CLIMATE ACTION RESERVE

"Panama Forest Protocol for Climate Action Reserve compensation credits“ V1.0 Kick-Off Public Meeting

February 2, 2023

Housekeeping

- All attendees are in listen-only mode
- Please submit your questions in the GoToWebinar question box and we'll try to answer them at the end, time permitting
- We will follow up via email to answer any questions not addressed during the meeting
- The slides (in Spanish and English) and a recording of the presentation will be posted online on the Climate Action Reserve webpage: *https://www.climateactionreserve.org/how/protocols/panama-forest/dev/*

Agenda

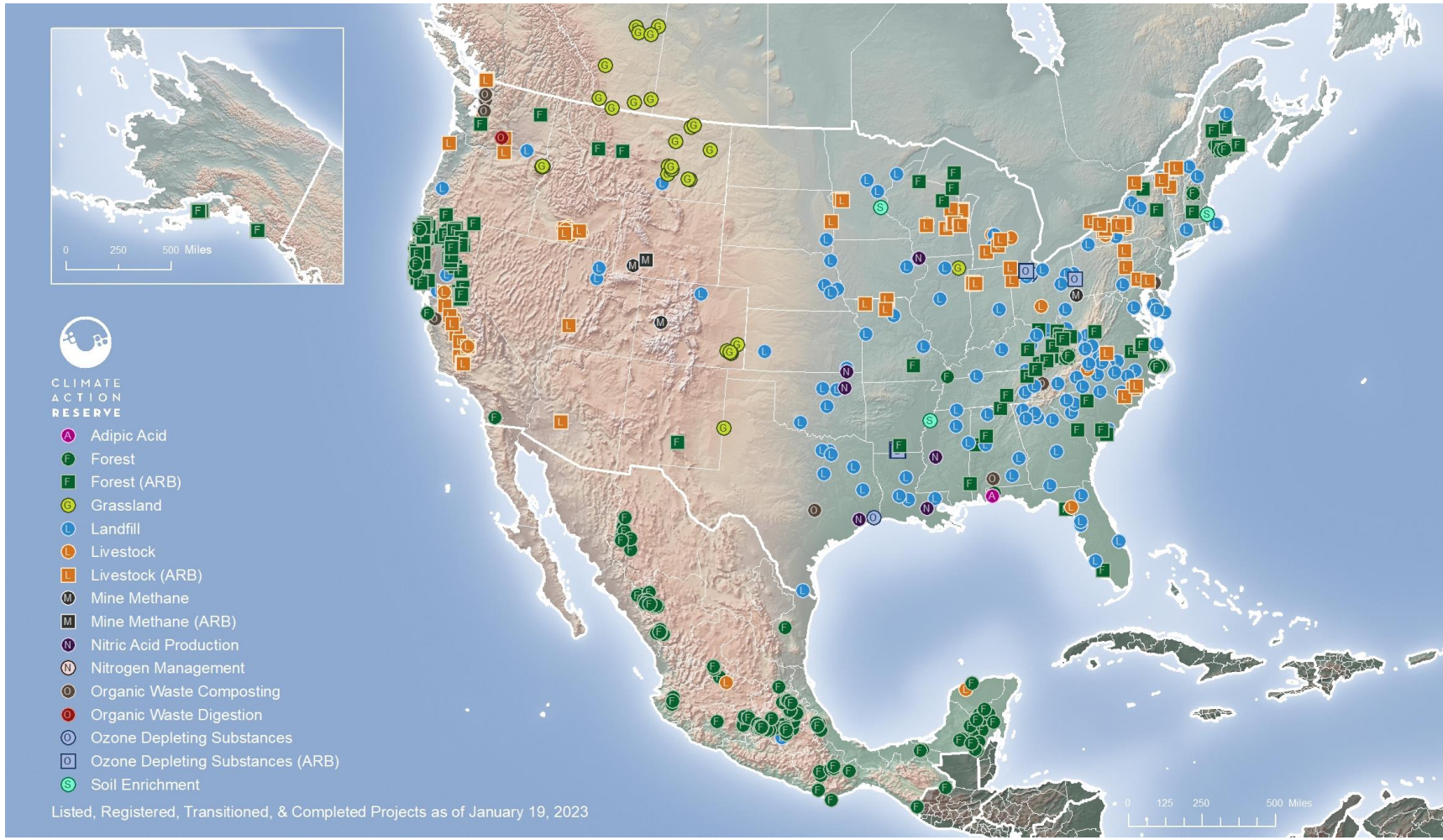
1. Presentations
2. The Climate Action Reserve
3. Logistics of the Working Group (WG)
4. Objective and purpose of Panama's Forest Protocol for Climate Action Reserve Offset Credits and updated timeline
   - **Note: February 10 is the due date to send the Statement of Interest (SOI) to be part of the Working Group**
5. Review considerations
6. Questions, comments, and next steps

