

**NATURE-BASED
SOLUTIONS
IN BRAZIL**



NBS BRAZIL ALLIANCE
NATURE BASED SOLUTIONS

GUIDE FOR
a responsible
purchase of REDD+
credits in Brazil

nbsbrazilalliance.org

ABOUT US

NBS Brazil Alliance aims to promote and encourage an agenda to combat deforestation and forest degradation by creating guidelines and good practices, generating a safe and reliable business environment. The union of institutions brings better positioning and greater influence on public policies related to the topic, achieving greater scale, quality, liquidity, and strengthening the ecosystem.

NBS Brazil Alliance is a private, non-profit association and its members and founding members include AgroCortex, Bioassets, Biofilica, Carbonext, EcoSecurities, BVRio, FAS, First Climate, IDESAM, Mirova Natural Capital – Althelia Funds, Permian Global, Sustainable Carbon, and South Pole.

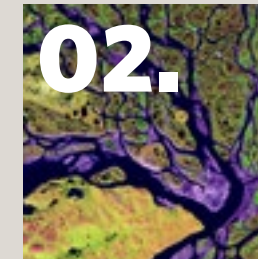
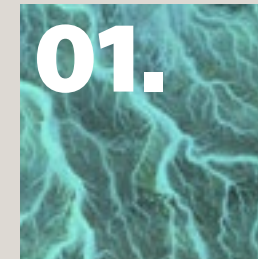
COMPANIES THAT CONTRIBUTED TO THIS REPORT:

Alcoa, Biofilica, Carbonext, Instituto Ekos, Deloitte, Enel, Fundo Vale, Gol Linhas Aéreas, Idesam, Ipiranga, Lojas Renner, Markit, Mercado Livre, Mirova, MOV, Neoenergia, Norsul, Palladium, Permian Global, South Pole, Stocche Forbes Advogados, Sustainable Carbon, Ultragaz, Vale, Vivo.



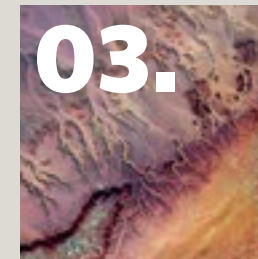
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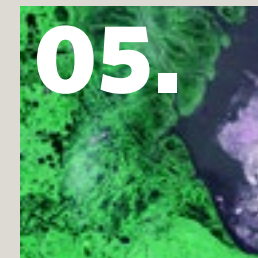
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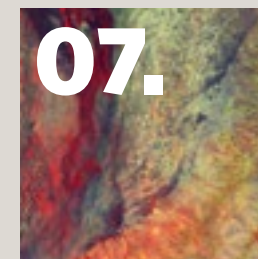
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LIST OF RELEVANT TERMS

CCB: Climate, Community & Biodiversity is a methodology that identifies projects that simultaneously address climate change, support local communities and smallholders, and conserve biodiversity.

Carbon credits: is a certificate that certifies and recognizes the reduction of greenhouse gas emissions. (1 credit = 1 ton of CO₂e)

Scope 1: direct GHG emissions from sources that are owned or controlled by the organization.

Scope 2: indirect GHG emissions from the acquisition of electricity that is consumed by the organization.

Scope 3: optional reporting category, considers all other indirect emissions, arising from the organization's activities and that occur in sources that do not belong or are not controlled by the organization.

GHG: Greenhouse Gases, responsible for global warming.

IPCC: Intergovernmental Panel on Climate Change, lead by the United Nations.

NbS: Nature Based Solutions.

Net zero: When emissions are balanced via removals and/or anthropogenic offsets over a given period.

SDG: Sustainable Development Goals.

REDD: Reducing Emissions from Deforestation and Forest Degradation.

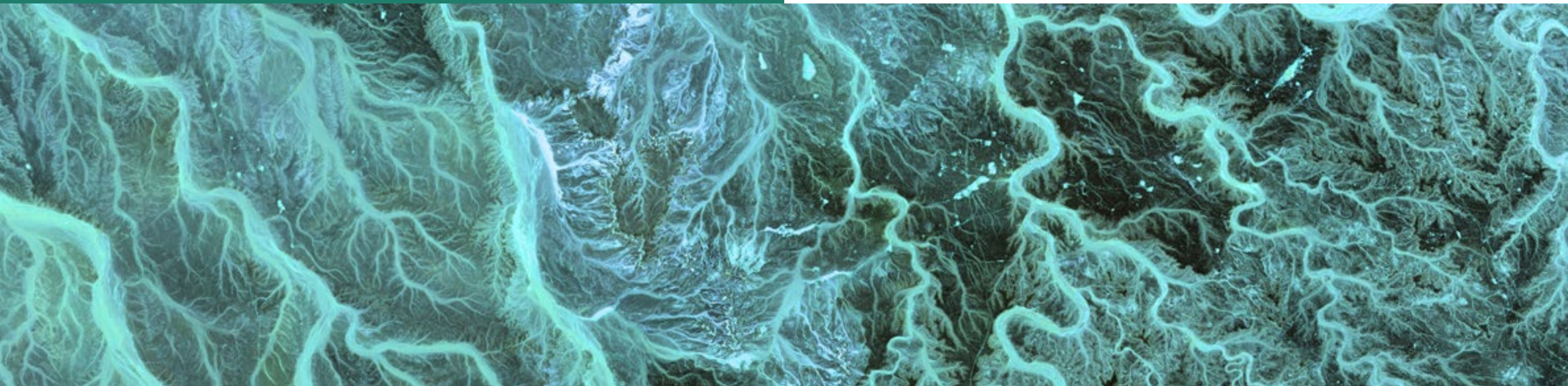
VCS: Verified Carbon Standard, allows certified projects to transform their greenhouse gas (GHG) reductions and removals into tradable carbon credits.

Verra: develops and manages standards that are globally applicable for certified carbon projects.

01. CONTEXT

Climate change, biodiversity loss and other environmental changes caused by human activities are among the greatest perceived risks today.

WEF - The Global Risk Report, 2021¹ +



According to the Intergovernmental Panel on Climate Change (IPCC), human activities have already caused a 1.07°C increase over pre-industrial levels. To sustain safe levels of temperature increase (by up to 1.5°C), we need to reach a net zero emissions economy by 2050.

IPCC, 2021² +

Action is imperative. To achieve these goals, the world must gradually transition to new paradigms: low-emission industries and the use of fuels from renewable sources.

IEA - Net Zero by 2050, 2021³ +

The extent of this challenge calls for the adoption of multiple actions, of different dimensions, to reduce GHG emissions also in the short term. To this end, investments in Nature-based Solutions (NbS) are critical and necessary for transitioning to a net zero economy.

