



Plenary  
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# Realizing the promise of REDD

New approaches in voluntary carbon standards for achieving high-integrity REDD at scale

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# Wildlife Conservation Society and REDD



- 15+ years of VCM project development – Makira, Madagascar and Keo Seima Cambodia
- Field-led with staff in over 40 countries
- Staff include authors of multiple past and forthcoming Verra VCS REDD methodologies
- Why WCS believes in REDD
  - Predictable, long-term financing of conservation
  - Makes carbon owners market participants
  - Only mechanism with potential to scale to address need in near term



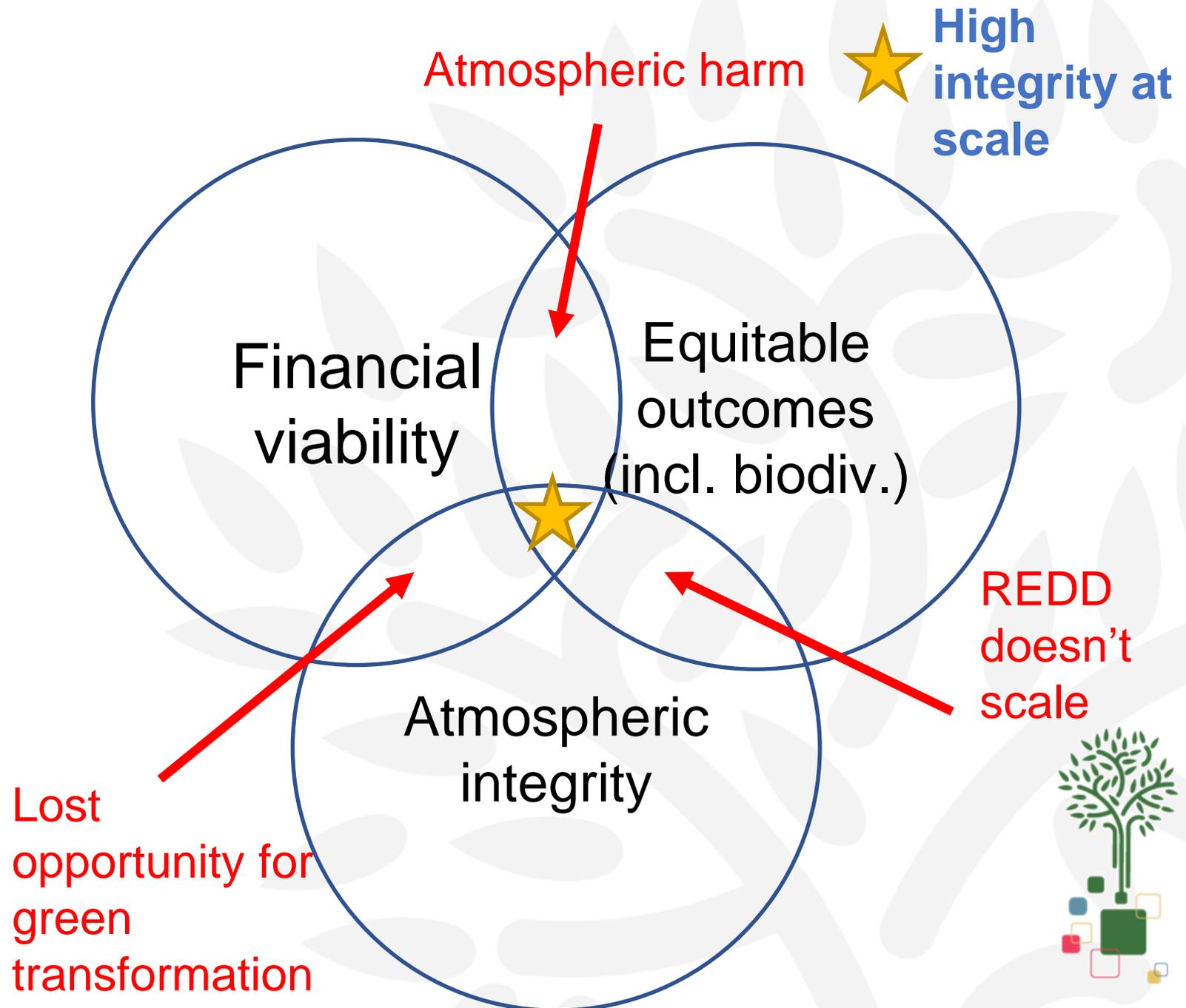
# What is High Integrity REDD?