THE CLIMATE ACTION RESERVE

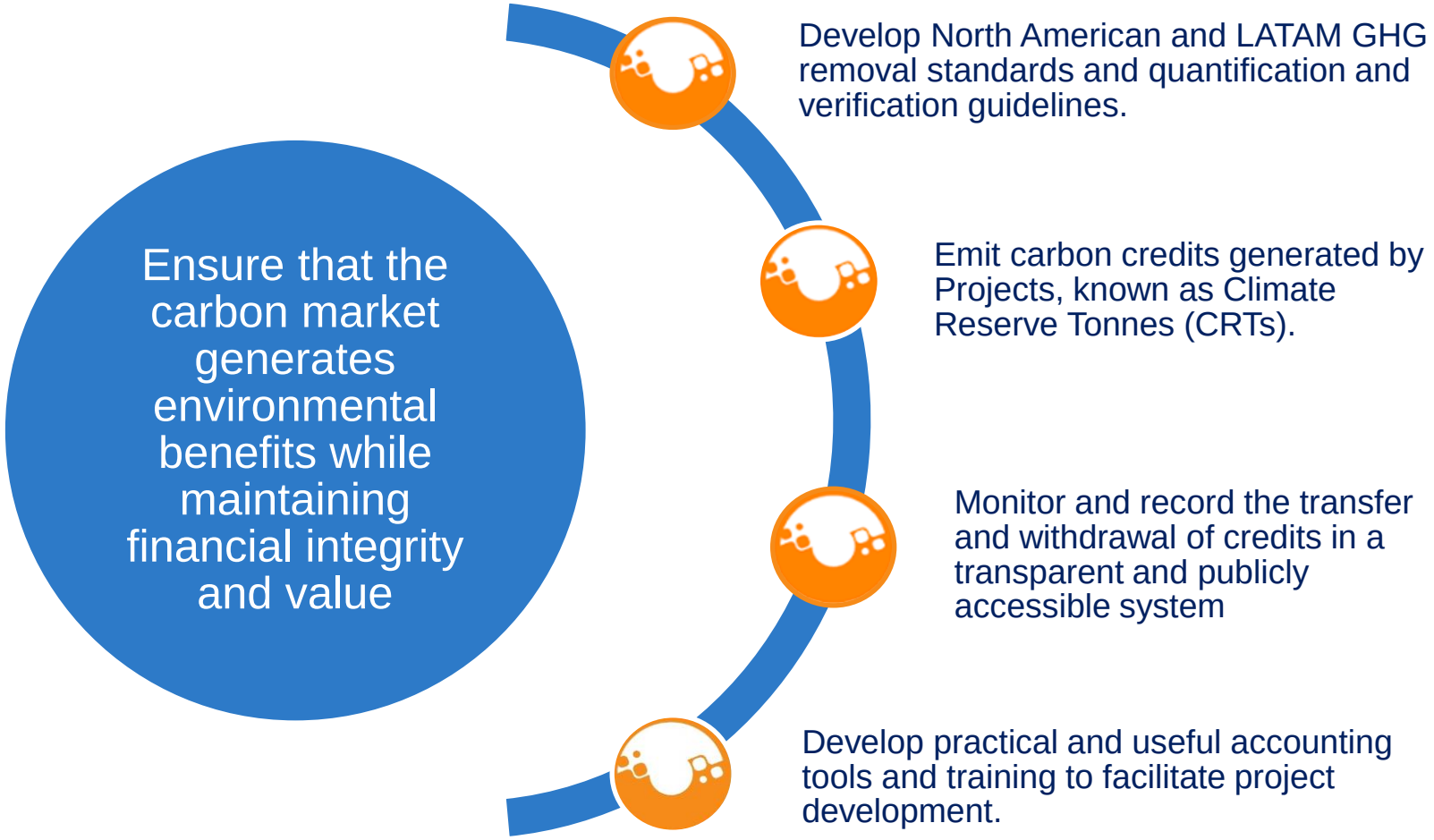
The Climate Action Reserve

CLIMATE ACTION RESERVE

- NGO founded in 2001
- 21 offset protocols: Mexico, USA, and Canada
- >550 Projects y 185M+ offset credits issued
- Mission: to promote market-based solutions



The Climate Action Reserve



Principles of the Reserve Program

All registered projects and credits issued by the Reserve must be:

ADDITIONAL	VERIFIED	REAL	PERMANENT	ENFORCEABLE
• Beyond common practices • Beyond regulatory requirements	• Standardized eligibility criteria and quantification methodologies • Independent third-party review.	• Conservative emissions accounting • Prescriptive models and equations • Uncertainty reduction	• Monitoring and reporting processes • Any leakage or loss is quantified and compensated	• Processes to ensure program compliance • Accountability mechanisms

- The Reserve seeks to be practical and ensures that projects do not have negative impacts
- The standards include social and environmental safeguards to ensure the participation and benefit of the participants

GHG Accounting Standardization

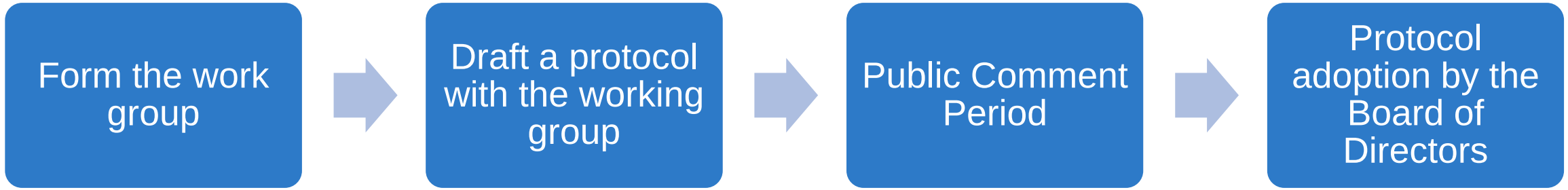
Two elements:

- Determination of project eligibility and additionality using standardized criteria rather than project-specific assessments.
- Quantification of GHG reductions/removals through a baseline established under certain assumptions, emission factors and monitoring methods.

Objetives:

- Minimize personal judgment in project assessment
- Reduce transaction costs for the project developer, minimize uncertainties for investors, and increase the transparency of the project when it is approved and verified

Rigorous, Inclusive and Transparent Process for the the Protocol Development



Inclusive Process: A balanced multi-stakeholder working group is formed with industry and jurisdiction experts, government agencies, environmental organizations, and other stakeholders.

- Stakeholders that are not part of the working group can still participate in the process as “observers”.

Transparent Process: All working group meetings and webinars for the public comment period are recorded and posted on the website along with the drafts

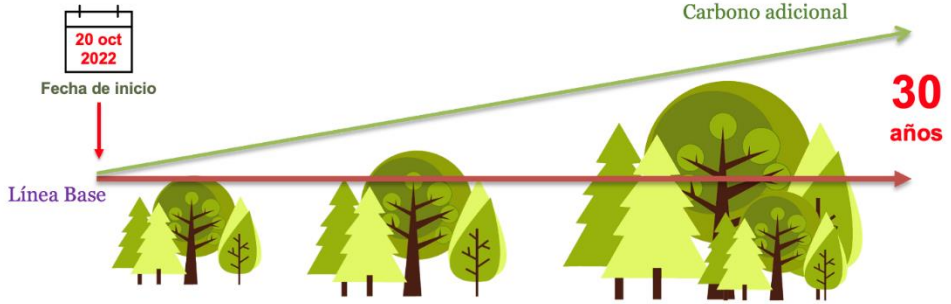
CARBON MARKET

What is an offset credit project?

