Libreville Work Plan for high-quality and high-integrity carbon markets to finance tropical forests

Preamble

COP27 and COP15 have recognized that the conservation, sustainable management and restoration of tropical forests are central both to fight climate change and protect biodiversity, and that governments as well as indigenous peoples and local communities (IPLC) and the private sector have a key role in this endeavor.

COP27 emphasized the importance of protecting, conserving and restoring nature and ecosystems to achieve the Paris Agreement temperature goal, including through forests and other terrestrial and marine ecosystems acting as sinks and reservoirs of greenhouse gases and by protecting biodiversity, while ensuring social and environmental safeguards.

To achieve this goal, there is an urgent need to step up climate and nature financing[1].

While public investment and the alignment of all private financial flows on the Paris Agreement and the Global Biodiversity Framework will play a key role, there is a need to design new, innovative financial mechanisms to generate additional resources to finance this transition.

1- Voluntary Carbon Markets

In this context, carbon markets have an important role to play. Well-designed and high-integrity carbon markets have the potential to provide countries and public and private actors with significant, additional, and stable financial resources to fund a just transition towards a carbon-neutral and nature positive world where IPLCs thrive. However, in 2022, whilst the global compliance carbon market has soared to $850 billion (+250% compared to 2020) the voluntary carbon market accounts for only $2 billion.

[1] The COP26 and COP27 Presidencies' report on climate finance indicates that that world needs to mobilize $1 trillion per year in external climate finance by 2030 for emerging markets and developing countries (EMDCs) other than China. The Kunming-Montreal Global Biodiversity Framework adopted a goal to close the annual $700B biodiversity finance gap.

Voluntary carbon markets are currently particularly dynamic and are expected to reach a market size of $10 – 40 billion in 2030, amounting to 0.5 – 1.5 gigaton of retired CO_2, comparable to the current emissions of the aviation industry, but this remains a modest quantity compared to global carbon emissions.

The potential for generating nature-based carbon credits is particularly significant in tropical forest countries. From 2015 to 2021, 41% of carbon credits derived from the voluntary market were from forestry and land use projects. The private sector is increasingly interested in financing sustainable forest management and restoration. Furthermore the net-zero commitments announced by many corporates and financial actors require concrete and urgent action to first reduce the emissions in their value chains, then to green their portfolios, and eventually contribute to mitigation projects beyond the value chain. Other CSR objectives, as well as reputational issues, also explain the growing interest of financial actors and corporates for the voluntary carbon market.

However, voluntary carbon markets face significant challenges and critics, which undermine their development and their benefits to tropical forests countries and their populations.

Carbon markets are criticized on four fronts:

1) **Environmental Integrity** – additionality, baseline setting, the risk of non-permanence and leakage, independent certification & transparency, spillover effects.
2) **Social and economic impact –** need for equity in the use of proceeds and value-sharing mechanisms at all scale (state and local community), respect for the rights of indigenous populations and local communities.
3) **Sustainable Development Benefits –** carbon credits may fail to take into account social and biodiversity co-benefits, non-carbon climate benefits, potential for transformational change.
4) **Legitimacy** as an effective tool for societal decarbonisation. Offsetting as a diversion for emission reductions, risk of greenwashing, double-counting, slower internal decarbonisation.

As a result, voluntary carbon markets are currently uncertain, highly fragmented and heterogeneous in terms of quality, certification standards, marketplaces and prices, constraining both supply and demand. There is evidence for a small price premium on biodiversity-positive forest carbon credits, but it is insufficient. The development of jurisdictional carbon credits offers a partial response (risk of leakage) to these criticisms, but it does not meet all needs and implies that we overcome important challenges, including the challenge of "nesting" project-scale carbon credits into jurisdictional-scale programs to ensure that accounting is aligned and benefits are shared equitably.

For all these reasons, voluntary carbon market fails both to sufficiently incentivize the emission of high quality, high-integrity carbon credits and to channel significant financial resources towards forestry countries in the form of higher price premiums and higher demand for their carbon credits.

2- Jurisdictional and Sovereign initiatives

The UNFCCC REDD+ framework provides the guidance and rules governing result-based payments at national and sub-national levels. REDD+ regulations were agreed in the Warsaw framework in 2013 and enshrined in Article 5 of the Paris Agreement.