WRI, 2021⁴ +

Within the set of NbS options—which includes improvements in agricultural management, soil carbon sequestration, and forest restoration—conservation of natural ecosystems should be a priority for a number of reasons. The IPCC Special Report on Climate Change and Land found that reducing deforestation and forest degradation rates is one of the most effective and powerful options for mitigating climate change.

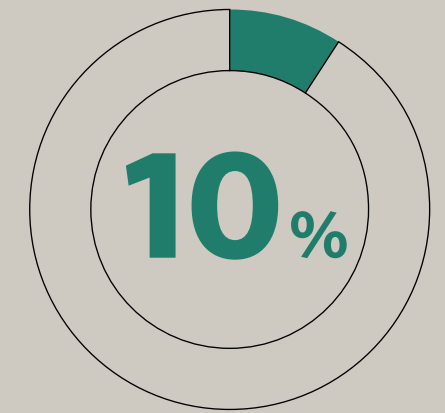
IPCC, 2019⁵ +

The report also pointed out that improvements in forest management and reduction of deforestation and degradation are among the few mitigation options that provide undisputedly positive contributions to climate adaptation, biodiversity conservation, and other Sustainable Development Goals (SDGs).

Nature-based Solutions (NbS) should, therefore, play a central role in combating climate change in the coming decades and initiatives to reduce emissions from deforestation of tropical forests should play a central role for Brazil, from both an environmental and economic standpoint.

IPCC, 2019⁵ +

Developing innovative solutions that combine social and economic development in tropical forest regions while conserving these biomes and using natural resources in a sustainable way is one of the keys to connecting Brazil to the new economy of the 21st century, based on sustainability and valuation of environmental services. This is how the Amazon is configured, as a provider of essential environmental services to the world.



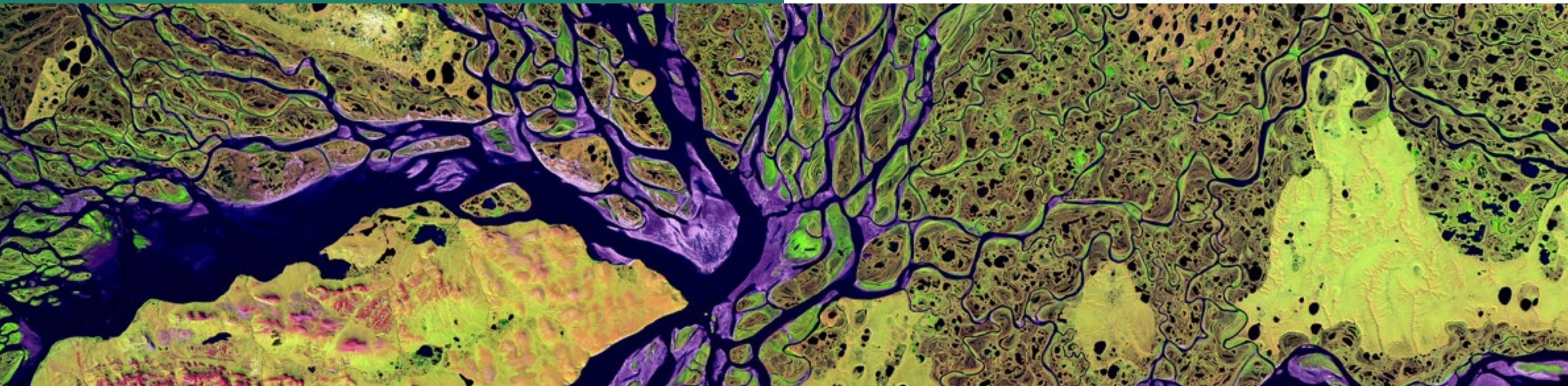
The Amazon covers 60% of the Brazilian territory but generates less than 10% of the country's GDP.

IBGE, 2018⁷ +

02.

PURPOSE AND RELEVANCE OF THIS GUIDE

The purpose of this guide is to support corporate emission offsetting strategies that encourage the reduction of deforestation.



The main purpose of this Guide is to support the development of integrated strategies by Brazilian and global companies for offsetting GHG emissions, aiming to encourage a reduction in deforestation in the Brazilian Amazon and foster a new standing forest economy.

The Guide has a practical format, with “guiding questions” to help clarify key points for the responsible purchase of forest carbon credits in Brazil that meets corporate commitments and delivers the package of social and environmental benefits required for the sustainable development of the Amazon.

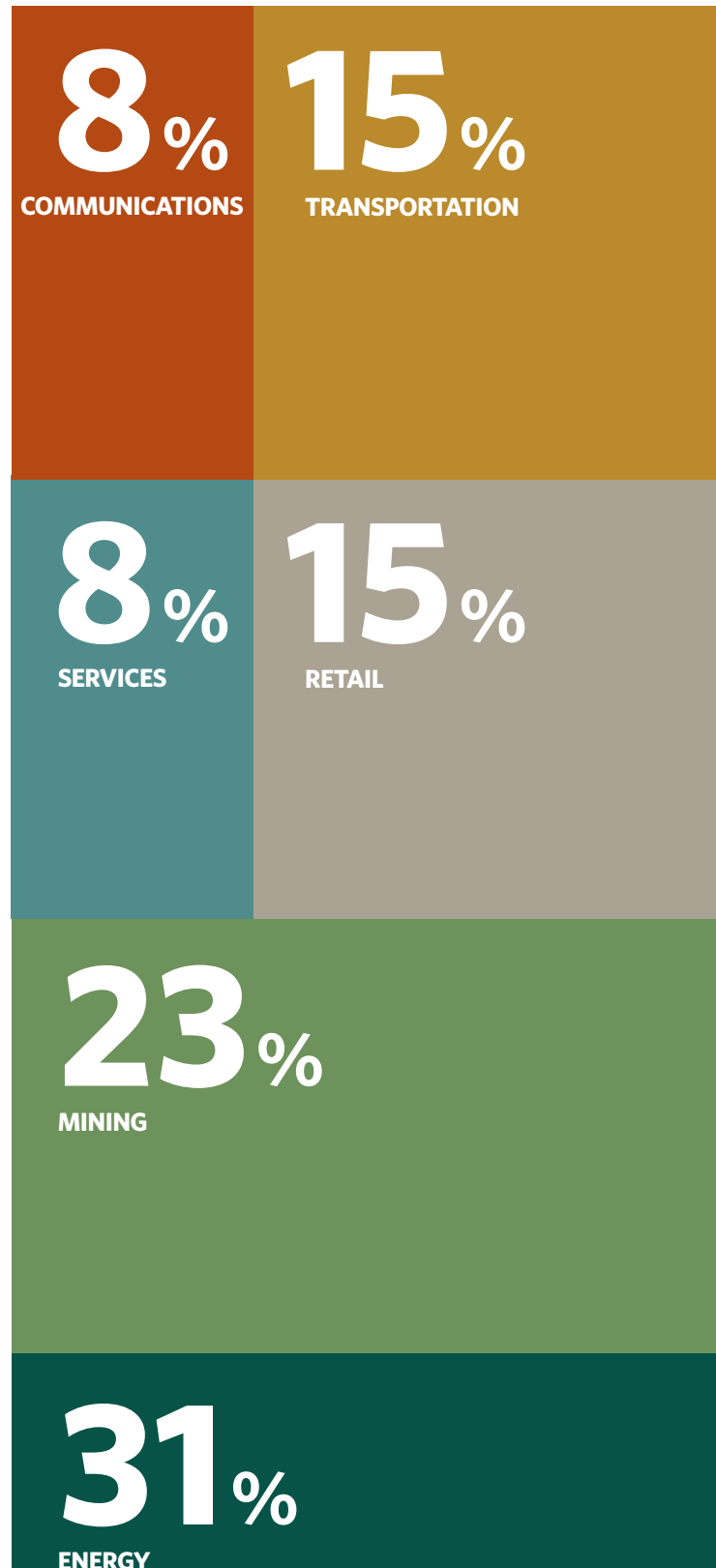
The set of actions that connect net zero goals with activities to conserve and reduce deforestation in the Amazon are consolidated within the REDD+ mechanism⁸.

