



# How to Harness the VCM for REDD+

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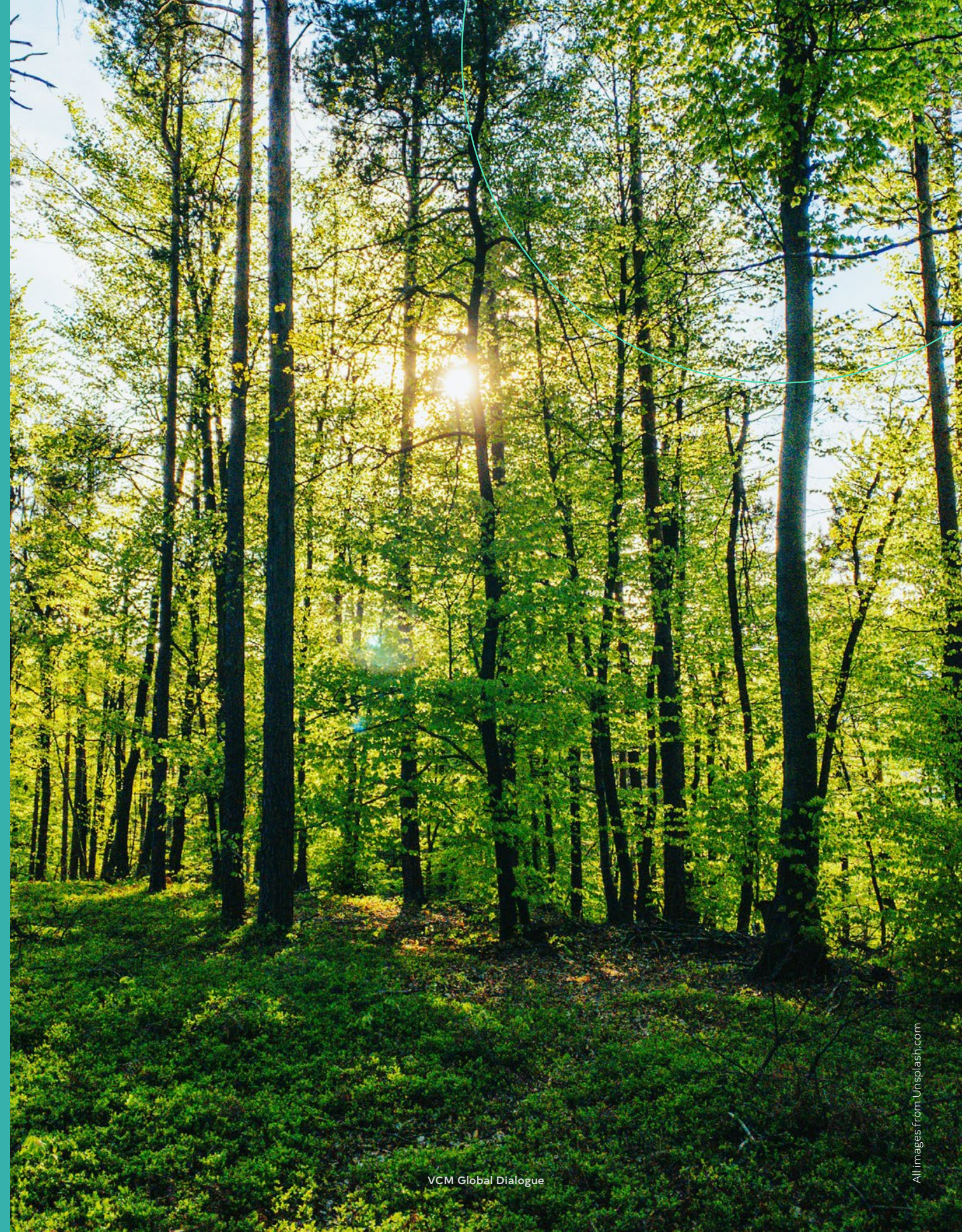




# About the Voluntary Carbon Markets Global Dialogue

Fulfilling the promise of the Paris Agreement will require the widespread adoption of more ambitious mitigation commitments and significantly scaled-up flows of finance, technology, and capacity to developing countries. Well-designed voluntary carbon markets can help to achieve both aims.

**The Voluntary Carbon Markets Global Dialogue** helps to identify how voluntary carbon markets can drive mitigation activities that support national climate plans, local priorities with additional benefits for communities and businesses, unlock greater levels of private investment, and help motivate more corporates to reduce their emissions and to neutralize their remaining emissions. The Global Dialogue team is led by Climate Focus, the Indonesia Research Institute for Decarbonization (IRID), SouthSouthNorth (SSN), and Transforma, with assistance from an inclusive team of leading carbon market experts and analysts, and with the support of Verra.







