standard (VCS) Program - allows independently assessed projects to turn their greenhouse gas (GHG) emission reductions and removals into valuable carbon credits. Since its launch in 2006, the VCS has grown into the world's largest voluntary carbon credit program, registering almost 1,600 carbon projects worldwide that have reduced or removed more than 460 million tonnes of carbon dioxide (CO_2) equivalent from the atmosphere. Increasingly, the VCS is also playing a role in compliance markets such as CORSIA, Colombia and South Africa. Verra is the global leader in Agriculture, Forestry and Other Land Use (AFOLU) standards with almost 240 AFOLU projects registered or in the pipeline. Verra also manages the Climate, Community & Biodiversity (CCB) Standards, the Sustainable Development Verified Impact Standard (SD VISta), LandScale (LS) and the Jurisdictional & Nested REDD+ (JNR) approach for accounting and crediting jurisdictional REDD+ programs and nested projects.

Globally, forests store approximately 662 gigatonnes of carbon (FAO, 2020). Most of this carbon is found in living biomass (44%) and soil organic matter (45%), with the remainder in dead wood and litter (FAO, 2020). Activities that increase tree cover, such as afforestation, forest restoration and agroforestry help enhance carbon stocks; while activities that protect existing forests, such as reducing emissions from deforestation and forest degradation, help maintain existing forest carbon sinks and keep CO_2 out of the atmosphere. Both of these activity types are essential to addressing climate change.

Forests have the potential to contribute over 20% of the total greenhouse gas (GHG) emission reductions and removals needed to meet the Paris Agreement targets (Griscom et al., 2017). Furthermore, forests positively contribute to climate change adaptation, food security, poverty alleviation, economic development and biodiversity conservation. For these reasons, forest protection and restoration have attracted significant attention as a climate change mitigation approach.

Since 1990, the world has lost 178 million ha of forests (FAO, 2020). While Reducing Emissions from Deforestation and Forest Degradation (REDD) is being successfully implemented across more than 70 large VCS projects, Afforestation, Reforestation and Revegetation (ARR) and Improved Forest Management (IFM) carbon activities have yet to achieve significant scale. At present, there are over a hundred of these projects registered under the VCS in two dozen countries, but collectively they generate

a tiny fraction of the emission reductions and removals that REDD projects currently contribute (having issued 16 million VCUs to date compared with 133 million from REDD).[1]

Increasingly, global corporations are setting net zero targets under the Science Based Targets Initiative. To achieve these goals, corporations are encouraged to reduce their scope 1, 2 and 3 emissions as much as possible before offsetting their residual emissions with removals. These commitments are therefore expected to significantly increase demand for biosequestration and other removal projects. Despite this growing interest, ARR and IFM projects continue to face many challenges, including high monitoring, reporting and verification (MRV) costs and the need for significant upfront investment to implement field activities (for example soil preparation, seedling establishment, fence constructions, etc.). In addition, ARR (and some IFM) projects have the added challenge of slow carbon accumulation. As a result, it typically takes many years before the value of the carbon removed by these projects can be verified and monetized. If Verra were able to help address some of these challenges through the improvement of existing, or development of new, standards and tools, it could further incentivize the implementation of ARR activities at scale and help meet the growing demand for removal-based offsets.

As the world's leading investor-trusted land-based project crediting standard, Verra's VCS Program is uniquely positioned to help advance forest carbon in a way that is scalable and attracts private investment. However, Verra needs the insights of experts and practitioners with project development, GHG assessment and carbon market experience in forest restoration, protection and management to help identify the main barriers and opportunities that VCS could address and pursue to significantly scale up the contribution of these activities to tackling global climate change.

2   Objectives

Verra seeks to establish a Forest Carbon Innovations Working Group (WG)[2] to:

a)   Explore key barriers and opportunities to forest carbon project development and scaling; and

b)   Identify and prioritize recommendations for how carbon standards and related frameworks/tools could enable, drive finance to, and otherwise support, activities that restore and protect forest ecosystems, and improve the sustainable management of productive forests.

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[1] Note: In part, this is also due to the fact that ARR and IFM projects tend to be smaller in area and more costly to implement. Further, it takes several years for the trees to grow to the size needed to sequester significant volumes of carbon.

[2] Note: This new WG will complement Verra's more narrowly focused REDD efforts and processes. For example, Verra has been working for the past year with an informal group of REDD experts to advance updates that will better facilitate the nesting of REDD projects through the VCS Jurisdictional and Nested REDD+ (JNR) program.

3   Scope of Forest Carbon Innovations WG

The WG will determine and prioritize the most impactful actions that Verra and/or partners can advance over the next 12-18 months to enable and catalyze the scaling of forest carbon activities. To begin its work, the WG will help identify and define the most important standards-related topics, issues and opportunities for supporting forest carbon projects. Below are potential topics and related questions the WG could consider:

- **Key barriers, challenges and opportunities for scaling forest carbon activities**
  - What are the main development and implementation barriers that forest carbon capture/sequestration (i.e. ARR and some IFM) projects face?
  - What are the key existing or emerging monitoring technologies (e.g. advances in remote sensing and artificial intelligence) and modeling approaches that could reduce on-the-ground monitoring/reporting/verification burdens and costs for REDD+ projects?
  - What are the principal market and demand drivers for natural climate solutions?
  - How could standards and related potential tools be developed, improved and/or leveraged to unlock significant new investment in forest sequestration projects and drive demand for their carbon credits?
  - What innovative financing approaches (e.g. forward financing, bundling of GHG benefits with non-carbon benefits, early finance carbon units) can be used to help de-risk or facilitate early investment in ARR projects (e.g. for restoration projects that may take decades to generate a significant carbon benefit)?
  - How can Verra standards better align with and support corporate net-zero and carbon-negative commitments?
  - What new standards-related products/assets could be created that would appeal to corporates/investors and help facilitate ARR project development by addressing the lag in forest carbon revenue?