An offset credit project is an activity or set of activities that:

- reduce GHG emissions,
- they increase the sequestration or storage of carbon removed from the atmosphere.

"Business as usual"



Increase in carbon stocks

Activities to generate GHG removals

Climate Reserve Tones (CRTs)

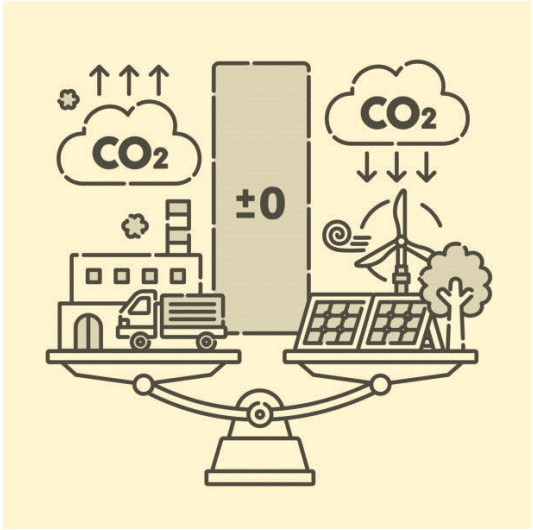
- GHG removals and reductions registered in the Reserve system
- 1 CRT = 1 metric ton of CO2e reduced or removed
- Each CRT has a unique identification number and one year of establishment (vintage)
- Can be purchase/sold on the international voluntary market

1 bond = 1 ton of CO_2e = 3,944 km driven

What are carbon markets?

- Carbon markets are trading systems in which carbon credits (generated by unregulated sectors) are sold and bought
  - Each carbon credit is equivalent to 1 ton of CO_2e reduced or removed from the atmosphere

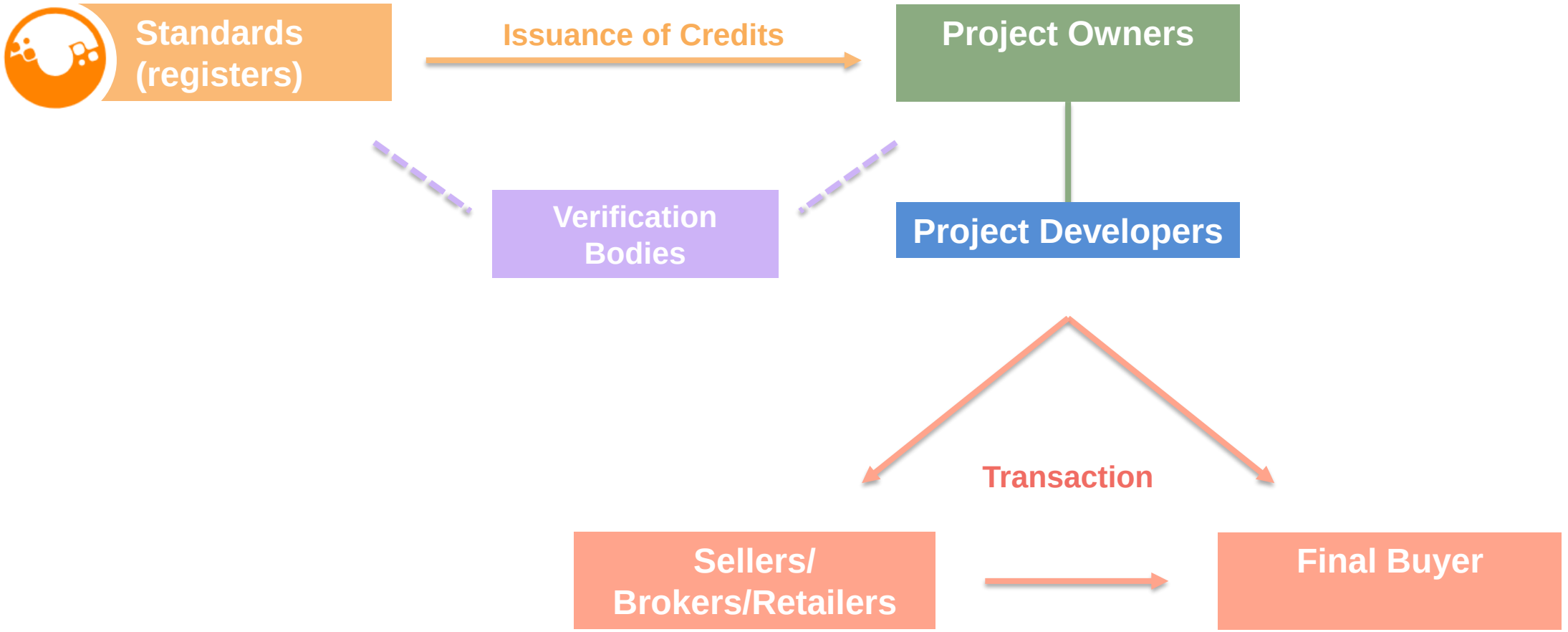
Buyers are those who emit GHG into the atmosphere and want to offset their carbon footprint →



Carbon Credits

← Sellers are those who manage to reduce or remove CO_2 emissions from the atmosphere. For example, forest owners carry out actions to promote tree growth.