# How to Harness the VCM for REDD+

By Maggie Comstock, Plínio Ribeiro, Annie Groth

Market mechanisms, including the voluntary carbon market (VCM), are an important way to assign a value to the carbon storage services of forests and to incentivize investment in their protection and conservation. By supporting efforts to reduce emissions from deforestation and forest degradation plus foster conservation (REDD+)<sup>1</sup> through the VCM, investors can accelerate forest-based mitigation efforts while also delivering important social and environmental co-benefits.

In order to investigate how to harness the VCM for REDD+ development, this paper seeks to answer the following questions:

- What is the role of the VCM in driving investments in REDD+ at all scales?
- What needs to happen to ensure that the VCM can develop its full potential for incentivizing REDD+ and who needs to be engaged?

This paper was prepared in two phases. The first phase consisted of a series of consultations with project developers, corporate representatives, academics, governments officials and international conservation organizations across the Global North and South. Consultations took place through one-on-one interviews or surveys. Stakeholders provided insight into research questions for this paper, but were also free to expand on any topic they felt was relevant to the VCM and REDD+. In the second phase, a number of regional stakeholder consultations in Asia and the Pacific, Africa and Latin America and the Caribbean were held to discuss the findings with a wider audience and enhance and enrich the recommendations.

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<sup>1</sup>REDD+ contributes to the sustainable management of forests and the enhancement of forest carbon stocks.



## Main findings

Carbon financing through the VCM is essential to diversify funding sources for REDD+. Current investment in REDD+ and, more generally, agriculture, forestry and other land uses (AFOLU) is insufficient compared to nature's role in contributing to the climate response. While the VCM can play a role in filling part of this investment gap, it is not a silver bullet for all of the climate investment needs in the land sector.

In the specific context of REDD+, there are diverse views on the scale of REDD+ implementation that is best suited for the VCM (e.g., site-scale projects or jurisdictional). Private sector buyers often prefer carbon credits generated by REDD+ projects. For them, it is more straightforward to assess potential delivery and other risks in relation to projects rather than larger government programs.

However, other stakeholders, argue that only government-led programs can ensure long-term sustainable land use and forest conservation.

There is an ongoing debate on REDD+ and the VCM that is centered on the concerns of actors from the Global North. This has led to insufficient representation of relevant stakeholders from the Global South, including local communities, government agencies, forest management units, non-governmental organizations and scientists.

The activities implemented in the context of REDD+ can provide important sustainable development benefits and contribute to several sustainable development goals (SDGs). However, higher-quality projects come at a cost which is rarely valued by carbon buyers.

<sup>2</sup>High-quality credits can be identified using several characteristics, including being additional, not be double issued or counted, and be derived from a robust program that is audited by a third party. Additionally, high-quality credits should maximize social and environmental co-benefits. For a full description, see WWF, EDF and Oeko-Institut. (2020) "What makes a high-quality carbon credit?." Available at <https://bit.ly/2X2id7y>  
 NFCCC. (2021) "Warsaw Framework for REDD-plus." Available at: <https://bit.ly/3gCKNT4>

## Recommendations

- Anti-offset criticisms are often accompanied by misconceptions about REDD+ and the land sector. Addressing overall criticisms of the VCM will require clearer communication, capacity building for all actors and demystifying technical issues. Criteria for high-quality carbon credits can renew confidence in their environmental integrity. As the VCM grows in popularity and scale, so too does the need for consistency and transparency across GHG crediting programs and methodologies.
- "Nesting" REDD+ projects—the process of aligning site-scale projects under a national or subnational REDD+ program—can, if done well, benefit from REDD+ implementation at scale by addressing the drivers of deforestation, leakage and potential accounting misalignment, as well as from the flexibility and speed of private sector investments in projects in delivering local and tangible results. Project- and jurisdiction-level approaches can be harmonized through an adequately designed nesting system, noting that the system requirements are highly dependent on the subnational and national contexts.
- Even where no comprehensive nested REDD+ program exists, project-level REDD+ should be aligned with national policy priorities. Projects could also support and accelerate the implementation of national programs by allocating a share of the finance from voluntary REDD+ projects to support national REDD+ readiness, the strengthening of forest governance and program implementation.
- It is important that SDG benefits of nature-based solution projects are valued not only in words but also in the form of additional payments. Buyers should pay higher prices for higher quality credits.<sup>2</sup> A non-offset financing modality should be designed to support intact forest landscapes, including high-forest, low-deforestation regions and countries, and countries that may not be in a position to develop a market-ready REDD+ program.
- The concerns and priorities of stakeholders from the Global South are rarely heard in international fora and should be given greater consideration. Special attention must be given to amplifying the voices of indigenous peoples and local communities, with the aim of ensuring that local knowledge and participation are utilized to empower local communities and develop the highest-quality projects.

