

# California Tropical Forest Standard

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Once again leading the world with pioneering climate action, California is laying the groundwork to help protect tropical forests around the world by leveraging the state's climate program.

A [draft standard](#) proposed September 5, 2018 by the California Air Resources Board (CARB) sets out comprehensive requirements for large-scale programs to reduce emissions from tropical deforestation to be considered for crediting in California's cap-and-trade program.

Adoption of the standard by the Board would be a pivotal first step toward California becoming the first compliance carbon market in the world to recognize such credits. It would set a high bar for jurisdictions hoping to pursue that path.

## Deforestation's major contribution to climate change

Stopping deforestation is a critical step to avoiding dangerous global warming and to meeting the goals of the Paris Agreement. Gross emissions from tropical deforestation are responsible for 16-19% of the world's greenhouse gases. Another 8-11% would be removed from the atmosphere by sustaining tropical forest regrowth. Stopping deforestation and allowing forest regrowth would account for about 24-30% of global emissions – twice as much as the amount of pollution from the global transport sector.

Because forests are valued for their timber or as potential cropland and cattle pasture, the short-term economic pressure to deforest in the absence of incentives that value standing forest is high – particularly in tropical nations with large forest estates. But forests provide the critical global ecosystem service of storing carbon, as well as sustaining the livelihoods of indigenous and traditional forest communities. Cutting them down releases that carbon into the atmosphere, and destroys the basis of forest peoples' livelihoods and cultures.

Transforming the economic incentives to make forests more valuable alive than dead would be one of the most effective paths to lower global emissions in a way that protects the livelihoods of indigenous communities. Now California is on its way to doing just that.

## California's proposed standard

The [California Tropical Forest Standard](#) would set the bar for international jurisdictions with programs to reduce deforestation emissions, if they'd like to sell credits in California's cap-and-trade market. Credits issued would fall under the quantitative limit on offsets. Because this limit declines post-2020 and there are additional requirements on some offsets, the limit for these credits would be 2%.

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The proposed standard specifies rainforest credits are only allowed in California’s market if they meet certain criteria – e.g. indigenous peoples and forest communities have been engaged, and participants have shown they’ve reduced deforestation statewide and below historical levels.

Specifically, the California Tropical Forest Standard:

- “Applies to subnational jurisdictions implementing jurisdiction-scale sector-based crediting programs to reduce emissions from tropical deforestation and degradation.”
- Includes provisions “to ensure that any implementing jurisdiction has robust consultation, public participation, and participatory management requirements, in particular of local and indigenous communities. The provisions would require transparent documentation of this process, third party verification of such documentation, a grievance mechanism process, and benefits sharing requirements. These social and environmental safeguards would build on international best practice principles, criteria, and indicators.”
- Specifies “any implementing jurisdiction would need to ensure the permanence of any emission reductions... such that the environmental integrity of credits issued by a linked program is always maintained.”

## Global impact

If adopted, the California Tropical Forest Standard would become the high bar for other markets, as well as jurisdictions interested in accessing market-based finance.

To date no other jurisdiction has used its carbon market to create credits for protecting whole forest landscapes (across entire states or nations).

The slice of tropical forest emissions that California’s offset market could absorb is relatively small: these so-called “international sector-based offsets” and any other international credits would be limited to 2% of an entity’s annual compliance obligation, under offset limits defined by California’s legislature in 2017. However, the impact of the standard and the precedent is hard to overstate. There are about 4 billion net tons of tropical forest carbon around the world being burned off into the atmosphere year by year. Financial incentives to keep this carbon in the trees are minimal.

California is uniquely positioned to have a transformational influence in how forests are managed globally – and whether they continue to put billions of tons per year of pollution into the atmosphere. Or we can reverse that trend globally, and begin to drive forest recovery that removes additional carbon from the atmosphere and transitions the world to sustainable uses and conservation that also protects the livelihoods of forest-dependent communities.

Markets like California’s, which has proposed rigorous environmental and social standards, can catalyze high quality programs that are reducing emissions from deforestation while benefiting forest communities.

## Rainforest credits in action

One jurisdiction with such a program, which CARB notes would likely meet its criteria, is the state of Acre, Brazil.

Acre, in the western Brazilian Amazon, is an excellent example of how a comprehensive jurisdictional program to reduce deforestation works, and how the money from the credits can benefit communities and state efforts. A series of progressive governments in Acre has laid the groundwork for sustainable development over the last 20 years. From 2003–2017 Acre reduced state-wide deforestation about 76%, while increasing GDP and growing the agricultural economy.

Acre has used both command-and-control and incentive policies to control deforestation, investing in building sustainable value chains on already cleared land (e.g. fish farming, replacing cattle pasture, growing açai and other

tropical fruits, intensifying cattle ranching to create more value on less land). The state has also invested in sustainable value chains for indigenous and traditional forest communities, such as agroforestry systems and sustainable forest management, as well as building processing plants for the community-run Brazil nut collectors' cooperative that increase family income and have made Acre Brazil's largest producer.

Indigenous and traditional people participate in an international donor-funded program to compensate reduced deforestation statewide. Indigenous people used their share to develop territorial management plans for their lands in nearly all of the officially recognized and demarcated territories in the state, and to support recuperation of traditional cultures and celebrations. The state Incentive System for Environmental Services (SISA) includes robust safeguards of indigenous and forest peoples' rights adopted from the most highly regarded international standards, as well as inclusive participation in the program's development and implementation.

## A decade of research

California has been exploring rainforest offsets for 10 years.

- 2008: As a founding member of the Governors' Climate and Forests Task Force (GCF), a coalition of subnational governments working to combat climate change and reduce tropical deforestation, California has played an important role in spearheading strategic forest partnerships alongside key tropical forest states and provinces working to reduce deforestation.
- 2010: Through a Memorandum of Understanding between the states of California, Acre (Brazil), and Chiapas (Mexico), California helped advance technical standards on environmental and social requirements for jurisdictional programs that aim to receive carbon credits by working together with tropical forest governments and technical experts.
- 2013: The state's groundbreaking [cap-and-trade market](#) launched.
- 2013: An expert working group released comprehensive [recommendations](#) for how California could incorporate credits for reduced deforestation into its cap-and-trade system.
- 2015: CARB released a [white paper](#) addressing the history, status and next steps of its evaluation of sector-based crediting.
- 2016: CARB released a [technical paper](#) evaluating the potential for international sector-based offset credits in California's cap-and-trade program.
- 2016: CARB hosted a [workshop](#) that addressed sector-based crediting programs including Acre's, and requirements for social and environmental safeguards for potential linked sector-based offset programs.

## What happens next

- Beginning September 14, the public will have a minimum of 45 days to offer comments on the proposed standard.
- November 15, CARB will consider the standard at a public Board meeting.
- If the proposed standard is approved, CARB will need to bring the standard directly into its cap-and-trade program through a regulatory amendment. It would then determine which jurisdictions' programs are eligible for linkage with California's cap-and-trade program – i.e. which tropical forest states have the proper procedures in place to meet California's stringent requirements to sell credits in its market, before initiating a one-way "linkage," which would allow credits to flow.