- Heightened market interest resulting in more scrutiny of ER claims (This is good!)
- What's new: Ability to evaluate counterfactual baselines *ex post*
  - New remote sensing capabilities
  - 15 years of VCM project impact reporting
- More discussion of “high integrity”
  - Atmospheric (additionality, leakage, permanence)
  - Equity
  - Biodiversity



# Getting the balance right

- Atmos. integrity without financial viability can't scale: a global failure to conserve forests
- Financial viability without atmospheric integrity can scale, but with atmos. harm
- Equitable outcomes are not a 'nice to have' – ensure REDD payments drive regional transformation to green economy



# Financial viability

- Donors now expect private sector to finance REDD
- Large upfront costs, multi-year setup
- 5, 10, or more years to achieve any net revenue
- Opportunity cost of foregone alternative land uses
- High Risks for project investors and carbon owners:
  - a) Project performance against baseline
  - b) VCU price volatility
  - c) Regulatory environment around carbon trading
  - d) Risk of poor ex-post evaluation of additionality
- a-c can be mitigated, not d



# 'REDD 1.0' approach for VCM

- 'Reference Region' (RR) acts as proxy for project
- Historical RR rates projected into future
- Projects develop baseline; 3<sup>rd</sup> party validates against rules of methodology

Why was this the approach?

- Data situation much different 10-15 years ago
- Deforestation often really does accelerate locally



# **'REDD 2.0'**

## **VCS consolidated REDD methodology**

- All projects allocated a baseline deforestation rate from a shared jurisdictional estimate
- No more use of trends: historical average only
- Shorter baseline, reassessed every 6 years
- Conservative adjustments applied to both activity data and emission factors
- Shared jurisdictional risk map used to localize deforestation rates to project areas and leakage belts
- Project proponents still responsible for developing emission factors



# VCS consolidated REDD methodology

## - Advantages

- Removes cost and time barriers to project startup
- Increases carbon owner and investor confidence in revenue projections
- Removes perceived (rightly or not) conflict of interests
- Builds momentum towards self-sustaining jurisdictional programs
- Encourages cooperation between project developers, and between VCM and national REDD programs



# Major outstanding questions

## - Risk Maps

- How to define the 'best' map?
  - Can it be reduced to one statistic?
  - Total operating characteristic (TOC)? Area under the curve (AUC)? Other?
  - Global measure vs focus on highest risk areas?
- How to build counterfactual once a project has performance?
  - Simple dynamic variables most predictive (distance to forest edge, distance to deforestation)
  - Dynamic variables may create perverse incentives for later conservation
- How to weigh simplicity vs predictive power? Are 'black box' models undesirable?



# Leakage – Current VCS approaches

Type	Leakage risk	How assessed
Local activity shifting	Local residents deforest in the area around the project, instead of in the project	Leakage belt around project area is monitored against a baseline
Migrant activity shifting	Migrants do not immigrate to the project area, and instead migrate and deforest elsewhere in the country	Percent migrants estimated through social survey, assumed 100% of migrants deforest elsewhere
Deforestation to degradation	Wood that otherwise would have been harvested through deforestation is now harvested through degradation of project area	Evidence of logging monitored in project; ERs adjusted to account for lower carbon stocks of degraded areas
Market effects	Demand for a commodity is met through deforestation elsewhere nationally, rather than deforestation in project area	Proportional to commercial wood volumes in project area vs country



# Major outstanding questions - Leakage

- Attribution of leakage emissions to project activities is challenging
- Complex models or studies may better show attribution, but at high cost and perceived decrease in transparency
- Simple approaches may fail to create incentives for projects to limit leakage
- What is the right balance to create incentives without excessive burden to project?
- Leakage has received substantially less than biomass stocks and baselines



# Summary

- REDD is by far the most mature market-based mechanism to address forest conservation at scale
- Ex post evaluation of additionality has an important role, but must be balanced against practical financial realities of individual projects.
- At least two frontiers for new research on atmospheric integrity:
  - Risk maps – what is ‘best’, and behavior over multiple baseline periods
  - All leakage types need more attention – what is fair to projects while also incentivizing real leakage avoidance?
- Scientific community can help by providing specific recommendations that **build on and improve** existing VCM methodologies



# Thank you.

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