## What is the role of the VCM in driving investments into REDD+?

Scaling REDD+ is critical to achieving climate goals aligned with the Paris Agreement and the Sustainable Development Goals (SDGs). The VCM can bring international private climate finance to developing countries and reward local actors for reducing emissions through avoided deforestation and forest degradation, conservation, sustainable management of forests and enhancement of forest carbon stocks (collectively known as REDD+). The REDD+ framework developed under the United Nations Framework Convention on Climate Change<sup>3</sup> can apply to all types of forests, including mangroves, if they are recognized in the national definition of "forest."

Carbon markets help to rectify flawed economic forces impacting the land sector. The immediate financial return that comes from

cutting down the forest to pursue agricultural commodity production or land development often drives deforestation. To change the economic equation, the VCM helps to value forests for the climate and other services they provide (i.e. by internalizing the carbon externalities). It can scale and accelerate reducing emissions from deforestation and forest degradation by engaging private sector actors who are not required to take climate action under a domestic or international obligation or who wish to go beyond their obligations. The VCM can also serve as a lab of innovation and testing that informs the formulation of regulated markets.

# Voluntary

# Carbon



# Markets

<sup>3</sup> UNFCCC. (2021) "Warsaw Framework for REDD-plus." Available at: <https://bit.ly/3gCKNT4>

## Box 1.

## How can the VCM incentivize intact or natural forests?

Intact or natural forests play an essential role in safeguarding our climate future. A recent paper introduced the concept of “irrecoverable carbon”—ecosystems containing vast stores of carbon that are potentially vulnerable to release from human activity and, if lost, could not be restored by 2050, the year by which the world needs reach net-zero emissions to limit the risk of warming to 1.5 degrees Celsius.<sup>4</sup> This concept of “irrecoverable carbon” demonstrates the need to prioritize intact forests and ecosystems to maintain a safe climate future. However, to-date, carbon markets have proven an inadequate tool to conserve intact forests.

Carbon credit projects must prove that their actions deliver *additional* reductions that would not have happened in the absence of the project. However, this can be challenging for standing, intact forests (many of which are part

of Indigenous-managed lands), as they may historically exhibit low deforestation, evidenced by the fact they are still standing. Yet these intact forests may still be under considerable future threats of deforestation (planned or unplanned). The “counterfactual” scenario for intact forests (i.e., modeling what will happen in the future in the absence of a forest carbon project to avoid deforestation) is extremely difficult to demonstrate in countries or subregions with low historical deforestation. Since the conservation of intact forests is not resulting in ‘emission reductions’ or ‘emissions removals’ generated under carbon market accounting methodologies, other financial tools have to be designed to reward the stewardship of standing forests. There needs to be a non-offset option and investment models for high-forest, low deforestation countries and intact forests that is not under immediate threat of deforestation.

## When is the use of the VCM for REDD+ legitimate and of high integrity?

Not unique to REDD+, anti-offsetting rhetoric has sparked a resurgence of philosophical debates over whether offsets are a valid and legitimate form of voluntary climate action. This has created some hesitation from both buyers and sellers across all sectors, as acquiring carbon credits from REDD+ could lead to accusations of “greenwashing” and reputational damage in the eyes of the general public. The lack of clarity on Article 6 guidance under the Paris Agreement and confusion about the future role of the VCM creates additional insecurities among project developers and buyers.

**Integrity of REDD+ markets recommendation:** Anti-offset criticisms are often accompanied by misconceptions about REDD+ and the land sector. Addressing overall criticisms of the voluntary carbon market will require clearer communication, capacity building for all actors and demystification of technical issues. Additionally,

emerging discussions around “demand-side guardrails” may help ensure that offsets are used to supplement direct emissions reductions and not as an excuse to avoid urgent and necessary decarbonization efforts. As a complement, “supply-side criteria” for high-quality carbon credits can also help to build the credibility of carbon credits and renew confidence in their environmental integrity. As the VCM grows in popularity and scale, so too does the need for consistency and transparency across GHG crediting programs and methodologies.

Several initiatives, such as the [Taskforce on Scaling Voluntary Carbon Markets](#) (TSVCM) and [Voluntary Carbon Markets Integrity Initiative](#) (VCMI), aim to develop common guidance for market participants to address this need.

<sup>4</sup>Goldstein, et al. (2020) “Protecting irrecoverable carbon in Earth’s ecosystems.” Nature Climate Change, Vol 10, April 2020. p. 287–295. Available at: <https://go.nature.com/3vD35tx>



## How to ensure robust accounting and project baselines?

The development and implementation of REDD+ projects is complex and highly technical, which can lead to misunderstandings about technical parameters and their implications. For example, one common misconception around REDD+ projects is that they all have inflated baselines that overestimate deforestation in a region, leading to the generation of too many carbon credits.