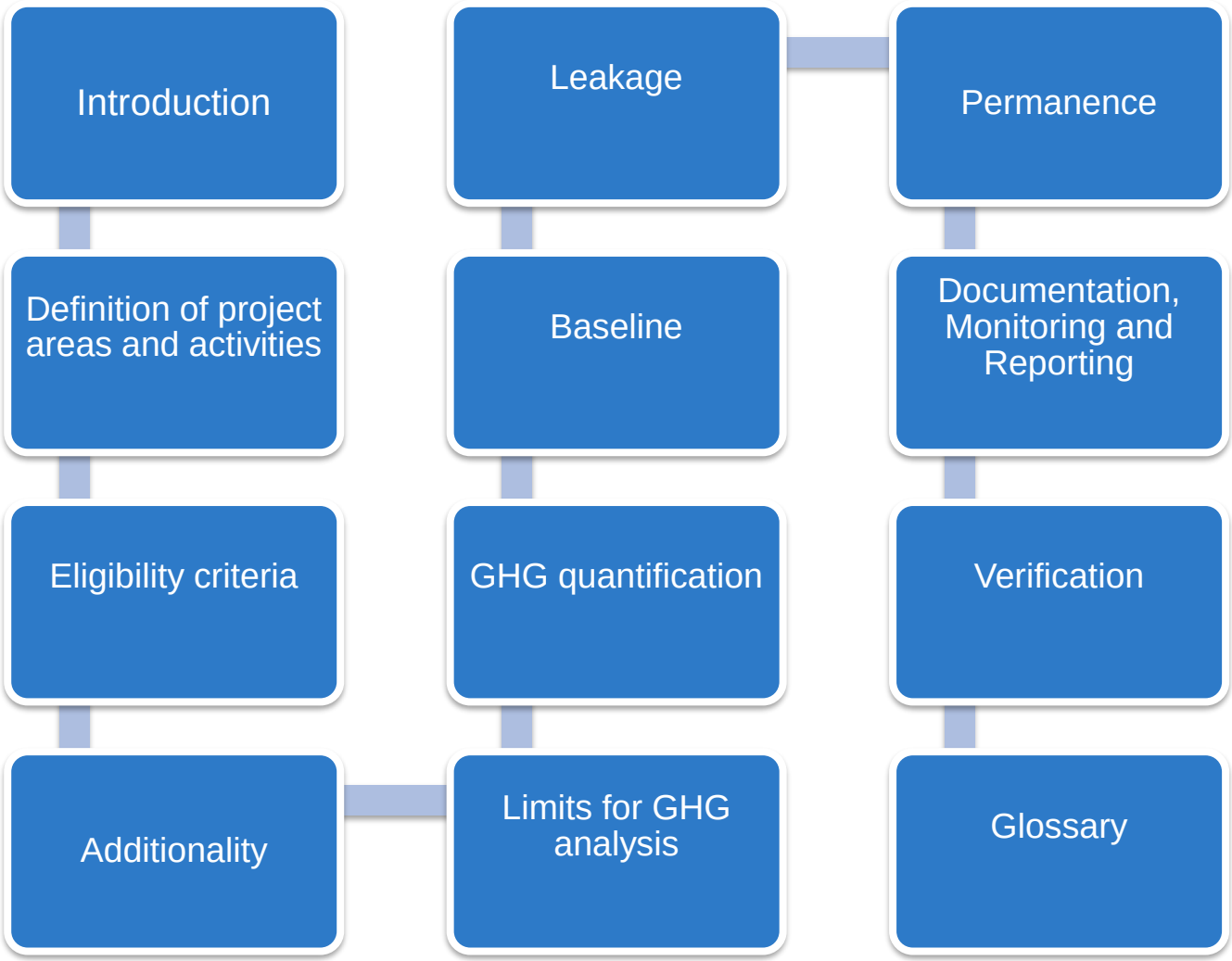
Carbon Market Actors



The Role of Carbon Project Protocols

- They are guides that can be used for generating carbon credits that can be sold on voluntary or regulated carbon markets
- They provide confidence to buyers as high-quality carbon credits are purchased.
- They address GHG accounting principles (for example, additionality)
- They present the quantification methodologies for GHG inventory

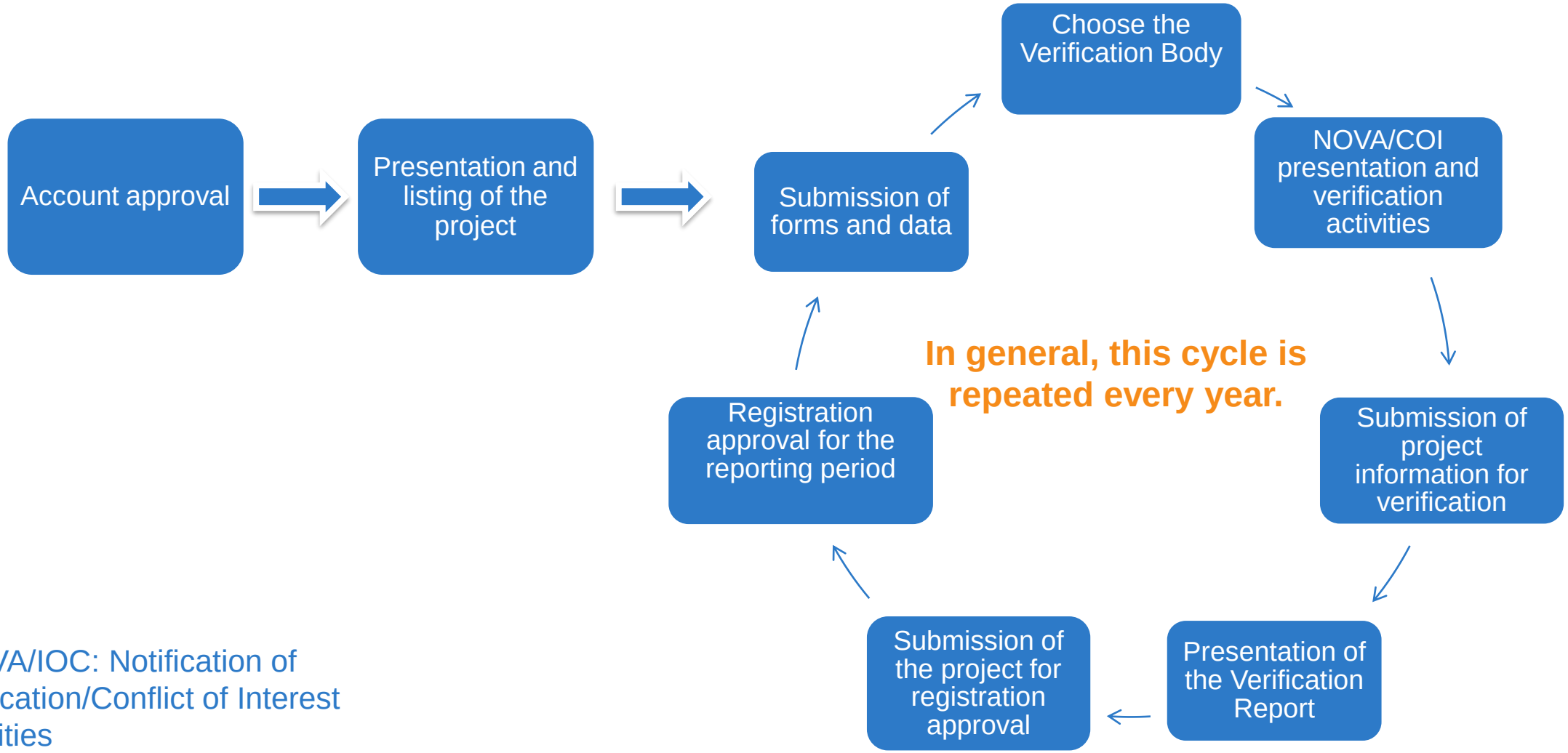
What does a Carbon Project Protocol include?



