

Application of the Oeko-Institut/WWF-US/ EDF methodology for assessing the quality of carbon credits

This document presents results from the application of version 3.0 of a methodology, developed by Oeko-Institut, World Wildlife Fund (WWF-US) and Environmental Defense Fund (EDF), for assessing the quality of carbon credits. The methodology is applied by Oeko-Institut with support by Carbon Limits, Greenhouse Gas Management Institute (GHGMI), INFRAS, Stockholm Environment Institute, and individual carbon market experts. This document evaluates one specific criterion or sub-criterion with respect to a specific carbon crediting program, project type, quantification methodology and/or host country, as specified in the below table. Please note that the CCQI website [Site terms and Privacy Policy](#) apply with respect to any use of the information provided in this document. Further information on the project and the methodology can be found here: www.carboncreditquality.org

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|---|--|
| Sub-criterion: | 3.2.2 Approaches for avoiding or reducing non-permanence risks |
| Carbon crediting program | CAR |
| Project type | Establishment of natural forest |
| Assessment based on carbon crediting program documents valid as of: | 30 June 2021 |
| Date of final assessment: | 20 May 2022 |
| Score: | 3.08 |

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Assessment

Indicator 3.2.2.1

Relevant scoring methodology provisions

“The program requires a risk assessment of the specific project.”

Information sources considered

- 1 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>

Relevant carbon crediting program provisions

Provision 1 Source 1, section 7: “Under this protocol, reversals due to controllable agents are considered “avoidable”. As described in this section, Project Operators are required to identify and quantify the risk of reversals from different agents based on project-specific circumstances. The resulting risk rating determines the quantity of Climate Reserve Tonnes (CRTs) that the project must contribute to the Reserve Buffer Pool to insure against reversals”.

Assessment outcome

Yes (5 Points).

Justification of assessment

The above documentation shows that a risk assessment of each project implying a reversal risk needs to be done. This indicator is thus clearly fulfilled.

Indicator 3.2.2.2

Relevant scoring methodology provisions

“The risk assessment follows a pre-defined and thorough methodology, taking into account the likelihood and significance of non-permanence risks, the measures taken by project owners to manage these risks and their capacity to do so.”

Information sources considered

- 1 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>

Relevant carbon crediting program provisions

Provision 1 Source 1, Appendix A, section 7.2.2: “Project Operators who record a Qualified Conservation Easement or Qualified Deed Restriction in conjunction with implementing a Forest Project will receive a lower risk rating”.

Assessment outcome

Yes (4 Points).

Justification of assessment

Appendix A of CAR’s Forest Project Protocol (source 1) clearly lays out the methodology for undertaking a reversal risk rating. It takes into account risks related to financing, management, social risks as well as natural disturbances and combines default risk factors for most indicators with project-specific risk factors for wildfires. Projects who record Qualified Conservation Easements or Qualified Deed Restrictions can lower their risk rating as these instruments serve to lower the risks associated with the project (provision 1). The indicator is therefore fulfilled.

Indicator 3.2.2.3

Relevant scoring methodology provisions

“The application of the risk assessment is validated by validation and verification entities.”

Information sources considered

- 1 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>

Relevant carbon crediting program provisions

Provision 1 Source 1, section 9.3.9: Verifying calculations of reversal risk ratings and contributions to the buffer pool

Table 9.11. Reversal Risk Rating Verification Items

| Verification Items | | Section of FPP | Apply Professional Judgment? |
|---|---|----------------|------------------------------|
| 1. Financial Risk | Use of a Qualified Conservation Easement or Qualified Deed Restriction, occurrence on public lands, or use of a PIA alone. | Appendix A.1 | No |
| 2. Management Risk | a. Management Risk I – Illegal removals of forest biomass. b. Management Risk II – Conversion of Project Area to alternative land uses. c. Management Risk III – Over-harvesting. | Appendix A.2 | No |
| 3. Social Risk | Social Risk. | Appendix A.3 | No |
| 4. Natural Disturbance Risk | a. Natural Disturbance Risk I – Wildfire. b. Natural Disturbance Risk II – Disease or insect outbreak. c. Natural Disturbance Risk III – Other episodic catastrophic events. | Appendix A.4 | Yes |
| 5. Completing the Risk Rating Analysis | Reversal risk rating calculated correctly using the formula in Appendix A.5. | Appendix A.5 | No |

Assessment outcome

Yes (3 Points).