In reality, the debate around baselines is much more nuanced. One common criticism of baselines is that the reference regions selected as the basis for comparison can be flawed. Projects developers should select reference regions that share similar characteristics to the project area, including topography, forest type, proximity to roads, pressures that drive deforestation, etc., to help understand the future deforestation trends in the project area. However, some projects developers may select a reference region that is an inappropriate predictor of future deforestation in the project area, potentially overstating the impact of the project.<sup>5</sup>

Another criticism centers on two types of baselines:

- *historical baselines*, which model the rate of deforestation looking back 10 or 15 years according to the rate observed in the region; and
- *site-specific modeling*, which predicts how the deforestation rate in the future will be different from that of the past based on certain factors (e.g., planned forest concessions, plans to build a new hydroelectric power plant close to the project area, etc.).

Historical baselines are considered more conservative estimates; however, they may be an inappropriate approach in areas with significant or increasing *future* threat. On the other hand, modeled baselines try to estimate deforestation rates into the future, which, by its nature, makes it impossible to demonstrate a true "counterfactual" and is therefore often misunderstood as a baseline.<sup>6</sup> In addition, it is important for project developers to communicate openly and clearly how current

baselines are calculated. This is especially important for projects using a reference region since they should comply with the criteria required to estimate a correct baseline. While many of the claims of inflated baselines can be attributed to misunderstanding about how REDD+ baselines are calculated, there are incidents of truly overstated baselines.<sup>7</sup> Concerns about "hot air" are not unique to REDD+ and there are pathways to minimize the risk of artificially inflated baselines.

**REDD+ project baselines recommendation – Importance of harmonizing baseline approaches:** Harmonizing baseline approaches will be key for REDD+ to achieve its full potential under the VCM. This is because an inaccurate baseline either propagates the stereotype that REDD+ projects are concerned with profit seeking over reducing

deforestation (if artificially inflated), or that they may result in insufficient funding going towards preventing deforestation (if artificially low or excessively conservative). In addition, differing baselines between jurisdictional programs and site-specific projects will require reconciliation. The REDD+ nesting process provides an opportunity to align baselines at different scales, in line with the national or regional context. Specific recommendations on the most appropriate way to harmonize baselines depend on the national and local contexts and is beyond the scope of this paper; however, we recommend that baseline harmonization efforts consider the local realities from the national level down to the site scale to ensure that the necessary incentives for avoiding deforestation and enhancing forest carbon stocks flow throughout the jurisdiction.

<sup>5</sup> While this reference region is an important comparison in the design of a project, it is inappropriate to treat it as a "control group" against which one compares the project's performance. If the reference region was intended to serve as a "control," it would create a perverse incentive to maintain the original (or higher) rates of deforestation; whereas, in an ideal scenario, the deforestation rates in the project area should reduce as a direct result of the intervention as well as in the reference region as result of the spillover effects of the project (e.g., addressing the drivers of deforestation at scale, developing and implementing favorable policies, etc.).

<sup>6</sup> For example, if a project with a modeled baseline successfully addresses the impending drivers of deforestation, then the predicted future forest loss has been avoided. Skeptics may then claim that because deforestation rates after the project intervention are much lower than what was predicted to happen in the absence of the project according to the modeled baselines is "proof" that the baseline was overstated or inflated, when, in reality, the lower deforestation rates merely prove the success of the project.

<sup>7</sup> For example, in Colombia, it was recently discovered that two REDD+ voluntary carbon market projects likely had inflated baselines and may have generated more carbon credits than they should have, potentially leading to "hot air." The media suggested that these two projects signaled the failure of all REDD+ projects in Colombia; however, these two projects should not discredit the legitimate climate, social and biodiversity benefits of more than two dozen other REDD+ projects in Colombia that were not singled out by this report.

## Box 2.

## Should emission reductions or removals be prioritized under the VCM?

Within the carbon market community, there is an emerging debate as to whether emission removals should be prioritized over emission reductions. The stakeholders interviewed had a common response to this debate—both emission reductions and removals are needed urgently to achieve global climate goals and which to prioritize depends largely on the national context. However, the issue at hand is one of timing—if the world focuses on carbon removals before addressing deforestation and forest degradation as a current source of emissions, removals will not be able to undo the damage caused.

Ultimately, the priority today should be on both emission reductions and conservation (as forests contain carbon stocks and biodiversity that can be lost much faster than the amount of time it would take to re-grow a forest and attain similar storage benefits) and removals (especially where the latter involves forest restoration and regeneration).

## How can the VCM ensure long-term sustainable development and transformative benefits of REDD+ programs?

REDD+ projects provide several co-benefits beyond combating climate change and conserving biodiversity. They can yield benefits as diverse as reducing poverty, combating hunger, and even achieving gender equality, many of which are aligned with the 2030 Agenda for Sustainable Development. However, it is challenging to convince buyers to recognize and reward these benefits. Even though buyers publicly commit to supporting the Sustainable Development Goals (SDGs), these pledges do not always translate into money spent on credits with clear SDG co-benefits. It is important that the SDG benefits of nature-based solution projects are valued not only in words but also in the form of additional payments.