PROCESS FOR DEVELOPING THIS GUIDE

The development of this Guide involved conversations and interviews with 25 companies, including investors, companies buying carbon credits, registration platforms, and carbon project developers.

The total emissions of the companies which participated in the dialogue process amount to more than 500MtCO₂e per year, including scopes 1, 2, and 3.

COMPANIES BY SECTOR



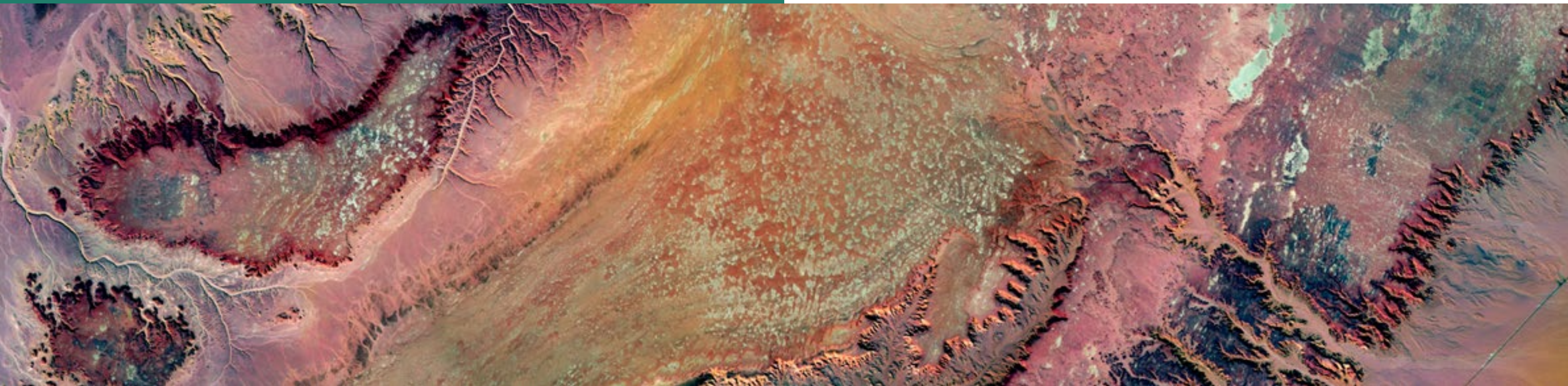
Main highlights of the dialogue process with the companies:

MANAGEMENT LEVEL OF THE COMPANIES INTERVIEWED		
CARBON MANAGEMENT IS INSUFFICIENTLY DEVELOPED	CARBON MANAGEMENT BEING DEVELOPED	GOOD CARBON MANAGEMENT
<i>did not approach the definition of goals and commitments for reduction and mitigation so far</i>	<i>are in process to define goals and commitments for reduction and mitigation</i>	<i>consider the theme as strategic and has set metrics, goals and programs or commitments for reduction and mitigation</i>



03. NET ZERO CORPORATE COMMITMENTS

In the last two years, we have experienced a boom in corporate commitments to reduce and offset GHG emissions.



These are the so-called “net zero commitments,” in which companies commit to reduce emissions from their activities and value chain and offset the internal emissions that are difficult to reduce⁹.

WORLD BANK, 2020⁹ +

In this way, this global movement aimed at reducing and offsetting GHG emissions establishes in companies a **carbon management** process that is tied to net zero commitments. Many companies and sectors of the economy still encounter technological and economic constraints to achieve zero GHG emissions from their internal processes. To overcome these restrictions, companies seek options to offset internal emissions, such as purchasing certified **carbon credits**.

The result is the emergence of the so-called carbon markets, which can play an important role in channeling investments to sectors with high potential for reducing emissions in the short term, such as reducing deforestation of tropical forests.

Mobilizing private investments for forest conservation through voluntary carbon markets can be a great opportunity for conserving forests and reducing deforestation, especially in the Amazon, allowing its transition to a new, resilient, low-carbon forest economy.

Coupling corporate commitments to reduce and offset GHG emissions with actions to reduce deforestation in the Amazon could further provide a package of benefits to Brazilian society and the economy, such as the protection of biodiversity and traditional populations, water and energy security, reduction of pollutant emissions, and conservation of habitats that, if altered, could lead to new global pandemics such as COVID-19.

NATURE¹⁰ +

REGULATED MARKETS:

Today, there are 61 carbon pricing initiatives in the world, led by countries and jurisdictions that have developed specific instruments and policies to reduce emissions. Regulated carbon systems include 31 emissions trading systems and 30 carbon tax systems, encompassing 12GtCO₂e, or approximately 22% of global GHG emissions.

WORLD BANK, 2020¹¹ +

VOLUNTARY MARKETS:

Voluntary carbon markets are led by the private sector through voluntary targets for reducing and offsetting emissions, such as corporate net zero and carbon-neutral targets. In 2020, the voluntary carbon markets generated a reduction of about 100MtCO₂e and mobilized approximately \$300 million. However, with the exponential growth of targets taken on by large companies to offset their carbon footprint, the voluntary carbon markets are expected to deliver a reduction of 2GtCO₂e and mobilize investments of \$30 billion by 2030.

TSVCM, 2021¹² +

This volume of emissions is relevant, similar to the total annual emissions of Brazil

SEEG, 2019 +

A carbon credit is a certified reference unit which proves that a project has avoided emitting or has removed 1 ton of carbon dioxide equivalent (tCO₂e) from the atmosphere. 1 carbon credit is equivalent to 1 tCO₂e.

Today, 124 countries and 21% of the world’s 2,000 largest private companies, accounting for an annual revenue of \$14 trillion, have set net zero targets.