While non-UNFCC “REDD+” credits have proliferated in the VCM, the establishment of REDD+ programs at the national and sub-national levels have lagged for many reasons, among them the 10-years of negotiations it took to achieve agreement in the UNFCCC, lack of initial financial resources, weak capacity building for REDD+ readiness, and issues around baselines setting, additionality, leakages, credibility, corruption and human well-being.

Today, some jurisdictional and sovereign REDD+ units are starting to become available for results-based payments. This is seen by countries as a way to finance forests that include positive biodiversity and social co-benefits and that will actively protect standing intact forests and ecosystem carbon sinks. The possible sale of jurisdictional REDD+ on carbon markets may require further alignment with the carbon market rules and exigences.

For this market to realize its climate potential, additional systems may be required to ensure that purchasers can be confident that high standards of environmental and social integrity apply to these instruments. In particular the challenge of guaranteeing the environmental and social integrity of forest carbon credits issued by sovereign states needs to be addressed.

3- Libreville Work Plan

States, public and private financial institutions, corporates, certification bodies, and other parties, gathered during the One forest summit recognize the need to accelerate the development of a high-integrity and high-quality unified carbon market to finance the sustainable management and restoration of tropical forests, in order to reduce emissions and to improve carbon sequestration, with triple climate, nature, and social co-benefits.

. In addition, with deep and immediate emissions reductions, collective action is needed to restore and improve forest ecosystems in a sustainable manner around the world and harness their potential as a nature-based solution, as defined by UNEA5 with appropriate safeguards, to fight climate change.

On this basis, a Libreville Work Plan will frame the forthcoming discussions on 4 areas of work of special importance:

Quality & integrity

- Work towards the harmonization consistent with article 6 of the Paris agreement, for monitoring, reporting and verification standards, to guarantee the additionality, integrity of baseline setting, minimize the risks of non-permanence and leakage, transparency and independent verification of all carbon credits.
- Demonstration that high-quality carbon credits co-benefits for biodiversity and local communities and local governments are verified'.
- Work with the GEF high-level expert group to implement their recommendations and to better integrate biodiversity and social co-benefits into carbon credit standards.

Use of credits and offsetting

- Work on precise criteria to guide stakeholders pursuing the sale of carbon credits towards companies and actors aligned with a credible, Paris agreement -aligned climate strategy, consistent with a 1.5°C pathway and independently verified by a third party or publicly disclosed (e.g. Science Based Target Initiative, Transition Pathway Initiative, VCMI)
- Define precise criteria for buyers (1) to develop a climate strategy aligned with the objectives of the Paris Agreement and only buy carbon credit once the "avoid-reduce" part of their strategy is in place

; (2) to disclose on their gross carbon emissions and to be clearly state carbon reductions coming from our operations and climate contribution coming from carbon certificates and (3) to communicate responsibly on carbon credit, ie refrain from claiming any carbon neutrality at a the corporate level

Extension of the market

- Acknowledge the need to integrate the specific needs and context of HFLD countries mobilizing existing instruments and developing new tools to provide impact finance for them, such as nature certificates and biodiversity-positive carbon credits mentioned by the GEF high-level expert group
- Support blended-finance mechanisms and the role of development banks to develop a pipeline of high-quality initiatives with significant co-benefits for biodiversity and local communities.

Collaboration

- Identify and assess the feasibility of the evolutions needed from all parties to set up a high-integrity, high-quality market for carbon credits from forestry countries, and to use existing and innovative financial instruments
- Share experience and expertise to disseminate good practices among countries, and verification organizations.
- Examine the feasibility and conditions under which could be establish a possible floor price for high-integrity, high-quality carbon credits.

On all these topics, a technical dialogue within the One Forest Lab or any other relevant initiative, including the carbon market initiative of the Forest and Climate Leader's Partnership (FCLP) or the global partnership proposed by the GEF-coordinated high-level Working Group, will be convene very shortly.

In this framework the feasibility of a roadmap for the establishment of high-quality and high-integrity carbon markets will be assessed before COP 28 Climate in November in Dubai, with intermediary milestones at:

- The summit on the Three Rainforest Basins in Brazzaville
- The Summit for a New Global Financing Pact in Paris in June 2023.
- A call to support this Libreville Work plan and to join the technical dialogue were launched during the One forest summit.