**Co-Benefits Recommendation – Importance of delivering measurable and tangible co-benefits:** Specialized standards and safeguards focused on

communities and conservation can complement carbon accounting methodologies by ensuring the sustainable development benefits of these projects are implemented, measured and transparently reported. These additional verifications, such as the Climate, Community and Biodiversity Standard (CCBS) and Sustainable Development Verified Impact Standard (SD VISTA), are attractive to offset buyers, as they verify the delivery of important co-benefits.

**Co-benefits recommendation – Paying for SDG benefits:**

Buyers should be ready to pay for SDG-benefits of REDD+ activities. While the methodologies are being further refined, the market has still to fully value co-benefits and SDG benefits. If buyers expect long-term carbon and non-carbon benefits from projects, they should pay more for carbon credits and establish long-term contractual agreements to support the upfront costs.



## How to overcome the VCM REDD+ investment challenge?

Upfront expertise and finance are necessary to implement a carbon project, program or policy and generate credits. High quality activities require extensive stakeholder consultations and expensive feasibility assessments. The costs and complexity of such processes and studies, which may be complicated further by limited access to relevant government stakeholders or investors, can be a barrier to entry for smaller projects and local actors. At the same time buyers prefer carbon credits from high quality projects but are rarely willing to pay more than minimum prices, even when a project delivers multiple additional non-climate benefits. This is particularly true for REDD+ and nature-based credits, which have been marketed in the past as inexpensive emissions reductions. Project developers must balance the sustainability of finance flows and the attractiveness and quality of carbon credits to ensure projects remain competitive and viable (see Figure 1).

Recent commitments and initiatives, such as the Lowering Emissions by Accelerating Forest finance (LEAF) Coalition, signal the growing interest from the private sector in supporting large-scale tropical forest protection.<sup>8</sup> The promise of a higher price for high-quality REDD+ credits is an important start to buyers recognizing and valuing the full suite of benefits delivered by REDD+ credits. However, ex-post finance commitments alone are insufficient for scaling the implementation of REDD+. Upfront investments from both the public and private sectors are also needed, particularly in cases where additional capacity is necessary to access the ex-post finance.

**Financing recommendation – Importance of ex-ante financing:** In particular, governments will depend on ex-ante finance to implement REDD+ jurisdictional programs. While projects will be able to raise finance on the back of a stable carbon price and demand for REDD+ carbon credits, donors and international partners should consider supporting national REDD+ programs with ex-ante finance.

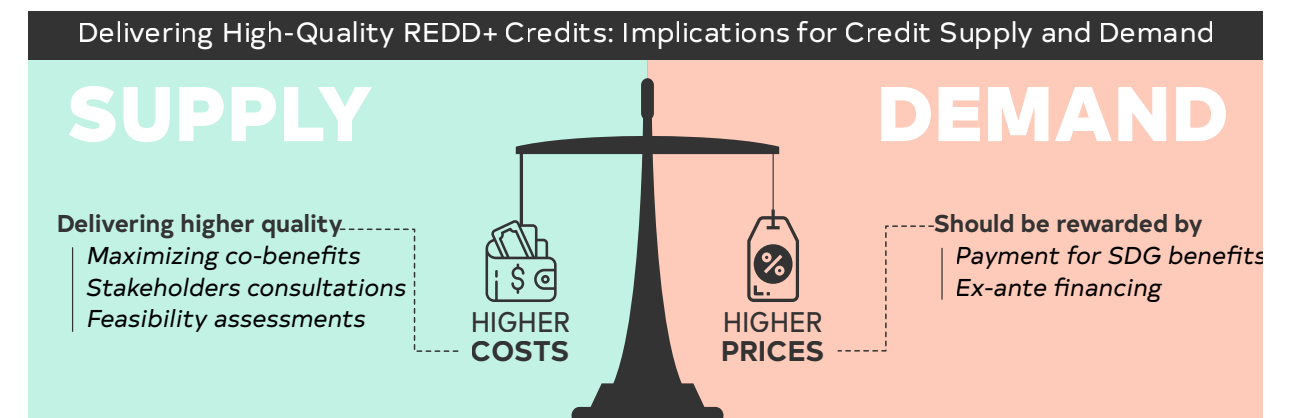


Figure 1. Adjusting financing modalities to project needs will stimulate more REDD+ emission reductions

<sup>8</sup> For example, under the LEAF Coalition, several private sector companies, including Amazon, Salesforce and Unilever, as well as key governments have issued a call for at least 100 million tonnes of carbon credits verified under the Architecture for REDD+ Transactions' The REDD+ Environmental Excellence Standard (ART TREES) in exchange for a commitment to purchase the credits at a floor price of US\$ 10/tonCO<sub>2</sub>e.