OXFORD NET ZERO, 2021¹³ +

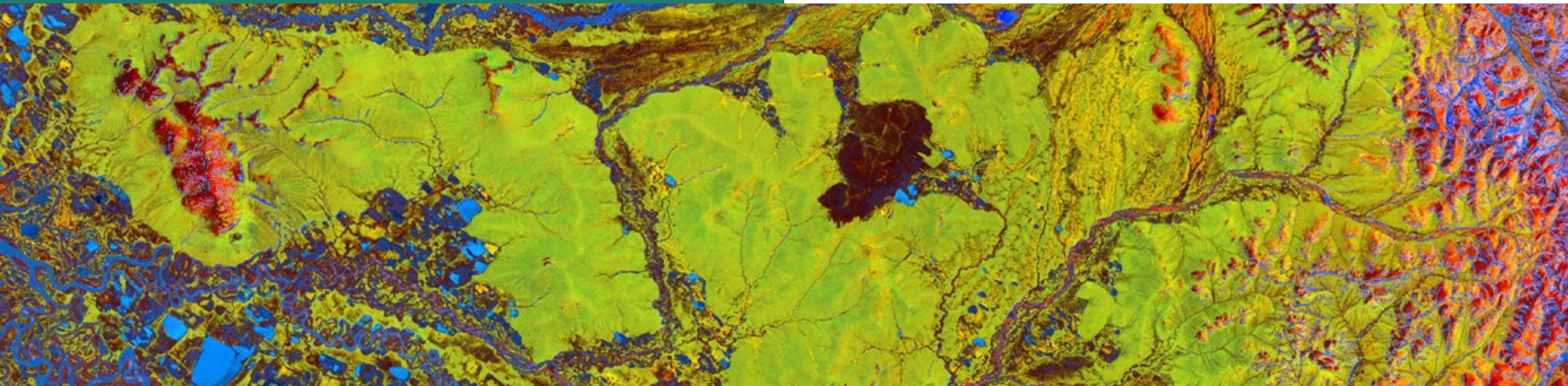
Furthermore there are 4,475 companies, 35 regions, 799 cities, 731 higher education institutions and 250 financial institutions with Net Zero commitments.

RACETOZERO +

04. RELEVANCE OF REDD+

REDD+ is an official mechanism recognized by the UN as an important instrument to achieve global GHG emissions reduction targets.

REDD+¹⁴ +



REDD+

In Brazil, REDD+ is especially relevant due to the country's emission profile, which is largely associated with deforestation and changes in land use.

The combination of corporate emissions reduction targets with REDD+ initiatives can yield a package of diverse and complementary economic incentives that give rise to robust and transparent carbon credits, forming a portfolio of mitigation options to meet net zero corporate targets. Additionally, good REDD+ initiatives allow for the creation of a set of social and environmental co-benefits, such as biodiversity preservation and investments to foster forestry and agro-forestry production chains.

REDD+ STANDS FOR REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION PLUS (+) CONSERVATION OF FOREST CARBON STOCKS, SUSTAINABLE MANAGEMENT OF FORESTS, AND INCREASED FOREST CARBON STOCKS.



REDD+ ESTABLISHES A RELEVANT CONNECTION BETWEEN REDUCING GLOBAL CARBON EMISSIONS AND PRESERVING THE AMAZON RAINFOREST.



REDD+ PROJECTS ARE CHARACTERIZED BY THE DELIVERY OF IMPORTANT CO-BENEFITS THROUGH DEVELOPMENT AND INCOME FOR LOCAL COMMUNITIES, PRESERVATION OF BIODIVERSITY, AND PRESERVATION OF WATER RESOURCES, AMONG OTHERS.

RELEVANCE

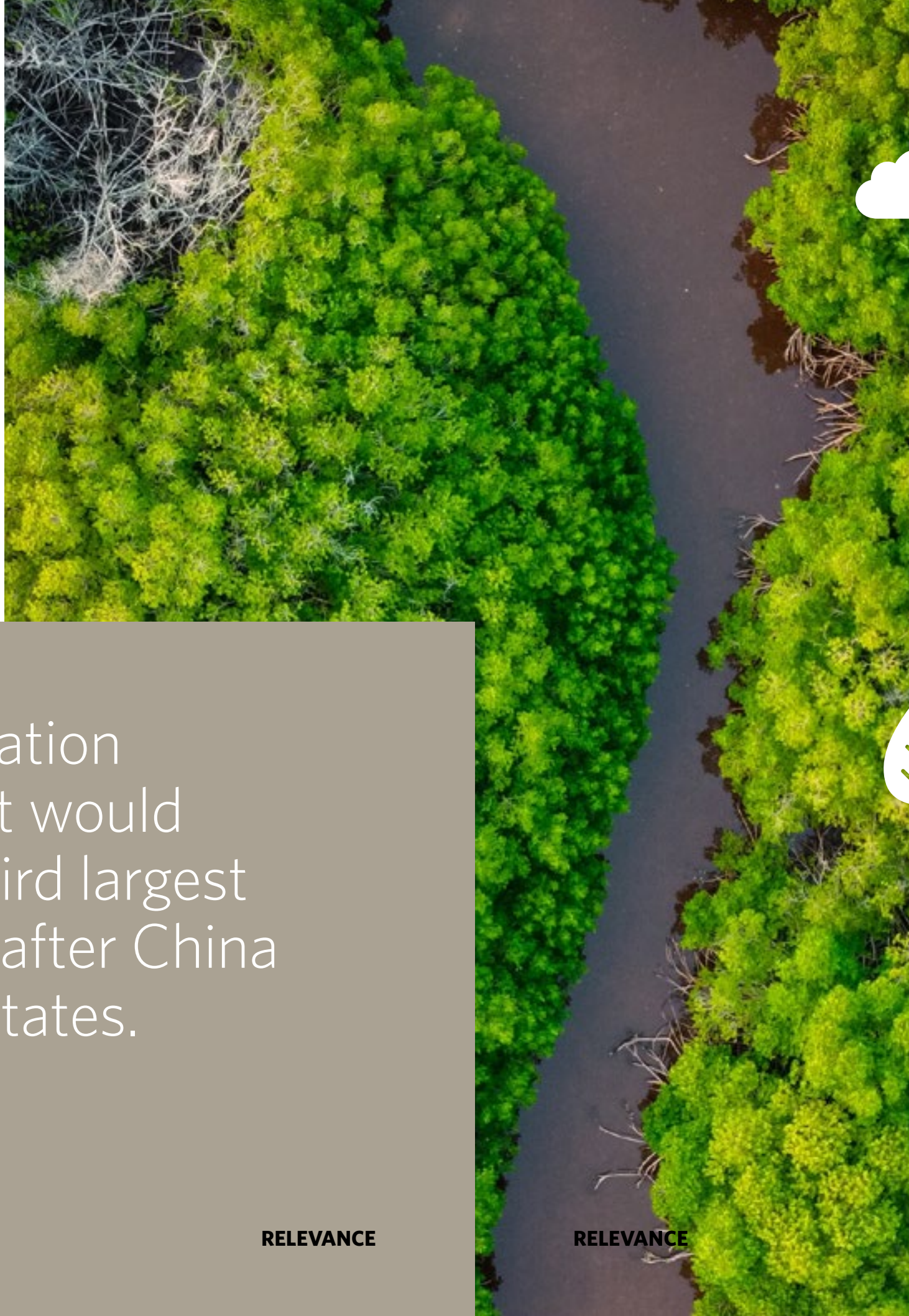
RELEVANCE

In 2019 less than USD 160 million was generated in forest and land change project transactions in the voluntary global carbon market. By August 2021, more than USD 540 million in transactions of this kind of project had been generated.