What is a forest carbon project?

Projects that are carried out in forest ecosystems where the carbon trees can be measured to generate carbon credits (verified and issued in a registry), which can be sold on the carbon market (voluntary or regulated).

The Life Cycle of a Project



*NOVA/IOC: Notification of Verification/Conflict of Interest Activities

Development process

PANAMA'S FOREST PROTOCOL FOR CLIMATE ACTION RESERVE OFFSET CREDITS

Formation of the Working Group

- Stakeholder participation and feedback is critical to protocol development
- The Reserve assembles an intensive multi-stakeholder working group to advise on protocol development and produce rigorous, well-vetted, and credible protocols.
  - Strive for balanced representation from forest sector, project developers, environmental NGOs, verification bodies, independent consultants, academia, and government agencies.
  - Interested parties are invited to submit a Statement of Interest (SOI)

The deadline to submit the local engagement form or SOI is February 10, 2023 (12:00 AM, Panama time)

The SOI can be downloaded here
https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.climateactionreserve.org%2Fwp-content%2Fuploads%2F2022%2F11%2FPFP-Workgroup-Statement-of- Interest-Form-Espanol.docx&wdOrigin=BROWSELINK

- Requires commitment to ~4-5 working group meetings plus additional protocol reviews, familiarity with the feedstocks, technologies, and/or end uses for which the protocol is being developed, and a strong understanding of GHG accounting based on carbon projects.

Statement of Interest and Local Engagement

Statement of Interest – Workgroup

- Form for interested parties wishing to join the workgroup
- Selected members will commit to: Participate in meetings, provide comments, review protocol, actively participate during workgroup meetings
- Only 15-30 participants will be selected
- An email will be sent out to selected candidates
- Stakeholders not selected in the workgroup may be included as “observers”
- **Deadline: February 10, 2023**
- **Link:** PFP-Workgroup-Statement-of-Interest-Form-Espanol.docx (live.com)

Local Engagement

- Participate as an observer during the development of the protocol
- Observers will receive invitations to the workgroup meeting, but participation is limited to silent mode with the opportunity to send comments via chat
- Can submit comments during the public comment period
- **Deadline: ongoing**
- **Link:** PFP-Local-Engagement-Form-spanish-1.docx (live.com)

Working Group Process and Expectations for Working Group Members

Process

- Reserve staff identify and request feedback on specific protocol criteria
- Reserve staff schedule meetings (~6)
- Reserve staff produce a draft protocol for your review
- Reserve staff revises protocol based on feedback

Expectations

- Review, comment, and provide recommendations on specific protocol criteria.
- Participate in meetings via webinars
- Provide written comments on the draft protocol.

Timeline

Steps	Details	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct
Formation of the Working Group	kick-off meeting									
	Submit the SOI: February 10, 2023									
Workgroup	Meeting: Eligibility									
	Meeting: Additionality									
	Meeting: Quantification									
	Meeting: Land									
	Meeting: Land Tenure, adaptation to Panama									
	Meeting: MRV									
Draft Protocol Development										
Work Group Review										
Public Comment Period	Public Comment Period									
	Review of comments and update of the protocol									
Approval by the Board of Directors of the Reserve	October 2023									

PROTOCOL DEVELOPMENT CONSIDERATIONS

Protocol Objectives

Ensure high quality carbon credits that guarantee the environmental and social integrity of the project.

Align the protocol with the laws and regulations of Panama.

Incentivize activities that increase carbon sequestration in the forestry sector.

Generate co-benefits (social and environmental).

Adapting the Forest Protocol to the Panamanian Context

- Use the Mexico Forest Protocol as an initial basis for adaptation:
  - Facilitate the development process and reduce the time required
  - It has good acceptance in the market
  - There are more than 200 forestry projects in Mexico developed by local actors
  - It is standardized and has standardized quantification tools, which facilitates the development and verification of projects
  - Includes methodologies to reduce the costs of project development and verification
  - Includes social and environmental safeguards with robust methodologies
  - Includes a methodology of GHG quantification
  -

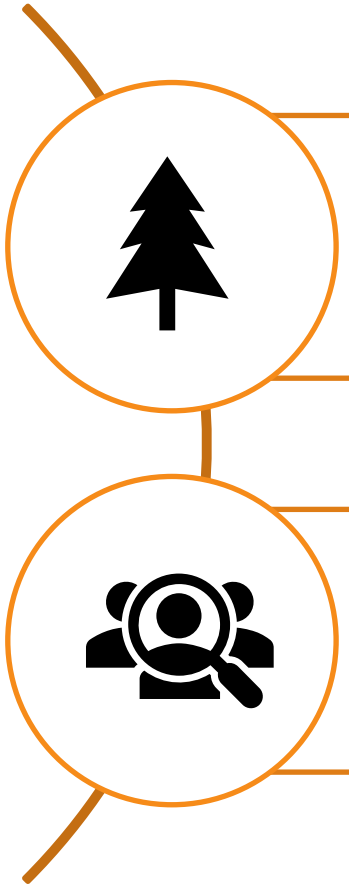
Adapting the Forest Protocol to the Panamanian Context

- The main changes would be:
  - Land tenure
  - Review of eligible activities
  - Evaluate additionality evidence to include Panamanian laws, regulations, and context
  - Inclusion of native species of Panama in the quantification tools

ADAPTATION OF THE MEXICO FOREST PROTOCOL TO PANAMA

Definition of Forest Projects

A Forest Project:

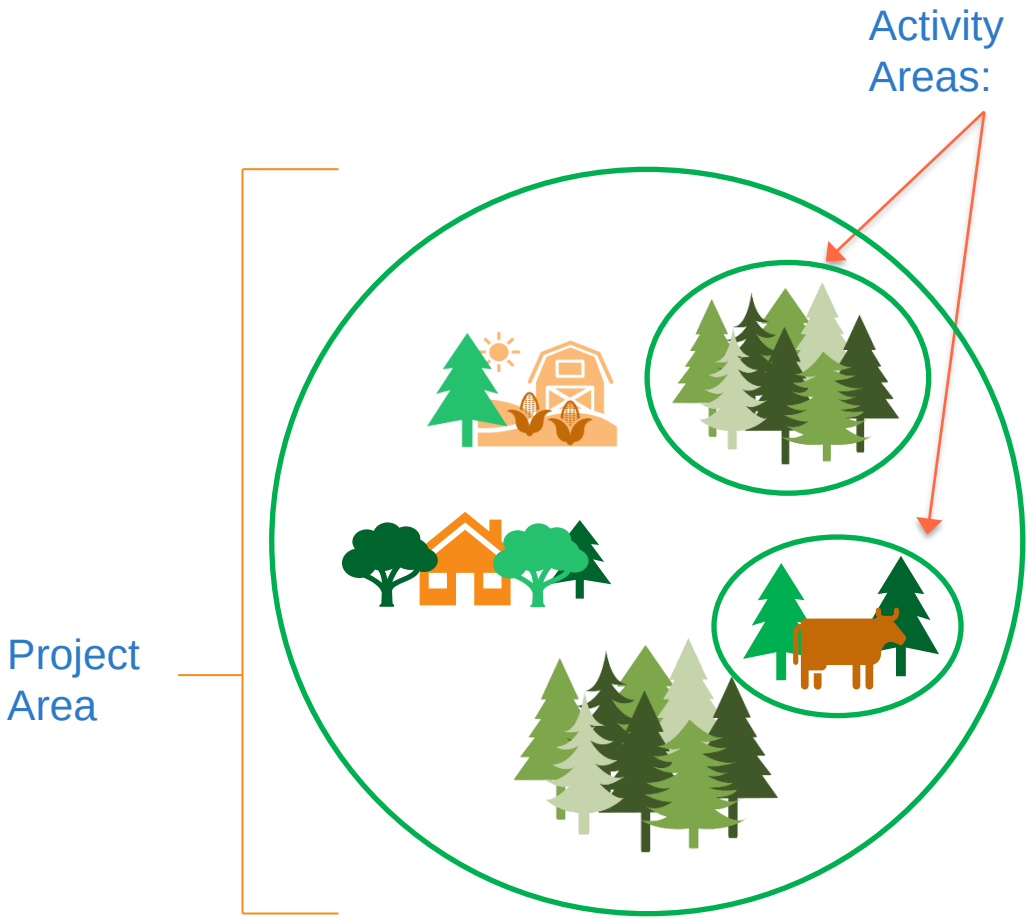


Forest activities that increase CO_2 sequestration and keep it stored over time.

The sequestered CO_2 must be quantifiable, monitorable and verifiable by an independent third party.

Project Area and Activity Area

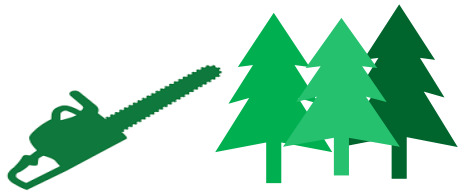
- **Project Area:** Includes the entire area within a property (for example, an entire ejido)
- **Activity Area:** Specific areas where the defined activities that lead to a quantifiable increase in carbon stocks are carried out



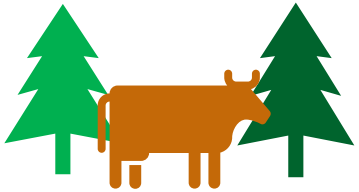
Project Activities Eligibility Criteria

Eligible Activities Include:

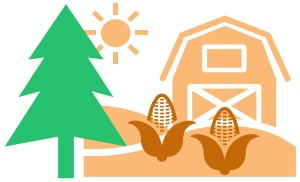
Reforestation



Improved Forest Management



Silvopastoral systems



Agroforestry systems

Urban Forests

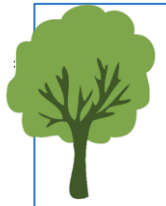
Restoration

Ineligible Activities Include:

Deforestation avoided

Environmental Safeguards

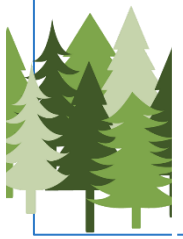
All projects must:



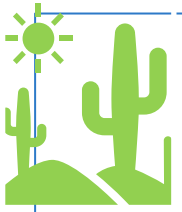
Maintain or increase carbon inventories

Use native species

Do not use matarraza* in more than 5 ha continuous



Not decreasing forest cover in the Project Area



Maintain natural soil cover

* Matarraza: It is a type of logging, popularly known as matarraza, which consists of cutting all the trees in an area and removing with heavy machinery those that are timber.

Section 3: Social Safeguards

Requirements for compliance with social safeguards include:

Free, prior and informed consent	• Have one or a series of assemblies where project issues are discussed before the vote • Have a vote to approve the project • In Panama, it is regulated in Law No. 37
Notification, Participation and Documentation	• Describe how assemblies are announced • Have spaces for participation • Publicly document assemblies
Project governance	• Identify a project coordinator to represent the community/ejido with the verifiers and the Reserve

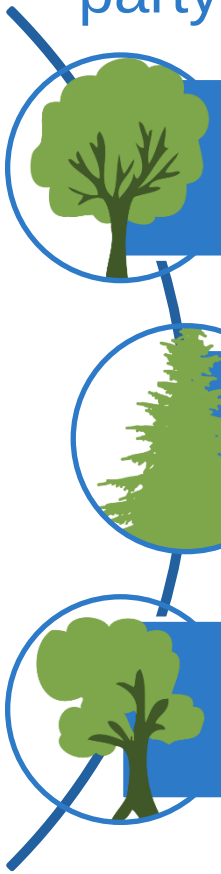
Forest Project Coordinator

The Forest Project Coordinator is the link between the Reserve and the Forest Owner and ensures the correct implementation of the protocol requirements:

- For social ownership, she or he must be a member of the community.
- For private property, it can be the owner himself or someone selected by him or her.