## Box 3.

## How can market actors limit the risk of reversals of GHG reductions or policies?

To some extent, mitigation outcomes from all sectors are vulnerable to risks of “reversals” – the release of previously stored or protected carbon or the resumption of emissions after a period of reduced or halted emissions. Risks include political, project management, financial and market risks, and risks from both human actions and impacts beyond human control (e.g., natural disturbances and fires). The risk of reversals, whether of emissions removals, reductions or policies, is one of the most important risks that must be mitigated to ensure the long-term benefits of offsets across all sectors.

In the long term, many of the stakeholders consulted agreed on the importance of establishing a lasting, sustainable forest economy in REDD+ countries that would prevent reversals. In essence, this means ensuring the ecosystem services provided by forests offer more benefits to stakeholders than the potential alternative land uses, as well as addressing the drivers of deforestation at the national level. It also implies that all actors need to be appropriately included in benefit-sharing, otherwise the incentive to deforest is not properly addressed and reversals continue to be a risk.

The risk of reversals can be managed in several ways:

- Conservative, jurisdictional baselines that build in calculations on the natural dynamics of the forest;<sup>9</sup>
- GHG crediting programs that use buffer systems, insurance arrangements and other forms of agreements help manage the risk of reversals inherent to carbon credits; and
- National- and subnational-level REDD+ implementation promotes the long-term sustainability and permanence of REDD+ emission reductions and removals, because it allows countries to systematically address the drivers of deforestation and to measure, report and verify the results of these actions. “Nesting” projects into national or subnational REDD+ programs can also create a long-lasting framework that helps avoid reversals.

<sup>9</sup> Intact forests are both gaining and losing trees in a dynamic process that leads to a relative equilibrium in the long-term (actually, a small net gain year on year). These *natural dynamics* of the forest—with individual trees growing, dying and decaying—are taken into account when calculating total carbon stock and resulting emissions from forest loss. This generates an **average carbon stock value per hectare** (the specific amount differs depending on the type of forest). Therefore, at large (e.g., national) scales, natural disturbances do not usually change mean carbon stock values. Natural disturbances should be monitored, to confirm they are not reaching historically unprecedented levels and modifying average stock values. Fortunately, most intact forests are experiencing net growth (net carbon sinks) apparently due to CO<sub>2</sub> fertilization.



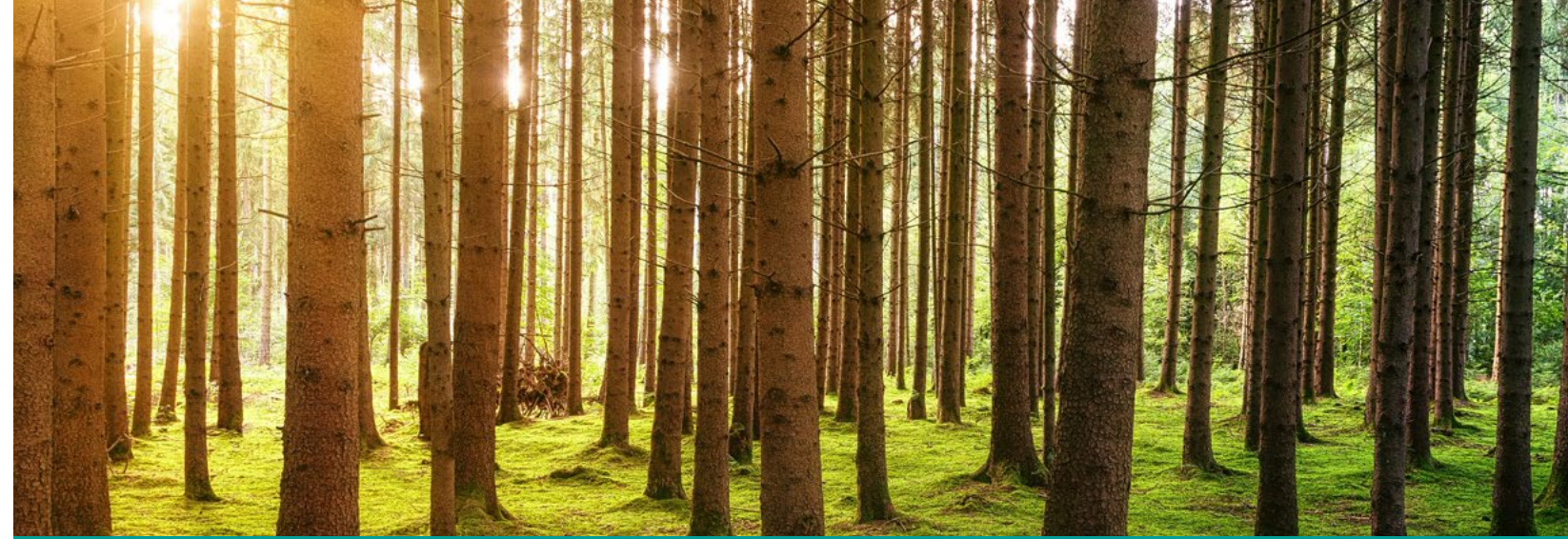
# How can VCM projects support REDD+ efforts by governments, and what is the role of nesting?