ECOSYSTEM MARKETPLACE, 2021¹⁵ +

REDD+

Local REDD+ initiatives can also contribute to and strengthen state and municipal policies for reducing deforestation and fostering local production chains. Since they rely on long-term planning and an independent financing model, REDD+ projects can develop specific local actions for a particular region or community, thereby generating innovations in topics such as the development of sustainable production chains, social organization, and the strengthening of local community-based organizations.



If illegal deforestation were a country, it would be the world's third largest emitter of GHG, after China and the United States.

ECOSYSTEM MARKETPLACE, 2021¹⁵ +

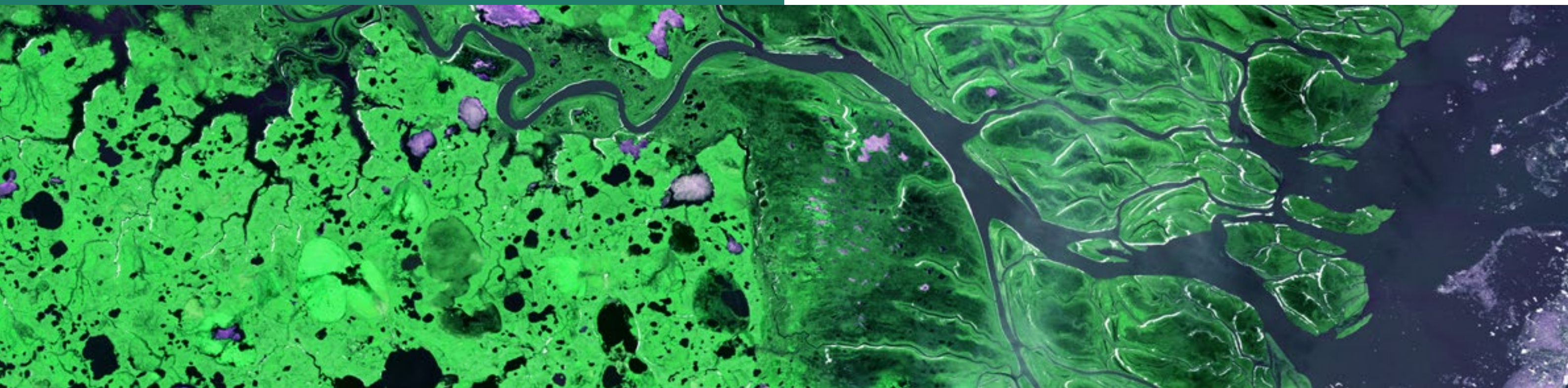
Emissions offset mechanisms in NbS, such as through REDD+ initiatives, are essential and can be a part of a portfolio of mitigation options for companies that adopt clear targets and processes for reducing and offsetting GHG emissions.

The recent increase in deforestation in the Amazon could seriously compromise Brazil's ability to regain its leading role in the international climate agenda and jeopardize the economic recovery and the opening of new international markets.

05. GUIDING QUESTIONS

With the growth of corporate targets and the voluntary carbon market, there is a need to define key points for the responsible purchasing of REDD+ carbon credits in Brazil.

These key points were put together in the format of guiding questions, presented below.



A

STAGE

Questions about carbon management in your company

Check how the topic of carbon management is being conducted in your company, with a special focus on the following aspects:

A

EMISSIONS INVENTORY

Does your company have an annual GHG emissions inventory process in place?

What scopes are covered by your inventories (scopes 1, 2, 3)?

B

DEFINITION OF ESG AND NET ZERO TARGETS

Has your company defined a program or made a commitment to carbon neutral and/or net zero targets, which includes clear carbon management strategies (emissions reduction and offsetting)?

Do the corporate targets include biodiversity protection targets and social and environmental impacts?

Are net zero targets connected to the company's strategic decision-making levels?

C

D

E

DEADLINES AND MECHANISMS FOR MONITORING COMPLIANCE WITH NET ZERO TARGETS

What is the deadline for achieving the corporate targets? Are they aligned with the deadlines set by the IPCC (net zero 2050)?

Has the company created an emission reduction plan with clear targets and deadlines?

What are the internal mechanisms for monitoring the achievement of the targets? How often will goals be monitored or revised?

F

G

COMMUNICATION STRATEGIES

Has the company defined communication and reporting strategies for the reduction and offset projects used, including REDD+ projects?

Which areas of the company will be involved in the communication strategy? Branding, Marketing, Investor Relations, Finance, Human Resources, or others?

Does the communication strategy encompass co-benefits generated by the REDD+ project, such as protecting biodiversity and fostering a new local economy?

H

THE SET OF QUESTIONS ABOVE IS INTENDED TO PROVOKE A REFLECTION BY AND QUALIFICATION OF YOUR COMPANY ABOUT THE PROCESS THAT GIVES RISE TO THE DEMAND FOR ACQUIRING REDD+ CREDITS. WE SUGGEST THAT THE POINTS ADDRESSED BE CLOSELY MONITORED IN A PROCESS OF GRADUAL IMPROVEMENT OF THE CARBON MANAGEMENT CONDUCTED BY THE COMPANY.

B

STAGE

Questions about the entity responsible for the REDD+ project under analysis

The history, capability, and credibility of the institution responsible for the project are important elements in evaluating a REDD+ projects and the inherent risks for those who acquired the credits generated.

A

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1. Does the organization responsible for the project (project proponent) provide information about its experience with previous work in the region of the project?

2. Does the organization have a technical staff with expertise and experience in REDD+ projects?

3. Does the organization have a project continuity and management plan in place to ensure the permanence of emission reductions?

4. Does the organization have good references from peers and buyers?

5. Does the organization meet the formal credibility and compliance requirements set by your company for suppliers?

YES ANSWERS TO THE QUESTIONS ABOVE PROVIDE ASSURANCE TO BUYERS OF REDD+ CREDITS IN LINE WITH THEIR PROCUREMENT POLICY AND RELATED RISKS.