Justification of assessment

The above documentation specifies that verification entities validate the risk assessment. As for all risk indicators but natural disturbance risks (wildfires) default risk factors are applied, a professional judgment on the risk rating is only necessary for natural disturbances. The indicator can thus be deemed as fulfilled.

Indicator 3.2.2.4

Relevant scoring methodology provisions

“The risk assessment is used to exclude from eligibility projects with a significant unaddressed reversal risk.”

Information sources considered

- 1 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>

Relevant carbon crediting program provisions

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Assessment outcome

No (0 points).

Justification of assessment

Appendix A of source 1 describes the methodology for determining a forest project's reversal risk rating. This methodology does not indicate that projects with a significant unaddressed risk are excluded from eligibility so that the indicator is not fulfilled.

Indicator 3.2.2.5

Relevant scoring methodology provisions

"The program requires project owners to update the risk assessment in case of reversals."

Information sources considered

- 1 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>

Relevant carbon crediting program provisions

Source 1 Source 1, Appendix A: "This risk assessment must be updated every time the project undergoes a verification site visit. Therefore, a project's risk profile and its assessment are dynamic. Furthermore, estimated risk values and associated mitigation measures will be updated periodically by the Reserve as improvements in quantifying risks or changes in risks are determined. Any adjustments to the risk ratings will affect only current and future year contributions to the Buffer Pool. The Reserve may, from time to time, transfer Climate Reserve Tonnes (CRTs) from the Buffer Pool to the Project Operator's account if the Reserve determines that previously assessed risk ratings were unnecessarily high. Alternatively, the Reserve may waive a Project Operator's future contributions to the Buffer Pool until excess contributions from previous years are recouped. If a Forest Project's risk rating increases, the Project Operator must contribute additional CRTs to the Buffer Pool to ensure that all CRTs (including those issued in prior years) are properly insured".

Assessment outcome

Yes (4 Points).

Justification of assessment

The above documentation specifies that the indicator is fulfilled.

Indicator 3.2.2.6

Relevant scoring methodology provisions

“The program requires project owners to have legal titles to the land and/or relevant carbon reservoirs on the land (e.g., timber rights), or legally binding agreements require the project owner’s consent to undertake any measures that may lead to intentional reversals.”

Information sources considered

- 1 Restrictive Covenant and Project Implementation Agreement for forest projects, available at https://www.climateactionreserve.org/wp-content/uploads/2009/03/Updated-Final-PIA-with-Exhibits-and-Recordation-Cover-Page_10-19-12.pdf
- 2 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>
- 3 Reserve Offset Program Manual, March 2021, available at https://www.climateactionreserve.org/wp-content/uploads/2021/03/Reserve_Offset_Program_Manual_March_2021.pdf

Relevant carbon crediting program provisions

- Provision 1 Source 1, article 12.a.3: “Forest Owner owns and holds all right, title and interest in and to the trees and standing timber located on the Property”.
- Provision 2 Source 2, section 2.2: “Control of forest carbon means the Forest Owner has the legal authority to effect changes to forest carbon quantities, e.g., through timber rights or other forest management or land-use rights. Control of forest carbon occurs, for purposes of satisfying this protocol, through fee ownership and/or deeded encumbrances, such as conservation easements.”
- Provision 3 Source 1, section 2: “Forest Owner shall: (i) fulfill all Forest Owner covenants, obligations, duties and responsibilities in both this Agreement and the Forest Project Protocols; (ii) ensure that use of and activity on the Property and the Forest Project complies with both this Agreement and the Forest Project Protocols; (iii) not use or permit any other Person to use any portion of the Property in violation of this Agreement or the Forest Project Protocols; and (iv) prevent any activity on the Property that violates any aspect of this Agreement or the Forest Project Protocols.”
- Provision 4 Source 3, section 3.3.6: “Attestation of title: All project developers must submit a signed Attestation of Title form indicating that they have exclusive ownership rights to the GHG reductions or removals associated with the project and for which the Reserve will issue CRTs. In addition, the project developer agrees that ownership of the GHG reductions or removals will not be sold or transferred except through the transfer of CRTs in accordance with the Reserve Terms of Use policies”.
- Provision 5 Source 1, article 13: “Conservation Easements Permitted. Nothing in this Agreement shall prevent Forest Owner from encumbering the Property with a conservation easement pursuant to California Civil Code Sections 815 et seq. or other similar statutory scheme provided that the obligations owing to the Reserve under this

Agreement and the Access Easement shall remain senior to the conservation easement”.

Assessment outcome

Yes (2 points).