In the specific context of REDD+, there are diverse views on the scale of REDD+ implementation that is best suited for the voluntary carbon market (e.g., site-scale projects or jurisdictional). To date, all REDD+ credits have been generated at project or site scale. Private sector buyers often prefer project-based REDD+ credits, in part because it is relatively more straightforward to assess potential delivery and other risks associated with projects, and to understand the precise implementation actions undertaken to deliver localized results. In addition, VCM projects enable buyers to tell a place-based “story” about the climate intervention and the co-benefits they provide. This has led the VCM’s development to have been particularly buyer-focused, where project location and proximity to a company’s operations can be an important factor.

Delivery risks at the jurisdictional scale can be much higher, which makes supporting a jurisdictional program a difficult proposition for

investors or buyers that count on the delivery of credits. However, VCM REDD+ projects can support government efforts by piloting and accelerating on-the-ground actions to enhance the value of standing forests and reduce the pressure of illegal deforestation and forest degradation. VCM projects can also be considered a “laboratory” for new activities, creating innovative business opportunities and testing new technologies to enhance forest carbon stocks.

It is important to note that private sector preference for credits from site-scale projects was not shared among all stakeholders consulted for this paper. Some respondents, particularly from governments and academia, noted that this historical preference for project-based approaches will need to shift to implementation at a jurisdictional level, as national and subnational REDD+ programs are better placed to address the drivers of deforestation through policy interventions.



While views varied on whether site-scale implementation is preferable to jurisdictional approaches, most respondents agreed that site- and jurisdictional-scale approaches to REDD+ implementation can co-exist in harmony, provided there is transparency in accounting and benefit sharing.

A fundamental characteristic of the Warsaw Framework for REDD+ is that governments develop context-specific, national and subnational strategies for reducing emissions from

deforestation and forest degradation. The Warsaw Framework for REDD+ is not prescriptive with respect to how governments recognize site-scale implementation efforts, as each country may determine whether and how to “nest” site-scale REDD+ activities or projects. “Nesting” REDD+ projects—the process of aligning site-scale projects under the national REDD+ program—can ensure alignment in accounting, monitoring, benefit sharing, etc. Figure 2 provides an overview of REDD+ approaches playing out at various scales.

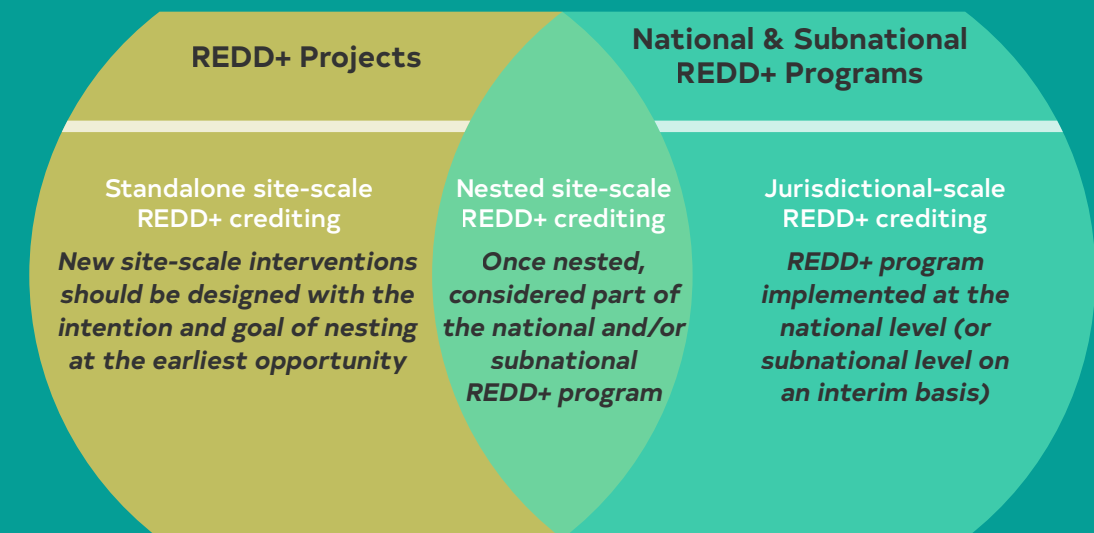


Figure 2. REDD+ Approaches at Various Scales

Source: The Nature Conservancy and Conservation International. (2021) “Eligibility Requirements for REDD+ Standards and Financing.” Available at: [www.conservation.org/redd-standards](http://www.conservation.org/redd-standards).