C

STAGE

Questions about the REDD+ project registration platform under analysis

This Guide walks you through the purchase of carbon credits that are verified by robust and tested methodologies, in particular the “Verified Carbon Standard” (www.verra.org), the most recognized certification standard in the voluntary carbon market.

ECOSYSTEM MARKETPLACE, 2021¹⁵ +

The certification of REDD+ projects is essential to ensure that the proposed activity actually delivers the expected benefits. After a project has been structured, external auditors validate and verify that the activities have indeed contributed to reducing deforestation in the project area, enabling the generation of REDD+ carbon credits.

The project originating the credits as well as the credits themselves must be registered in an independent platform, which:

1	2	3	4
<i>Certifies the quality of the project in the REDD+ category</i>	<i>Certifies that the project has been verified by an independent accredited party (https://verra.org/project/vcs-program/validation-verification/)</i>	<i>Certifies that the REDD+ credits have been correctly issued, also through an independent accredited party</i>	<i>Ensures that the transaction involving purchase, transfer, and retirement of the credits is conducted in a proper and transparent manner</i>

Is the REDD+ project under analysis, as well as the respective credits, registered in a recognized independent platform as set out above?

CERTAIN ENVIRONMENTAL CONSERVATION AND NATIVE FOREST REFORESTATION PROJECTS HAVE SIGNIFICANT IMPACTS, BUT FOR VARIOUS REASONS HAVE NOT BEEN REGISTERED BY AN INDEPENDENT ENTITY, FOLLOWING RECOGNIZED METHODOLOGICAL GUIDELINES. COMPANIES THAT DECIDE TO FINANCIALLY SUPPORT SUCH PROJECTS SHOULD BE AWARE THAT THE RESPECTIVE CREDITS ARE NOT RECOGNIZED REDD+ CREDITS.

D

STAGE

Questions about impacts and additional certifications of the REDD+ project under analysis

A REDD+ project offers a number of attributes that go beyond GHG emissions. These are relevant environmental and social impacts that are unique to the REDD+ concept and may be in line with your company’s ESG target program.

These impacts can be subject to additional certifications, which will be positive for your company.

In addition to the certification offered by the basic REDD+ project registration platform verified in Step C, the project under analysis may have other certifications, such as:

		
CLIMATE, COMMUNITY AND BIODIVERSITY STANDARD	SUSTAINABLE DEVELOPMENT VERIFIED IMPACT STANDARD¹⁷	SOCIAL CARBON
VERRA¹⁶ +	VERRA¹⁶ +	VERRA¹⁶ +

Does the REDD+ project under review have additional certifications, such as those listed above?

IF THE PROJECT PRESENTS ADDITIONAL POSITIVE IMPACTS, WE SUGGEST REGISTERING WHICH CERTIFICATIONS ARE PRESENTED AND FURTHER THE UNDERSTANDING ABOUT ITS SOCIAL AND ENVIRONMENTAL ACTIVITIES. THEY CAN BE VERY USEFUL IN COMMUNICATING YOUR COMPANY’S INITIATIVE AND WILL ADD VALUE TO THE CREDITS TO BE CONSIDERED WHEN NEGOTIATING THEIR ACQUISITION.

Questions about the forest conservation strategies of the REDD+ project under analysis

The REDD+ project must describe the strategies and activities adopted to effectively guarantee the conservation of the forest, opposing the pressure for deforestation that exists at the site.

This is usually done through benefits generated for local communities. This also presupposes a prior consultation and engagement process with these communities.

1. *Does the project clearly outline the strategies and activities that ensure the conservation of the forest in the focus area?*
2. *Does the project provide a clear and transparent description of the consultation and engagement process with local communities?*

3. *How do communities participate in project activities, and what role do they play in forest conservation?*
4. *What benefits (financial and non-financial) does the project intend to generate for these communities?*
5. *Does the project have a clear monitoring plan over the measures to mitigate deforestation?*

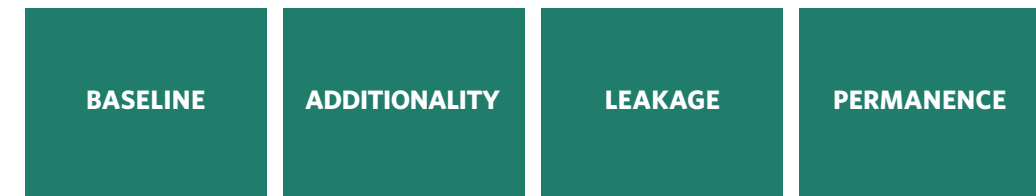
YES ANSWERS TO THE QUESTIONS ABOVE HIGHLY QUALIFY A REDD+ PROJECT, SINCE THESE MECHANISMS WILL GUARANTEE THAT THE DESIRED RESULTS ARE ACHIEVED AND MAINTAINED OVER TIME (PERMANENCE), SUCH AS FOREST MANAGEMENT, EXTRACTIVISM PERFORMED BY LOCAL FAMILIES, AND OTHER ACTIVITIES THAT SUSTAIN THE CONSERVATION OF THE STANDING FOREST.

Questions about technical aspects of the REDD+ project under analysis

There are a number of technical aspects and requirements involved in developing and operating a REDD+ project.

If the project is registered and certified by a widely recognized platform, as described in Question C above, the registration platform itself, plus the independent accredited verifications performed, ensure the adequacy of these aspects.

The main technical aspects are:



Does the REDD+ project under analysis provide adequate information on the technical aspects listed above?

REDD+ PROJECTS MUST CLEARLY DESCRIBE HOW THE TECHNICAL ASPECTS LISTED ABOVE HAVE BEEN ADDRESSED. ANNEX I TO THIS GUIDE PROVIDES THE CORRESPONDING TECHNICAL CONCEPTS.

G

STAGE

Questions about the pricing of the REDD+ project under analysis

REDD+ projects are usually developed in complex regions bordering deforestation in the Amazon. The cost of these activities is often high given the complex logistics, team mobilization, and local operations, in addition to on-site monitoring processes and other factors.

A

B

C

Does the project clearly present the context of the region where it operates and the activities that provided the basis for pricing the reductions of emissions from the project in USD/tCO₂e?

D

THE CHARACTERISTICS OF EACH REDD+ PROJECT, AS A WHOLE, DENOTE ITS QUALITY. THEREFORE, THE ANSWERS TO THE SET OF QUESTIONS IN THIS GUIDE SHOULD BE CONSIDERED TO DEFINE THE PURCHASING PREFERENCES BASED ON THE QUALITY X PRICE BINOMIAL.

E

F

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H

H

STAGE

Questions about communication elements offered by the REDD+ project under analysis

A REDD+ project has broad communication potential, since, in addition to the positive effects on GHGs, it provides a number of other benefits as seen earlier in this Guide (see guiding questions in section D).