Project Developer

A Project Developer can be the Forest Owner himself or an independent third party contracted to assist in the implementation of the project:



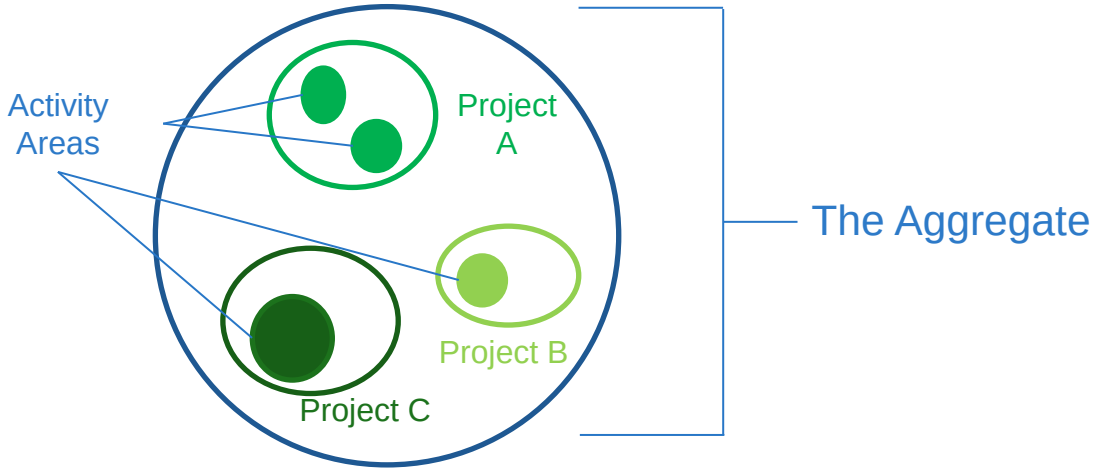
- The Forest Owner must give authorization to the Project Developer (unless it is the forest owner himself/herself)
- The Project Developer is not considered as the immediate owner or recipient of the credits or CRTs* (unless it is the same forest owner)
- The Forest Owner is responsible for the accuracy and completeness of the information presented.

*CRTs: Climate Reserve Tonnes

Aggregation

Aggregation allows small projects to register as a group or as an “aggregate”:

- Scale economies can help reduce costs
- Marketing of CRTs at a volume level can be promoted
- The Aggregator must submit the documentation on behalf of the participants.
- The Forest Owner is responsible for the accuracy and completeness of the information presented and the fulfillment of the project requirements.



Section 3.12: Additionality

A forest project is considered additional if it would not have been implemented without the incentives of the carbon market:

- Forest Projects must comply with:

Proof of Legal Requirements:

- Carbon that is generated beyond legal regulations.
- Attestation (Declaration) of Voluntary Implementation.

Performance Test:

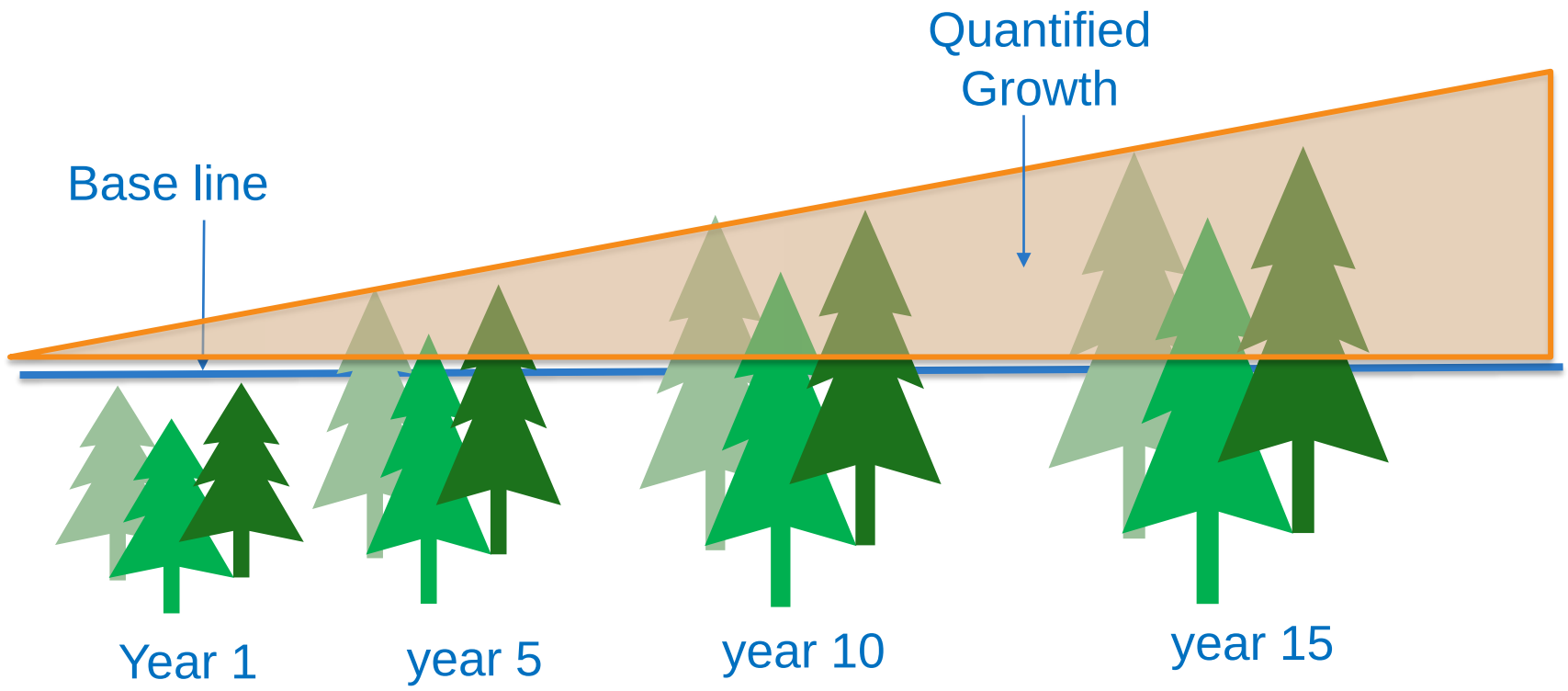
- It is based on evidence that there are risks to carbon inventories and forest cover conversion
- Carbon that is above baseline is additional
- Different methodologies for each type of activity