- **VCS Program requirements, methodologies and/or tools**
  - What would be the most impactful changes to the VCS Program rules that would streamline and facilitate forest carbon project development (e.g. reducing project longevity requirements, allowing increased use of default values/conservative estimates, developing new options for addressing permanence, or implementing other changes to reduce project design, validation and/or verification costs)?
  - What would be the most impactful revisions that could be made to existing VCS forest carbon methodologies to better support forest carbon project development (e.g. development of standardized methods/tools for ARR/IFM additionality and baseline setting)?
  - How could VCS better enable and facilitate the development and crediting of projects that combine emission reduction and removal activities (e.g. REDD with ARR/IFM or Agricultural Land Management)?

- ○ How should ARR and IFM be incorporated into emerging jurisdictional and nested project accounting frameworks, including the VCS Jurisdictional and Nested REDD+ (JNR) program?
- ○ What changes to existing requirements, methodologies and/or tools are needed to facilitate small-scale project development (e.g. grouping, and simplified baseline, additionality and/or quantification approaches)?
- ○ How could the most promising monitoring technologies (e.g. advances in remote sensing and AI) and/or modeling approaches be incorporated into VCS to significantly reduce on-the-ground monitoring, reporting, and/or verification burdens and costs?

- **Non-carbon crediting standards (used either together with or separate from carbon finance)**
  - ○ Do some forest carbon activities (e.g. ARR) require additional funding mechanisms beyond carbon finance to make them viable?
  - ○ Which non-carbon benefits (e.g. wildlife habitat, water quality, livelihood benefits) could be assessed (e.g. through the Climate, Community & Biodiversity Standards or Sustainable Development Verified Impact Standard - SD VISta) and linked to new and/or additional sources of demand and finance?
  - ○ How could other standards (e.g. LandScale) be leveraged to support landscape approaches to forest restoration?
  - ○ Would a "softer carbon accounting" approach (e.g. using the CCBS or SD VISta) be acceptable for certain project investors or to link (non-market) results-based payments to REDD+ activities at different scales?
  - ○ What other initiatives (e.g. FSC) could Verra collaborate with to scale up adoption and impact?

4   Structure of the Forest Carbon Innovations WG

Verra anticipates inviting approximately 10-15 individuals to join the working group. The working group should represent a balance of experience and interests, and include a diversity of stakeholders bringing scientific, project development, credit demand/investment, auditing, government afforestation/reforestation planning and/or forest restoration, conservation and/or management expertise. Where possible, a geographic balance will also be sought by including members supporting activities/interests in Africa, Asia, Europe, North America and Latin America & Caribbean. Participants should meet one or more of the following criteria:

- Possess a strong understanding of the challenges/opportunities associated with the implementation of forest carbon restoration, management and conservation projects
- Possess strong knowledge of current forest carbon science, including the latest modeling and monitoring approaches and technologies
- Possess a strong understanding of existing relevant standards and certification approaches
- Possess a strong knowledge of relevant new or emerging market and demand/finance opportunities and trends
- Be a major buyer of forest-based carbon removal credits

- Be a potential user of VCS Program rules and methodologies
- Be a technology provider enabling forest carbon innovations
- Be a leading player in related forest carbon initiatives and/or government programs

Applicants must be able to commit a limited amount of time to contribute to the WG without remuneration. This will include remote participation via email and about six (90 minute) monthly conference calls between September 2020 and February 2021, with the possibility of extension. Total time commitment is estimated at approximately 15 hours.

The WG will be convened by Verra. Verra staff will be responsible for preparing for the meetings (including developing and sharing short background papers), facilitating WG discussions, collecting additional input from the WG and other stakeholders as needed, and for defining and advancing concrete actions/solutions, which may involve collaborating/partnering with others. Verra may create smaller ad hoc groups to explore specific topics (e.g. finance, GHG modeling, remote sensing/AI) depending on needs and participant interest, availability and expertise. The WG will provide guidance and advice to Verra but will not have decision-making power. The products of this working group may include changes to VCS Program, and potentially other Verra standards, rules, requirements and tools. The working language of the WG will be English. Chatham House[3] rules will be followed in all meetings.

Applications are invited for membership in Verra's Forest Carbon Innovations Working Group until 17 July 2020. Please send applications to Chris Daley at <u>cdaley@verra.org</u> providing name, organization, a resume or C.V. and a brief statement of interest and relevant expertise.

5   References

FAO. 2020. Global Forest Resources Assessment 2020 - Key findings. Rome. https://doi.org/10.4060/ca8753en

Griscom, B. et al. "Natural Climate Solutions" in Proceedings of the National Academy of Sciences October 31, 2017 114 (44) 11645-11650.

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[3] Under Chatham House rules, participants are free to use and discuss the information covered in the working group, but cannot use the identity nor the affiliation of the speaker(s).