Buyers of REDD+ credits can benefit, in their communication with the various stakeholders, from the information and materials provided by the project proponent.

A

B

C

Does the REDD+ project under analysis provide content and support materials that support your company's communication with the different stakeholders, including texts, photos, videos, availability for site visits, and availability of contacts for questions?

D

E

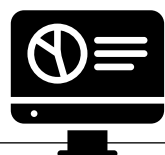
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IF THE INFORMATION PROVIDED IS NOT SUFFICIENT, WE SUGGEST REQUESTING IT FROM THE PROPONENT. OTHER AREAS OF YOUR COMPANY AND ITS STAKEHOLDERS MAY BE INTERESTED IN VERIFYING THIS INFORMATION IN ORDER TO GET TO KNOW AND PROPERLY COMMUNICATE THE PARTICIPATION IN THE PROJECT.

Key points to consider for the responsible purchasing of REDD+ credits



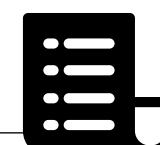
PLATFORM FOR REGISTRATION AND PUBLIC DEMONSTRATION OF PURCHASE OF REDD+ CARBON CREDITS

Projects certified by approved methodologies are registered in specific platforms such as Verra, IHS Markit, APX, and ACR. Each credit has its own serial number. The entire track record of the credit generation and emissions is public and disclosed through an electronic registration platform that guarantees its ownership and veracity. It also assures that this credit is issued and canceled (or retired) only once.



INDEPENDENT CERTIFICATIONS

REDD+ projects must follow a rigorous independent accredited certification process. Today, the main REDD+ certification standards are the VCS and CCB, which certify that the project adopts good practices in accounting and relationship with local communities, with certification processes that include independent audits, aiming for maximum reliability.



TECHNICAL ASPECTS

The projects must clearly demonstrate the impact of their actions and how they contribute to reducing GHG emissions, always following the methodologies approved by the registration platforms mentioned above.



COMMUNITY CONSULTATION AND EXPECTED CO-BENEFITS

REDD+ projects developed in partnership with local communities must describe how the engagement and consultation processes with local communities were conducted, as well as the benefit distribution model adopted.

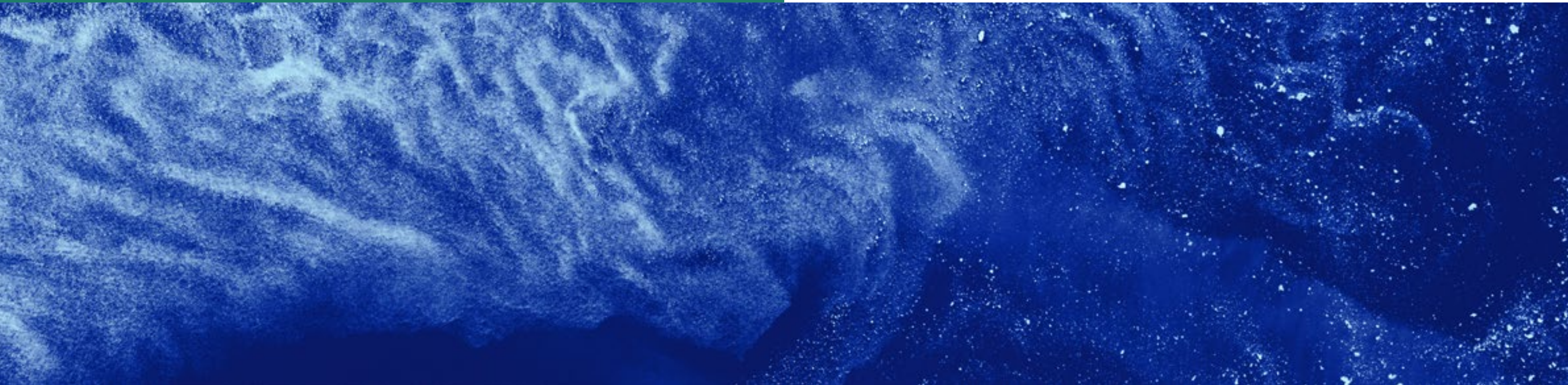
Free, Prior, and Informed Consent is an important element of consultation with communities when a project is to be implemented.



06.

CONTRACTS AND PURCHASING PROCESS FOR REDD+ CARBON CREDITS

After going through the guidelines in this Guide, users will be in a position to make their choice, make the purchase, and actually use the REDD+ credits acquired.



This Guide considers the acquisition of credits to be settled by your company to offset your GHG emissions. This settlement is referred to in the market as “retirement” of credits.

The existence of a robust system for registering and tracking the emissions reductions achieved, audited, and certified is extremely important to ensure that the same carbon credit is not sold and used more than once, preventing what is known as double-counting.

To proceed with the purchase and retirement process, your company must take the following steps:

A

ASK THE SELLER FOR THE DRAFT OF THE REDD+ CREDIT PURCHASE AGREEMENT, USUALLY CALLED “VERPA” (VERIFIED EMISSION REDUCTION PURCHASE AGREEMENT).

THE VERPA CAN BE ONE OF THE FOLLOWING TYPES:

‘SPOT’, I.E., REFERRING TO A SPECIFIC LOT OF REDD+ CREDITS ALREADY VERIFIED AND ISSUED

OR

‘FORWARD’, WHICH REFERS TO A FUTURE DELIVERY OR GENERATION OF REDD+ CREDITS BY A SPECIFIC PROJECT, ACCORDING TO THE TYPE OF NEGOTIATION DESIRED

B

MAKE SURE THE TERMS OF THE CONTRACT COMPLY WITH THE GUIDELINES IN THIS GUIDE AND WITH YOUR COMPANY’S FORMAL STANDARDS FOR ACQUISITIONS. ASK THE SELLER TO MAKE ANY NECESSARY ADJUSTMENTS, IF APPROPRIATE, AND THEN SIGN THE VERPA, ALONG WITH THE SELLER.

C

CHECK WITH YOUR COMPANY’S ACCOUNTING/ TAX DEPARTMENT TO SEE IF THE CLASSIFICATION OF THIS OPERATION IS TECHNICALLY CLEAR. IF THIS IS NOT THE CASE, ASK FOR SUPPORT FROM THE PROJECT DEVELOPER, WHO SHOULD BE FAMILIAR WITH THE APPLICABLE ACCOUNTING AND TAX RULES.