Quantification of Carbon Stocks

- Carbon stocks must be quantified within the Activity Areas
  - There are different methodologies according to the types of activity
- Activities of Improved Forest Management, Restoration, Reforestation, and Large Urban Forests must have a forest inventory in the field

Quantification of Carbon Stocks

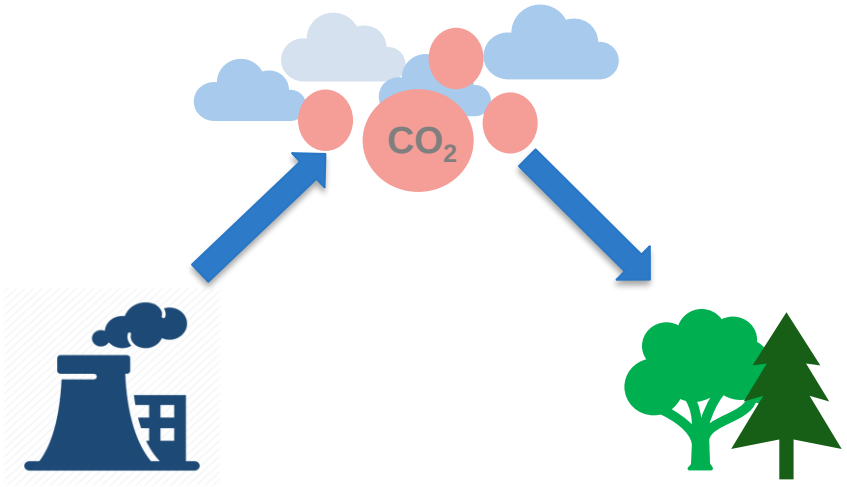
- Existing inventory at the start date is considered as the baseline
- The growth after the start date is quantified for carbon credits



Permanence

Forest projects must deliver climate benefits permanently:

- They must ensure that the tons of carbon are maintained for a defined period based on a permanence period of 100 years
- The maintenance of tons of carbon is guaranteed through the signing of a Project Implementation Agreement (contract)



Project Implementation Agreement

The Project Implementation Agreement is the contractual agreement between the Forest Owner and the Reserve:

- Establishes the obligations of the Forest Owner to comply with the requirements of the protocol
- The Forest Owner can define the commitment period
    - The Agreement can be renewed annually
    - Depending on the commitment period, the number of credits is stipulated

Inevitable reversal

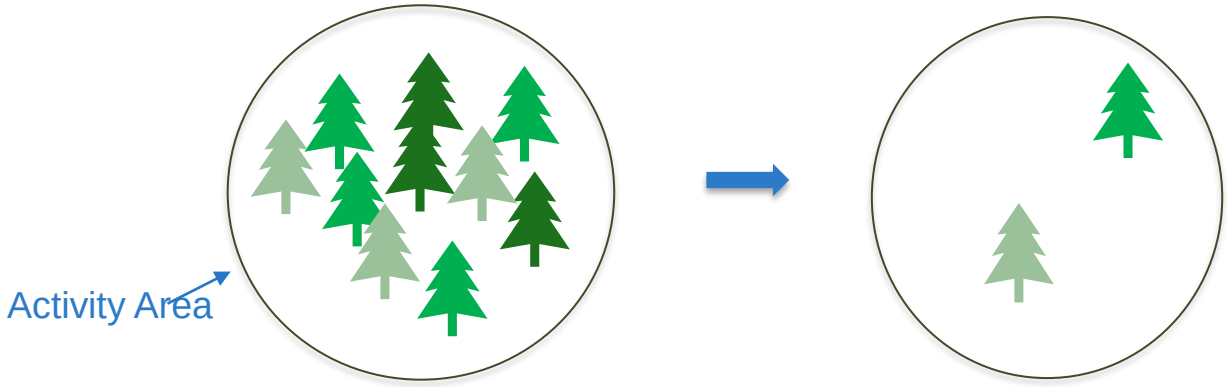
An Inevitable reversal that is not caused by the negligence or premeditation of a Forest Owner:

- For example: natural events such as fires and pests
- To compensate:
  - The Forest Project contributes a percentage of CRTs to an Assurance Fund each year that credits are issued
  - The Reserve manages the Assurance Fund and will withdraw an amount of CRTs equal to the number of tons affected by an unavoidable reversal
  - The Reserve returns a percentage of CRTs of the Assurance Fund over time to demonstrate compliance and Project implementation continuum

Avoidable Reversal

An Avoidable Reversal is one that is caused by the negligence or premeditation of a forest owner:

- For example: logging, development and damage to the Activity Area that reduce carbon stocks more than the total tons secured and issued as credits
- It is not covered by the Assurance Fund
- The Forest Owner is responsible for removing a number of CRTs equal to the number of tons affected by the avoidable reversal



Project Report

- The Form of Project Presentation: It is required to determine if the project meets the eligibility criteria
- Project Report: It is the main document describing the project and its compliance with the requirements of the protocol
- Annual Monitoring Report: It is the basis for reporting project updates annually
  - The carbon stocks must be updated each year. It requires the remeasurement of a percentage of the forest inventory

Verification Cycle

The verification refers to the inspection and review of project data, reported information, and eligibility criteria:

The Initial Verification

- Full Verification (requires site visit)
- Maximum 36 months from the start date
-

Complete verification

- Requires a site visit
- Required every 6 years
- Aggregate Projects: Required every 12 years

Desk Review Verification

- It is the optional annual verification of monitoring reports
- Required to receive credits prior to on-site verifications
- Less frequent for aggregate projects

SUMMARY AND NEXT STEPS

Timeline of protocol development

Next steps

- ***For interested parties:***
  - **Submit the Statement of Interest (SOI) for the Work Group before February 10**
  - Send an email to receive updates as an observer
  - Send us your feedback at any time
- ***To the reserve:***
  - Formation of the workgroup
  - Begin to write the draft protocol!!
  - First workgroup meeting, potentially March 2

QUESTIONS OR COMMENTS?

Send the SOI: Policy@climateactionreserve.org

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