Nesting, if done well, can yield the benefits of REDD+ implementation at scale (i.e., addressing the drivers of deforestation, leakage and potential accounting misalignment) as well as the flexibility and speed of private sector investments in delivering local results. Nesting REDD+ projects into the national or subnational REDD+ program can help align incentives for forest-based mitigation at local, subnational and national scale and support governments in achieving their national climate commitments. For example, areas with higher deforestation risk may receive an allocation or proportion of the national reference level that reflects the fact these areas are at greater risk of being deforested. Transparent and coordinated forest reference emission levels can enhance the credibility of emission reductions and reduce measurement, reporting and verification-related costs. Concerns around how benefits and incentives flow can be addressed through benefit-sharing agreements that enable rewards to flow to all stakeholders involved in the process. The best approach for allocating the national forest

reference emission level and sharing incentives depends on the national context of the country.

**Nesting recommendation – Coordination for scaling up:** As countries continue to ramp up their REDD+ implementation effort, private sector actors with VCM project experience should coordinate their efforts with the government to help scale up conservation; share lessons, expertise and access to private finance; and support the development of related policies, including input to develop guidance on nesting, the improvement of national monitoring, reporting and verification systems, safeguards and information systems.

**Nesting recommendation – Sharing resources:** Projects can also support national programs by allocating a share of the finance from voluntary REDD+ projects to national REDD+ readiness, strengthening of forest governance and program implementation.

## How can the VCM better reflect the voices of all relevant stakeholders, including local actors?

To date, the voices of the private sector, project developers and standard setters have dominated the global discussions on the future of the VCM. This has led to insufficient representation participation by of relevant stakeholders from the Global South, including local communities, government agencies, forest management units, non-governmental organizations and scientists. This has created a disconnect between private sector demand (often from the Global North) and the carbon credit suppliers (often from the Global South).

The goal of strengthening the voices of carbon market stakeholders, whether they are at a local, regional or global level, is to create greater recognition of VCM's role alongside regulated markets, strengthen the credibility of VCM REDD+ projects, and ensure that local knowledge and participation is utilized to develop highest-quality projects.

**Relevant stakeholders' recommendation – Amplify diversity of voices:** International initiatives should give carbon market suppliers a voice and create greater diversity by including private sector and local community representatives. On a more global level, stakeholders need their views represented in a fair and non-biased way within national and international debates, as well as through public consultations.

**Relevant stakeholders' recommendation – Increase clarity from public views:** Public actors across different countries are also underrepresented and under-consulted on REDD+ developments under the VCM. Even if they see the VCM as a vehicle exclusively relevant to private actors, it is important for government actors to engage, monitor and collaborate where needed. This type of clarity from public actors can help give further credibility to the VCM.



## How to ensure a fair participation of indigenous peoples and local communities?

The involvement of indigenous peoples and local communities (IPLCs) is essential for the success of REDD+. For the VCM to develop its full potential in supporting climate change mitigation, all stakeholders need to properly be engaged. The market will thrive if all its participants — project developers, certification standards, auditors, governments, traders, and buyers — see its value. However, IPLCs occupy a special place: they are the most directly impacted by implementation activities and their engagement is essential to a project's success. For many, carbon markets are often abstract constructs, and they have not always had good experiences when engaging with the market. Building trust, especially through appropriate benefit-sharing mechanisms, is essential.

### **IPLCs recommendation – Prioritize FPIC as an essential process:**

Free, Prior and Informed Consent (FPIC) helps to achieve greater transparency and accessibility to ensure IPLCs understand REDD+, the VCM and how it functions, high-quality standards and methodologies, as well as relevant risks and opportunities.

**IPLCs recommendation – Create knowledge hubs:** Another approach is to create either national or regional knowledge hubs to collect information on projects to better guide buyers and sellers. Governments can eventually develop these hubs; however, private project developers are currently best-equipped to build up these hubs for knowledge-sharing. In particular, these hubs could help developers in exchanging best practices and help buyers identify projects with high quality credits.



## Concluding thoughts and recommendations

Carbon financing through the VCM is essential to diversify funding sources for REDD+. Current investment in REDD+ and AFOLU is insufficient compared to nature's contribution to the climate response. While the VCM is not a silver bullet for all of the climate investment needed in the land sector, it can play an important role in incentivizing investments into REDD+. However, it is imperative that general growing misconceptions about offsetting and misunderstanding about REDD+ are addressed urgently. During regional consultations in June and July 2021, "misconceptions" emerged as the most important barrier by stakeholders as undermining REDD+ in the VCM. It is therefore essential that GHG crediting programs, project developers, experts and other stakeholders start interaction with

broader constituencies, including governments, to discuss the role that REDD+ can play under the VCM. This involves assessing potentials, but also identifying limitations and complementary (ex-ante) sources of finance. In this regard, it is encouraging that project developers and host countries have found that many philanthropic investors and companies are increasingly looking for investments that go beyond "saving trees" by seeking projects that also demonstrate additional social and economic impacts in line with their corporate social and environmental responsibility goals. With appropriate price signals and the backing of additional sources of finance, the VCM can help to value the climate services of forests and to incentivize investment in their restoration, protection and conservation.