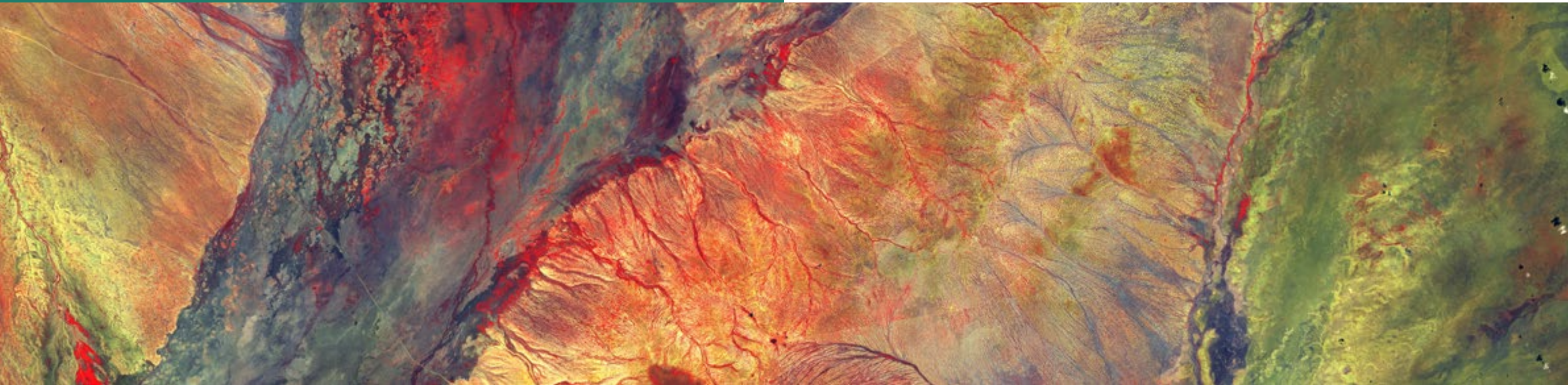
D

ACCORDING TO THE CONDITIONS ESTABLISHED IN THE VERPA DESCRIBED ABOVE, PAYMENT FOR THE CARBON CREDITS IS MADE AND THE PROJECT DEVELOPER ISSUES THE EMISSIONS NEUTRALIZATION CERTIFICATE. THE SERIAL NUMBER OF THE RETIRED CARBON CREDITS CAN BE ACCESSED AND FORWARDED TO THE ONLINE SITE FOR PUBLIC PROOF OF NEUTRALIZATION. A NOTIFICATION OF RETIREMENT AND CERTIFICATE IS ALSO ISSUED DIRECTLY BY THE RELEVANT PUBLIC REGISTRY.

In the case of smaller purchases, or purchases that are settled on demand so as not to leave obligations to be fulfilled in the future by the parties, a formal agreement (VERPA) may not be necessary. However, the same procedures as (C) and (D) above must be followed.

07. FINAL CONSIDERATIONS

REDD+ is one of the main Nature-based Solutions (NbS) available and its main goal is to attract public and private investments for the conservation of tropical forests.



The REDD+ mechanism is recognized by the UN and is intended to measure positive impacts and connect them to market instruments and voluntary emissions reduction and offset targets, such as the net zero targets being developed in Brazil and internationally.

After more than a decade of development, REDD+ projects now rely on rigorous systems for technical analysis and certification, social and environmental safeguards, and systems for registering the credits generated. In addition to enabling the innovation of local activities aimed at forest conservation, good REDD+ projects help generate a package of social benefits (income, employment), economic benefits (development of local production chains, such as agroforestry systems, sustainable forest management, and family farming, among others) and conserve biodiversity and water cycles.

Primary forests store “irrecoverable carbon,” meaning that once emitted, it cannot be recaptured and stored quickly enough to maintain the climate warming trajectory in line with temperature stabilization targets of up to 1.5°C.

In this context, the Brazilian Amazon Forest, as the largest tropical forest in the world, is one of the main carbon reservoirs on the planet, contributing not only to climate balance, but also to protecting 10% of global biodiversity and an immense cultural and social diversity.

The growth of corporate commitments related to net zero could generate significant contributions to leverage a new wave of private investments for the Amazon. The purpose of this Guide was to provide relevant inputs for decision-making in companies regarding the achievement of corporate emissions reduction and offset targets, as well as good practices for the responsible purchase of carbon credits arising from the conservation and reduction of deforestation in the Amazon.

ANNEX

Definitions of technical aspects of REDD+ projects

BASELINE

The baseline is the scenario that would most likely occur at that location in the absence of the project. Typically, this is the business-as-usual situation. Put simply, it is the prediction of what would happen in terms of deforestation and GHG emissions if the project did not exist. The methods used in determining baselines decisively influence the magnitude and accuracy of carbon emissions reductions. It is important that the baseline is monitored over time and corrections are made in situations such as changes in politics, governance, deforestation rates, and socioeconomic conditions.

ADDITIONALITY

Additionality is the demonstration of actual, measurable, long-term results expected by the project against the identified baseline. Reduced emissions should only be accounted for when they clearly prove that they derive from project activities and represent a change from the baseline scenario.

LEAKAGE

Leakage occurs when the activities of a project to reduce emissions cause the displacement of carbon emitting activities to other locations.

Usually, displacement occurs due to economic mobility factors. In other words, deforestation agents move to more accessible, economically similar, or more attractive areas where there are no barriers to their activities.

Leakage analyses are foreseen and monitored in REDD+ projects, and if they occur, they should be deducted from the reduced emissions verified by the project.

The more projects there are, the less important the discussion about leakage will be in the future, because more forest areas will be conserved.

PERMANENCE

Certification standards require that carbon projects conduct an analysis of the risk of non-permanence of projected emissions reductions. This analysis and the quantified risk value are also audited by a third party. The estimated risk is subtracted from the net total of emissions reductions or removals generated and this result precisely defines the number of tradable carbon credits (VERs).

The risk value of the carbon project is called a buffer and serves as insurance that is retained by the registration of the certification standard. In the case of stock losses or reversals, i.e., when part of the emissions reduction/removal is lost due to unplanned events, the equivalent of what was lost (emitted in gases in the atmosphere) is canceled by the insurance, thus avoiding possible losses, damage to the buyer's image, and inconsistencies in the market. The size of the buffer can be defined in part by the project proponents, assuming more or less conservative criteria. This buffer is validated and verified by third party audit.

TAXATION

The Brazilian House of Representatives is currently debating Bill 528/2021, which creates the Brazilian Market for Emissions Reduction (MBRE), foreseen in the National Policy on Climate Change (Law 12,187/09). Article 8 of this bill, which addresses this environmental asset, states that “private legal entities shall be exempt from payment of the federal taxes PIS, COFINS, and CSLL on domestic transactions in the voluntary carbon credit market.” This is an undefined legislative situation and is limited to domestic transactions, allowing the companies involved to adopt the solutions they deem most appropriate.

MONITORING METHODOLOGY

Proper monitoring is an essential aspect for a successful REDD+ project. The existence of a robust methodology, the operational capacity for monitoring, and the use of more advanced technologies can guarantee better results. In this regard, it is important to evaluate the timeline proposed by the project and its fulfillment to date.

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