Justification of assessment

The above documentation shows that forest owners (which is the term used for project owners for forest projects) are required to hold legal titles related to the trees and standing timber (provisions 1-4). Additionally, conservation easements may be used to control forest carbon but such agreements are not mandatory (provision 5).

Indicator 3.2.2.7

Relevant scoring methodology provisions

“The program requires the use of legal covenants or agreements (e.g., conservation easements, trusteeships) that restrict or prevent land management practices that would result in reversals (whether by the project owners or other parties).

OR

The program does not require that the above measures are in place but their existence leads to a lower specific risk assessment.”

Information sources considered

- 1 Restrictive Covenant and Project Implementation Agreement for forest projects, available at https://www.climateactionreserve.org/wp-content/uploads/2009/03/Updated-Final-PIA-with-Exhibits-and-Recordation-Cover-Page_10-19-12.pdf
- 2 Forest Project Protocol, version 4.0, June 2017, available at <https://www.climateactionreserve.org/how/protocols/forest/>

Relevant carbon crediting program provisions

- Provision 1 Source 2, section 2.2: “Control of forest carbon means the Forest Owner has the legal authority to effect changes to forest carbon quantities, e.g., through timber rights or other forest management or land-use rights. Control of forest carbon occurs, for purposes of satisfying this protocol, through fee ownership and/or deeded encumbrances, such as conservation easements.”
- Provision 2 Source 1, article 13: “Conservation Easements Permitted. Nothing in this Agreement shall prevent Forest Owner from encumbering the Property with a conservation easement pursuant to California Civil Code Sections 815 et seq. or other similar statutory scheme provided that the obligations owing to the Reserve under this Agreement and the Access Easement shall remain senior to the conservation easement”.

Provision 3 Source 2, section 6.2.1 step 3: “Legal constraints include [...] Other legally binding requirements affecting carbon stocks including, but not limited to, covenants, conditions and restrictions, and other title restrictions in place prior to or at the time of project initiation, including pre-existing conservation easements, HCPs, SHAs, and deed restrictions, excepting an encumbrance that was put in place and/or recorded less than one year prior to the project start date, as defined in Section 3.7”.

Provision 4 Source 2, section 3.7: “A Qualified Conservation Easement is a conservation easement that explicitly (1) refers to, and incorporates by reference, the terms and conditions of the PIA agreed to by the Project Operator, thereby binding both the grantor and grantee – as well as their subsequent assignees – to the terms of the PIA for the full duration of the Forest Project’s minimum time commitment, as defined in Section 3.5 of this protocol; (2) makes all future encumbrances and deeds subject to the PIA; and (3) makes the Reserve a third party beneficiary of the conservation easement.

A Qualified Deed Restriction is a deed restriction that ensures that the Project Implementation Agreement runs with the land and explicitly (1) refers to, and incorporates by reference, the terms and conditions of the PIA agreed to by the Project Operator, thereby Project Operator— as well as their subsequent assignees to the terms of the PIA for the full duration of the Forest Project’s minimum time commitment, as defined in Section 3.5 of this protocol; (2) makes all future encumbrances and deeds subject to the PIA; and (3) makes the Reserve a third party beneficiary of the deed restriction. A deed restriction is not "qualified" if it merely consists of a recording of the Project Implementation Agreement or a notice of the Project Implementation Agreement, as such a recording is already required by the Project Implementation Agreement. The Reserve maintains the discretion to determine whether a deed restriction meets the terms to be considered a Qualified Deed Restriction.

Qualified Conservation Easements or Qualified Deed Restrictions may be voluntarily employed with any project type.

Projects that choose to employ Qualified Conservation Easements or Qualified Deed Restrictions have reduced obligations to the Reserve’s CRT Buffer Pool, as described in Section 7 and Appendix A.”

Provision 5 Source 2, Appendix A, section 7.2.2: “Project Operators who record a Qualified Conservation Easement or Qualified Deed Restriction in conjunction with implementing a Forest Project will receive a lower risk rating”.

Assessment outcome

The second of the two conditions applies (1 Point).

Justification of assessment

The above documentation specifies that the program allows for the use of conservation easements or “qualified deed restrictions” which restrict land management practices that would result in reversals provisions 1,2,3). Such legal agreements are not mandatory, but they lower the

contribution to the program's buffer pool which is dependent on a risk assessment (provisions 4 and 5). It can thus be inferred that the existence of such agreements implicitly lowers the risk assessment of the respective project.

Scoring results

According to the above assessment, the carbon crediting program receives 19 out of 27 achievable points. Applying the scoring approach of the methodology, this results in a score of 3.08 for the approach.